

Special Review

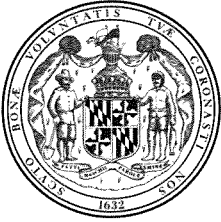
**Department of Health and Mental Hygiene
Developmental Disabilities Administration
Follow-up Review**

August 2014



**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

August 25, 2014

Thomas J. Barnickel III, CPA
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 conducted a follow-up review of the actions taken by the Department of Health and Mental Hygiene – Developmental Disabilities Administration (DDA), as of April 11, 2014, to address the findings in our October 2, 2013 audit report. In that report, we concluded that DDA's fiscal accountability and compliance rating was unsatisfactory.

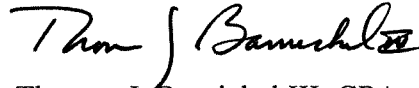
DDA provided a status report, as of April 11, 2014, that indicated its corrective action plan, including timelines and processes to monitor the implementation of the plan. In summary, DDA's status report indicated that 10 findings had been corrected or substantial progress had been made to correct the findings; the report indicated that additional actions were still required to address the 3 remaining findings.

We performed certain procedures to evaluate the actions taken by DDA for 7 findings that DDA's status report indicated were corrected or substantial progress had been made to correct the findings. Based on our work, we generally agree with DDA's assessment of the status of those findings, with one notable exception, which is further described in the exhibits to this report. In this regard, Exhibit 1 identifies DDA's assessed implementation status for all 13 findings according to its status report, as well as the results of our review for the 7 findings. Exhibit 2 describes, in detail, the one finding we determined that DDA had not substantially addressed.

DDA's status report is included as Appendix A, and the Department's response to this report is included as Appendix B.

If DDA continues to implement its corrective action plan for all findings, and if other areas do not deteriorate, our next fiscal compliance audit should result in an improved accountability and compliance rating. We will review the status of all of the audit findings during our next audit of DDA. We wish to acknowledge the cooperation extended to us by DDA during this review.

Respectfully submitted,

A handwritten signature in black ink, reading "Tom J. Barnickel III". The signature is written in a cursive, flowing style.

Thomas J. Barnickel III, CPA
Legislative Auditor

Exhibit 1

Implementation Status of Findings in the October 2013 DDA Audit Report

Prior Finding	Status as Determined by DDA as of April 2014 ¹	Status Based on Auditor's Review as of April 2014
Consumers' Services 1. DDA did not have procedures to verify that consumers received required services and that documentation of consumers' medical assistance eligibility reassessments was obtained.	Substantial Progress	In Progress (See Exhibit 2)
Federal Funds 2. DDA's methodology for determining federal reimbursement rates did not reflect the costs incurred. 3. DDA did not have adequate procedures to ensure that providers submitted all claims to obtain federal fund reimbursement. 4. Federal fund reimbursement requests were untimely resulting in loss of interest income of \$262,000. 5. DDA did not investigate rejected claims with potential federal fund reimbursements totaling \$2.2 million.	Corrected Substantial Progress Substantial Progress	Substantial Progress N/A N/A
Contribution to Care 6. DDA did not ensure that consumers' contributions to care were proper, which could affect DDA's payments to providers.	Minimal Progress	N/A
Alcohol Tax Funds 7. DDA allowed certain funds from an increase in the alcohol tax to be used for purposes other than those specified in its policies.	Corrected	Corrected

Page 1 of 2

N/A – Not applicable since we did not review the implementation status of this finding

¹ DDA's detailed implementation status for each recommendation can be found in DDA's status report in Appendix A. The overall conclusion by finding presented in Exhibit 1 was discussed with, and agreed to, by DDA management personnel.

Exhibit 1

Implementation Status of Findings in the October 2013 DDA Audit Report

Prior Finding	Status as Determined by DDA as of April 2014 ¹	Status Based on Auditor's Review as of April 2014
Provider Payment Reconciliations		
8. DDA did not adequately monitor the submission of annual provider reports and the related reconciliation process.	Corrected	Corrected
Accounts Receivable		
9. DDA did not bill local jurisdictions \$1.4 million for their share of day habilitation and vocational service charges.	In Progress	N/A
10. DDA did not recover provider overpayments that were identified through certain program audits.	Minimal Progress	N/A
Maintenance of Accounting Records		
11. DDA did not maintain documentation to support accounting adjustments recorded in the State's records.	Substantial Progress	N/A
Provider Consumer Information System (PCIS2)		
12. Proper security access controls had not been established over critical PCIS2 data.	Corrected	Corrected
13. Certain security measures over the PCIS2 production database were not in effect.	Corrected	Corrected
		Page 2 of 2

N/A – Not applicable since we did not review the implementation status of this finding

¹ DDA's detailed implementation status for each recommendation can be found in DDA's status report in Appendix A. The overall conclusion by finding presented in Exhibit 1 was discussed with, and agreed to, by DDA management personnel.

