

Audit Report

Maryland Department of Aging

March 2011



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

March 29, 2011

Karl S. Aro
Executive Director

Bruce A. Myers, CPA
Legislative Auditor

Delegate Guy J. Guzzone, Co-Chair, Joint Audit Committee
Senator James C. Rosapepe, Co-Chair, Joint Audit Committee
Members of Joint Audit Committee
Annapolis, Maryland

Ladies and Gentlemen:

We have audited the Maryland Department of Aging (MDOA) for the period beginning November 1, 2007 and ending June 30, 2010. MDOA is responsible for identifying the needs of the State's elderly and ensuring that those needs are met through a comprehensive network of accessible services at the local level. MDOA has divided the State into 19 geographical regions and each region is served by a local Area Agency on Aging (AAA), which is either a local government agency or a nonprofit organization.

Our audit disclosed that MDOA did not adequately monitor the timeliness of eligibility determinations and annual redeterminations related to the Home and Community-Based Services Medicaid Waiver for Older Adults Program. Monthly reports used by MDOA to monitor these items did not identify all determinations and redeterminations that were overdue. In addition, MDOA did not adequately monitor the local AAAs to ensure the proper cut-off of benefits when an eligible senior transferred from a State care program to the Medicaid Waiver for Older Adults program.

Annual financial reviews of AAAs were not adequately documented to provide assurance that State grant funds were spent in accordance with grant awards. Additionally, MDOA could not support its basis for allocating grant funds to the AAAs for the State-funded Senior Care Program. Finally, we noted access and monitoring control deficiencies over the billing database used for the Medicaid Waiver Program.

The MDOA response to the audit is included as an appendix to the report. We wish to acknowledge the cooperation extended to us during the audit by MDOA.

Respectfully submitted,

Bruce A. Myers, CPA
Legislative Auditor

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Background Information

Agency Responsibilities

The Maryland Department of Aging (MDOA) is responsible for identifying the needs of the State's elderly and ensuring that those needs are met through a comprehensive network of accessible services at the local level. MDOA has divided the State into 19 geographical regions. Each region is served by a local Area Agency on Aging (AAA), which is either a local government agency or a nonprofit organization. The AAAs operate in partnership with the MDOA to deliver program services to the elderly that promote and enhance choice, independence, and dignity. According to the State's records, MDOA expenditures totaled approximately \$55.4 million during fiscal year 2010. Additionally, expenditures for provider payments for the Home and Community-Based Services Medicaid Waiver for Older Adults Program, which MDOA administers in conjunction with the Department of Health and Mental Hygiene, totaled approximately \$93 million and \$83 million during fiscal years 2009 and 2010, respectively; these expenditures are according to the records of the Department of Health and Mental Hygiene, where they are budgeted.

Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of the ten findings contained in our preceding audit report dated June 17, 2008. We determined that MDOA satisfactorily addressed nine of the findings. The remaining finding is repeated in this report.

Findings and Recommendations

Monitoring of the Local Area Agencies on Aging (AAA)

Background

The local Area Agencies on Aging (AAAs) operate in partnership with the Maryland Department of Aging (MDOA) to deliver program services to the elderly that promote and enhance choice, independence, and dignity. These program services are typically delivered through the Home and Community-Based Services Waiver for Older Adults Program (referred to as the Medicaid Waiver for Older Adults Program) and State grant programs. MDOA retains oversight responsibility for these programs, but generally, case management is delegated to the AAAs, which includes eligibility assessment and ongoing case management.

The Department of Health and Mental Hygiene (DHMH), in conjunction with MDOA, administers the Medicaid Waiver for Older Adults Program. Under the federally approved waiver, states can develop community-based alternatives to placing Medicaid-eligible individuals in nursing facilities. However, the cost of care cannot exceed the average annual cost of providing Medicaid services in a nursing facility. In fiscal year 2010, the average annual cost of providing Medicaid services in a nursing facility was \$70,222, as calculated by DHMH. These Medicaid covered services include, but are not limited to, assisted living, personal care, home-delivered meals, and environmental modifications. During fiscal years 2009 and 2010, payments for covered services totaled \$93 million and \$83 million, respectively, according to reports prepared by DHMH, and the Program served 3,508 participants in fiscal year 2009. Payments for covered services are included in DHMH's budget, and DHMH is responsible for processing payments based on provider claims information submitted by MDOA and recovering the related federal funds. Funding for the Program is generally shared evenly between federal funds and State general funds.

