



**Department of Legislative Services  
Office of Legislative Audits**

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**Department of Health and Mental Hygiene  
Mental Hygiene Administration**

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# Department of Legislative Services

## Office of Legislative Audits

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### Audit Overview

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- The Mental Hygiene Administration (MHA) is primarily responsible for:
    - Developing comprehensive treatment and rehabilitation services for individuals with mental illness
    - Overseeing the provision of publicly-funded services that provide for the care and treatment of individuals who have mental disorders
    - Supervising State mental health facilities
    - Approving local government plans for treatment of the mentally ill
  - MHA's expenditures totaled approximately \$684 million in FY 2010, and were primarily for mental health services provided to eligible individuals through the public mental health system.
  - Our report included 8 findings, 2 of which were repeated from our preceding audit report (which included 11 findings).
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### Key Audit Issues

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- MHA lacked procedures for ensuring that documentation of patient eligibility was obtained for services paid entirely with State funds and certain critical reviews of claims processed were discontinued.
- A comparison of claim payment data to Social Security Administration death records disclosed questionable payments (services rendered after the date of death).
- Critical access and monitoring controls over the automated system used to compile patient and provider data, as well as to process provider claim payments were inadequate, and key security provisions were not included in MHA's contract with the vendor that operated the system.
- Contracts for mental health services established by local entities were not adequately monitored. During FY 2010, \$63.8 million was paid to such entities.



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### Administrative Service Organization

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MHA contracts with a private Administrative Service Organization (ASO) to provide benefit management services, such as ensuring consumer eligibility, authorizing consumer services, and paying provider claims for services rendered. Between 9/2009 and 6/2010, claim payments totaled \$472 million and contract fees paid to the ASO totaled \$8.3 million.

- MHA lacked adequate procedures to ensure that required documentation supporting patient eligibility for certain State-funded services was obtained and verified. **(Finding 1)**
  - Individuals who are not automatically eligible for Medicaid may still qualify for mental health services under a State-funded program, if they meet certain criteria.
  - A review of 16 such patients with claims totaling \$48,000 disclosed 10 cases with no documentation of a verifiable social security number (an eligibility requirement), and 5 cases with no documentation of the provider's assertion that the patient had received public mental health services within the last 2 years (a qualifying condition).
  - Between 9/2009 and 6/2010, the ASO paid \$20 million in claims entirely funded with State general funds.



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### Administrative Service Organization (continued)

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- An automated data match performed by OLA between Social Security Administration (SSA) death records and the ASO's paid claims records for the year ended October 31, 2011 disclosed certain questionable payments totaling \$207,00 for 106 individuals paid for services rendered after the SSA-recorded date of death.

OLA selected 5 of these cases for investigation by MHA and the ASO. That investigation found that, for two of these individuals with payments totaling \$5,500, the dates of death were confirmed. Any invalid claims have been or will be recovered, and referral was made to the State's Medicaid fraud unit as warranted. Claims for the remaining 3 individuals were found to be valid (e.g., SSA data was incorrect). **(Finding 2)**



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### Administrative Service Organization (continued)

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- As of January 2011, independent reviews of claims paid by the ASO had not been performed since March 2009. Consequently, no such reviews of MHA's current ASO, whose contract was effective September 1, 2009, had been conducted.

These quarterly reviews, previously conducted by a private firm hired by MHA, served to test the accuracy and propriety of claims processed by the ASO, and included, for example, steps to ensure proper claim authorization and record keeping, and submission of eligible claims for federal reimbursement. **(Finding 3)**



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### Information Systems Security and Control

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The ASO's automated system maintains and processes critical information and data related to the provision of mental health services and the payment of provider claims, including demographic (name, address, DOB) and other sensitive medical data, such as diagnosis codes, prescribed medications, and physician assessments of patient risks and impairments. The system was hosted at the ASO's national data center facility.

- MHA's contract with the ASO did not contain specific provisions obligating the ASO to address certain significant security and operational risks, such as data segregation and restoration. MHA did not ensure that the ASO had established proper controls to ensure security over critical data. **(Finding 4)**
  - Access and monitoring controls over the ASO's servers, which hosted certain software critical to the ASO's data processing functions, were not adequate. **(Finding 5)**
  - The ASO's account and password controls were not sufficient to effectively protect sensitive data in the system. These conditions increased the risk of unauthorized access to sensitive MHA data. **(Finding 6)**
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### Core Service Agencies

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MHA did not adequately monitor contracts established by local Core Service Agencies (CSA) with private vendors. In FY 2010, MHA awarded \$63.8 million to 20 CSAs to provide mental health services in local jurisdictions throughout the State. CSAs often subcontracted the required services to other vendors. **(Finding 7)**

A review of 26 subcontracts awarded by 3 CSAs for FY 2010 totaling \$3.2 million disclosed that 4 subcontracts totaling \$787,000 did not contain all of the original conditions of award contained in the corresponding agreement between MHA and the CSA.

- For example, although MHA provided \$346,000 to one CSA to provide 15 consumer beds and 5,037 bed days for transitional sheltered housing for homeless men, the CSA's subcontract with a vendor to provide these services did not include requirements regarding the number of beds or bed days to be provided.
- Documentation completed by MHA as part of its review of that CSA's activity erroneously indicated that the contract did in fact include all of the original conditions of award.





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### Cash Receipts

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Cash receipts totaling approximately \$1.1 million in FY 2010 were not adequately controlled and accounted for. **(Finding 8)**

- Certain receipts (\$781,000 in FY 2010) were required to be forwarded to DHMH's central accounting unit for deposit. However, MHA did not adequately verify that all such collections were in fact submitted to the unit as required.
- Other receipts to be deposited directly by MHA (\$403,000 in FY 2010) were not restrictively endorsed upon receipt, or independently verified to deposit.



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### Conclusion

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MHA needs to:

- Establish procedures to ensure that required documentation supporting eligibility for individuals whose services are paid for entirely with general funds is obtained in all cases, and verified.
  - In coordination with DHMH's Medical Care Programs Administration, conduct matching procedures to help detect invalid or inaccurate recipient data and invalid claim payments.
  - Ensure that all claims processed by the ASO are subject to an independent systematic review and evaluation on a regular basis.
  - Ensure that future information technology contracts include provisions for addressing critical security and operational risks.
  - Improve automated system access, monitoring, and password controls.
  - Establish adequate procedures to ensure that CSA subcontracts include all required provisions and conditions.
  - Adequately control and account for cash receipts.
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