

Audit Report

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**Department of Disabilities**

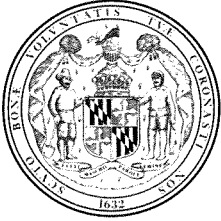
November 2012

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**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

Karl S. Aro  
Executive Director

November 5, 2012

Thomas J. Barnickel III, CPA  
Acting Legislative Auditor

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

Ladies and Gentlemen:

We have audited the Department of Disabilities (DOD) for the period beginning April 1, 2009 and ending March 13, 2012. DOD evaluates programs and services for citizens with disabilities, and coordinates and supports public and private agencies serving persons with disabilities.

Our audit disclosed that DOD was not in compliance with certain State regulations pertaining to the Attendant Care Program. For example, the required annual reevaluations of participants' eligibility were not always performed. In addition, DOD had not established adequate controls over its equipment.

DOD's response to this audit is included as an appendix to this report. We wish to acknowledge the cooperation extended to us during the course of this audit by DOD.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Thomas J. Barnickel III".

Thomas J. Barnickel III, CPA  
Acting Legislative Auditor



## **Background Information**

### **Agency Responsibilities**

The Department of Disabilities (DOD) is responsible for evaluating programs and services for citizens with disabilities, and coordinating and supporting public and private agencies serving persons with disabilities. According to the State's records, DOD's expenditures were approximately \$5.5 million during fiscal year 2011, which included approximately \$2.3 million for grants and subsidies.

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

Our audit included a review to determine the status of the two findings contained in our preceding audit report dated October 8, 2009. We determined that the DOD did not satisfactorily address these findings and they are repeated in this report.

## **Findings and Recommendations**

### **Attendant Care Program**

#### **Finding 1**

**Department of Disabilities (DOD) was not in compliance with certain State regulations pertaining to the Attendant Care Program.**

#### **Analysis**

DOD was not in compliance with certain State regulations pertaining to its administration of the Attendant Care Program. Our review disclosed the following conditions:

- DOD did not always conduct an annual reevaluation of each participant's eligibility as required by State regulations. Specifically, our test of 10 participants disclosed that the annual reevaluation of eligibility was not performed timely for 6 of the participants, as required. The delay in reevaluation ranged from 32 days to 279 days, during which time these 6 individuals received payments totaling approximately \$15,000 after the dates the reevaluations should have been performed. A similar situation was commented upon in our preceding audit report.

- Reimbursement rates were calculated during the initial application process and subsequent reevaluations; however, there was no independent supervisory review or approval of these rates to ensure that the rates were correct. Our testing of 10 participants disclosed 3 incorrect reimbursement rates based on income information reported by the applicant. These three individuals received payments in excess of the proper reimbursement amount for periods ranging from 3 to 15 months, with excessive amounts received totaling approximately \$1,500. As required by State law, DOD established by regulation a sliding scale for payments to Program participants that is based on a participant's annual income, household size, and available funding for the Program.
- Our test of 10 participants disclosed that 7 did not have a signed agreement on file. State regulations require that each participant agree to comply with the program requirements by signing an attendant care agreement form.

The Attendant Care Program provides financial reimbursement to individuals with long-term or severe physical disabilities who require attendant services, such as assistance with personal care, household chores, and transportation. Eligibility requirements include residency, age, income, and assurance that similar services are not being provided from another source. Under the Program, the maximum reimbursement rate is \$309 per bi-weekly period. According to State records, fiscal year 2011 expenditures for the Attendant Care Program totaled approximately \$1.2 million and, during fiscal year 2011, there were 157 participants in the Program according to DOD's records.

### **Recommendation 1**

**We recommend that DOD:**

- a. conduct timely reevaluations of Attendant Care Program participants (repeat),**
- b. conduct and document independent reviews of the calculated reimbursement rate for each participant, and**
- c. ensure each participant has provided a current signed attendant care agreement.**

## Equipment

### Finding 2

**Adequate controls were not established over DOD's capital equipment.**

#### Analysis

DOD did not comply with certain requirements of the Department of General Services' (DGS) *Inventory Control Manual*. According to its records, the book value of DOD's capital equipment totaled approximately \$682,000 as of March 2012. Our review disclosed the following conditions:

- The individuals responsible for conducting annual physical inventories also were responsible for maintaining the related detail records or were the custodians of the equipment. The *Manual* requires that the duties of inventory record keeping, inventory custody, and physical inventory taking be segregated.
- DOD did not always record equipment purchases in the related detail records. Our test of 30 equipment purchases, totaling \$42,234, disclosed that 4 items purchased during fiscal year 2011 (consisting of technology equipment), totaling \$3,782, were not recorded in the detail record as of June 2011. In addition, 1 of 10 items (a laptop computer) we sighted had not been recorded in the detail records. The *Manual* requires that detail records be maintained on a current basis.
- An equipment control account was not maintained, as required. A control account is a continuous summary of transactions and serves as a total dollar value control over amounts included in the detail records. The *Manual* requires that a control account be maintained and that the account balance be periodically reconciled with the aggregate value of the detail equipment records.

