

Audit Report

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**Maryland Department of Aging**

June 2008

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**OFFICE OF LEGISLATIVE AUDITS**  
**DEPARTMENT OF LEGISLATIVE SERVICES**  
**MARYLAND GENERAL ASSEMBLY**

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Karl S. Aro  
Executive Director

DEPARTMENT OF LEGISLATIVE SERVICES  
OFFICE OF LEGISLATIVE AUDITS  
MARYLAND GENERAL ASSEMBLY

Bruce A. Myers, CPA  
Legislative Auditor

June 17, 2008

Senator Verna L. Jones, Co-Chair, Joint Audit Committee  
Delegate Steven J. DeBoy, Sr., 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 January 12, 2005 and ending October 31, 2007.

Our audit disclosed that MDOA did not effectively monitor certain Waiver for Older Adults Program responsibilities delegated to the local Area Agencies on Aging (AAAs), including ensuring that the proper services were provided and authorized, and that participant eligibility determinations and annual redeterminations were performed timely. Additionally, audits of the AAAs and providers were not always performed timely or were not adequately performed and documented. MDOA's Waiver Program served over 3,500 seniors during fiscal year 2007; related provider payments totaled \$72.9 million.

Our audit also disclosed that requests for reimbursement of federal fund expenditures were not processed timely, resulting in the loss of interest income to the State of approximately \$811,000. In addition, timely annual financial reviews of State and federal grants to the AAAs were not performed for fiscal years 2005 through 2007, and MDOA did not adequately review the monitoring activities delegated to the AAAs for certain State grants.

We also noted other deficiencies with respect to the payment of provider invoices, cash receipts, and the security over the information systems used for claims payment processing.

Respectfully submitted,

Bruce A. Myers, CPA  
Legislative Auditor



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# Executive Summary

## Legislative Audit Report on Maryland Department of Aging (MDOA) June 2008

- **MDOA did not adequately monitor certain Program responsibilities delegated to the local Area Agencies on Aging (AAAs). As a result, MDOA lacked assurance that services received by participants were cost neutral, that services received were authorized, and that participant eligibility determinations and redeterminations were performed timely.**

MDOA should implement procedures to effectively monitor activities delegated to the AAAs.

- **MDOA had not established adequate internal control over the processing of provider payments to ensure that all payments were properly authorized.**

An independent employee should verify the propriety of provider payments.

- **MDOA did not always conduct audits of AAAs timely, and audits of AAAs and providers were not always adequately performed and documented. For example, the scope and objectives of the audits were not always clearly defined and specific audit procedures performed during the audits were not adequately documented.**

MDOA should conduct audits of AAAs annually, and should ensure that audits of AAAs and providers are adequately performed and documented.

- **Federal fund expenditures were not recovered in a timely manner, resulting in lost interest income to the State of approximately \$811,000.**

MDOA should ensure that requests for Federal fund reimbursement are made timely.

- **MDOA did not adequately monitor grants awarded to the AAAs and did not adequately review program activities delegated to the AAAs. For example, as of January 2008, MDOA had not initiated any annual financial reviews of grants awarded during fiscal year 2007. Grant expenditures during this year totaled \$43 million.**

MDOA should improve its monitoring activities in accordance with its policies.

- **Certain other internal control and recordkeeping deficiencies were noted with respect to MDOA's operations, including cash receipts and information system security and controls.**

MDOA should take the recommended actions to improve controls in these areas.

## **Background Information**

### **Agency Responsibilities**

The Maryland Department of Aging (MDOA) is responsible for identifying the needs of the State's elderly and for 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 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 \$51 million during fiscal year 2007. Additionally, expenditures for provider payments for the Home and Community-Based Services Waiver for Older Adults, which MDOA administers, totaled approximately \$72.9 million during fiscal year 2007; these expenditures are budgeted within the Department of Health and Mental Hygiene.

### **Status of Findings From Preceding Audit Report**

Our audit included a review to determine the status of the 11 findings contained in our preceding audit report dated September 14, 2005. We determined that MDOA had satisfactorily addressed 6 of the findings. The remaining 5 findings are repeated in this report.



