Audit Report

Department of Health and Mental Hygiene
Developmental Disabilities Administration

November 2009

OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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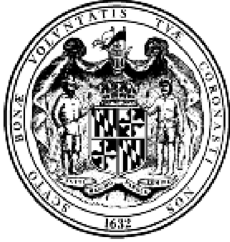

DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

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November 20, 2009

Delegate Steven J. DeBoy, Sr., Co-Chair, Joint Audit Committee
Senator Verna L. Jones, Co-Chair, Joint Audit Committee
Members of Joint Audit Committee
Annapolis, Maryland

Ladies and Gentlemen:

We have audited the Developmental Disabilities Administration (DDA) of the Department of Health and Mental Hygiene for the period beginning January 1, 2006 and ending December 31, 2008. DDA plans, develops policies and regulations, and funds a statewide system of services for individuals with developmental disabilities and their families.

Our audit disclosed that DDA did not ensure that all available federal funds were obtained. For example, DDA lost the opportunity to obtain federal funds totaling $3 million related to claims identified in our preceding audit as needing correction. Additionally, DDA did not ensure that claims rejected by eligibility edits were investigated and properly resubmitted and did not detect other federal fund claims totaling $433,000 that were improperly rejected and not recovered. We also found that federal fund reimbursement requests were not always submitted timely, resulting in a loss of $421,000 in interest income. Due to lapses in the eligibility redetermination process performed by contractors, certain clients lost Medicaid eligibility, resulting in the State paying all related service costs.

Our audit also disclosed that DDA did not maintain documentation supporting waiting list information reported to the General Assembly. Certain inaccuracies were identified on the list which, as of January 1, 2008, contained 17,250 individuals who were waiting for one or more services from DDA; some of those had been waiting for services for more than 20 years. Additionally, DDA's required report to the General Assembly regarding client prioritization did not disclose that, after clients completed the Transitioning Youth Program, they bypassed those individuals on the waiting list, without regard for the individuals' severity of need or the length of time for which the individuals had waited for services. The Program provided services to about 500 clients during fiscal year 2008.

DDA did not have effective procedures to detect providers who billed for services for deceased individuals. Our testing disclosed that DDA made payments to seven providers, totaling $235,000, for eight individuals who were deceased when services were reportedly provided. Finally, computer system security and access controls were not adequate and improvements are necessary to help prevent improper payments from being processed.

An Executive Summary of our findings can be found on page 5. The Department's response to this audit, on behalf of DDA, is included in Appendix A to this report. Auditor comments related to certain of the Department's responses can be found in Appendix B. We wish to acknowledge the cooperation extended to us during the course of this audit by DDA.

Respectfully submitted,

Bruce A. Myers, CPA
Legislative Auditor

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* **Denotes item repeated in full or part from preceding audit report**

Executive Summary

Legislative Audit Report on the
Department of Health and Mental Hygiene
Developmental Disabilities Administration (DDA)
November 2009

- **Approximately $3 million in federal funds for claims identified in our prior audit were not corrected and the opportunity to obtain reimbursement was lost.**

  DDA, in the future, should ensure that claims are submitted for federal reimbursement and are fully recovered in a timely manner.

- **DDA did not adequately investigate federal fund reimbursement claims that were rejected due to MMIS edits, and federal funds totaling $433,000 were not recovered due to an MMIS edit that was not applicable to DDA claims.**

  DDA, in conjunction with the Medical Care Programs Administration, should take immediate action to ensure that rejected federal fund reimbursement claims are promptly investigated and resolved, and should resubmit, to the extent possible, the $433,000 for reimbursement.

- **DDA did not have adequate processes to ensure that certain provider claims for prepaid services were submitted to MMIS for processing or that federal fund reimbursement requests were timely. As a result, federal funds and interest income totaling $139,500 and $421,000, respectively, were not obtained or had been lost.**

  DDA should implement processes to ensure that all provider claims for prepaid services have been processed by MMIS and that federal fund reimbursement requests are timely. DDA should also, to the extent possible, follow up on the aforementioned claims to ensure that they are submitted to MMIS for federal reimbursement.

- **DDA did not maintain adequate documentation supporting waiting list information reported to the General Assembly's budget committees in January 2009, and periodic reviews of individuals on the waiting list were not performed during most of our audit period. A partial review of the waiting list disclosed that 250 individuals on the list were deceased.**

  DDA should ensure that adequate documentation is maintained to support all information reported to the General Assembly regarding the waiting list. DDA should also complete a full review of individuals on the waiting list to ensure that all the individuals' needs and priorities have been accurately recorded.

- **DDA's report to the General Assembly regarding client prioritization did not adequately disclose that clients completing the Transitioning Youth Program were receiving full DDA services, and bypassing individuals on the waiting list, regardless of those individuals' severity of need or waiting time.**

  DDA should include all relevant facts related to client prioritization in its reporting to the General Assembly.

- **DDA did not monitor client resource coordinators and, as a result, 72 clients lost Federal Medicaid eligibility.**

  DDA should monitor its contracts with resource coordinators to ensure that reassessments of clients are performed, as required by federal regulations.

- **Effective procedures were not in place to detect providers that billed for services for deceased individuals. Our testing disclosed that DDA made payments to 7 providers totaling $235,000 for 8 individuals who were deceased when services were reportedly provided.**

  DDA should identify deceased individuals, update related clients status, and take appropriate corrective action. DDA should also investigate the instances identified in which payments were made to providers for services after the individuals' date of death and refer any providers with improper billings/payments to the Office of Attorney General - Criminal Division.

- **DDA did not have adequate procedures in place to ensure that certain clients received services from providers as stipulated in the individual service plans or to monitor $10.6 million in fiscal year 2008 Rolling Access funds prepaid to providers.**

  DDA should establish procedures to verify, at least on a test basis, that clients received services from providers as stipulated in the individual service plans and that Rolling Access funds are adequately monitored.

- **DDA had not taken timely action to recover unspent Wage Disparity Initiative funds totaling $3.6 million from providers that did not use the funds to increase the compensation for providers' direct service workers, as intended.**

  DDA should recover any funds paid to providers to increase wages that were not used for this purpose.

- **DDA had not established proper security access controls over critical PCIS2 system data. For example, logon identifications were not terminated timely.**

  DDA should properly restrict access to system data.

Background Information

Agency Responsibilities

The Developmental Disabilities Administration (DDA) is an administration within the Department of Health and Mental Hygiene (DHMH). The mission of DDA is to provide leadership to assure the full participation of individuals with developmental disabilities and their families in all aspects of community life, and to promote their access to quality support and services necessary to foster personal growth, independence, and productivity. For persons with developmental disabilities and their families, DDA plans, develops policies and regulations, and funds a statewide system of services. DDA coordinates its work with other government, voluntary and private health, education, and welfare agencies. DDA consists of a headquarters unit, four regional offices which administer community-based services, and three residential centers (for example, Holly Center). Separate audits are conducted of these centers. This audit included the headquarters unit and the four regional offices.

Through private contractors, DDA funds services to the developmentally disabled, various community-based programs that include community residential services, day habilitation services, and vocational training. According to the State's records, during fiscal year 2009, DDA's expenditures totaled approximately $718 million ($416 million general funds, $4 million special funds, $297 million federal funds and $1 million reimbursable funds).