In addition to the Medicaid Waiver for Older Adults Program, MDOA awards State grants to the AAAs to provide services through numerous programs, including the Senior Assisted Living Group Home Subsidy program (SALGHS) and the Senior Care program.¹ SALGHS offers a subsidy to eligible seniors to help offset the cost of assisted living services. The Senior Care program offers services such as personal care, adult day care, home-delivered meals, and medical transportation. Seniors may eventually qualify to transfer from a State grant

¹ Individuals generally must be aged 62 or older to qualify for the SALGHS program and aged 65 or older to qualify for Senior Care program.

program to the Medicaid Waiver for Older Adults program under certain circumstances (such as, decreased income or increased health care needs).

According to MDOA's records, during fiscal year 2010, State grant awards totaled approximately \$17.5 million; of these total awards, approximately \$3.1 million was for the SALGHS program, approximately \$7.3 million was for the Senior Care program, and the remaining \$7.1 million was for smaller grant programs. According to MDOA's records, approximately 3,850 seniors were estimated to receive services through the Senior Care and SALGHS programs during fiscal year 2010.

Finding 1

MDOA did not adequately monitor the timeliness of Medicaid Waiver Program eligibility determinations and annual redeterminations.

Analysis

MDOA did not effectively monitor the timeliness of initial eligibility determinations for Medicaid Waiver for Older Adults Program applicants and of annual eligibility redeterminations for Program participants. At the time of application, seniors applying for waiver services may or may not be in a State-funded program providing similar services, such as Senior Care and SALGHS. For the seniors receiving State-funded services, a delay in initial eligibility determinations may result in the unnecessary use of State funds. For the seniors not receiving State-funded services, a delay may result in seniors not receiving needed services. Timely redeterminations ensure that participants continue to be physically and financially eligible for services. During our review, we noted the following deficiencies:

- MDOA uses an automated tracking system to monitor the progress of initial Medicaid Waiver for Older Adults Program eligibility determinations and annual redeterminations. MDOA generates monthly monitoring reports of the status of pending waiver applications and past due annual redeterminations from the tracking system. However, these reports identify only past due items from the previous month and not those from prior months. Specifically, the reports were designed to only capture those applications received in the previous month that are pending approval and outstanding redeterminations due in the previous month. MDOA sends these inadequate monitoring reports to the AAAs monthly for review and follow-up.

After we brought this reporting deficiency to MDOA's attention, MDOA modified its monitoring report. According to the modified report, which we did not test, as of November 30, 2010, for the period from October 2009

through October 2010, there were 284 pending applications. In contrast, the original monthly monitoring report for October 2010 only identified 96 pending applications. Of the 284 pending applications, the modified report indicated that 235 pending applications did not have eligibility determinations made within 45 days of the application receipt date as required by DHMH policy. As of November 30, 2010, the AAAs had received these pending applications up to nine months earlier.

- Using the monthly monitoring reports, the AAAs record case notes in the automated tracking system to document the reasons for the delays in processing the eligibility determinations and redeterminations. However, MDOA did not document its review of the case notes as a means to ensure appropriate action was being taken by the AAAs.

AAAs are responsible for receiving waiver applications and coordinating physical and financial waiver eligibility determinations with other entities (such as DHMH's Division of Eligibility Waiver Services); however, it is MDOA's responsibility to oversee the program activities performed by the AAAs. The lack of adequate monitoring of the timeliness of initial eligibility determinations and annual redeterminations was commented on in our two preceding audit reports. It should be noted that, in the prior report, DHMH's written policy was more stringent, requiring that eligibility determinations be made within 30 days of the application dates.

Recommendation 1

We recommend that MDOA exercise appropriate oversight to ensure that initial eligibility determinations and annual redeterminations are properly completed within appropriate time frames (repeat). Specifically, we recommend that MDOA

- a. revise its monthly monitoring reports to identify all initial eligibility determinations that exceed 45 days and all past due redeterminations, and**
- b. document its monitoring of the efforts of the AAAs to conduct timely eligibility determinations and redeterminations and retain documentation for future audit verification.**

Finding 2

MDOA did not adequately monitor AAAs to ensure the proper cut-off of benefits when an eligible senior transferred from State care programs to the Medicaid Waiver for Older Adults Program.

