

**Summary of Reports Issued and
Recommended Committee Action**

December 1, 2011 to August 31, 2012

Presentation to Joint Audit Committee

Thomas J. Barnickel III, CPA
October 16, 2012

Reports Issued December 1, 2011 to August 31, 2012

Summary

Total Reports Issued 64

Reports Recommended for Action 3

<u>Agency</u>		<u>Recommended Action</u>
1.	Department of Health and Mental Hygiene – Department of Human Resources – Medical Assistance Program – Using the Federal Death Master File to Detect and Prevent Medicaid Payments Attributable to Deceased Individuals (Performance)	JAC Hearing ⁽¹⁾
2.	Department of Transportation – Maryland Transit Administration	JAC Hearing
3.	Department of Human Resources – Local Department Operations	JAC Letter of Concern
⁽¹⁾ Presented to Joint Audit Committee in December 2011		

Summary of Recommended Action

Joint Audit Committee (JAC) Hearing	2
JAC Letter of Concern	<u>1</u>
Total	<u><u>3</u></u>

**REPORTS ISSUED
DECEMBER 1, 2011 TO AUGUST 31, 2012**

<u>Agency</u>	<u>Report Date</u>	<u>Number of Pages</u>
Department of Health and Mental Hygiene – Department of Human Resources - Medical Assistance Program – Using the Federal Death Master File to Detect and Prevent Medicaid Payments Attributable to Deceased Individuals (Performance)	12/02/11	15
Regional Institute for Children and Adolescents – Baltimore	12/02/11	5
Office of Administrative Hearings	12/02/11	5
Review of Community College Audit Reports – Fiscal Year Ending June 30, 2010 (Special)	12/02/11	6
Harford County – Office of the Register of Wills	12/06/11	5
Comptroller of Maryland - Information Technology Division (Fiscal Operations)	12/07/11	6
Kent County – Office of the Clerk of Circuit Court	12/14/11	6
Department of Budget and Management – Office of Personnel Services and Benefits	12/14/11	20
Harford Clerk – Office of the Clerk of Circuit Court	1/03/12	5
Department of Public Safety and Correctional Services – Information Technology and Communications Division	1/06/12	9
Maryland Institute for Emergency Medical Services Systems	1/12/12	11
University System of Maryland Office	1/17/12	18
Statewide Review of Budget Closeout Transactions for Fiscal Year 2011 (Special)	1/18/12	18
Maryland School for the Deaf	1/19/12	4
Department of Public Safety and Correctional Services – Maryland Correctional Enterprises	1/24/12	6
Department of Labor, Licensing and Regulation – Division of Labor and Industry	2/01/12	10
Department of Health and Mental Hygiene – Springfield Hospital Center	2/03/12	6
Comptroller of Maryland – Central Payroll Bureau	2/07/12	5
Department of Business and Economic Development	2/07/12	10
Department of Public Safety and Correctional Services – Criminal Injuries Compensation Board	2/13/12	11
Department of Transportation – Maryland Transit Administration	2/17/12	28
Dorchester County – Office of the Register of Wills	2/22/12	5
Judiciary – District Court Civil Cases – Timeliness of Initial Recording of Filings (Performance)	2/24/12	10
Maryland Health Care Provider Rate Stabilization Fund – January 1, 2011 to December 31, 2011	2/28/12	6
Judiciary – Judicial Information Systems	2/28/12	9
Workers' Compensation Commission	3/02/12	11
State Retirement Agency	3/02/12	8
Carroll County Public Schools (Financial Management Practices Performance Audit)	3/20/12	34
Comptroller of Maryland – Office of the Comptroller – Bureau of Revenue Estimates	3/26/12	5
Calvert County – Office of the Clerk of Circuit Court	4/17/12	5
Department of Housing and Community Development – Office of the Secretary – Division of Finance and Administration – Division of Information Technology	4/18/12	9
Baltimore City Community College	4/18/12	18