DDA's largest program is the Community Services Program, which accounted for approximately 99 percent ($712 million) of DDA's expenditures. Of those expenditures, approximately 86 percent ($612 million) were paid to private contractors related to Fee Payment Service contracts, for such programs as residential services and supported employment, and approximately 12 percent ($85 million) was paid to private contractors for service contracts, such as resource coordination. According to DDA's records, in fiscal year 2009, 24,071 individuals with developmental disabilities were served through its programs.

Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of the 10 findings contained in our preceding audit report dated May 4, 2007. We determined that DDA satisfactorily addressed 6 of these findings. The remaining 4 findings are repeated in this report. These 4 repeated findings appear as 5 findings in this report.

Findings and Recommendations

Federal Funds

Background
The Developmental Disabilities Administration's (DDA) federal funds, which totaled approximately $297 million during fiscal year 2009, consist almost entirely of Medicaid reimbursements. A written agreement between DDA and the federal government specifies the medical and financial requirements that clients must meet for Medicaid eligibility, and requires DDA to certify that the clients are Medicaid eligible. Payments for services provided to Medicaid-eligible clients are initially funded with State general funds, and federal fund reimbursement is subsequently requested on a monthly basis, which covers approximately half the cost. The majority of reimbursement requests are submitted electronically, via DDA's Provider Consumer Information System II (PCIS2), to the Department of Health and Mental Hygiene's (DHMH) Medical Care Programs Administration (MCPA), which processes the related requests for federal reimbursement through the Medicaid Management Information System (MMIS).

Finding 1
DDA lost the opportunity to obtain federal funds totaling approximately $3 million because claims identified in our preceding audit were not corrected and resubmitted within required timeframes.

Analysis
Approximately $3 million in federal funds related to claims identified in our preceding audit was not corrected and resubmitted for reimbursement. Specifically, in our preceding audit report, we identified federal funding totaling $3.3 million that was available as of July 2006 because the federal fund reimbursement rates for certain service categories in MMIS did not correctly correspond to the related higher rates paid by DDA during calendar years 2004 and 2005. Consequently, based on MMIS's lower rates, the previously obtained reimbursement was $3.3 million less than the cost of the related claims actually paid by DDA. (After we brought this matter to DDA's attention during the last audit, the reimbursement rates were corrected effective January 2006.) However, our current audit disclosed that DDA only resubmitted corrected claims for federal funding totaling approximately $323,000; as such, approximately $3 million was not reimbursed. DDA management could not adequately explain why the remaining claims were not corrected and resubmitted.

At this time, DDA has lost the opportunity to recover these funds because federal law only allows claims to be submitted for reimbursement within two years of the

State's expenditures. Since the aforementioned claims were from calendar years 2004 and 2005, it is currently past the timeframe that DDA can resubmit the claims for reimbursement.

Recommendation 1
We recommend that, in the future, DDA ensure that claims for federal funds are fully recovered in a timely manner.

Finding 2
DDA did not investigate federal fund reimbursement claims that were rejected due to various MMIS edits, resulting in reduced federal fund recoveries.

Analysis
DDA did not investigate certain federal fund reimbursement claims that were rejected due to MCPA's MMIS eligibility edits. Such rejected claims totaled approximately $1.5 million for one month analyzed. In addition, due to problems with another MMIS edit, which should not be applicable to DDA claims, DDA did not recover $433,000 in federal reimbursements. Specifically, we noted the following conditions:

- When MMIS rejected claims for eligibility reasons (such as client not being eligible on date of service), DDA resubmitted the claims in the following month without investigating the cause of the rejection. This situation resulted in repeated claim rejections, often until DDA ceased resubmitting such claims. For example, our analysis disclosed that, during the month of December 2008, rejected claims representing potential federal fund reimbursements totaled approximately $1.5 million. Federal fund reimbursements may be lost if DDA does not investigate and correct those claims deemed to be valid. The extent to which rejected claims had not been corrected and the related federal reimbursement had not been recovered could not be readily determined because DDA does not maintain cumulative records of rejected claims and their related disposition.

  We were advised by DDA management that, in order for DDA to adequately investigate these rejected claims, it would need to coordinate its efforts with the Division of Eligibility Waiver Services of MCPA. As commented upon in our performance audit report entitled Department of Health and Mental Hygiene – Medical Care Programs Administration, rejected claims were not promptly investigated and resolved, adequate records of rejected claims were not maintained, and certain rejected claims were not pursued. DDA will need to work with MCPA to resolve these issues including the eligibility edit

rejection condition noted in this finding. The failure to promptly investigate and resubmit claims that were rejected due to eligibility issues was commented upon in our two preceding audit reports.

- Federal funds totaling $433,000 were not recovered due to a MMIS edit that was not applicable to DDA claims, but yet prevented the DDA claims from processing. This edit only applied to claims for cases in which the State had not yet paid the provider. However, since DDA typically pays its providers before services are rendered, the edit inappropriately rejected DDA's claims. Although DDA can submit corrected claims for a portion of the claims in question, federal regulations do not allow claims more than two years old to be resubmitted. In this regard, as of September 2009, potential federal reimbursements totaling approximately $254,000 were more than two years old, based on the service dates of the claims.

Recommendation 2
We recommend that DDA, in conjunction with MCPA,

a. take immediate action to investigate and resolve all claims rejected due to edits, (repeat);
b. maintain documentation supporting its efforts to investigate and resolve rejected claims (repeat); and
c. resubmit, to the extent possible, the aforementioned claims for reimbursement and, in the future, ensure that the aforementioned edit does not inappropriately affect DDA's federal reimbursements.

Finding 3
DDA did not have adequate processes to ensure that provider claims for certain prepaid services were submitted to MMIS for processing and that federal fund reimbursement requests were made timely, resulting in a failure to recover federal funds totaling $139,500 and a loss of interest income of $421,000.

Analysis
DDA did not have an adequate process to ensure that provider claims for certain prepaid services were submitted to MMIS for processing. This is significant because DDA prepays providers, and then providers are required to submit claims on a monthly basis to substantiate the funds used for client services and to enable DDA to obtain federal reimbursement for approximately 50 percent of the claim amounts. In this regard, providers submit claims electronically to MMIS or manually to DDA, which is responsible for submitting these claims to MMIS. Our test of manual claims totaling approximately $1.2 million from five providers during fiscal years 2008 to 2009, submitted to DDA prior to forwarding to MMIS

for reimbursement processing, disclosed that, although DDA's records indicated that all such claims were submitted to MMIS, we found that, for three providers, claims for 70 clients totaling $279,000 (50 percent, or $139,500, reimbursable) were not actually processed by MMIS. In this regard, DDA maintains a record of all manual claims received; however, DDA did not verify the claims to the remittance advices generated by MMIS to ensure all claims were processed in MMIS. As a result, the related federal funding was not obtained. Although DDA can submit corrected claims for the majority of the claims in question, federal regulations do not allow claims more than two years old to be resubmitted. In this regard, as of September 2009, claims totaling approximately $32,485 were more than two years old.

Additionally, federal fund reimbursement requests were not always timely, resulting in lost income to the State General Fund of approximately $421,000. Specifically, our test of 21 reimbursement requests for approximately $422 million in federal funds, for the period July 2007 through February 2009, disclosed 5 requests totaling $103 million for which reimbursements were submitted 3 to 4 months after the date that the claims could have been submitted for reimbursement. Consequently, State general funds, which would have been otherwise available for investment, were used to finance federal fund expenditures. We were advised by DDA management that these delays occurred because DDA had held certain claims until reimbursement rates were finalized.