Analysis

MDOA did not adequately monitor the AAAs regarding the transition of eligible seniors from either the Senior Care or the SALGHS programs to the Medicaid Waiver for Older Adults Program to ensure that any State funds paid during periods of overlapping eligibility were identified and recovered. Specifically, during the application process for the Waiver Program, participants continue to receive State grant program benefits; however, once a participant is determined eligible for the Waiver Program, State grant program payments should be discontinued. Providers could receive payments from the AAA for a participant for both the State grant and the Waiver program if the senior has not been properly cut off from the State grant. According to State regulations, payments for the Waiver Program for covered services may not supplement or be supplemented with payments from other sources, including State-funded programs. Our review disclosed the following monitoring deficiencies:

- MDOA did not have a process to identify and review seniors who transferred from the Senior Care program to the Medicaid Waiver for Older Adults program to ensure that there was proper cut-off or recovery of State funds for overlapping services. Although MDOA conducts annual monitoring reviews of each AAA, these reviews were not adequate to determine if proper cut-off and recovery occurred since MDOA only reviews a small percentage of the total program participants (approximately 5 percent).

We compared records of 385 Senior Care participants obtained from two AAAs for fiscal year 2010 with MDOA's records of Waiver participants. This comparison revealed that the enrollment for 16 Senior Care participants overlapped the period for enrollment in the Waiver program. Specifically, 11 participants were still enrolled in both programs and 5 participants, that were no longer in the Senior Care program, had previous coverage in both programs that overlapped between 22 and 1,316 days. Because MDOA did not retain detail records for each participant and the AAAs could not provide timely information regarding participant payments at the time of our review, we could not determine the extent to which State funds were used for these 16 Senior Care participants during the overlapping periods.

- MDOA required the 17 AAAs that received SALGHS funding to provide quarterly reports of SALGHS participants who transferred to the Waiver Program and to identify any State funds that should be recovered; however, MDOA did not ensure that these AAAs submitted the required reports. Our review of MDOA's records of quarterly reports submitted by these 17 AAAs for fiscal year 2009 and for the first three quarters of fiscal year 2010 disclosed that, as of July 2010, 10 AAAs, receiving SALGHS grants totaling approximately \$1 million in fiscal year 2010, did not submit any of the required reports. Additionally, for the remaining 7 AAAs that did report, none of them provided the required reports for every quarter. (Note that these 7 AAAs identified State funds totaling approximately \$1,150 as needing to be recovered.) MDOA could not provide documentation of attempts to obtain the missing reports from the AAAs. Although MDOA management personnel advised it may withhold grant funds from AAAs for failure to comply with grant reporting requirements, we were advised that MDOA has not withheld any grant funds from the AAAs.

Recommendation 2

We recommend that MDOA

- a. establish a process to periodically (such as, quarterly reporting by AAAs) identify seniors who transferred from the Senior Care program to the Medicaid Waiver for Older Adults program,**
- b. ensure that AAAs provide the required quarterly reports on seniors who transferred from the SALGHS to the Medicaid Waiver for Older Adults program and take appropriate action when reports are not submitted (such as, withholding grant funds), and**
- c. ensure that the AAAs properly identify and recover any State funds that were paid during overlapping periods in which seniors transfer from a State-funded program to the Medicaid Waiver for Older Adults Program.**

Finding 3

MDOA lacked a comprehensive policy to ensure that annual financial reviews of AAAs were subject to supervisory review and contained adequate documentation to ensure that State grant funds were spent in accordance with the grant award documents.

Analysis

Although MDOA conducts annual financial reviews of the AAAs to ensure that State grant funds awarded were spent in accordance with the related award document and other applicable requirements, our test of the fiscal year 2009 reviews found them to be poorly documented and not approved by supervisory personnel. Furthermore, MDOA lacked a comprehensive policy defining the scope of the reviews.

Our review of MDOA's completed 2009 financial reviews for 18 of the 19 AAAs that received grant awards (one review was still in progress) disclosed that these reviews generally concluded that there were no findings. However, MDOA lacked sufficient documentation and supervisory approval to support this conclusion. For example, the test objectives, scope, and conclusions were not always documented, and the extent to which the procedures were reviewed or transactions were tested was also not documented. Of the 18 financial reviews tested, 14 financial reviews contained evidence of limited expenditure testing and the remaining 4 contained no documentation that any grant expenditures were tested. Due to the general lack of documentation and approval of the work performed, there is limited assurance that the grant funds were spent in accordance with the grant agreements.