Exhibit 2

Detailed Comments on the Finding Which DDA Had Not Substantially Addressed

Consumers' Services

Prior Finding 1

Developmental Disabilities Administration (DDA) did not have procedures to verify that consumers received services from providers as stipulated in the related individual service plans and that documentation for the consumers' Medicaid eligibility reassessments was obtained.

Prior Report Recommendation 1

We recommended that DDA ensure that consumers receive the stipulated services and that resource/service coordinators perform all required duties. Specifically, we recommended that DDA

- a. establish procedures to verify, at least on a test basis, that the resource/service coordinators are ensuring that services are provided as required in the individual service plans and that adequate documentation is maintained (repeat);
- b. monitor its resource/service coordinators to ensure that annual reassessments of consumers are performed, as required by federal regulations (repeat); and
- c. determine if eligibility can be restored to the 28 consumers noted in the finding and if federal reimbursement can be obtained for services provided to these consumers (repeat).

Auditor's Assessment of Status – In Progress

DDA has established certain procedures to ensure that consumers receive the stipulated services and that resource/service coordinators perform all required duties. However, we noted that procedures were lacking in the following key areas:

- a. In July 2013, DDA added a "Resource Coordination" module to the existing Provider Consumer Information System (PCIS2). This new module requires the resource/service coordinators to report extensive details regarding the services provided to consumers. For example, the resource/service coordinators are required to report whether the consumers received all specified services and whether progress was made on meeting the goals.

DDA also prepared draft procedures outlining how DDA will monitor and audit the resource/service coordinators to ensure that services are provided to

consumers. Specifically, from the provider-reported information in PCIS2, DDA will generate a quarterly report showing each resource/service coordinator's performance. This report will be used by the resource/service coordinators to complete a self-evaluation. Upon review of these self-evaluations by DDA, resource/service coordinators that are determined to not comply with DDA guidelines and applicable State regulations will be required to prepare a corrective action plan. As of April 2014, these procedures had not been implemented.

Our review of these draft procedures noted that critical details or processes were omitted. Specifically, DDA has not defined (1) the specific criteria to be used to determine whether the performance of the resource/service coordinators complies with DDA guidelines and State regulations and requires a corrective action plan, (2) which DDA unit will conduct the self-evaluation reviews, and (3) due dates for the completion of the self-evaluations and related DDA reviews. Furthermore, the draft procedures did not include a process to verify the information recorded in PCIS2 by the resource/service coordinators. We were subsequently advised by DDA management that such verifications will be performed on a test basis.

- b. In March 2014, DDA prepared draft procedures for monitoring the resource/service coordinators to ensure that annual reassessments of consumers were performed. These procedures include requiring the resource/service coordinators to document their follow-up activities with each consumer. DDA will review the adequacy of the follow-up activities as part of its review of the aforementioned self-evaluations. Additionally, the procedures include DDA performing a quarterly review of 10 percent of the consumers who have lost Medicaid eligibility for more than six months. As of April 2014, these procedures had not been implemented.
- c. As of April 2014, DDA followed up on the 28 consumers noted in the report who had lost Medicaid eligibility because the resource/service coordinators did not provide the required documentation timely. DDA was able to restore eligibility for 19 of these consumers. Of the remaining 9 consumers, 6 were pending additional follow-up actions, and 3 were determined not to be eligible for various reasons. According to DDA's records, approximately \$1.2 million in federal fund reimbursements had been obtained for services provided to these 19 consumers, as of February 28, 2014.

Scope, Objectives, and Methodology

We conducted a follow-up review of the actions taken by the Department of Health and Mental Hygiene – Developmental Disabilities Administration (DDA) as of April 11, 2014 to address the findings in our October 2, 2013 audit report. In that report, we concluded that DDA’s fiscal accountability and compliance rating was unsatisfactory.

The purpose of our review was to determine the status of DDA’s corrective actions to address certain of our audit findings. This review was conducted based on our long-standing practice of performing a follow-up review whenever an agency receives an unsatisfactory rating in its fiscal compliance audit report. The rating system was established, in accordance with State Government Article, Section 2-1221 of the Annotated Code of Maryland, for the purpose of determining an overall evaluation of an agency’s fiscal accountability and compliance with State laws and regulations.