Recommendation 3
We recommend that DDA

a. **implement a process to ensure that all provider claims for prepaid services have been processed by MMIS;**
b. **to the extent possible, follow up on the aforementioned claims to ensure that the claims are submitted to MMIS for federal reimbursement; and**
c. **ensure that future requests for federal fund reimbursements are made in a timely manner.**

Waiting List Initiative

Finding 4
DDA lacked documentation supporting the waiting list information reported to the General Assembly's budget committees. Furthermore, a current waiting list included 250 deceased individuals.

Analysis
DDA did not maintain adequate documentation supporting waiting list information that was reported to the General Assembly's budget committees in January 2009. This report, which contained information as of January 1, 2008, noted that there were 17,250 individuals waiting for one or more services. According to the report, 11,937 individuals had not received any services and 5,313 individuals had only received limited services. On December 23, 2008, we requested the supporting documentation for the report that was to be submitted, but DDA could not provide us with such detail. The data submitted to the budget committees are used, in part, to help monitor the volume of service requests received by DDA that are not being funded in order to help determine future budgetary needs.

Additionally, we were informed by DDA management that periodic reviews or assessments of the individuals on the waiting list were not performed during most of our audit period. Periodic assessments of individuals should be performed to ensure that the individual's needs and priority categories reflect current health and home conditions. We were advised that, in December 2008, DDA began a review of the individuals on the most current waiting list to provide some assurance as to the accuracy of the information and, as of June 2009, the review had not been completed. However, the review did disclose that 250 individuals currently on the waiting list were deceased (213 of which were deceased between January 1999 and December 2007) and should have previously been removed from the list.

As a result of the above conditions, there is uncertainty as to the accuracy of the individuals currently waiting for services and of the information reported to the legislature. Based on the most recent listing of individuals on the waiting list, we noted that 150 individuals had been on the waiting list for more than 20 years.

The Health-General Article of the Annotated Code of Maryland requires DDA to submit a report on the waiting list initiative (such as the number of individuals on the list) to the General Assembly and the Department of Legislative Services (DLS) each year. Similar conditions were commented upon in our preceding audit report.

Recommendation 4
We recommend that DDA

a. **maintain adequate documentation to support all information reported to the General Assembly regarding the waiting list (repeat),**
b. **complete a full review of individuals on the waiting list to ensure that all the individuals' needs and priorities have been accurately recorded (repeat),**
c. **perform periodic reviews to help ensure that the waiting list is current, and**
d. **provide the General Assembly and DLS with an updated and accurate report on the waiting list.**

Transitioning Youth Program

Finding 5
A DDA report to the General Assembly did not disclose that, after completing the Transitioning Youth Program, clients received full DDA services, bypassing individuals on the waiting list. Additionally, certain clients in the Program were not classified as eligible for such services.

Analysis
A DDA report to the General Assembly regarding client prioritization did not disclose that, after completing the Transitioning Youth Program (after a full year), clients were receiving full DDA services and bypassing individuals on the waiting list, regardless of the severity of their condition and the length of time for which they had waited for services. In this regard, we were advised that some individuals on the waiting list were in higher priority categories than some of the clients completing the Program and receiving services.

In this regard, the 2008 Joint Chairmen's Report requested a report which, in part, reported on how DDA prioritized services among different groups of individuals, including Transitioning Youth Program participants. While DDA submitted a report in an attempt to describe its prioritization process, it did not disclose that once clients completed the one-year Transitioning Youth Program, they bypassed all other individuals on the waiting list for full DDA services. Some of the individuals on the waiting list had been waiting for services for more than 20 years. In general, individuals on the waiting list are prioritized based on the severity of their needs and the length of time for which they had waited for services.

Furthermore, our review identified 23 clients that DDA enrolled in the Transitioning Youth Program even though they were not classified as being eligible for the Program. That is, State regulations require that clients enrolled in the Program be classified in one of three specified priority categories (such as crisis resolution). However, we noted that the aforementioned clients did not meet any of the priority categories eligible for services under the Program. DDA management subsequently advised us that these individuals were actually eligible for the Program, but they were misclassified in DDA's records.

Through the Transitioning Youth Program, which is both State and federally funded, DDA provides funding for eligible graduating students leaving high school who are in need of developmental disabilities services. To be eligible for participation in the Transitioning Youth Program, an individual must be developmentally disabled and must be in one or more of the priority categories. The Program provides funding to eligible students for one year after graduation from high school for day services only.

Without the Program's funding, students leaving the school system would immediately be placed on the waiting list of adult services commented on in Finding 4. For fiscal year 2008, the Program provided services for about 500 clients, and expenditures totaled approximately $7.8 million of which, we were advised by DDA management, approximately 60 percent was general funds and 40 percent was federal funds.

Recommendation 5
We recommend that DDA

a. **revise the aforementioned report to the General Assembly to include all pertinent facts related to client prioritization, particularly as related to the Transitioning Youth Program; and**
b. **ensure that accurate client records are maintained to substantiate that only eligible clients are enrolled in the Transitioning Youth Program.**

Client Resource Coordinators

Finding 6
DDA did not ensure that client resource coordinators performed their required duties and, as a result, 72 clients lost Federal Medicaid eligibility and were funded solely with State general funds.

Analysis
DDA did not ensure that client resource coordinators performed their required duties, resulting in a loss of federal program eligibility for certain DDA clients. Our review of a report of DDA clients who lost their prior Medicaid eligibility during the period from July 1, 2006 to November 2008, which we tested and found to be reliable, revealed that 72 clients lost eligibility as a result of these contractors not performing the federally required annual Medicaid eligibility reassessments. Without the reassessment, MMIS automatically terminates client eligibility after the annual reassessment date passes. Consequently, these clients were subsequently funded solely with State general funds. Additionally, DDA was unaware of the nature of the lost eligibility since we were advised by DDA management that no follow-up actions were taken to ensure that client eligibility was reassessed in such cases. Also, client resource coordinators were not required to report the reason(s) for such changes in eligibility status.

Furthermore, DDA did not monitor the resource coordinators to ensure that they met with clients every six months, as required by State regulations. One implication of this weakness is disclosed in Finding 7, which highlights DDA payments to providers for individuals who were deceased. However, had DDA ensured that the resource coordinators met with clients every six months as required, such meetings would have alerted DDA to the occurrence of certain improper billings and payments.

Resource coordinators provide assistance in implementing individual choices, addressing individual satisfactions, and assuring that an individual's needs and preferences are addressed. According to State regulations, these coordinators are required to meet with each individual served, at least every six months, to determine whether the current services meet the individual's needs and preferences. According to the provisions of the provider resource coordination service contracts, services to be provided should include an annual Medicaid eligibility review with each individual served. Resource coordination services are provided by six contractors (that employ varying numbers of these coordinators) and, according to DDA records, expenditures for resource coordination services totaled approximately $31.4 million during fiscal year 2009, of which about 25 percent was eligible for federal reimbursement.

Recommendation 6
We recommend that DDA

a. **monitor its contracts with client resource coordinators to ensure that reassessments of clients are performed, as required by federal regulations;**
b. **determine if eligibility can be restored to the aforementioned 72 clients and if federal reimbursement can be obtained for services provided to these clients; and**
c. **ensure that resource coordinators meet with clients every six months, as required by State regulations.**

Improper Payments for Deceased Individuals

Finding 7
Effective procedures were not in place to detect providers who billed for services for deceased individuals. Our testing disclosed that DDA made payments to seven providers totaling $235,000 for eight clients who were deceased on the dates services were reportedly provided.