Similar situations were commented upon in our preceding audit report.

#### Recommendation 2

**We recommend that DOD comply with the requirements of the DGS *Inventory Control Manual* (repeat). We advised DOD on accomplishing the necessary separation of duties using existing personnel.**

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

We have audited the Department of Disabilities (DOD) for the period beginning April 1, 2009 and ending March 13, 2012. 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 DOD's financial transactions, records and internal control, and to evaluate its compliance with applicable State laws, rules, and regulations. We also determined the status of the findings contained in our preceding audit report.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of materiality and risk. The areas addressed by the audit included procurement and disbursements, equipment, the Attendant Care Program, and the Technology Assistance Program. Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of DOD'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 DOD by the Executive Department – Governor. These support services (for example, processing invoices, and maintenance of certain accounting records and related fiscal functions) are included within the scope of our audit of the Executive Department – Governor. In addition, our audit did not include an evaluation of internal controls for federal financial assistance programs and an assessment of DOD'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 DOD.

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

DOD'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 DOD regarding the results of our review of its response.

APPENDIX

Catherine Raggio, Secretary  
George P. Failla, Jr., Deputy Secretary



Martin O'Malley, Governor  
Anthony G. Brown, Lt. Governor

November 1, 2012

Mr. Thomas J. Barnickel, III, CPA  
Acting Legislative Auditor  
Office of Legislative Audits  
301 W. Preston Street, Room 1202  
Baltimore, Maryland 21201

Dear Mr. Barnickel:

Enclosed please find our response to the draft audit report on the Department of Disabilities for the period beginning April 1, 2009 and ending March 13, 2012.

Thank you for the opportunity to respond to the draft report. If you or your staff has any questions concerning the responses, please do not hesitate to contact John Brennan, Chief of Staff or George P. Failla, Jr., Deputy Secretary.

Sincerely,

A handwritten signature in black ink that reads "Catherine A. Raggio". The signature is written in a cursive style with a large, sweeping initial "C".

Catherine Raggio  
Secretary

MRE: jpb  
encl.

cc: Peggy J. Watson, Deputy Chief of Staff  
Lawrence Myers, Director of Administration, GOFA

**Recommendation I – Attendant Care Program**

**We recommend that DOD:**

**A. Conduct timely reevaluations of Attendant Care Program participants. (Repeat)**

While MDOD acknowledges a delay in the completion of some redeterminations in the sample reviewed, program staff consistently exercise due diligence in processing redeterminations including initiating the process 45 days prior to the due date and proactively following up with the participant and his or her physician with warning and disenrollment letters. The Department is also required to protect the participant's due process rights required by federal and State law and as directed by our Assistant Attorney General. None of these participants were determined ineligible for the program upon completion of the full redetermination process.

Three out of the ten took in excess of 100 days to complete while the other delayed redeterminations ranged from 9-51 days. Two redeterminations were delayed in excess of 100 days were due to agency error. One redetermination was delayed due to a lack of response from the program participant.

MDOD is initiating several steps to prevent recurrence. First, we will propose a change to the regulations as soon as practicable clarifying that the redetermination process will be initiated within a year of the date of **completion** of the prior review. Second, the ACP program manager will calculate the due date of the next redetermination as one year from the prior approval. This will ensure that participants do not have to participate in the redetermination process more than once a year. The Director of Community Living is also initiating a random file check to be conducted on a regular basis to ensure program compliance.

**B. Conduct and document independent reviews of the calculated reimbursement rate for each participant.**

MDOD acknowledges the need for improvement in this area and immediately implemented a policy by which a 2<sup>nd</sup> staff member independently cross-checks the reimbursement rates calculated by the Program Manager.

**C. Ensure each participant has provided a current signed attendant care agreement.**

MDOD concurs with this disclosure and will make changes to the regulations as soon as practicable to only require that the participant complete the agreement form upon initial enrollment into the program rather than every year. Until the regulations are revised, the Program Manager is stapling the agreement to the participant's first timesheet after the redetermination process is completed as another method for ensuring a response.

**Recommendation 2**

**We recommend that DOD comply with the requirements of the DGS *Inventory Control Manual* (repeat). We advised DOD on accomplishing the necessary separation of duties using existing personnel.**

MDOD concurs with the recommendation and since the time of this audit has taken steps to comply. Currently and during the period of the audit, the Fiscal Officer is responsible for conducting physical inventory at all MDOD/MD TAP locations and the Office Secretaries at MDOD and MD TAP have recordkeeping responsibilities only. MDOD has a limited number of staff which makes it challenging to always inventory and record equipment purchases in the related detail records on a timely basis as well as completely segregate the duties of inventory record keeping, inventory custody and physical inventory. MDOD/ MD TAP will coordinate more closely with program staff to ensure tighter compliance with the requirements of the manual. In addition, since the conclusion of this audit, MDOD in coordination with the Governor's Office of Financial Administration has established and is maintaining an inventory control account as required by the manual.

AUDIT TEAM

**William R. Smith, CPA**  
Audit Manager

**Sandra C. Medeiros**  
Senior Auditor