Our review consisted of obtaining the April 11, 2014 status report from DDA (describing the level of implementation of each prior audit report recommendation), performing tests and analyses of selected information, and holding discussions with DDA personnel as we deemed necessary to determine the status of DDA’s corrective actions to address selected findings from our October 2, 2013 audit report. This review, which was conducted under the authority of Section 2-1220(a)(4) of the State Government Article, did not constitute an audit conducted in accordance with generally accepted government auditing standards. Had we conducted an audit in accordance with generally accepted government auditing standards, other matters may have come to our attention that would have been reported. Our review was conducted primarily during April through June 2014.

The Department of Health and Mental Hygiene’s response to our follow-up review, on behalf of DDA, 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

Office of Legislative Audits Audit Status Updated

Developmental Disabilities Administration
Department of Health and Mental Hygiene

As of April 11, 2014

Updated May 15, 2014

Overview of Findings

Finding	Description
1*	DDA did not have procedures to verify that consumers received services from providers as stipulated in the related individual service plans and that documentation for the consumers' Medicaid eligibility reassessments was obtained.
2	DDA's methodology for determining federal reimbursement rates for contractual payment system expenditures did not accurately reflect the costs incurred. For one large program, reimbursements received were \$2.4 million less than actual reimbursable costs for a two-year period.
3*	DDA did not have adequate procedures to ensure that providers submitted all claims for contractual payment system expenditures to obtain subsequent federal fund reimbursements.
4*	Federal fund reimbursement requests were not made timely, resulting in a loss of interest income of \$262,000.
5*	DDA did not investigate rejected claims with potential federal fund reimbursements totaling \$2.2 million.
6	DDA did not ensure that the consumers' contribution to care amounts for residential services were proper, which could affect the amounts of DDA's payments to providers.
7	DDA allowed certain funds derived from a tax increase on alcoholic beverages to be used for purposes other than those specified in its policies.
8	DDA did not adequately monitor the submission of annual provider reports and the related payment reconciliation process.
9	DDA did not bill four local jurisdictions for their share of day habilitation and vocational service charges totaling \$1.4 million.
10	DDA did not recover provider overpayments that were identified through audits related to the Community Supported Living Arrangement (CSLA) program.
11	DDA did not maintain documentation to support accounting adjustments recorded in the State's records.
12*	Proper security access controls had not been established over critical PCIS2 data.
13*	Certain security measures over the PCIS2 production database were not in effect

Finding 1* -DDA did not have procedures to verify that consumers received services from providers as stipulated in the related individual service plans and that documentation for the consumers' Medicaid eligibility reassessments was obtained.

Relevant Updates– DDA transitioned to a Targeted Case Management model (under the Maryland State Plan) for resource coordination services on 7/1/2013. To support this transition, the DDA implemented regulatory changes, improved guidance on the delivery of resource coordination services, and enhanced its IT system to improve the monitoring of resource coordination activity.

Recommendation #1: We recommend that DDA ensure that consumers receive the stipulated services and that resource/service coordinators perform all required duties. Specifically, we recommend that DDA:

Sub recommendation	Resolution Approach	Status and POC
1a. establish procedures to verify, at least on a test basis, that the resource/service coordinators are ensuring that services are provided as required in the individual service plans and that adequate documentation is maintained (repeat);	<ul style="list-style-type: none">Monitoring and follow-up guidance (RC requirement to monitor service provision) has been developed and provided to resource coordination providersDraft procedures have been developed for monitoring resource coordinator performance through PCIS2 data reports	Status: Substantial Progress Projected completion is 5/30/14

Finding 1* -DDA did not have procedures to verify that consumers received services from providers as stipulated in the related individual service plans and that documentation for the consumers' Medicaid eligibility reassessments was obtained.

Relevant Updates– DDA transitioned to a Targeted Case Management model (under the Maryland State Plan) for resource coordination services on 7/1/2013. To support this transition, the DDA implemented regulatory changes, improved guidance on the delivery of resource coordination services, and enhanced its IT system to improve the monitoring of resource coordination activity.