Analysis
Effective procedures were not in place to detect providers who billed for services for deceased clients. Specifically, we matched DDA's payment files for fiscal years 2007 and 2008 to death records as of March 2009 maintained by DHMH's Division of Vital Records (records that are available to DDA). The match identified 367 clients who received payments during those years and had died before July 1, 2008. We judgmentally selected payments to 43 of these clients and determined that many of these individuals did not receive services after the date of their death. However, we found that DDA made payments to seven providers, totaling $235,000, for eight clients who were deceased on the dates services were reportedly provided. For example, one provider reported providing services for a client through fiscal year 2008, even though the individual had died in 2003. As a result, this provider was paid $70,339 for the services reported as having been provided to this client after the date of their death. Furthermore, we noted that, in 2007, a contractor (hired by DDA to audit provider records and interview clients about service delivery) reportedly "audited" payments for this individual for the period July 1, 2006 through December 31, 2006, and concluded that 120 hours of services were appropriate, even though this individual had died in 2003.

Considering the highly questionable nature of the aforementioned payments to the seven providers, we referred this matter to the Office of the Attorney General - Criminal Division.

We were advised by DDA management that, under its current procedures, DDA staff relied upon notifications of death from providers and client family members (if available) and that it would stop paying providers based on this information. Additionally, DDA could learn of the death of a client from the client resource coordinator's reassessments. However, as commented upon in the preceding finding, DDA did not monitor to ensure that the coordinators met with clients every six months as required. The match that we performed is another source available to DDA that would help detect improper payments.

Recommendation 7
We recommend that DDA

a. **periodically match its records of clients against the Division of Vital Record's death records to identify deceased individuals, update related clients status, and take appropriate corrective action;**
b. **investigate instances in which payments were made to providers for services after the client's date of death, including payments for the aforementioned eight clients and the other instances identified by our match;**
c. **investigate the actions of the contractor responsible for auditing provider records and initiate appropriate corrective actions; and**
d. **refer any providers with improper billings and subsequent payments to the Office of the Attorney General - Criminal Division.**

Individual Service Plans

Finding 8
DDA did not have adequate procedures in place to verify that clients received services from providers as stipulated in the related individual service plans.

Analysis
For certain programs, DDA did not have adequate procedures in place to verify that clients received services from providers as stipulated in the related individual service plans, which were previously developed by teams that included resource coordinators. For example, these plans stipulate the number of service hours the client is to receive each week for any particular service. However, we were advised by DDA management that it does not have a procedure to independently verify that clients obtained all services required by the plans.

The Family and Individual Support Services (FISS) and Individual Family Care (IFC) programs are different than most other DDA programs (such as residential group homes) in that the rates are contract based (generally up to a maximum established by DDA), rather than established in regulation. The reason for this is that these services are to be readily adaptable to the changing needs of the individual, so the rates more easily change, and the services to be provided are specified in the individual service plans. The FISS provides family and individuals with resources (such as help with daily living and transportation) so that developmentally disabled individuals may remain at home. The IFC provides single-family residential alternatives for one to three developmentally disabled individuals, who are unrelated to the care provider. According to DDA records, during fiscal year 2009, FISS and IFC expenditures totaled $41 million, of which approximately $36 million was general funds and $5 million was federal funds.

Recommendation 8
We recommend that DDA establish procedures to verify, at least on a test basis, that FISS and IFC clients are provided services (including total number of hours) as required in the related individual service plans by sighting provider service records (for example, client records maintained by the providers) and that these verifications be documented.

Rolling Access Funds

Finding 9
DDA did not have adequate procedures in place to monitor Rolling Access funds paid to providers.

Analysis
DDA did not have adequate procedures to monitor Rolling Access funds, which were prepaid to providers and totaled $10.6 million in fiscal year 2008. The intent of the Rolling Access Program is to provide clients receiving day services with short-term, low-intensity support (such as personal care items) to avoid a crisis situation. The Program is funded entirely by State general funds, and State regulations generally provide that the maximum expenditure per client is $3,000 per year. Specifically, we noted the following conditions:

- We were advised by DDA management there were no guidelines regarding the use of the funds and no procedures to specifically monitor how the funds were used. For example, DDA did not require providers to document the types of expenditures being made. Funding given to the providers was used for both direct expenditures on clients and administrative costs incurred by the

providers. There was a lack of assurance that funds were used for appropriate purposes.

- DDA management was unable to explain the methodology/formula used to determine the amount of funding allocated to each provider. For example, we noted a wide disparity in the amount of rolling access funds received by providers on a per client basis. However, DDA management was unable to explain the disparity in funding levels. In this regard, we noted that two providers, which reported serving 57 clients, were paid a total of $647,000 in fiscal year 2008, which equates to an average amount per client of more than $11,000. Conversely, the other 46 providers that had received Rolling Access funds generally had average client amounts of less than $3,000.

- We visited two providers that received approximately $3.2 million, or 30 percent of the total Rolling Access funds that were awarded in fiscal year 2009. A large variance was noted at the two providers between the amounts expended on program administration (such as provider salaries), versus the amounts expended for direct payments to their clients. Specifically, one provider, which received approximately $2.4 million in funds, had used 83 percent of its Rolling Access funds for program administration expenses whereas the other provider had used only 15 percent of its funding for such purposes. In our opinion, this situation occurred, in part, due to the lack of procedures and direction provided by DDA to providers regarding the use of Rolling Access funds.

Recommendation 9
We recommend that DDA
a. **establish program guidelines that specify acceptable uses of funds, including the level of funding that can be used by providers for administration costs;**
b. **require providers to submit expenditure documentation and review the documentation to ensure that the expenditures are consistent with the Rolling Access Program's guidelines;**
c. **ensure the amount of funding provided to clients is in accordance with State regulations; and**
d. **review the methodology/formula for providing funding to providers to ensure that it is equitable and consistent with the intent of the program and that this process be documented.**

Wage Disparity Initiative

Finding 10
DDA did not take timely collection action to recover funds totaling $3.6 million from providers related to the Wage Disparity Initiative.

Analysis
DDA did not take timely collection action to recover funds totaling $3.6 million from providers related to the Wage Disparity Initiative. The purpose of this Initiative was to increase the compensation for providers' direct service workers, and any funds not used for this purpose were to be reverted to DDA. DDA's procedure was to annually require providers to submit reports of the amount spent to increase wages within four months of the fiscal year end. These reports were attested to by independent certified public accountants, and were used by DDA to determine whether the Initiative's funding was used for its intended purpose of increasing employees' compensation. However, even though DDA received these reports annually for fiscal years 2005 to 2007, DDA did not take action, until December 2008, to collect any funds that were reported by the providers as having not been spent for the Initiative's purpose. In December 2008, DDA billed providers for such funds totaling $3.6 million and, as of May 2009, $2.9 million was still outstanding.

Legislation passed during the 2001 Session of the General Assembly required DHMH to calculate the disparity of compensation paid, and benefits provided, to direct service workers in state institutions with those of private providers. The legislation further required DDA to increase private provider rates to reduce this disparity (for example, to 40 percent on or before July 1, 2004 and 20 percent on or before July 1, 2005) and, finally, to eliminate the disparity altogether on or before July 1, 2006. Fiscal year 2007 was the last year that the State increased the provider rates to reduce any disparities in compensation. The legislation also specified that such rate increases be used exclusively by providers to increase the compensation and benefits of direct service workers.