# Findings and Recommendations

## Medicaid Waiver for Older Adults

### Background Information

The Home and Community-Based Services Waiver for Older Adults (referred to as the Waiver for Older Adults Program), which began on July 1, 2001, resulted from the expansion and renaming of the Senior Assisted Housing Waiver Program which had been in place since 1993. The Waiver for Older Adults Program is administered by the Department of Health and Mental Hygiene (DHMH) and the Maryland Department of Aging (MDOA). Under the federally-approved waiver, states can develop community-based alternatives to placing Medicaid-eligible individuals in nursing facilities. However, the cost of care must be cost neutral, meaning that the average annual program cost cannot exceed the average annual cost of providing Medicaid services in a nursing facility. In fiscal year 2008, the average annual cost of providing Medicaid services in a nursing facility was \$62,322, as calculated by DHMH.

Case management of this Program is delegated by MDOA to local Area Agencies on Aging (AAAs) and includes the coordination of initial eligibility assessment, ongoing case management, and coordination of periodic reassessment of participant eligibility. AAAs coordinate participant eligibility assessments with the local health departments, a third party medical reviewer, and DHMH. Generally, MDOA is responsible for submitting claims for participant services provided to DHMH. DHMH's Medicaid Management Information System (MMIS II) is used to process these claims for payment and to recover the related federal funds. Payments to providers under the Waiver for Older Adults Program are included in DHMH's budget. Covered services include, but are not limited to, assisted living, personal care, home-delivered meals, and environmental modifications. In September 2005, MDOA began conducting audits of the AAAs to monitor individual participant plans of care for cost effectiveness and appropriateness. MDOA also conducts audits of participant services at selected providers.

The Waiver for Older Adults Program has expanded during the audit period. Specifically, during fiscal year 2007, provider payments totaled \$72.9 million for 3,513 participants, while in fiscal year 2004, provider payments totaled \$62.4 million for 3,050 participants, according to reports prepared by DHMH. Funding for the Waiver for Older Adults Program is generally shared evenly between federal funds and State general funds.

**Finding 1**

**MDOA was not adequately monitoring the cost neutrality of participant care and provider compliance with the plans of care developed for Waiver for Older Adults Program participants.**

**Analysis**

MDOA was not adequately monitoring the cost neutrality of services provided to participants. Specifically, until October 2007, MDOA did not obtain provider payment reports from DHMH's MMIS II to facilitate a review of paid services to ensure cost neutrality of participant care and, as of December 2007, no such reviews had been conducted. Consequently, MDOA was not assuring compliance with the applicable requirement for the Medicaid waiver. Additionally, we were advised by MDOA management personnel that audits of the AAAs and providers included a comparison of service costs (such as personal care and attendant care services), as reflected in these provider payment reports (MMIS II), with the participants' plans of care to ensure that participants received the proper number of hours of care, and that services provided were authorized. However, such comparisons were not adequately documented. (See Finding 4.) Consequently, service providers could be reimbursed for unauthorized services or may not be providing all necessary services. Similar conditions were commented upon in our preceding audit report.

**Recommendation 1**

**We again recommend that MDOA use waiver expenditure data from MMIS II to monitor the cost neutrality of services provided to participants, and to ensure that participants received the proper number of hours of care consistent with the respective plans of care and that services received were authorized.**

**Finding 2**

**MDOA did not effectively monitor the timeliness of Program eligibility determinations and redeterminations.**

**Analysis**

MDOA did not effectively monitor the timeliness of initial eligibility determinations and annual redeterminations for Program applicants and participants. Specifically, we noted the following deficiencies:

- MDOA established an automated tracking system in May 2004 to monitor the progress of initial waiver eligibility determinations. Although the system is

capable of generating reports of the status of each pending waiver application, MDOA had no documentation to substantiate that such reports were periodically generated and reviewed. Our test of 15 waiver participants who applied for program services during fiscal year 2007 from 9 different AAAs disclosed that 7 of the 15 eligibility determinations were not made within 30 days of the application receipt date as required by DHMH written policy. Specifically, the 7 program eligibility determinations made by four different AAAs were made 27 to 167 days late.

- The automated tracking system did not have the capability to generate reports of all annual eligibility redeterminations due or past due, and MDOA had not established any alternative monitoring procedures. Consequently, waiver participants who are no longer eligible may be receiving services.