Recommendation #1: We recommend that DDA ensure that consumers receive the stipulated services and that resource/service coordinators perform all required duties. Specifically, we recommend that DDA:

Sub recommendation	Resolution Approach	Status and POC
1b. monitor its resource/service coordinators to ensure that annual reassessments of consumers are performed, as required by federal regulations(repeat);	<ul style="list-style-type: none"> • Quality assurance reports require RC providers to assess RC support for continuous financial eligibility • Reports are sent to RCs and regional offices regarding waiver status changes • Developed a statewide tracking of individuals who lost eligibility • Developed draft guidance on keeping people enrolled in the waiver • Drafted a procedure to audit RC performance in instances where individuals lost eligibility 	Status: In Progress. Projected completion is 8/1/14

Finding 1* -DDA did not have procedures to verify that consumers received services from providers as stipulated in the related individual service plans and that documentation for the consumers' Medicaid eligibility reassessments was obtained.

Relevant Updates– DDA transitioned to a Targeted Case Management model (under the Maryland State Plan) for resource coordination services on 7/1/2013. To support this transition, the DDA implemented regulatory changes, improved guidance on the delivery of resource coordination services, and enhanced its IT system to improve the monitoring of resource coordination activity.

Recommendation #1: We recommend that DDA ensure that consumers receive the stipulated services and that resource/service coordinators perform all required duties. Specifically, we recommend that DDA:

Sub recommendation	Resolution Approach	Status and POC
1c. determine if eligibility can be restored to the aforementioned 28 consumers and if federal reimbursement can be obtained for services provided to these consumers (repeat);	<ul style="list-style-type: none"> • DDA has followed up on the eligibility of the 28 identified consumers • Federal reimbursement has been obtain for services provided to these consumers who were reinstated • Collections for these individuals has continued beyond the audit period 	Status: Corrected as of 3/1/14

Finding 2- Finding 2: DDA’s methodology for determining federal reimbursement rates for contractual payment system expenditures did not accurately reflect the costs incurred. For one large program, reimbursements received were \$2.4 million less than actual reimbursable costs for a two-year period.

Relevant Updates– The DDA has revised its methodology for determining federal reimbursement rates for the contractual payment system expenditures in order to maximize the recovery of federal funds for eligible costs.

Recommendation #2: We recommend DDA:		
Sub recommendations	Resolution Approach	Status and POC
2a. attempt to revise its reimbursement methodology for contractual payment system expenditures to better reflect actual costs incurred and to maximize recovery of federal funds.	<ul style="list-style-type: none"> Developed reimbursement rates for each individual based on their annual budgets Issued individual based rates via rate letters on 12/16/13 	Status: Corrected as of 12/16/13
2b. maintain documentation to support the contractual payment system reimbursement rate calculation, and	<ul style="list-style-type: none"> Documentation was developed supporting newly developed reimbursement rates 	Status: Corrected as of 11/7/13
2c. establish procedures to ensure that contractual payment system reimbursement rates are independently reviewed and approved.	<ul style="list-style-type: none"> Procedure was developed and documented, was reviewed by Medicaid, and has been accepted as the new methodology for FY14 	Status: Corrected as of 12/16/13

Finding 3*- DDA did not have adequate procedures to ensure that providers submitted all claims for contractual payment system expenditures to obtain subsequent federal fund reimbursements.

Relevant Updates– The DDA is in the process of establishing and executing procedures to ensure that all provider claims for pre-paid services under the contractual payment system have been submitted.

Recommendation #3: We recommend DDA:

Sub recommendations	Resolution Approach	Status and POC
3a. implement a process to ensure that all provider claims for prepaid services under the contractual payment system have been submitted to DDA or MMIS II for federal reimbursement (repeat), and	<ul style="list-style-type: none">• A tracking file was developed for FY14 to track submission and payment of monthly CMS 1500 forms• A procedure was developed and deadlines for submitting claims were communicated to providers• Developing a process to follow up with providers who haven't submitted claims and withhold payments for these providers as appropriate	Status: Substantial Progress Projected completion is 5/30/14
3b. follow up on the \$5.2 million in potential federal fund reimbursements to ensure that eligible claims are submitted and processed for federal reimbursement.	<ul style="list-style-type: none">• To date, \$2.2 million worth of claims from the test period have been processed and paid; the remaining amount is considered uncollectable given the 2 year limit on claims	Status: Corrected as of 11/15/13

Finding 4*- Federal fund reimbursement requests were not made timely, resulting in a loss of interest income of \$262,000.

Relevant Updates– The majority of PCIS2 Rate Based Claims for FPS services are submitted between 30 and 60 days of the date of service and efforts are being made to follow-up with providers on untimely submission of claims. Due to increased diligence in resolving denied claims and maximizing the collection of eligible FFP, a small percentage of claims are still paid more than 6 months after the date of service.