Recommendation 10
We recommend that DDA recover (for example, through invoicing or withholding future payments) any funds paid to providers that were not used for the purposes of the Initiative in a timely manner.

Provider Consumer Information System (PCIS2)

Background
DDA operates the PCIS2 system which provides a mechanism for providers to access (for example, to determine payment rates) and enter information (such as attendance) into a centralized database, using an Internet connection. DDA employees can also access PCIS2 via local area networks. PCIS2 uses a web-based interface and application and database servers.

According to DDA's records, during fiscal year 2009, DDA processed provider payments using PCIS2 totaling approximately $612 million and, as of January 20, 2009, the system had 945 users, of which half were provider employees.

Finding 11
Proper security access controls had not been established over critical PCIS2 system data.

Analysis
DDA had not established proper security access controls over critical PCIS2 system data (such as client information, service rates, and client attendance), which are used to process provider payments and to submit related federal fund reimbursement requests to MCPA's MMIS. Specifically, we noted the following conditions:

- Logon identifications were not terminated or deactivated timely. In January 2009, we requested a report from DDA of PCIS2 users. Subsequent to our request, but prior to providing us the report, DDA systematically terminated 1,607 logon identifications of DDA and provider employees. Additionally, our test of 10 of these terminated logons revealed that 6 logons, applicable to 2 employees, had remained active for 39 to 236 days after the employees had resigned.

- Employees unnecessarily had multiple logon identifications. Our review of system user reports in January 2009 noted that 4 DDA employees had multiple logon identifications without any justified need. Additionally, similar to the situation described above, we noted that, subsequent to our request for a report of PCIS2 users, DDA terminated logon identifications for 11 additional DDA users who had multiple logon identifications.

- Two DDA employees with system administrator privileges could assign their own logon identification codes and related access capabilities. Although the system administrator access appears proper, we were advised that reports of system accesses by these employees were not generated for review by

independent supervisory personnel. As a result, these employees could modify critical data without detection.

- Although management stated that PCIS2 access reviews were performed periodically, these reviews were not documented. Based on the fact that DDA made numerous terminations in the system just prior to providing us with a report of users and that other access issues were noted during our audit (see Finding 12), it does not appear that any access reviews performed were effective. Consequently, DDA lacked ongoing assurance that employees' access to PCIS2 was necessary and appropriate.

Similar conditions were noted in our prior audit report.

Recommendation 11
We recommend that DDA establish proper security access controls over critical PCIS2 data files. Specifically, we recommend that DDA ensure that

a. logon identification terminations are performed in a timely manner,
b. employees are limited to one logon identification code (repeat),
c. logs of modification access to critical data performed by employees with system administrator capabilities are periodically generated and reviewed by independent personnel (repeat), and
d. independent reviews of access capabilities assigned to system users are performed and documented (repeat).

Finding 12
Modification access capabilities to critical PCIS2 production data files were not adequately restricted.

Analysis
Modification access capabilities to critical PCIS2 production data files were not always appropriately restricted. Specifically, our review disclosed the following conditions:

- One hundred and fifty-seven non-DDA employees (such as provider employees) were granted modification access capabilities to critical demographics information (such as the spelling of client names' and medical assistance data) in PCIS2. Since DDA personnel are responsible for establishing client records and recording medical assistance information on the system, it is unnecessary for any non-DDA personnel to have modification access to this data. Improper data modification could cause differences between demographics information in PCIS2 and MMIS, thereby preventing or delaying DDA from obtaining federal reimbursement. A similar condition

regarding inappropriate access to production files was commented upon in our prior audit report.

- Eight DHMH employees had the capability to independently initiate, approve and modify payments in PCIS2. Furthermore, although the initiator of a transaction was recorded in PCIS2, the transaction approver was not recorded. Therefore, we could not readily determine whether any individuals generated and approved their own transactions. Although DDA had a manual approval procedure that could have served as a compensating control for the aforementioned lack of segregation of duties, the procedure was inadequate. Specifically, our test of 15 payments totaling $5.2 million disclosed 3 payments totaling $884,132 that were both generated in the system and manually approved for processing by the same employee. Additionally, for 1 of the 15 payments totaling $22,188, DDA was unable to provide us with documentation supporting the payment. Payment processing capabilities should be segregated to prevent unauthorized payments from being made.

Recommendation 12
We recommend that

a. **modification access capabilities to production files only be granted to individuals with a need for such access (repeat);**
b. **DDA take immediate action to eliminate improper modification access capabilities by non-DDA employees;**
c. **DDA establish adequate segregation of duties for payment processing through PCIS2; and**
d. **DDA review the propriety of the aforementioned payments noted, in which the payments were generated and approved by the same employees or for which DDA could not provide us with documentation.**

Finding 13
Program change controls were inadequate.

Analysis
Adequate controls did not exist to ensure that only management authorized computer programs had been placed into production. Specifically, anyone with access to the program development server could make unauthorized changes to programs ready to be moved to production without detection by management. Furthermore, program change request forms and program change comparison reports were not available for any of the five tested program changes. Finally, the program manager, who modified programs, also moved these programs into production. As a result of these conditions, there was a lack of assurance that only management authorized computer programs were placed into production.

Recommendation 13
We recommend that DDA establish procedures to ensure that only management authorized programs are placed into production by employees independent of those who created/modified the programs.

Finding 14
Logging and monitoring of significant security related events were not adequate.

Analysis
Logging and monitoring of significant security related events for the application server and the database were not adequate. Specifically, except for modifications to certain critical data, the database was not set to log the use of critical system events. A similar condition was commented upon in our preceding audit report. In addition, for the application server and those database events that were logged, there was no documentation evidencing any reviews of the logged events. These conditions could result in unauthorized changes to critical data which could go undetected.

Recommendation 14
We recommend that DDA

a. **log all critical security related events for the PCIS2 database (repeat); and**
b. **review all application server and database logs on a timely basis, investigate questionable items, document these reviews and investigations, and retain the documentation for verification purposes.**

Audit Scope, Objectives, and Methodology

We have audited the Developmental Disabilities Administration (DDA) of the Department of Health and Mental Hygiene for the period beginning January 1, 2006 and ending December 31, 2008. 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 DDA's financial transactions, records and internal control, and to evaluate its compliance with applicable State laws, rules, and regulations. The areas addressed by the audit included the waiting list initiative, federal funds, provider fee payment systems, procurements and disbursements for client services, cash receipts, and accounts receivables. 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 DDA'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 certain support services provided to DDA by the Department of Health and Mental Hygiene. These support services (such as payroll, purchasing, maintenance of accounting records and related fiscal functions) are included within the scope of our audit of the Department's Office of the Secretary and Other Units. In addition, our audit did not include an evaluation of internal controls for federal financial assistance programs and an assessment of DDA'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 DDA.

DDA'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 relating to conditions that we consider to be significant deficiencies in the design or operation of internal control that could adversely affect DDA'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 DDA that did not warrant inclusion in this report.