The lack of adequate monitoring of the timeliness of initial eligibility determinations and annual redeterminations was commented on in our preceding audit report. In response to our preceding audit report, MDOA indicated that timeliness reviews of eligibility determinations and redeterminations would be included as part of the annual audits of the AAAs conducted by MDOA. However, our current audit disclosed that there was no documentation to substantiate that the audits of the AAAs conducted by MDOA included a review to ensure that eligibility determinations were completed timely. (See Finding 4.)

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 Status); however, it is MDOA's responsibility to oversee the program activities performed by the AAAs.

### **Recommendation 2**

**We again recommend that MDOA implement procedures to monitor the delegated activities of the AAAs to ensure that the initial eligibility determinations and annual redeterminations are properly completed within appropriate time frames.**

### **Finding 3**

**Adequate internal control had not been established over the processing of provider payments.**

### **Analysis**

MDOA had not established adequate internal controls to ensure that only authorized transactions were subsequently processed for payment by DHMH.

DHMH relied upon MDOA (and the AAAs in six jurisdictions) to transmit authorized provider invoice amounts for payment. Subsequently, MDOA received a report of all provider invoices paid by DHMH through the MMIS II system. MDOA used this report to verify these payments by comparing them to the provider invoices. However, the employee responsible for performing this verification was not independent because this employee had the ability to enter provider payment information and transmit the information to DHMH for payment. As a result, unauthorized payment transactions could be processed without detection.

During fiscal year 2007, provider payments totaled \$72.9 million, according to MDOA records.

### **Recommendation 3**

**We recommend that the an employee independent of the payment transaction process verify payments made to providers as reflected in the reports received from DHMH to the provider invoices, and that such verifications be documented.**

### **Finding 4**

**MDOA audits of AAAs were not always performed timely, and audits of AAAs and providers were not always adequately documented.**

### **Analysis**

Although MDOA began conducting audits of the Waiver for Older Adults Program case management at the AAAs in September 2005, such audits were not always being conducted annually, as required by MDOA written policy. Specifically, as of January 2008, initial audits of each of the 19 AAAs had been conducted but no subsequent audits had taken place. As of January 2008, 3 of the 19 AAAs should have received two additional audits, and 4 others should have been audited a second time.

Additionally, based on our review of 10 AAA audits and 4 provider audits conducted by MDOA, these audits were not always adequately documented. Consequently, it was difficult to determine what components of the Program MDOA included in the audits and the audit results. Specifically, our review disclosed the following conditions:

- The scope, such as the Program components audited, and objectives of the audits were not clearly defined. Additionally, deficiencies identified during the audits were not always clearly disclosed in the related audit reports and

evidence was often lacking that recommended corrective actions had been made to the auditee.

- The specific audit procedures performed during the audits were often not adequately documented. For example, we were advised by MDOA management personnel that the cost neutrality of services provided to participants and the timeliness of eligibility determinations were verified during the AAA audits; however, the AAA audits frequently lacked any evidence that such verifications had been performed. Similarly, we were advised that, during the provider audits, the participants' plans of care and related billing documentation (such as provider timesheets and claim forms) were tested to ensure that participants were receiving the services they were entitled to, and to ensure that the providers were only paid for services authorized in the participants' plans of care. However, when reviewing the audits performed by MDOA, we could not determine what billing periods were tested and whether documentation supporting the billings was sighted and compared to the participants' plans of care.

#### **Recommendation 4**

**We recommend that MDOA conduct audits of AAAs annually, as required. We also recommend that MDOA clearly define the scope and objectives of its AAA and provider audits, and clearly communicate deficiencies identified during the audits and recommended corrective actions to the auditees in the related audit reports. Additionally, we recommend that MDOA adequately document the specific audit procedures performed and the results of those procedures.**

## **Federal Grant Funds**

### **Finding 5**

**Federal fund expenditures were not recovered in a timely manner, resulting in a loss of interest income to the State of approximately \$811,000.**

#### **Analysis**

Requests for reimbursement of federal fund expenditures were significantly delayed, and no requests were made during fiscal year 2007. Specifically, our test of unreimbursed federal fund grant expenditures as of June 30, 2006, totaling approximately \$7.9 million, disclosed that MDOA did not recover these grant expenditures until July 2007. In addition, requests for reimbursement of federal grant expenditures totaling \$22.5 million, incurred during the period from July 2006 through August 2007, were made in July 2007 and January 2008.