The inadequate review documentation was caused, at least in part, by the lack of a comprehensive financial review policy. According to MDOA's *AAA Monitoring and Assessment Policy*, MDOA is responsible for monitoring grantees to ensure that grant funds are requested and expended in accordance with grant requirements and for eligible purposes; while the policy requires annual performance and fiscal monitoring and assessment visits, it does not contain specific procedures on how to conduct a financial review to ensure that grant funds are properly requested and expended.

Recommendation 3

We recommend that MDOA

- a. develop a comprehensive policy that clearly defines the objectives and scope of its AAA annual financial reviews,**

- b. require that sufficient grant expenditures and source documents are reviewed to provide assurance that grant funds were expended in accordance with grant requirements and for eligible purposes, and
- c. adequately document and properly approve work of the reviews in accordance with the comprehensive policy.

State Grants Allocation to the AAAs

Finding 4

MDOA could not support its basis for the allocation of Senior Care program grants to the AAAs, and the allocation has remained unchanged since 2003.

Analysis

MDOA could not support its basis for allocating Senior Care program grants to the AAAs. While MDOA provided us with a draft formula, the grant amounts awarded during our audit period were not made in accordance with this formula. We were advised by MDOA management that the same grant allocation formula has been used since 2003 and that each AAA grant has continued to be based on the same percentage; however, it could not provide the basis for the allocation. In this regard, we confirmed that the allocation to each AAA for fiscal years 2008, 2009, and 2010 has remained unchanged.

Consequently, AAAs may not be awarded funds in a manner that maximizes their impact on aging needs in Maryland. For example, based on our review, the fiscal year 2009 allocations were not based on the relative numbers of seniors enrolled in the program. Specifically, we determined that five AAAs that received grant funds totaling approximately \$3 million, or 42 percent of total grant funds, served approximately 900 seniors, or 27 percent of all seniors. Conversely, five other AAAs received grant funds totaling approximately \$2.2 million, or 30 percent of the total grant funds, but served approximately 1,460 seniors, or 45 percent of all seniors. Although there may be a valid reason for the allocations (such as the differences in level of services in each AAA), MDOA management could not provide an explanation.

According to MDOA policy, which is based on State law, MDOA is required to allocate funds in a manner that maximizes its impact on aging needs in Maryland. The Senior Care program is the largest State grant program administered by MDOA and during our audit period, MDOA awarded Senior Care program grants totaling approximately \$21.6 million (approximately \$7.2 million annually) to the AAAs. According to MDOA records, an estimated 3,300 seniors were served by

this program during fiscal year 2010 and, as of October 2009, approximately 2,600 seniors were on a waiting list to receive services.

Recommendation 4

We recommend that MDOA

- a. establish an allocation formula that maximizes the impact on aging needs in Maryland, and**
- b. allocate the Senior Care grant funds in accordance with the formula and retain the related documentation.**

Information Systems Security and Control

Background

MDOA maintains its own Medicaid billing system, which is used for its Medicaid Waiver for Older Adults Program. The Medicaid billing system is used to record, process, and transmit health care provider claims to DHMH's Medicaid Management Information System (MMIS II); MMIS II is used to process these claims for payment based on the eligibility of the providers and the recipients.

Finding 5

Access, authentication, and monitoring controls over the Medicaid billing system were inadequate.

Analysis

Access, authentication, and monitoring controls over the MDOA Medicaid billing system were inadequate. Specifically, we noted the following conditions:

- Eight users had unnecessary direct modification access to critical database directories and files that contain Medicaid Waiver billing data. Accordingly, unauthorized changes to these data could occur.
- Account and password controls at the network, application, and database levels did not comply with requirements of the Department of Information Technology's (DoIT) *Information Security Policy*. For example, password complexity requirements were not enforced at the network and database levels.
- MDOA's Medicaid Waiver billing database was not configured to generate reports of direct modifications to critical database tables. As a result, direct modifications to these critical tables would not be subject to management's review.