The Department's response, on behalf of DDA, 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 A

STATE OF MARYLAND

DHMH

Maryland Department of Health and Mental Hygiene
201 W. Preston Street • Baltimore, Maryland 21201
Martin O'Malley, Governor – Anthony G. Brown, Lt. Governor – John M. Colmers, Secretary

November 18, 2009

Mr. Bruce A. Myers, CPA
Legislative Auditor
Office of Legislative Audits
301 West Preston Street
Baltimore, MD 21201

Dear Mr. Myers:

This is in response to your November 2, 2009 letter that included the draft audit report for the Developmental Disabilities Administration for the period beginning January 1, 2006 and ending December 31, 2008. Attached you will find the Administration's response and plan of correction that addresses each audit recommendation. I will work with the Administration to promptly address all audit exceptions. In addition, our Office of the Inspector General will follow-up on the recommendations to ensure compliance.

If you have any questions or require additional information, please do not hesitate to contact me at (410) 767-4639 or Thomas Russell of my staff at (410) 767-5862.

Sincerely,

John M. Colmers
Secretary

cc: Renata Henry, Deputy Secretary, Behavioral Health and Disabilities, DHMH
Valerie Roddy, Chief of Staff to the Deputy Secretary, Behavioral Health and Disabilities, DHMH
Thomas V. Russell, Inspector General, DHMH
Ellwood L Hall, Jr., Assistant Inspector General, DHMH
Wendy Kronmiller, Chief of Staff to the Office of the Secretary, DHMH
Michael S. Chapman, Executive Director, Developmental Disabilities Administration, DHMH

Toll Free 1-877-4MD-DHMH • TTY for Disabled – Maryland Relay Service 1-800-735-2258
Web Site: www.dhmh.state.md.us

Findings and Recommendations

Federal Funds

Finding 1
DDA lost the opportunity to obtain federal funds totaling approximately $3 million because claims identified in our preceding audit were not corrected and resubmitted within required timeframes.

Recommendation 1
We recommend that, in the future, DDA ensure that claims for federal funds are fully recovered in a timely manner.

Administration Response:
The Administration concurs with this finding and has corrected this finding from the previous audit by establishing procedures to ensure maximum reimbursement by adding a reporting feature in MMIS. The nature of the original finding was that billing rates were too low in MMIS. Quarterly the Federal Billing Unit compares the MMIS rates to PCIS2 billing rates to ensure that the correct rate is in the system. If the MMIS rate is too low, DDA requests to raise the rate, and then resubmits billing at the correct rate.

It should be noted that the Administration took action to claim for eligible expenses as soon as the issue was identified in the audit. The Administration reviewed the auditor's findings and found that some of the paid claims were incorrect and these were corrected as part of the claiming review process. Also by the time of the audit, some of the expenses were ineligible because of the two year statute for claiming federal funds. Of the $4.1 million cited from the previous audit, $2.1 was eligible for federal funds reimbursement due to the review of eligible billing. Of that, $911,000 was ineligible because of the two year statute. Of the remaining $1.2 million potentially available, DDA received $546,438.92 in federal funds.

Finding 2
DDA did not investigate federal fund reimbursement claims that were rejected due to various MMIS edits, resulting in reduced federal fund recoveries.

Recommendation 2
We recommend that DDA, in conjunction with MCPA,

a. take immediate action to investigate and resolve all claims rejected due to edits, (repeat);

b. **maintain documentation supporting its efforts to investigate and resolve rejected claims (repeat); and**
c. **resubmit, to the extent possible, the aforementioned claims for reimbursement and, in the future, ensure that the aforementioned edit does not inappropriately affect DDA's federal reimbursements.**

* **Administration Response:**
The Administration does not concur with this finding.

a) Federal funds were not lost as these claims are ineligible for federal reimbursement. Reviewing these specific claims' rejection codes indicates that individuals were either ineligible on the date of service, the individual is ineligible for this type of waiver service on the date billed or the individual is not enrolled in a waiver program.
b) Also, continuous communication and consultation between administration management and DEWS is ongoing. Rejected claims will be investigated, resolved, and maintained by the Federal Billing Unit. Corrections are made to the rejected claims as appropriate to ensure reimbursement.
c) This unit also works with MCPA staff and routinely resolves issues. DDA has taken action and resubmitted any eligible claims for reimbursement. DDA has also worked with MCPA staff to process claims through MMIS and will work with them to resolve the edit issue. To further strengthen our working relationship with MCPA, DDA's deputy chief financial officer will during ongoing supervision, review rejected claims to ensure processing within the appropriate timeframe.

Finding 3
DDA did not have adequate processes to ensure that provider claims for certain prepaid services were submitted to MMIS for processing and that federal fund reimbursement requests were made timely, resulting in a failure to recover federal funds totaling $139,500 and a loss of interest income of $421,000.

Recommendation 3
We recommend that DDA
a. **implement a process to ensure that all provider claims for prepaid services have been processed by MMIS;**
b. **to the extent possible, follow up on the aforementioned claims to ensure that the claims are submitted to MMIS for federal reimbursement; and**
c. **ensure that future requests for federal fund reimbursements are made in a timely manner.**

* **See Appendix B for related auditor comment.**

Administration Response:

The Administration concurs with this finding as described below:

a) DDA has a process to ensure that providers submit all federal claims for family and individual support services. Every month DDA sends a list of eligible individuals for the provider to submit the federal claim. If the claims are sent to DDA (some providers submit claims directly to Medical Assistance), they are reviewed and forwarded to Medical Assistance. To assure that this does not happen in the future, the Federal Billing Unit will conduct routine reviews of claims and document the process to assure that all federal funds were received.
b) DDA has obtained the details for the 70 individuals totaling $279,000 and initiated a review to determine if the claims were eligible for federal reimbursement. DDA's investigation of the claims revealed most were eligible and DDA received the appropriate federal funds.
c) The Administration has taken action to further improve the timely submission of claims. This includes staff instruction to submit claims by the end of the second month following the service month. Independent personnel will review and document that claims are process within the time specified.

It should be noted there were anomalies for those claims processed at the beginning of fiscal year 2009. This is because the FPS and CSLA rates changed three times between July and September because of the over-attainment of lottery revenues and then the budget reductions. Therefore, the decision was made to hold the claims until the rates were finalized so that approximately 1.1 million claims did not have to be reprocessed.

Finding 4
DDA lacked documentation supporting the waiting list information reported to the General Assembly's budget committees. Furthermore, a current waiting list included 250 deceased individuals.

Recommendation 4
We recommend that DDA

a. maintain adequate documentation to support all information reported to the General Assembly regarding the waiting list (repeat),
b. complete a full review of individuals on the waiting list to ensure that all the individuals' needs and priorities have been accurately recorded (repeat),
c. perform periodic reviews to help ensure that the waiting list is current, and

d. **provide the General Assembly and DLS with an updated and accurate report on the waiting list.**

Administration Response:
The Administration concurs with this finding.

a) In October of 2008 DDA began a project on its own initiative that confirms the status of individuals on the waiting list which was shared with the auditors during our initial meeting.
b) At that time we shared with the auditors our plan for conducting a full review of all individuals on the waiting list and our priority for starting with the 4,511 individuals that were on the waiting list with a Crisis Resolution priority status. DDA staff designed and executed a process for the validation of each person in this priority category. DDA's findings from this study are the focus of a Joint Chairmen's report submitted in August 2009. The review of the remaining priority categories is currently underway to verify each individual's needs. The review will be completed by March 31, 2010.
c) The waiting list data are managed in a newly developed database to improve the accuracy and timeliness of reporting to the General Assembly and other interested parties, and will also be reviewed quarterly so that the list is current.
d) Additionally, historical lists generated on any occasion will be documented and retained by DDA.