**REPORTS ISSUED
DECEMBER 1, 2011 TO AUGUST 31, 2012
(Continued)**

<u>Agency</u>	<u>Report Date</u>	<u>Number of Pages</u>
Department of Transportation – Financial Management Information System – Centralized Operations	4/18/12	5
Calvert County – Office of the Register of Wills	4/18/12	5
Maryland Health Insurance Plan	4/25/12	11
University System of Maryland – University of Maryland Baltimore County	5/08/12	20
Department of Human Resources – Local Department Operations	5/16/12	19
Dorchester County – Office of the Clerk of Circuit Court	5/17/12	6
State Lottery Agency	5/21/12	18
Department of Health and Mental Hygiene – Thomas B. Finan Hospital Center and Joseph D. Brandenburg Center	5/23/12	6
Board of Trustees of the Maryland Teachers and State Employees Supplemental Retirement Plans	5/23/12	6
University System of Maryland – University of Maryland Center for Environmental Science	5/29/12	5
Potomac River Fisheries Commission – Report for the Year Ended June 30, 2011 (Examination)	6/06/12	6
Maryland Agricultural Land Preservation Fund – Fiscal Year Ended June 30, 2011	6/06/12	9
Department of Health and Mental Hygiene – Alcohol and Drug Abuse Administration	6/12/12	6
Department of Budget and Management – Office of the Secretary and Other Units	6/12/12	13
Charles County – Office of the Register of Wills	6/25/12	6
Charles County – Office of the Clerk of Circuit Court	7/05/12	6
University System of Maryland – Salisbury University	7/10/12	18
Department of Public Safety and Correctional Services – Eastern Shore Region	7/13/12	9
College Savings Plans of Maryland	7/18/12	10
Department of Housing and Community Development – Division of Development Finance – Division of Credit Assurance – Division of Neighborhood Revitalization	7/19/12	13
Maryland Environmental Service	7/26/12	5
Department of Health and Mental Hygiene – Laboratories Administration	7/26/12	10
Comptroller of Maryland – General Accounting Division	7/27/12	5
Maryland Commission on Civil Rights	7/27/12	4
St. Mary's County – Office of the Register of Wills	8/02/12	5
Department of Public Safety and Correctional Services – Central Region Finance Office	8/06/12	11
St. Mary's County – Office of the Clerk of Circuit Court	8/09/12	6
Executive Department – Office of the Governor – Boards, Commissions, and Offices – Governor's Office for Children – Office of the Deaf and Hard of Hearing	8/13/12	9
Queen Anne's County – Office of the Register of Wills	8/23/12	5
Maryland Thoroughbred and Harness Horse Racing Tracks (Special)	8/23/12	9
Caroline County – Office of the Clerk of Circuit Court	8/30/12	7
Caroline County – Office of the Register of Wills	8/30/12	6

Total Number of Reports Issued: **64**

Reports Recommended for Committee Action
Significant Audit Findings
December 1, 2011 to August 31, 2012

1) Department of Health and Mental Hygiene (DHMH) – Department of Human Resources (DHR) – Medical Assistance Program – Using the Federal Death Master File to Detect and Prevent Medicaid Payments Attributable to Deceased Individuals (Performance) (12/02/11 – 15 pages – 3 findings)

We conducted a performance audit to evaluate whether the Social Security Administration's Death Master File (DMF) was an efficient and effective tool for detecting and preventing Medicaid payments made to service providers for deceased persons. We also reviewed the case files for certain matched cases to identify factors that suggest system or process changes that may be needed to prevent or detect improper payments.

- Performing periodic computerized matches of the Medicaid eligibility file to the DMF appears to be a practical and cost-effective tool to help detect and prevent certain improper Medicaid payments. Although DHMH performs certain matches of Medicaid files against the Maryland Vital Statistics Administration death database, such matches only include individuals who die in Maryland. The DMF contains nationwide death data.
- We matched the DMF to the DHMH file of Medicaid-eligible persons and subsequently determined if any payments were made attributable to matched persons after their reported dates of death. These procedures disclosed payments totaling \$2.5 million attributable to 323 individuals after their reported date of death.
- We judgmentally selected 20 of the matched individuals with such payments for further testing and determined that improper payments totaling \$426,000 were made after the actual dates of death of 10 of these individuals. At the time of our review, DHMH had recovered \$115,000 of these overpayments.
- Our match based on social security number only disclosed 1,582 individuals reflected as eligible for Medicaid services that were listed as deceased on the DMF. Medicaid payments totaling \$7.5 million were attributable to 532 of these individuals from January 1, 2008 to March 10, 2011 for services rendered after their dates of death reported on the DMF. Even if these individuals are not deceased, the results suggest there could be other data inaccuracies involving social security numbers, birth dates, and names within DHR and DHMH computer systems.
- We noted other factors that contributed to the failure to detect the payments made for the aforementioned 10 cases, such as inconsistencies between DHMH and DHR systems' records and between agency files and system records. DHMH and DHR should institute system or procedural changes to resolve discrepancies timely.

