

Audit Report

Department of Disabilities

October 2009



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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Karl S. Aro
Executive Director

DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Bruce A. Myers, CPA
Legislative Auditor

October 8, 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 Department of Disabilities (DOD) for the period beginning January 17, 2007 and ending March 31, 2009. 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. 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,

Bruce A. Myers, CPA
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 \$4.7 million during fiscal year 2009, which included approximately \$1.5 million for grants and subsidies.

Findings and Recommendations

Attendant Care Program

Finding 1

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 for 3 of the participants, as required. As of February 19, 2009, these annual reevaluations were between 203 and 555 days past due. These 3 individuals received payments totaling approximately \$26,500 after the dates the reevaluations should have been performed.
- DOD did not have procedures to ensure that participants were not receiving duplicative services from other State agencies. State regulations require that participants not receive duplicative services from other State agencies.

The Attendant Care Program provides financial reimbursement to individuals with long-term or severe physical disabilities who require attendant services. According to DOD's records, fiscal year 2009 expenditures for the Attendant Care Program totaled approximately \$1.3 million and, as of June 30, 2009, there were 159 active participants.

Recommendation 1

We recommend that DOD administer the Attendant Care Program in accordance with State regulations.

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 \$547,000 as of May 2009. Our review disclosed the following conditions:

- Individuals responsible for conducting annual physical inventories also were responsible for tagging equipment upon receipt and maintaining the related detail records or were custodians of the inventory. As a result, equipment items could be misappropriated with detection. 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 24 equipment purchases, totaling \$49,233, disclosed that 9 items purchased during fiscal year 2008 (consisting of computers and monitors), totaling \$9,182, were not recorded in the detail records as of June 2009. In addition, 3 of 15 items (including 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 in the related 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.

Recommendation 2

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

Audit Scope, Objectives, and Methodology

We have audited the Maryland Department of Disabilities (DOD) for the period beginning January 17, 2007 and ending March 31, 2009. 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. The areas addressed by the audit included the Attendant Care Program, the Maryland Technology Assistance Program, and equipment.

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 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, payroll, 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 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.

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

October 1, 2009

Mr. Bruce A. Myers, CPA
Legislative Auditor
Office of Legislative Audits
301 W. Preston Street, Room 1202
Baltimore, Maryland 21201

Dear Mr. Myers:

Enclosed please find our response to the draft report dated September 2009 of Department of Disabilities (MDOD). The responses are in the same order as presented in the draft report.

Thank you for the opportunity to respond to the draft audit report. If you or your staff has any questions concerning the responses, please do not hesitate to contact John Brennan, Chief of Staff or Robert Platky, Director of Administration for the Executive Department.

Sincerely,

A handwritten signature in cursive script that reads "Catherine Raggio".

Catherine Raggio
Secretary

MRE: jpb
encl.

cc: Peggy J. Watson, Deputy Chief of Staff
George P. Failla, Jr., Deputy Secretary
John Brennan, Chief of Staff
Robert Platky, Director of Administration

Recommendation 1 – Attendant Care Program

We recommend that DOD administer the Attendant Care Program in accordance with State regulations.

MDOD concurs with the recommendation and is taking steps to achieve full-compliance with the regulations pertaining to the administration of the Attendant Care Program.

Prior to this legislative audit (February 2009), a comprehensive review of ACP participant records was conducted and revealed that some participants' redetermination dates were past due. At that time a detailed action plan with deadlines was developed to address all past due eligibility determinations. Currently, all participants whose eligibility determinations were identified as past due have been addressed and their status is now current. In addition, the participant list, which includes redetermination due dates, has been updated. Redetermination requests are sent to participants 45 days prior to due date and are processed as soon as they are received. In the event a participant does not respond to a redetermination request, the Director of Community Living Policy makes contact by phone and/or letter. The eligibility disposition status of every program participant is either current or in process.

With regard to ensuring that duplicative services are not being rendered, the revised ACP application includes a question that requests information regarding participation in other State programs. The ACP participant database has been updated to include fields that will populate information on participants who indicate participation in other programs. The ACP Program Manager is responsible for following up with participants and other State-funded program representatives to verify that participants are not receiving duplicate services. In the event a participant is discovered to be receiving duplicate services, appropriate actions will be taken and may include meeting with participant to inform of options and disenrollment from the Attendant Care Program.

Recommendation 2 – Equipment

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

MDOD concurs with the recommendation and is implementing changes to ensure that our recordkeeping practices are in line with the DGS Inventory Control Manual. Vacancies putting additional strain on our already small staff made it challenging to always record equipment purchases in the related detail records on a timely basis as well as properly segregate the duties of inventory record keeping, inventory custody, and physical inventory. The Office Secretary position, which is designated with the responsibility for recording equipment purchases in the detail records, has been filled and we are confident this will eliminate any delay in maintaining the detail records on a current basis. Also, going forward, the Fiscal Officer will conduct the physical inventory and the Office Secretary will assume recordkeeping responsibilities only.

The Chief of Staff, in cooperation with the office of Administration of the Executive Department, will maintain the inventory control account. A similar process has been adopted for the Maryland Department of Disabilities Technology Assistance Program (MDTAP) which is housed in a separate location than MDOD. The Office Manager will assume the responsibilities of maintaining inventory records. Due to the small number of staff at MD TAP, the Dir. of Marketing and Program Development and/or available Ameri Corps Interns will conduct the physical inventory. The Executive Director, in cooperation with the office of Administration for the Executive Department will maintain the inventory control account.

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