The PCIS2 system provided detailed lists of services as a unique snapshot in time. Therefore, a detailed list of individuals on the wait list was provided which reflected its status on that day.

Transitioning Youth Program

Finding 5
A DDA report to the General Assembly did not disclose that, after completing the Transitioning Youth Program, clients received full DDA services, bypassing individuals on the waiting list. Additionally, certain clients in the Program were not classified as eligible for such services.

Recommendation 5
We recommend that DDA

a. **revise the aforementioned report to the General Assembly to include all pertinent facts related to client prioritization, particularly as related to the Transitioning Youth Program; and**

b. **ensure that accurate client records are maintained to substantiate that only eligible clients are enrolled in the Transitioning Youth Program.**

Administration Response:
The Administration partially concurs with this finding.

* (a) The Administration does not concur that the report did not include all the pertinent facts. The DDA submitted the report requested by the Joint Chairmen and responded to their follow up inquiry. No further information was requested and the report thereafter was accepted by the Joint Chairmen.

(b) The Administration concurs that 23 individuals were not in one of the three priority categories and upon further review these individuals should have been moved to one of those categories. In the future, DDA will ensure that any funded TY student will be reassessed for one of the three recognized categories in regulations, and has informed the DDA regional office directors to ensure that individuals are appropriately in one of the three priority categories before TY funding is approved.

Client Resource Coordinators

Finding 6
DDA did not ensure that client resource coordinators performed their required duties and, as a result, 72 clients lost Federal Medicaid eligibility and were funded solely with State general funds.

Recommendation 6
We recommend that DDA

a. **monitor its contracts with client resource coordinators to ensure that reassessments of clients are performed, as required by federal regulations;**
b. **determine if eligibility can be restored to the aforementioned 72 clients and if federal reimbursement can be obtained for services provided to these clients; and**
c. **ensure that resource coordinators meet with clients every six months, as required by State regulations.**

Administration Response:
The Administration concurs with this finding.

a. DDA Regional Directors are responsible for monitoring the resource coordination contract and assuring compliance with its deliverables which includes assessments and meeting with consumers. To ensure proper documentation, regional directors have been instructed to require

* **See Appendix B for related auditor comment.**

reassessment and visitation documentation each quarter during their face-to-face meetings with resource coordination management.

b. DDA's federal billing unit has been retrained to promptly investigate instances of lost eligibility. DDA will determine if eligibility and federal eligibility can be restored for the 72 clients.
c. Resource coordinators will be required to meet with consumers twice yearly.

Improper Payments for Deceased Individuals

Finding 7
Effective procedures were not in place to detect providers who billed for services for deceased individuals. Our testing disclosed that DDA made payments to seven providers totaling $235,000 for eight clients who were deceased on the dates services were reportedly provided.

Recommendation 7
We recommend that DDA

a. periodically match its records of clients against the Division of Vital Record's death records to identify deceased individuals, update related clients status, and take appropriate corrective action;
b. investigate instances in which payments were made to providers for services after the client's date of death, including payments for the aforementioned eight clients and the other instances identified by our match;
c. investigate the actions of the contractor responsible for auditing provider records and initiate appropriate corrective actions; and
d. refer any providers with improper billings and subsequent payments to the Office of the Attorney General - Criminal Division.

Administration Response:
The Administration partially concurs with this finding as stipulated below:

a. DDA concurs with this recommendation and will establish a written policy to perform a match on a quarterly basis between vital statistic records and PCIS2 by PCIS2 staff. The policy will be completed by November 30, 2009 changing from the manual mortality review process to and automated electronic process. In instances where a discrepancy is noted, DDA regional office staff will notify the OIG. The regional staff will communicate with the providers to determine if there are any issues that need resolution (e.g. contract modification, attendance record reviews, etc.).

b. DDA already has a policy to review and investigate any cases that are brought to its attention and we concur that we will perform a review of the 8 cited cases and other instances and will recoup any funds made inappropriately.
c. DDA concurs with this recommendation and currently investigates all improper billing once the Administration is aware of improprieties. It should be noted that the one provider mentioned above as audited by a DDA contractor reports being the victim of fraud by one of their employees. Consequently the provider failed to notify the Administration of the individual's death because they had no knowledge. The contractor documented their findings based on records provided by the provider.
d. DDA does not concur with this recommendation as DDA currently refers all cases of suspected fraud to the Office of the Inspector General (OIG) and they in turn investigate the allegation and, if required, refer to the Office of the Attorney General. The Administration immediately referred the matter to the OIG and they commenced an investigation.

Individual Service Plans

Finding 8
DDA did not have adequate procedures in place to verify that clients received services from providers as stipulated in the related individual service plans.

Recommendation 8
We recommend that DDA establish procedures to verify, at least on a test basis, that FISS and IFC clients are provided services (including total number of hours) as required in the related individual service plans by sighting provider service records (for example, client records maintained by the providers) and that these verifications be documented.

Administration Response:
The Administration concurs with this finding. These contracts follow the Human Services Agreement Manual payment provisions under 2130.04.01 which require providers to submit DHMH 437 invoice forms for actual costs in comparison to budgeted costs for review by the Department. Additionally providers submit annual reports within 60 days of the end of the contract and the providers are audited by the Department. Also, resource coordinators visit individuals to verify services are being received.

In addition to these currently existing procedures, beginning January 2, 2010, on a test basis, using a random sample (5%), DDA will verify that an individual is receiving FISS or IFC services. To accomplish this, DDA regional staff will visit the individual and document that services are being received. DDA regional staff

will review provider time sheets, receipts for goods, and any other relevant documentation. Lastly, based on the outcome of the review DDA will recover funds if necessary. Also, DDA will explore the feasibility of contracting with a vendor to verify, on a test basis, budgeted services hours are provided to FISS and IFC consumers.

Rolling Access Funds

Finding 9
DDA did not have adequate procedures in place to monitor Rolling Access funds paid to providers.

Recommendation 9
We recommend that DDA

a. establish program guidelines that specify acceptable uses of funds, including the level of funding that can be used by providers for administration costs;
b. require providers to submit expenditure documentation and review the documentation to ensure that the expenditures are consistent with the Rolling Access Program's guidelines;
c. ensure that providers do not exceed the maximum expenditure of $3,000 per client specified by State regulations; and
d. review the methodology/formula for providing funding to providers to ensure that it is equitable and consistent with the intent of the program and that this process be documented.

* **Administration Response**:
Rolling access began as a way to distribute a small amount of funding to individuals to avoid crisis or to delay the need for more intensive services.

The Administration partially concurs with this finding as follows:

a) DDA agrees and has begun a process to review the funding methodology by revising the low intensity support services system via the issuance of an Invitation for Proposal to redistribute contracts from our current 50 providers with this funding to a maximum of 12 providers with contracts that have clear and consistent deliverables. This process is being completed and the selected providers will be under contract to provide services by January 1, 2010. At the same time, low intensity support services policy will be distributed detailing the appropriate use of this funding.

* **See Appendix B for related auditor comment.**

b) DDA agrees and all expenditure documentation will be entered into PCIS2 and reviewed quarterly beginning April 1, 2010 to assure that agencies are providing funding consistent with regulations and policy.
c) DDA does not concur with this finding. DDA's regulations (10.22.12.03. (20)(c)) state that low intensity support services may exceed the $3,000 if "approved by the regional office only if the cost of the services exceeds $3,000…." DDA regional offices will keep documentation of those low intensity support services expenditures greater than $3,000.
d) DDA concurs with this finding and will have a policy and a limited number of providers using this funding source as stated in a) above.