Recommendation #4: We recommend DDA:		
Sub recommendations	Resolution Approach	Status and POC
4. We recommend that DDA ensure that future requests for federal fund reimbursements are made in a timely manner (repeat).	<ul style="list-style-type: none">• The majority of PCIS2 claims for FPS services are submitted between 30 and 60 days of the date of service• A procedure is being developed for following up on claims that have not been submitted in a timely fashion• Working with providers to increase the electronic submission of claims	Status: Substantial Progress Projected completion is 6/30/14

Finding 5*- DDA did not investigate rejected claims with potential federal fund reimbursements totaling \$2.2 million.

Relevant Updates— A process has been created to address denied claims on a weekly basis and track the aging and resolution of denied FPS claims through a database.

Recommendation #5 We recommend DDA in conjunction with MCPA:

Sub recommendations	Resolution Approach	Status and POC
5a. take immediate action to ensure that rejected federal fund reimbursement claims are timely investigated, resolved, and recovered (repeat); and	<ul style="list-style-type: none">• Documented process for addressing denied claims on a weekly basis• Created a Denied Claims Aging File (Access database) for tracking the resolution of denied claims	Status: Corrected as of 2/3/14
5b. maintain documentation supporting its actions taken to resolve rejected claims (repeat).	<ul style="list-style-type: none">• The developed Denied Claims File is being utilized to track and maintain documentation on the resolution of rejected claims	Status: Corrected as of 2/3/14

Finding 6- DDA did not ensure that the consumers’ contribution to care amounts for residential services were proper, which could affect the amounts of DDA’s payments to providers. (repeat).

Relevant Updates– DDA conducted an extensive review of CTC and identified that key changes to policies, procedures and the CTC calculation itself were required to align with Federal regulations. Implementation has been phased as a result of the need to manage resources while increasing compliance.

Recommendation #6: We recommend DDA:

Sub recommendations	Resolution Approach	Status and POC
6a. ensure the accuracy of CTC receipt amounts recorded in PCIS2, and	<ul style="list-style-type: none">• Interim guidance was provided to DDA providers in December 2013 so that changes could be reflected in January 2014 CTC calculations• The DDA has been working closely with the Eligibility Determination Division (formally DEWS) to update their CTC calculation and align provider’s calculations with the EDD calculated CTC	Status: In Progress Projected completion is 1/1/15

Finding 6- DDA did not ensure that the consumers’ contribution to care amounts for residential services were proper, which could affect the amounts of DDA’s payments to providers. (repeat).

Relevant Updates– DDA conducted an extensive review of CTC and identified that key changes to policies, procedures and the CTC calculation itself were required to align with Federal regulations. Implementation has been phased as a result of the need to manage resources while increasing compliance.

Recommendation #6: We recommend DDA:

Sub recommendations	Resolution Approach	Status and POC
6b. investigate the aforementioned differences and take appropriate action	<ul style="list-style-type: none">• Potential sources for the differences between CTC amounts calculated by providers and EDD were investigated. After careful review, the DDA believes that the differences are uncollectable from participants and that it would not be beneficial to further investigate these specific differences.• The reasons that have prevented the DDA from looking back at previously calculated CTC will be addressed as part of the revised CTC calculation and process.	Status: No Progress

Finding 7 - DDA allowed certain funds derived from a tax increase on alcoholic beverages to be used for purposes other than those specified in its policies.

Relevant Updates– While the Services of Short Duration (SSD) program has ended, the DDA will ensure that future policies clearly define exception criteria and that the DDA follows all defined policies.

Recommendation #7: We recommend that DDA ensure that funds are used for purposes specified in its policies.

Sub recommendations	Resolution Approach	Status and POC
We recommend that DDA ensure that funds are used for purposes specified in its policies.	<ul style="list-style-type: none">• DDA will follow its policies in the future• A policy regarding future policies has been developed	Status: Corrected as of 4/1/14

Finding 8 - DDA did not adequately monitor the submission of annual provider reports and the related payment reconciliation process.

Relevant Updates— DDA redesigned and executed a revised process for the FY2013 cost reports based upon this finding and authorities available through statute.