The delay in requesting reimbursement of federal fund expenditures resulted in a loss of interest income to the State. Specifically, State funds, which otherwise would have been available for investment purposes, were used to finance federal expenditures for extended periods. We estimated that, as of January 2008, the aforementioned delays in recovering federal funds resulted in lost interest income to the State of approximately \$811,000.

According to the State's records, MDOA's federal grant fund expenditures totaled approximately \$25.2 million for fiscal year 2007.

#### **Recommendation 5**

**We recommend that the MDOA ensure that requests for federal fund reimbursement are made timely.**

### **Grants to Local Area Agencies on Aging (AAAs)**

#### **Finding 6**

**Annual financial reviews were not completed timely for fiscal years 2005 through 2007, as required by MDOA policy.**

#### **Analysis**

MDOA did not initiate annual financial reviews of grants awarded to the AAAs for fiscal years 2005 and 2006 until November 2007 and, as of January 2008, the concurrent reviews for both years had been completed for only 11 of the 19 AAAs. Additionally, as of January 2008, MDOA had not initiated any annual financial reviews of the AAAs for fiscal year 2007. MDOA policy is to conduct annual financial reviews of each grant (for example, to compare reported expenditures to source documentation). According to MDOA's records, applicable grant expenditures during fiscal year 2007, which were provided using both State and federal funds, totaled approximately \$43 million. As a result, MDOA lacked assurance that the AAAs had spent grant funds in a manner consistent with the related grant agreements.

MDOA provided grants to the AAAs to provide services, such as assisted living and in-home services, through numerous programs, including the Senior Assisted Living Group Home Subsidy program and the Senior Care program. Grant funds can also be used, in part, to cover related administrative costs. This situation has been commented upon in MDOA's audit reports since 1993.

## **Recommendation 6**

**We again recommend that the MDOA conduct timely annual financial reviews of all grants, in accordance with its policy.**

### **Finding 7**

**MDOA did not adequately review the program monitoring activities delegated to the AAAs for certain State grants.**

#### **Analysis**

MDOA did not adequately monitor program activities delegated to the AAAs for the Senior Care and Senior Assisted Living Group Home Subsidy programs during fiscal year 2007. MDOA provides subsidies under these programs to eligible residents who might otherwise be in nursing facilities. The AAAs are responsible for determining participants' eligibility to receive State grant subsidies as well as for verifying that subsidized residents are receiving services which are required to maintain their health. Our review disclosed the following deficiencies:

- MDOA had not conducted Senior Care program reviews for fiscal year 2007 at 4 of the 19 AAAs as of January 2008. Furthermore, 3 of the 15 Senior Care program reviews conducted by MDOA for fiscal year 2007 did not include verifications of the participant eligibility determinations made by the AAAs.
- As of January 2008, annual monitoring reviews of the Senior Assisted Living Group Home Subsidy program had not been conducted at 2 of the 16 AAAs that received grant funds for this program for fiscal year 2007. In addition, although we were advised by MDOA management personnel that the remaining 14 reviews had been conducted, MDOA could not provide us with documentation of the reviews for 2 AAAs and could only provide us with limited documentation of monitoring reviews completed at 5 others. Specifically, for these 5, the documentation lacked certain information (such as a program monitoring checklist) and, therefore, we could not determine if the reviews performed were adequate.

The Senior Care program provides case management and funds for in-home services received by frail seniors who may be at risk of nursing home placement. According to MDOA's records, grant expenditures for this program totaled approximately \$7.3 million during fiscal year 2007. The Senior Assisted Living Group Home Subsidy program provides low and moderate income seniors with access to high quality assisted living in small group homes. During fiscal year

2007, 16 AAAs received State grants for this program totaling approximately \$3.3 million, according to MDOA records. Similar conditions were commented upon in our proceeding audit report.