The Administration does not concur that the variance noted between the two providers was not warranted. The provider which had utilized 83% of Rolling Access funds for program administration expenses was providing case management services to individuals with developmental disabilities. The nature of case management services is to assist consumers in locating other generic services, along with other assistance needed by the individual. DDA considers these services to be direct care expenses and not administrative or indirect.

Wage Disparity Initiative

Finding 10
DDA did not take timely collection action to recover funds totaling $3.6 million from providers related to the Wage Disparity Initiative.

Recommendation 10
We recommend that DDA recover (for example, through invoicing or withholding future payments) any funds paid to providers that were not used for the purposes of the Initiative in a timely manner.

Administration Response:
The Administration concurs with this finding.

DDA examined the three year payment records of approximately 200 providers who serve approximately 22,000 consumers. The providers were notified of the results of DDA's analysis and afforded the opportunity to review their records. Many providers needed time to research their archived records and in turn consult with their in house and independent accountants. Given this was an analysis of 3 years DDA was able to collect payment of $76,417 from some providers while negotiating payment arrangements for $214,370 with others in a relatively short period of time. The balance uncollected is $593,359. Any payments not collected by April 2010 will be sent to Central Collection Unit.

Provider Consumer Information System (PCIS2)

Finding 11
Proper security access controls had not been established over critical PCIS2 system data.

Recommendation 11
We recommend that DDA establish proper security access controls over critical PCIS2 data files. Specifically, we recommend that DDA ensure that

a. logon identification terminations are performed in a timely manner,
b. employees are limited to one logon identification code (repeat),
c. logs of modification access to critical data performed by employees with system administrator capabilities are periodically generated and reviewed by independent personnel (repeat), and
d. independent reviews of access capabilities assigned to system users are performed and documented (repeat).

Administration Response:
The Administration concurs with this finding as indicated below.

a) DDA agrees that system terminations should be made in a timely manner. To assure timely terminations, correspondence was sent to all providers with assigned employee access. This email detailed the provider's obligation and procedures for notifying DDA of any employee termination who has an assigned PCIS2 access. The email required the complete review of provider staff with PCIS2 access to be verified by the agency Executive Director. Subsequently, the executive director will be required to verify employee access on a quarterly basis. DDA will document its findings and actions.
b) DDA concurs with this recommendation, and has begun reviewing employee access. This will be completed by December 1, 2009 and all employees will have one logon id.
c) DDA agrees with this recommendation and has a process in place to review the modification access logs by the Assistant Director for Operations. While we have been following the review process, it was not been documented. DDA has implemented a documentation process in line with the quarterly reviews being completed. This documentation will be reflected in the next quarterly review scheduled for September 2009.

d) DDA agrees with this recommendation. DDA has a process for the Assistant Director for Operations to review capabilities assigned to staff but did not document these reviews. DDA has implemented a documentation process in line with the quarterly reviews being completed. This documentation will be reflected in the next quarterly review scheduled for September 2009.

Finding 12
Modification access capabilities to critical PCIS2 production data files were not adequately restricted.

Recommendation 12
We recommend that

- **a. modification access capabilities to production files only be granted to individuals with a need for such access (repeat);**
- **b. DDA take immediate action to eliminate improper modification access capabilities by non-DDA employees;**
- **c. DDA establish adequate segregation of duties for payment processing through PCIS2; and**
- **d. DDA review the propriety of the aforementioned payments noted, in which the payments were generated and approved by the same employees or for which DDA could not provide us with documentation.**

Administration Response:
The Administration partially concurs with this recommendation.

a) DDA concurs and will review these capabilities and eliminate inappropriate access. The Assistant Director for Operations will have this completed by November 30, 2009 and will review production file modification access capabilities quarterly. Documentation and action taken will be retained by the Assistant Director.

b) DDA concurs and has begun reviewing all access capabilities to eliminate improper access. The Deputy Director of DDA has received a listing of all users with access to PCIS2. She has begun her review of employee access to PCIS2 functionality. This work will be completed and documented by November 30, 2009. The Deputy Director will assure and document a quarterly review thereafter.

c) DDA concurs and has established segregation of duties procedures where the individual who generates the PCIS2 invoice does not approve the same invoice. Nor does the individual who generated the invoice make modifications to said invoice. Staff were informed and the new procedure began with the 2nd quarter payment (October 2009).

d) DDA partially concurs with this finding. DDA has reviewed the payments and has found them appropriate. DDA does not agree that documentation was not available; the information was available in PCIS2.

Finding 13
Program change controls were inadequate.

Recommendation 13
We recommend that DDA establish procedures to ensure that only management authorized programs are placed into production by employees independent of those who created/modified the programs.

Administration Response:
The Administration concurs with this recommendation and that only management authorized programs will be placed into production by employees independent of those who created/modified the programs. Approval of changes is required at the Deputy Director level, and documentation is retained by the Assistant Director for Operations.

Finding 14
Logging and monitoring of significant security related events were not adequate.

Recommendation 14
We recommend that DDA:

- **a. log all critical security related events for the PCIS2 database (repeat); and**
- **b. review all application server and database logs on a timely basis, investigate questionable items, document these reviews and investigations, and retain the documentation for verification purposes.**

Administration Response:
The Administration concurs with this recommendation. The database has been set to log the use of all critical system events. Monthly review of these logs has been instituted, documented and documentation will be retained.

APPENDIX B

Auditor's Comments on Agency Response

The Department of Health and Mental Hygiene (DHMH), on behalf of the Developmental Disabilities Administration (DDA) disagreed with certain of our comments in its response (Appendix A) to the audit report. We continue to believe that the comments made in the report are valid. In accordance with State law, all areas of disagreement will be addressed through separate correspondence between this Office and DHMH. Auditor's comments are presented below about DHMH's responses to certain of the findings in this report.

Finding 2: Both during the course of our audit and after discussing this finding with the agency at the conclusion of the audit, DDA concurred that rejected claims were not investigated and resolved. DDA also advised that procedures had been changed, subsequent to the conclusion of the audit, to include the investigation of rejected claims due to eligibility issues.

The audit finding does not state that federal funds were lost but states that federal reimbursements *may* be lost if DDA does not investigate and correct those claims deemed to be valid. Also, as commented in the finding, the extent to which rejected claims were not corrected and federal reimbursement obtained could not be readily determined because DDA did not maintain cumulative records of rejected claims and their related disposition.

Finding 5: The 2008 Joint Chairmen's Report requested DDA to report on the way it prioritized services among different groups of individuals requesting services including Transitioning Youth Program clients. While DDA submitted a report, the report did not disclose that once clients completed the one-year Transitioning Youth Program, they bypassed all other individuals on the waiting list and received full DDA services. We believe this arrangement is an important aspect of DDA's prioritization of services that should have been reported to the General Assembly.

Finding 9: Minor wording changes, which did not affect the substance of the finding, were made to the audit report to address agency concerns regarding maximum expenditures per client.

The audit finding does not state that the variance noted between (the uses of Rolling Access funds by) the two providers was not warranted. The finding indicates that, in our opinion, the different uses of the funds occurred, in part, due to the lack of procedures and direction provided by DDA to providers.

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