Recommendation 5

We recommend that MDOA

- a. restrict direct access to critical Medicaid Waiver database directories and files to only those individuals requiring such access,**
- b. enforce account and password controls in accordance with the DoIT *Information Security Policy* requirements, and**
- c. configure the billing database to generate reports of direct modifications to critical database tables and perform documented reviews of these reports.**

Audit Scope, Objectives, and Methodology

We have audited the Maryland Department of Aging (MDOA) for the period beginning November 1, 2007 and ending June 30, 2010. The audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

As prescribed by the State Government Article, Section 2-1221 of the Annotated Code of Maryland, the objectives of this audit were to examine MDOA's financial transactions, records, and internal control, and to evaluate its compliance with applicable State laws, rules, and regulations. We also determined the status of the findings contained in our preceding audit report.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of materiality and risk. The areas addressed by the audit include State grant programs, Medicaid Waiver for Older Adults program, federal fund reimbursements, procurement and disbursements, payroll, and critical information technology systems. Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of MDOA operations. We also tested transactions and performed other auditing procedures that we considered necessary to achieve our objectives. Data provided in this report for background or informational purposes were deemed reasonable, but were not independently verified.

Our audit did not include an evaluation of internal controls for federal financial assistance programs and an assessment of MDOA's compliance with federal laws and regulations pertaining to those programs, because the State of Maryland engages an independent accounting firm to annually audit such programs administered by State agencies, including MDOA.

MDOA's management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records, effectiveness and efficiency of operations including safeguarding of assets, and compliance with applicable laws, rules, and regulations are achieved.

Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of

internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

Our reports are designed to assist the Maryland General Assembly in exercising its legislative oversight function and to provide constructive recommendations for improving State operations. As a result, our reports generally do not address activities we reviewed that are functioning properly.

This report includes findings that we consider to be significant deficiencies in the design or operation of internal control that could adversely affect MDOA's ability to maintain reliable financial records, operate effectively and efficiently, and/or comply with applicable laws, rules, and regulations. Our report also includes findings regarding significant instances of noncompliance with applicable laws, rules or regulations. Other less significant findings were communicated to MDOA that did not warrant inclusion in this report.

MDOA's response to our findings and recommendations is included as an appendix to this report. As prescribed in the State Government Article, Section 2-1224 of the Annotated Code of Maryland, we will advise the Department regarding the results of our review of its response.

APPENDIX

Martin J. O'Malley
Governor

Gloria G. Lawlah
Secretary



DEPARTMENT OF AGING
Choice, Independence and Dignity

Anthony G. Brown
Lt. Governor

March 24, 2011

Bruce A. Myers
Legislative Auditor
Department of Legislative Services
Office of Legislative Audits
Maryland General Assembly
301 West Preston Street, Room 1202
Baltimore, MD 21201

Dear Mr. Myers:

Enclosed is our response to the draft audit report on the Maryland Department of Aging for the period beginning November 1, 2007 and ending June 30, 2010. We appreciate the opportunity to respond and are committed to addressing all of the findings and recommendations in the report.

If you have any questions concerning our responses, please contact Lisa Williams, Deputy for Operations, at 410-767-1089 or alw@ooa.state.md.us.

Sincerely,

A handwritten signature in black ink, appearing to read "Gloria Lawlah".

Gloria Lawlah
Secretary

Attachment

cc: Ilene Rosenthal, Deputy Secretary, MDoA
Lisa Williams, Deputy of Operations

Finding 1

MDOA did not adequately monitor the timeliness of Medicaid Waiver Program eligibility determinations and annual redeterminations.

Recommendation 1

We recommend that MDOA exercise appropriate oversight to ensure that initial eligibility determinations and annual redeterminations are properly completed within appropriate time frames (repeat). Specifically, we recommend that MDOA

- a. revise its monthly monitoring reports to identify all initial eligibility determinations that exceed 45 days and all past due redeterminations, and**
- b. document its monitoring of the efforts of the AAAs to conduct timely eligibility determinations and redeterminations and retain documentation for future audit verification.**

MDoA Response

- Between October 2009 to October 2010, a total of 1603 applications were processed or in process. Of those, 276 remained pending. The remaining 1327 applications were determined either eligible or ineligible.
- The audit inspection was not a random test of all applications, but rather focused upon those applications that were initiated during the audit period and were not complete at the time of the audit, representing only 15% of the total applications processed. Many of the pending applications are among the most difficult to process for a number of reasons not always within the control of the Department or the Area Agency on Aging.
- Eighty percent, or 221 of the pending applications reviewed during the audit, were for individuals in nursing homes seeking community-based eligibility, which requires a separate eligibility process and determination through the Department of Health and Mental Hygiene. The pool of applications from residents of nursing homes has been increasing due to the successful implementation of the Money Follows the Person Demonstration Project which provides outreach and assistance to people who have been covered by Medicaid in nursing homes for three months or longer and who wish to transition back to community care. These applications are among the most difficult to process due to a combination of applicant competency issues, the availability of a representative, and the requirement that all of the needed supports for transition are in place prior to the date of eligibility, including community housing and needed in-home and community services. MDoA agrees that eligibility determinations should be completed within appropriate time frames believes that all state and local agencies must continue to work toward minimizing the delays. Although MDoA recognizes the need to