#### **Recommendation 7**

**We again recommend that MDOA perform annual monitoring reviews of all AAAs receiving grant funds for the Senior Care and Senior Assisted Living Group Home Subsidy programs, and that such reviews include a verification of the propriety of participant eligibility determinations made by the AAAs. We also recommend that such reviews be adequately documented and retained for future reference.**

### **Information Systems Security and Control**

#### **Background**

MDOA maintains a computer network, which provides data processing services for systems and applications including a Waiver for Older Adults Program claims billing application. This application records, processes, and transmits health care provider claims to the DHMH – Medical Care Programs Administration for further processing and payment.

#### **Finding 8**

**The controls for authenticating users of the claims billing application were inadequate.**

#### **Analysis**

The controls over user accounts and passwords for authenticating users of MDOA's claims billing application were inadequate. Users of the claims billing application authenticate themselves to both the MDOA's billing application system and the computer network. Our review disclosed that user authentication at the billing application level did not enforce any of the following minimum requirements of the Department of Budget and Management's *Information Technology Security Policy and Standards*: password length, composition, automatic expiration, history, and lockout of accounts after a defined number of invalid passwords were entered. Additionally, user authentication to MDOA's network did not fulfill the lockout requirement referenced above. These conditions exposed the claims billing application data to control risks which included the processing of improper transactions and the loss of accountability for application use. A similar condition was noted in our prior audit report.

### **Recommendation 8**

**We again recommend that MDOA comply with the user account and password provisions of the aforementioned *Information Technology Security Policy and Standards* for authentication to its network and claims billing application.**

### **Finding 9**

**Critical backup tapes were not stored at a secure offsite location.**

### **Analysis**

The backup tapes for the server hosting the MDOA billing system were not stored at a secure offsite location. The backup tapes for this server were stored onsite in the MDOA computer room where the server was located. Accordingly, if the facility that houses both the original and backup data was destroyed by a disaster, it is highly uncertain if all critical information could be recreated.

### **Recommendation 9**

**We recommend that MDOA store backup tapes at a secure offsite location.**

## **Cash Receipts**

### **Finding 10**

**Independent verifications were not performed to ensure that all recorded collections were subsequently deposited, and controls over the recording of collections in the State's accounting records were not adequate.**

### **Analysis**

Independent verifications were not performed of collections recorded on MDOA's documents of initial recordation with the validated deposit slips. Additionally, two MDOA employees shared a logonid that was used to record cash receipts in the State's accounting records. Consequently, there was a lack of assurance that all collections received were deposited, and the accountability for cash receipt entries was not ensured. According to MDOA's records, collections deposited during fiscal year 2007 totaled approximately \$512,600. The majority of these collections relate to continuing care retirement facility fees.

### **Recommendation 10**

**We recommend that an employee independent of the cash receipts function verify that all recorded collections are subsequently deposited by comparing amounts recorded on the mail logs with the validated deposit ticket, and that**

**such verifications be documented. Additionally, we recommend that unique logonids be used by each employee responsible for recording cash receipts in the State's accounting records. We advised MDOA on accomplishing the necessary separation of duties using exiting personnel.**

## **Audit Scope, Objectives, and Methodology**

We have audited the Maryland Department of Aging (MDOA) for the period beginning January 12, 2005 and ending October 31, 2007. 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. Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of MDOA's 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.

Our scope was limited with respect to MDOA's cash transactions because the Office of the State Treasurer was unable to reconcile the State's main bank accounts during a portion of the audit period. Due to this condition, we were unable to determine, with reasonable assurance, that all MDOA cash transactions prior to July 1, 2005 were accounted for and properly recorded on the related State accounting records as well as the banks' records.

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 MDOA regarding the results of our review of its response.

APPENDIX

Martin O'Malley  
Governor

Gloria Lawlah  
Secretary

Anthony G. Brown  
Lt. Governor



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

Dear Mr. Myers:

This letter is in reply to your request dated May 21, 2008 regarding our agency responses to the audit report comments and recommendations made in the January 12, 2005 thru October 31, 2007 Draft Legislative Audit Report.

Please feel free to contact me directly at 410-767-1089 or [alw@ooa.state.md.us](mailto:alw@ooa.state.md.us) should you have any questions.

Sincerely,

A handwritten signature in cursive script that reads 'Lisa Williams'.

