

AUDIT FINDINGS PRESS RELEASE

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OFFICE OF THE UTAH STATE AUDITOR

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STATE OF UTAH
OFFICE OF THE UTAH STATE AUDITOR



TINA M. CANNON
UTAH STATE AUDITOR

OFFICE OF THE UTAH STATE AUDITOR IDENTIFIES INCOMPLETE PHARMACY REBATE REPORTING AND INVOICING TOTALING \$49.2 MILLION AT THE DEPARTMENT OF HEALTH AND HUMAN SERVICES

Independent Report Recommends Resolving Systemic Issues, Insuring Timely Reporting and Immediate Invoicing, and Collection of Pharmacy Rebates

Salt Lake City, UT—The Office of the Utah State Auditor (the Office) today released seven findings from its audit of several federal programs at the Department of Health and Human Services (DHHS). The most egregious of these findings is related to the pharmacy rebate reporting and invoicing requirement of the Medicaid program. The review identified significant deficiencies and noncompliance with federal requirements which led to an accumulated total of \$49.2 million in rebates owed to the state's Medicaid program by drug manufacturers. This lack of compliance with the statutory timeframe increases the chances that this money may not be collected.

Auditor Tina M. Cannon commented, "It is incumbent on DHHS to provide accurate and timely reporting regarding Medicaid programs and the funds associated with them. While systemic and vendor issues may have contributed to delays, that does not negate the responsibilities DHHS has to ensure that these rebates are invoiced and received. This issue began nearly three years ago and has not been resolved. The state is at risk to lose some, or all, of this nearly \$50 million rebate."

Federal law (42 U.S.C. § 1396r-8) requires state Medicaid agencies to report drug utilization data—including data from managed care plans—to drug manufacturers and to invoice manufacturers for rebates within 60 days following the end of each rebate period. The review found that DHHS did not report all required pharmacy rebate information or send all rebate invoices to manufacturers within the required statutory timeframe. DHHS implemented a new claims system (PRISM) in April 2023 and since that time the agency has not been able to send rebate invoices to drug manufacturers. This unclaimed rebate manufacturers owe to DHHS for fiscal year 2025 is \$23.2 million and now totals \$49.2 million in aggregate, since the backlog began.

The other six audit findings relate to deficiencies with internal controls and noncompliance at the federal program level, which the Office will report under Uniform Guidance, the federal government's unified set of rules for managing federal grants and audits of state governments.

The full report is available on the Office of the Utah State Auditor's website at <https://reporting.auditor.utah.gov/servlet/servlet.FileDownload?file=015Do000000rXIHIAU>.

About the Office of the Utah State Auditor:

The Office of the Utah State Auditor provides Utah taxpayers and government officials with an independent assessment of financial operations, statutory compliance, and performance management, including the development of Transparent.Utah.Gov, for state and local government. The State Auditor is a Constitutional Officer of the Executive Branch of government for the State of Utah. Learn more about the Office of the Utah State Auditor at auditor.utah.gov.

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