accelerate the application process for individuals seeking to transition from a nursing home, it should be noted that the delays associated with applications from nursing home residents do not subject applicants to the risk of inadequate service for the individual, as they are receiving needed services in an institutional setting.

- MDoA agrees with the recommendation to revise its monthly monitoring reports to identify all initial eligibility determinations that exceed 45 days and all past due redeterminations and has made these changes. MDoA has also revised procedures for documenting its monitoring efforts. Currently, monitoring reviews of the Area Agency on Aging Waiver administration includes a review of the time for processing applications and documentation of the reasons for any delay. When delays are identified, the Area Agency on Aging receives a lower monitoring score and the agency is required to respond with corrections within 60 days of the exit interview. The importance of timely application turnaround and detailed documentation of delays will be discussed with the Area Agency on Aging Directors at the May 2011 AAA Directors meeting. In the future, failure to adequately document the reason for delays will result in withholding of reimbursement. Subsequent to the Director's meeting, a conference call will be convened with AAA Directors and Waiver Case Managers to review the process for documentation and the new policy of withholding reimbursement. This process will be implemented for all reviews beginning in June, 2011.

Finding 2

MDOA did not adequately monitor AAAs to ensure the proper cut-off of benefits when an eligible senior transferred from State care programs to the Medicaid Waiver for Older Adults Program.

Recommendation 2

We recommend that MDOA

- a. establish a process to periodically (such as, quarterly reporting by AAAs) identify seniors who transferred from the Senior Care program to the Medicaid Waiver for Older Adults program,**
- b. ensure that AAAs provide the required quarterly reports on seniors who transferred from the SALGHS to the Medicaid Waiver for Older Adults program and take appropriate action when reports are not submitted (such as, withholding grant funds), and**
- c. ensure that the AAAs properly identify and recover any State funds that were paid during overlapping periods in which seniors transfer from a State-funded program to the Medicaid Waiver for Older Adults Program.**

MDoA Response

There were no instances where Medicaid Waiver and Senior Care both paid for the same service. Furthermore, there is no prohibition against supplementing Waiver services with additional

services from State care programs when the needs of the client require services that are not available through Medicaid. Of the seventeen clients identified as transfers from Senior Care to Waiver, Senior Care paid for liquid supplements, one-time only dental services and medicine co-pays. These services are not covered by the Waiver program or Medicaid for this population.¹

To capture additional program information on seniors who transfer from Senior Care to the Waiver, a new spreadsheet has been developed that will provide, by client, types of service(s) received, Senior Care start/stop dates, Waiver enrollment date and data on recovery of funds, if necessary. The spreadsheet will be in addition to the current Senior Care Quarterly Report forms and will be a requirement as of July 1, 2011.

Beginning with FY'11, MDoA implemented a policy of withholding quarterly SALGHS payments to the Area Agencies on Aging until all required quarterly reports have been received. One of the quarterly report forms requires the AAA to identify seniors transferring from the program to waiver, whether SALGHS funds need to be recovered and, for funds requiring recovery, the status of the recovery. We will again review this policy with the AAA Directors and program coordinators in May of 2011. For FY'09 and FY'10, there are no funds that still need to be recovered.

Finding 3

MDOA lacked a comprehensive policy to ensure that annual financial reviews of AAAs were subject to supervisory review and contained adequate documentation to ensure that State grant funds were spent in accordance with the grant award documents.