Lisa Williams  
Deputy Assistant Secretary

Attachment

cc: Gloria Lawlah, Secretary, MDoA  
Ilene Rosenthal, Deputy Secretary, MDoA  
Larry Gross, Audit Compliance Analyst, ACU, DBM

**Responses**  
**FY 07**  
**Legislative Audit Report**

Medicaid Waiver for Older Adults

\* Finding 1

Adequate Monitoring of the Cost Neutrality of Care and Provider Compliance with Plans of Care Was Not Performed.

Response 1

Revised MMIS reports now enable AAAs to ensure that participant expenditures remain cost neutral and permits comparison of POC authorized services to those actually provided and paid on a quarterly basis. Recent staffing changes within the Waiver for Older Adults Program account for a more coordinated and systematic scheduling of AAA and provider audits.

\* Finding 2

MDOA Did Not Effectively Monitor the Timeliness of Waiver Eligibility Determinations and Redeterminations.

Response 2

The Monthly Application Status Report allows the Waiver Manager to monitor by AAA, for timeliness of determinations and redeterminations between AAAs. This report also is used as a management tool to alert the AAAs regarding program eligibility determinations that fall outside of the 45 days allowable timeframe.

Finding 3

Proper Controls Were Not Established Over the Processing of Provider Payments.

Response 3

Recommendation implemented for Advance Accountant to perform the payment transaction process to verify payments made to providers per the provider summary reports to the initial source documentation.

Finding 4

Audits of Local Area Agencies on Aging and Providers Were Not Always Completed Timely and Adequately Performed and Documented.

Response 4

All monitoring is up to date and no further action is needed.

Federal Funds

\* Finding 5

Federal Grant Fund Expenditures Were Not Recovered Timely Resulting in a Loss of Interest Income of \$811,000.

#### Response 5

Upon completion of the fiscal year 2007 close, MDoA began implementing new funding process changes. The “Notification of Grant Awards” and “Request for Payments” schedule for award require adherence to strict deadline submission dates. Agencies on Aging (AAA) were provided fiscal training on April 16, 2008 to comply with these changes.

#### Grants to Local Area Agencies on Aging (AAAs)

##### \* Finding 6

Annual Financial Reviews Were Not Completed Timely

#### Response 6

MDoA completed all fiscal year 2006 audits per the close of April 2008 and have scheduled 16 of the 19 AAA audits for fiscal year 2007. The fiscal year 2007 audits are scheduled for completion by close of July 2008.

Please note: the Internal Auditor Officer position was filled on March 15, 2008.

##### \* Finding 7

MDOA Did Not Adequately Review the Monitoring Activities Delegated to the AAAs for Certain State Grants.

#### Response 7

The FY 2007 Audits for the Senior Assisted Living Group Home Subsidy programs in Garrett and Allegany Counties were conducted in October 2007, in conjunction with the annual FY 2008 reviews. Checklists for all 16 audits are now available.

The Senior Care annual monitors for FY 2008 will be conducted in each of the AAA's that receive state funding to operate the program. A schedule has been put in place that indicates when the visits will be performed. Monitors are scheduled to begin April 17, 2008 and conclude by the close of July 2008. Following each visit, a report will be developed based on the findings of the monitors.

#### Information Systems Security and Controls

##### \* Finding 8

Controls for Authenticating Users of the Claims Billing Application Were Inadequate.

#### Response 8

MDOA will attempt to implement user account and password requirements as defined in the DBM *Information Technology Security Policy and Standards* for our claims billing application and network.

\* Finding 9

Critical Backup Tapes Were Note Stored at the secure Offsite Location.

Response 9

MDOA is currently reviewing implementation of a Back-up Swap between MDOA and Baltimore City Area Agency on Aging to begin no later than December 2008.

Finding 10

Independent verifications were not performed to ensure that all recorded collections were subsequently deposited, and controls over the recording of collections in the State's accounting records were not adequate

Response 10

Recommendation implemented for the Advance Accountant to perform deposit verification with his/her logonid. Additionally, Continuing Care Retirement Community (CCRC) fee mailings will now be mailed directly to the Finance Division.

AUDIT TEAM

**Mark A. Ermer, CPA**

Audit Manager

**A. Jerome Sokol, CPA**

Information Systems Audit Manager

**James M. Fowler**

Senior Auditor

**Veronica Arze**

Information Systems Senior Auditor

**Tracy D. Mayet**

**Marva M. Sutherland**

Staff Auditors