Recommendation #8: We recommend DDA:

Sub recommendations	Resolution Approach	Status and POC
8a. establish a process to follow up with providers who do not submit required reports on a timely basis.	<ul style="list-style-type: none"> DDA redesigned processes to monitor cost reports and ensure compliance with the documented procedure Cost report instructions were updated and communicated to providers Notification letters resulting from the cost report reviews have been sent to providers 	Status: Corrected as of 3/11/14
8b. ensure that the certified independent attendance reports include the number of attendance days, and	<ul style="list-style-type: none"> Letters have been sent to providers requesting the revision of attendance attestations to include the number of attendance days 	Status: Corrected as of 4/18/14
8c. establish monitoring procedures to help ensure timely completion of the year-end payment reconciliations.	<ul style="list-style-type: none"> A tracking system was developed and is being maintained to assess compliance Regular meetings with DCAR 	Status: Corrected as of 11/7/13

Finding 9 - DDA did not bill four local jurisdictions for their share of day habilitation and vocational service charges totaling \$1.4 million.

Relevant Updates– The DDA has closely examined the statutory requirements for local share and has taken steps to either appropriately bill local jurisdictions or reduce provider payments on the basis of direct payments from local jurisdictions to providers. In the future DDA will work to standardize this process for all providers and jurisdictions.

Recommendation #9: We recommend DDA:

Sub recommendations	Resolution Approach	Status and POC
9a. bill the local jurisdictions as appropriate in accordance with State law; and	<ul style="list-style-type: none"> One jurisdiction did pay but their payment had not been recorded correctly in RSTARS DDA has confirmed that the remaining jurisdictions pay their providers directly The DDA historically has reduced payments to providers receiving direct funding from Frederick and Worcester DDA has requested additional information from Anne Arundel In the future DDA will bill all jurisdictions for their local share 	Status: In Progress Projected completion is 8/29/14
9b. in conjunction with legal counsel, investigate and pursue the unbilled amounts and take appropriate action.	<ul style="list-style-type: none"> DDA will pursue recovery from providers who were over-paid given that local jurisdictions were paying them directly 	Status: In Progress Projected completion is 8/29/14

Finding 10 - DDA did not recover provider overpayments that were identified through audits related to the Community Supported Living Arrangement (CSLA) program.

Relevant Updates— DDA is currently finalizing a new Request for Proposals (RFP) for a vendor to complete Utilization Reviews. As part of this RFP, the DDA has included a requirement that the vendor detail the financial impact of un-provided services. The draft RFP is available for review.

Unfortunately recovery from historical audits is challenged as incomplete information is available from the previous vendor and the past audit process did not produce sound findings. While an attempt was made to withhold payment from the previous vendor in lieu of data, data provided in accordance with contractual requirements did not give the DDA adequate information to support a recovery.

Recommendation #10: We recommend DDA:

Sub recommendations	Resolution Approach	Status and POC
10a. take timely action to recover overpayments identified through CSLA audits, and	<ul style="list-style-type: none">• Payment to the previous vendor was withheld until contractual requirements were met• The DDA will begin the timely recovery of audit results once the new vendor is on board	Status: Minimal Progress Projected completion is 11/1/14
10b. require its audit vendor to include the value of overpayments in its reports.	<ul style="list-style-type: none">• A process has been developed which includes this requirement• The revised RFP clearly states that this must be completed	Status: Minimal Progress Projected completion is 11/1/14

Finding 11 – DDA did not maintain documentation to support accounting adjustments recorded in the State’s records.

Relevant Updates– Since the FY13 year-end close, the DDA has worked to improve its documentation of accounting adjustments entered into RSTARS. However, given the complex accounting entries required by the DDA’s payment system, work is underway to further improve documentation requirements and processes for these entries.

Recommendation #11: We recommend that DDA maintain adequate supporting documentation for all adjustments recorded in the State’s accounting records.

Sub recommendations	Resolution Approach	Status and POC
11. We recommend that DDA maintain adequate supporting documentation for all adjustments recorded in the State’s accounting records.	<ul style="list-style-type: none">A process is being defined for the documentation and review of journal entries	Status: Substantial Progress Projected completion is 5/30/14

Finding 12* - Proper security access controls had not been established over critical PCIS2 data.

Relevant Updates— Immediate action was taken to address issues highlighted by OLA and since then processes have been established to ensure that terminated employees are deactivated and modification access is appropriate.

