



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

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**Department of Health and Mental  
Hygiene – Developmental Disabilities  
Administration (DDA)**

Report dated November 18, 2016

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## Department of Legislative Services Office of Legislative Audits

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### Report Overview

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The report contained 10 findings, including 3 repeat findings from the prior report.

### Key Findings

Contribution to Care (CTC) – DDA incorrectly directed providers to collect an estimated \$4.2 million annually from certain consumers.

Consumers' Services – Service delivery by providers was not monitored to ensure that approximately 25,000 consumers received the required services.

Contracts – The procurement and monitoring of 2 contracts with a vendor for the financial restructuring of DDA's operations lacked assurance that hourly rates were reasonable, deliverables were received and payments were proper.

Provider Consumer Information System (PCIS2) – Controls were lacking to ensure the propriety of critical provider account adjustments and sensitive consumer information was not protected.

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## Contribution to Care (Finding 1)

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Prior to FY 2015, DDA incorrectly directed providers to collect payments from certain residential consumers for the cost of care. The amount improperly collected could have been \$4.2 million annually.

- DDA identified this error in FY 2014 and directed providers to stop collecting from this population.
  - DHMH's legal counsel concluded that DDA had no legal obligation to return these funds.
  - While not impossible to calculate, DDA advised that the costs to calculate the amounts incorrectly collected outweigh the potential benefits to the consumers. DDA cited a number of reasons in support of its conclusion.
  - DDA's decision to not pursue a remedy has not been communicated to the General Assembly for its consideration.
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## Consumers' Services (Finding 2)

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DDA did not adequately monitor the delivery of services to consumers to ensure that they received the required services from providers.

DDA contracted with 18 resource/service coordinators (RSC), responsible for monitoring service delivery to 25,315 consumers with service expenditures totaling \$876 million in FY 2015.

- DDA did not obtain reports of the RSCs monitoring efforts and did not directly review RSC records to ensure the delivery of services to consumers. For 9 of 14 consumers tested, evidence was lacking that the 2 assigned RSCs had verified the delivery of the required services.
  - DDA did not ensure that the RSCs assisted with the annual Medicaid eligibility reassessments for consumers, resulting in certain consumers losing eligibility and shifting to 100% State funding.
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## Financial Restructuring Contracts (Finding 4)

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### Background

Beginning in 2013, DDA entered into two service contracts with a vendor to assist in the financial restructuring of DDA operations for which it paid \$8.1 million.

### Contract Procurement

- DDA did not negotiate the contract rates for the professional positions contained in both contracts nor did the contracts describe their duties.
  - DDA lacked assurance the hourly rates such as \$416 per hour for a programmatic leader and \$347 per hour for a finance director, were reasonable.
- DDA procured the second contract as an emergency procurement even though the actual services performed by the vendor, did not appear to be emergencies under State regulations.



## Financial Restructuring Contracts (Finding 5)

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### Contract Monitoring and Payments

DDA lacked an effective means to ensure payments were commensurate with the completion of contract deliverables.

- The contracts contained numerous deliverables and tasks, but did not establish the anticipated effort to complete the deliverables and tasks as a means to controls costs.
- DDA could not explain why the two largely concurrent contracts included some similar deliverables. These similarities raise questions, in part, about the possibility of DDA paying twice for the same work.



## Financial Restructuring Contracts (Finding 6)

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### Contract Monitoring and Payments

DDA did not effectively monitor the contracts and the related payments.

- The contract costs were not modified even though 3 of 4 contract deliverables tested were not received (such as documenting the requirements for a new DDA financial system).
- Vendor status reports required by the contracts were not always obtained to support the amounts invoiced. When obtained, they were not used to determine the propriety of the invoices.
- DDA verbally authorized the vendor to perform routine fiscal services, which were outside the scope of the contracts. Billing rates were approximately \$200 more per hour than the hourly rate of a DDA employee who performed similar fiscal services.



## Provider Consumer Information System (PCIS2)

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DDA's PCIS2 provides a mechanism for provider payment and includes provider and consumer activity, services, and related payment rates.

As of June 2015, there were 1,778 system users and FY 2015 expenditures processed through the system totaled \$915 million.

### Finding 9 – Critical PCIS2 Adjustments Were Not Verified

- Controls had not been established over critical DDA adjustments to provider accounts. Two of four payment adjustments tested resulted in providers receiving \$505,000 more than due.
- Access to PCIS2 was not reviewed to ensure it was limited to appropriate users. Nine of ten DDA users tested could perform system functions not required for their jobs.





## Provider Consumer Information System (PCIS2)

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### Finding 10 – Sensitive Information Not Safeguarded

DDA inappropriately stored sensitive personally identifiable information (PII) in clear text.

- As of August 2015, the PCIS2 database contained 58,022 unique social security numbers for consumers along with names, dates of birth, and addresses in clear text.
- This sensitive PII was not protected by other substantial mitigating controls.



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### Other Findings

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#### Finding 3 – Consumers’ Services

DDA did not compare hours invoiced by RSCs with the hours worked recorded in PCIS2 prior to payment to ensure that the payments were proper.

#### Finding 7 – Federal Funds Reimbursements

Federal fund reimbursement requests were not always timely, resulting in lost interest income totaling approximately \$210,000 during the period from July 2011 through June 2015.

#### Finding 8 – Community Supported Living Arrangement (CSLA)

DDA did not conduct audits of CSLA providers to identify and recover overpayments. During FY 2015, DDA paid CSLA providers \$90 million for these services.



## **Conclusion**

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DDA should

- determine the extent of the improperly collected CTC and present this issue to the General Assembly for its consideration;
  - monitor the RSCs to ensure that consumers received the required services from providers and that billings from RSCs are correct;
  - negotiate contract rates when only one bid is received and ensure that emergency procurements are used appropriately;
  - include appropriate deliverables to provide for effective monitoring and ensure that deliverables are received;
  - ensure that requests for federal fund reimbursements are submitted timely; and
  - implement the recommended actions to improve controls over the CSLA payments and critical PCIS2 adjustments and sensitive PII.
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