Recommended Committee Action – Hearing (Presented at the Committee's December 2011 Meeting)

Reports Recommended for Committee Action Significant Audit Findings

December 1, 2011 to August 31, 2012

2) Department of Transportation – Maryland Transit Administration (2/17/12 – 28 pages – 11 findings)

- MTA's monitoring of a vendor contracted to administer and pay healthcare claims on behalf of its union employees and retirees was insufficient. For example, MTA paid for claim reimbursements invoiced by the vendor without any verification that the amounts invoiced were proper and did not conduct claims reviews to ensure that the vendor only paid claims for services provided to eligible individuals. MTA also did not verify that administrative fees invoiced and paid for each individual were consistent with the coverage selected. During FY 2009 through FY 2011, MTA paid the vendor \$112.7 million (\$104.4 million in claims reimbursements and \$8.3 million in administrative fees).
- MTA lacked adequate procedures and controls to ensure that amounts paid under a \$10 million consulting services contract were proper. MTA could not document that it approved increases in direct labor rates paid to the contractor, nor did MTA compare the direct labor rates on the invoices with the related contract. MTA also paid overhead rates based on estimated rates because actual audited overhead rates were not provided, as required.
- MTA lacked sufficient procedures and controls over the eligibility process for the federally mandated Mobility Paratransit Program (MPP) for individuals who are unable to use fixed route services. For example, eligibility determinations were not subject to independent review and approval and there was no formal guidance to assist MTA staff in determining applicant eligibility. In addition, MTA did not adequately monitor payments made under one MPP contract selected for review. The vendor had a three-year contract totaling \$57 million.
- MTA did not attempt to obtain refunds of excise taxes paid to the MPP vendors for fuel used in State vehicles. OLA determined that MTA paid the three MPP vendors approximately \$744,000 for federal and State excise taxes during fiscal year 2011.
- The Reduced Fare Program (RFP) application process for disabled individuals who use the fixed route system was not sufficiently controlled and lacked formal guidance to assist MTA staff in determining applicant eligibility. For example, one individual had unilateral control over the RFP application process without any independent review and approval. According to MTA records, the value of RFP discounts provided totaled \$10.8 million during calendar year 2010.
- Internal control and procedural deficiencies were noted with respect to disbursements, payroll, bus inspections, materials and supplies, and equipment.

Recommended Committee Action – Hearing

Reports Recommended for Committee Action
Significant Audit Findings
December 1, 2011 to August 31, 2012

3) Department of Human Resources (DHR) – Local Department Operations (5/16/12 – 19 pages – 6 findings)

In accordance with State law, DHR's Office of the Inspector General (OIG) performed the required audits of the 24 local departments of social services (LDSS) during our audit period. To avoid duplication of work, we relied on the audit work performed by the OIG. The findings in this report are primarily based on the OIG's audit reports.

- The OIG audits of the LDSSs contained a significant number of reportable conditions, including many repeat findings. The audits resulted in 373 findings, with 77, or 21%, of them being repeat findings. Although the OIG has an established corrective action monitoring process, the number of repeat findings indicates that more active oversight by DHR management is needed.
- The LDSSs had a significant number of deficiencies over critical activities subject to Social Services Administration (SSA) oversight. Specifically 101 findings for 23 LDSSs related to SSA activities – primarily foster care. Foster care case files could not always be located or did not include all required documentation and the eligibility of certain children in foster care for federal aid was not determined timely.
- The OIG reported numerous deficiencies by the LDSSs related to critical areas subject to the policies of the Family Investment Administration (FIA), such as ensuring eligibility for public assistance and food benefits. OIG audit reports contained 79 findings for 20 LDSSs related to FIA policies for public assistance programs.
- Controls and procedures were inadequate over certain LDSS budget and financial activities. OIG audit reports resulted in 114 findings in budget and finance-related areas such as bank accounts, corporate purchasing cards, prepaid gift cards, small procurement, and cash receipts.
- Users' access to certain key computer systems was not properly restricted or monitored. OIG audit reports identified 36 findings for 17 LDSSs related to computer security.
- OIG audit reports identified 43 findings in other areas. These areas include certain administrative operations and child care subsidy activities overseen by the Maryland State Department of Education.

Recommended Committee Action – Letter of Concern