Recommendation #12: We recommend DDA:

Sub recommendations	Resolution Approach	Status and POC
12a. immediately deactivate user logons of terminated employees,	<ul style="list-style-type: none">Accounts were immediately deactivatedA process is being followed to review DDA employee accessDDA is sending notifications to providers/ other agencies requesting the verification of current PCIS2 users on a monthly basis	Status: Corrected as of 9/18/13
12b. grant modification access capabilities to critical data only to individuals with a need for such access (repeat), and	<ul style="list-style-type: none">The ability to modify critical data is now only granted to users within the DDA that have a need for such access	Status: Corrected as of 9/12/12
12c. immediately eliminate unnecessary modification access (repeat).	<ul style="list-style-type: none">Upon discovery, the privilege that allowed providers to modify information in the demographics screen in PCIS2 was revoked	Status: Corrected as of 9/12/12

Finding 13* - Certain security measures over the PCIS2 production database were not in effect.

Relevant Updates— Unsecure services were immediately deactivated and enhanced logging has been established as part of a larger database log review process that is being executed on a regular basis.

Recommendation #13: We recommend DDA:

Sub recommendations	Resolution Approach	Status and POC
13a. log all critical security related events for the PCIS2 database (repeat);	<ul style="list-style-type: none">Database logging feature was turned on and configured appropriatelyCriteria have been established to support the review of security logsCriteria are continuously being enhanced	Status: Corrected as of 1/10/12
13b. review all applicable database logs on a timely basis, investigate questionable items, document these reviews and investigations, and retain the documentation for verification purposes (repeat); and	<ul style="list-style-type: none">Logs are being reviewed on a regular basisSecondary review is being conducted internallyLogs are shared with OIT	Status: Corrected as of 10/3/13
13c. determine if the unsecure service is needed and either disable this service or implement appropriate controls to mitigate the security risk of using this service.	<ul style="list-style-type: none">Disabled the service	Status: Corrected as of 1/10/12

APPENDIX B



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 – Joshua M. Sharfstein, M.D., Secretary

August 21, 2014

Thomas J. Barnickel, III
Legislative Auditor
Department of Legislative Services
Office of Legislative Audits
301 West Preston Street, Room 1202
Baltimore, MD 21201

Dear Mr. Barnickel:

The Department of Health and Mental Hygiene (Department) respectfully submits the enclosed response to the Office of Legislative Audit's (OLA) follow-up review of the Developmental Disabilities Administration (DDA) and the actions taken as of April 11, 2014, to address findings in OLA's October 2, 2013 audit report.

Of the seven (7) audit findings reviewed, five (5) were identified as being Corrected, one (1) was deemed to have made Substantial Progress, and one (1) was deemed to be In Progress. Attached you will find the Department's response and plan of correction to Finding #1 that has been identified as In Progress.

As reflected by OLA's recommendation to close five (5) of the audit findings, the Department has initiated measures to strengthen internal controls and improve processes to mitigate the deficiencies identified in the October 2, 2013 audit report.

The Department would like to thank the audit staff who conducted this follow up review. Their professionalism and respect for DDA employees' time is greatly appreciated and helped the audit process tremendously. If you have any questions, please do not hesitate to contact me or Mr. Thomas V. Russell of my staff at (410) 767-5862.

Sincerely,

Joshua M. Sharfstein, M.D.
Secretary

cc: Senator James C. Rosapepe, Co-Chair, Joint Audit Committee
Delegate Guy J. Guzzone, Co-Chair, Joint Audit Committee

Administration's Response to Findings and Recommendations

Consumers' Services

Prior Finding 1: Developmental Disabilities Administration (DDA) did not have procedures to verify that consumers received services from providers as stipulated in the related individual service plans and that documentation for the consumers' Medicaid eligibility reassessments was obtained.

Auditor's Prior Report Recommendation 1: We recommended that DDA ensure that consumers receive the stipulated services and that resource/service coordinators perform all required duties. Specifically, we recommended that DDA:

- a. Establish procedures to verify, at least on a test basis, that the resource/service coordinators are ensuring that services are provided as required in the individual service plans and that adequate documentation is maintained (repeat);
- b. Monitor its resource/service coordinators to ensure that annual reassessments of consumers are performed, as required by federal regulations (repeat); and
- c. Determine if eligibility can be restored to the 28 consumers noted in the finding and if federal reimbursement can be obtained for services provided to these consumers (repeat).