Recommendation 3

We recommend that MDOA

- a. develop a comprehensive policy that clearly defines the objectives and scope of its AAA annual financial reviews,**
- b. require that sufficient grant expenditures and source documents are reviewed to provide assurance that grant funds were expended in accordance with grant requirements and for eligible purposes, and**
- c. adequately document and properly approve work of the reviews in accordance with the comprehensive policy.**

MDoA Response

MDoA's annual financial reviews of State and Federal grant awards are currently conducted as prescribed by the Department's AAA Monitoring and Assessment Policy. The MDoA Fiscal Assessment Form serves as the basis for the performance of the fiscal assessment audit for the

¹ **Auditor's Comment:** In its response, MDOA states that there is no prohibition against supplementing Medicaid Waiver services with additional services from State grant programs when the needs of the participant require services that are not available through the Medicaid Waiver for Older Adults Program. While we agree, without an established process to monitor the AAAs, there is no assurance that any payments made during overlapping periods either are related to these allowable supplemental services or, if duplicative, are recovered.

AAA financial records and the selection of source documents is determined based on the reconciliation of State and Federal grant payments received by the AAA back to the AAA's documentation and records.

MDoA's current audit function is comprised of one (1) Internal Auditor. Therefore, due to an increase in federal grants awarded to MDoA, the Department will develop an Audit Division. The Audit Division will report directly to the Deputy of Operations and the staff capacity will increase to an additional Internal Auditor and Audit Coordinator.

Also, MDoA is currently in the process of developing an MDoA Internal Control and Risk Assessment Document that will serve as a revised comprehensive policy that clearly defines the objectives and scope of its AAA annual financial reviews. This newly created document will require the appropriate internal control checklist, testing, and risk assessment factors to assure that grant funds are expended in accordance with grant requirements. The MDoA Internal Control and Risk Assessment Document will identify items reviewed to ensure grant funds are expended for eligible purposes. All completed audits will be reviewed by and under the signature authority of the Chief Fiscal Officer and Deputy of Operations.

Anticipated Completion Date: September 2011

Finding 4

MDOA could not support its basis for the allocation of Senior Care program grants to the AAAs, and the allocation has remained unchanged since 2003.

Recommendation 4

We recommend that MDOA

- a. establish an allocation formula that maximizes the impact on aging needs in Maryland, and**
- b. allocate the Senior Care grant funds in accordance with the formula and retain the related documentation.**

MDoA Response

The Senior Care allocation is based on the percentage of seniors that reside in each jurisdiction, as well as the percentage of low-income seniors by jurisdiction. We believe this formula maximizes the impact on aging needs in Maryland. In FY'12, funds will be allocated based on the current methodology using 2010 census data. The methodology will also include a hold harmless factor in order to avoid termination of services to current beneficiaries.²

² **Auditor's Comment:** In its response, MDOA states that its allocation of Senior Care program grants is based on the percentage of senior residents and low-income senior residents in each jurisdiction and that it believes this basis maximizes the impact on aging needs in Maryland. However, as noted in the audit report, MDOA had no documented allocation formula to support the grant allocations for fiscal years 2008, 2009, and 2010, and the allocations were the same during these years.

Finding 5

Access, authentication, and monitoring controls over the Medicaid billing system were inadequate.

Recommendation 5

We recommend that MDOA

- a. restrict direct access to critical Medicaid Waiver database directories and files to only those individuals requiring such access,**
- b. enforce account and password controls in accordance with the DoIT *Information Security Policy* requirements, and**
- c. configure the billing database to generate reports of direct modifications to critical database tables and perform documented reviews of these reports.**

MDoA Response

The eight users have had their access rights removed from this folder and all files contained within that folder. Access is now restricted to only those individuals requiring such access.

Password complexity issues were added to the Medic Aid Waiver Billing software by the vendor as noted below:

- a. Minimum password age has been changed to two days
- b. Password must contain an uppercase letter and that is not the first letter
- c. Password must contain at least one number
- d. Password must be at least 8 characters in length
- e. Password cannot have repeating characters
- f. Employee lockout after three password attempts. A ten minute wait was added and a pop-up window will alert the user that they need to wait ten minutes before trying again. A pop-up box will let the user know the amount of time remaining if they try again before the ten minute time elapses.
- g. Password may not be one of the last ten password used for that staff person.

Due to the limitations of our file server platform, we cannot enforce all of the complexities required by the DoIT security manual. A software solution is available from the vendor to address this issue but its cost prohibited us from purchasing it at this time. We are currently in the process of migrating from the existing platform to one that is Microsoft based. The IT team will complete this project over the next year as funds become available.

According to the vendor, the Medicaid Waiver billing database produces two log files that maintain a listing of changes made to the system by users and administrators. MDoA will have discussions with the vendor to see if this can be remedied by having a report generated through the RDBMS. Time line for completion of this is approximately 1 year from now.

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