Auditor's Current Assessment / Finding: *In Progress - DDA has established certain procedures to ensure that consumers receive the stipulated services and that resource/service coordinators perform all required duties. However, we noted that procedures were lacking in the following key areas:*

- a. *In July 2013, DDA added a "Resource Coordination" module to the existing Provider Consumer Information System (PCIS2). This new module requires the resource/service coordinators to report extensive details regarding the services provided to consumers. For example, the resource/service coordinators are required to report whether the consumers received all specified services and whether progress was made on meeting the goals.*

DDA also prepared draft procedures outlining how DDA will monitor and audit the resource/service coordinators to ensure that services are provided to consumers. Specifically, from the provider-reported information in PCIS2, DDA will generate a

quarterly report showing each resource/service coordinator's performance. This report will be used by the resource/service coordinators to complete a self-evaluation. Upon review of these self-evaluations by DDA, resource/service coordinators that are determined to not comply with DDA guidelines and applicable State regulations will be required to prepare a corrective action plan. As of April 2014, these procedures had not been implemented.

Our review of these draft procedures noted that critical details or processes were omitted. Specifically, DDA has not defined (1) the specific criteria to be used to determine whether the performance of the resource/service coordinators complies with DDA guidelines and State regulations and requires a corrective action plan, (2) which DDA unit will conduct the self-evaluation reviews, and (3) due dates for the completion of the self-evaluations and related DDA reviews. Furthermore, the draft procedures did not include a process to verify the information recorded in PCIS2 by the resource/service coordinators. We were subsequently advised by DDA management that such verifications will be performed on a test basis.

- b. In March 2014, DDA prepared draft procedures for monitoring the resource/service coordinators to ensure that annual reassessments of consumers were performed. These procedures include requiring the resource/service coordinators to document their follow-up activities with each consumer. DDA will review the adequacy of the follow-up activities as part of its review of the aforementioned self-evaluations. Additionally, the procedures include DDA performing a quarterly review of 10 percent of the consumers who have lost Medicaid eligibility for more than six months. As of April 2014, these procedures had not been implemented.*
- c. As of April 2014, DDA followed up on the 28 consumers noted in the report who had lost Medicaid eligibility because the resource/service coordinators did not provide the required documentation timely. DDA was able to restore eligibility for 19 of these consumers. Of the remaining 9 consumers, 6 were pending additional follow-up actions, and 3 were determined not to be eligible for various reasons. According to DDA's records, approximately \$1.2 million in federal fund reimbursements had been obtained for services provided to these 19 consumers, as of February 28, 2014.*

Administration's Response:

Finding 1(a): DDA concurs with OLA's assessment of this finding. As of April 11, 2014, DDA had developed draft procedures to outline steps to monitor and audit resource/service coordinators to ensure that services are provided to consumers. At the time of the OLA Special Review, the procedures had not been finalized, and were missing specific criteria to identify non-compliant performance measures that would require corrective action plans. To remediate this finding, DDA's Plan of Correction includes a review and revision of the procedure to monitor resource coordinators.

Through this update to the procedure, DDA will: (1) ensure specific criteria are outlined to identify non-compliant performance measures; (2) define critical steps, including sampling on a test basis to identify trends at the provider level; (3) require that any *significant* non-compliance require providers to develop a Corrective Action Plan; and (4) identify the DDA unit and timing requirements for reviewing the quarterly performance reports. The timetable for implementation of this revised process is August 29, 2014.

OLA also highlighted that the draft procedures did not include a process to verify the information recorded in PCIS2 by the resource/service coordinators. While the quality assurance process highlighted above uses PCIS2 to monitor trends in provider performance, the DDA understands the need to audit the data entered on at least a test basis. To remediate this finding, DDA's Plan of Correction includes exploring and determining a way to leverage data from other sources, not provided by resource coordinators, to verify the completeness of data entered by resource coordinators in PCIS2. The timetable for implementation is October 31, 2014.

Finding 1(b): DDA concurs with OLA's assessment of this finding. To remediate this finding, DDA's Plan of Correction includes completing the first set of 10% audits of consumers who have lost Medicaid eligibility, and continuing to conduct the 10% audits each subsequent quarter. The timetable for implementation is September 30, 2014.

Finding 1(c): DDA concurs with OLA's assessment of this finding. To remediate this finding, DDA's Plan of Correction included requesting documentation from the consumers who had lost Medicaid eligibility and proactively following up to help those that were still eligible become reinstated on the waiver. As of July 2014, of the 28 consumers who lost eligibility, 20 were restored, four (4) individuals after numerous inquiries, did not provide the required documentation to support eligibility, and three (3) were determined to no longer be eligible. DDA considers this action to be complete, because DDA can only request that consumers attend scheduled appointments and provide the required documentation, but will continue to encourage families to submit applications for enrollment.

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