



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

**Maryland Department of Health (MDH) -
Developmental Disabilities
Administration (DDA)**

Report Dated July 8, 2019

Presentation to Joint Audit and Evaluation Committee

Gregory A. Hook, CPA
Edward A. Rubenstein, CPA

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Report Overview

- The audit report covers DDA activity during the period from April 13, 2015 and ending April 30, 2018.
 - DDA's annual expenditures exceeded \$1 billion, with the majority related to providers payments on behalf of consumers.
 - The audit report contained 11 findings, including 5 repeat findings from the prior audit report (see table on next slide). Certain of these findings have been repeated in several prior audit reports.
 - We determined that DDA's accountability and compliance level was unsatisfactory, in accordance with the rating system we established in conformity with State law. The primary factors contributing to the unsatisfactory rating were the significance of our audit findings and the number of repeat findings.
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Status of Preceding Findings

Preceding Finding	Finding Description	Implementation Status
Finding 1	DDA incorrectly directed providers to collect an estimated \$4.2 million annually from consumers for services that should have been paid for with State and federal funds. DDA believes its costs to remedy this situation outweigh the potential benefits to the affected consumers.	Repeated (Current Finding 7)
Finding 2	DDA did not adequately monitor the resource/service coordinators' efforts to determine whether they were ensuring that consumers received the required services and that Medicaid eligibility reassessments were conducted timely.	Repeated (Current Finding 8)
Finding 3	DDA did not compare hours billed by the resource/service coordinators with hours worked as recorded in its PCIS2 to ensure payments were proper.	Not repeated
Finding 4	DDA did not negotiate the rates for its financial restructuring contracts and procured one of the contracts as an emergency procurement even though certain services ultimately provided under the contract did not appear to be emergencies as defined by regulation.	Not repeated
Finding 5	DDA lacked an effective means to monitor payments for its financial restructuring contract and similar deliverables were noted in both contracts and in certain contract modifications.	Not repeated
Finding 6	DDA did not effectively monitor the contracts and the related payments. Certain deliverables were not received, vendor invoices were not effectively reviewed, and DDA authorized the contractor to perform work outside the scope of the contracts.	Not repeated
Finding 7	Federal fund reimbursement requests were not made timely, resulting in lost interest income totaling approximately \$210,000.	Repeated (Current Finding 8)
Finding 8	DDA did not conduct audits of Community Supported Living Arrangement providers to identify and recover overpayments.	Repeated (Current Finding 3)
Finding 9	DDA did not verify critical adjustments processed in PCIS2, resulting in errors such as overpayments going undetected, and did not adequately restrict access to the system.	Repeated (Current Finding 9)
Finding 10	PCIS2 contained 58,022 unique social security numbers with associated names, dates of birth, and addresses without adequate safeguards.	Not repeated



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Key Findings

Provider Payments – DDA did not identify \$1.7 million in overpayments to one service provider and did not conduct audits of service providers to ensure payments were consistent with services delivered and consumers' individual plans.

Contracts – Fiscal management services contracts did not receive control agency approvals and were not comprehensive. In addition, DDA did not monitor the vendors and payments related to those contracts. DDA also did not adequately justify a \$2.7 million sole source contract to an incumbent vendor.

Contribution to Care (CTC) – DDA had not taken action to return \$3.6 million improperly collected from consumers during calendar year 2013, nor determined the extent of improper CTC collections in prior years.

Provider Consumer Information System II (PCIS2) – DDA did not have sufficient controls to ensure the propriety of system adjustments, did not restrict system access, and did not update critical software.



Provider Payments (Finding 2)

DDA made recurring overpayments to one provider between December 2014 and February 2017 totaling at least \$1.7 million.

- The overpayments were not detected until they were self-reported by the provider in April 2017.
- The overpayments resulted from improper consumer service information in PCIS2 for 36 consumers.
- DDA had not determined whether overpayments occurred prior to December 2014, or whether similar overpayments were made to other providers.
- Using a similar process as the provider in question, we estimated that additional overpayments totaling \$2.4 million were made to the provider between July 2011 and November 2014 that have not been recovered.



Provider Payments (Finding 3)

DDA did not conduct audits of service providers to ensure consumers actually received services billed by providers and that services were consistent with the consumers' approved individual plans.

- DDA relied on its Coordination of Community Services (CCS) agencies to monitor consumer services provided. However, CCS monitoring efforts were limited to ensuring consumers' satisfaction with their services rather than verifying the amounts and types of services actually received.
- Although DDA historically contracted with a vendor to conduct audits of certain providers, no contract has been in place since January 2014. Although a new contract procurement process was initiated in June 2018, as of February 2019, the procurement of a new vendor to conduct provider audits was still in progress.



Fiscal Management Services (Finding 4)

A number of issues were identified related to DDA contracting with two fiscal management services (FMS) vendors to administer fiscal activities of consumers electing to self-direct their care. These vendors' responsibilities included monitoring consumer budgets, paying for provider services, and recovering any applicable federal funds.

- The FMS vendor contracts did not receive control agency approval and lacked critical provisions.
 - DDA did not monitor the FMS vendors to ensure the required services were provided, and that related payments were proper.
 - FMS vendors did not return \$7.1 million in unspent funds to DDA timely, resulting in lost interest of \$92,000.
 - Certain service providers were paid at higher rates than were approved by DDA.
 - Due to vendor actions, DDA failed to recover \$4.9 million in federal reimbursements.
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Financial Restructuring Contract (Finding 5)

DDA did not adequately justify a \$2.7 million sole source contract awarded to an incumbent vendor to continue assisting in the financial restructuring of DDA operations, and could not support a contract modification to a certain billing rate.

- DDA cited the need to avoid delays and the cost of transitioning to a new vendor as its justification for not competitively procuring the services. This position appears to set a lower threshold for sole source procurement justifications and could provide undue preference to incumbent vendors.
 - In March 2018, DDA competitively procured another contract for financial restructuring services, which received bids from 5 vendors.
 - DDA could not support a contract modification for approximately \$110,000 that increased one vendor employee's hourly billing rate from \$250 to \$375.
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Contribution to Care (Finding 7)

DDA had not fully determined the amount of contribution to care (CTC) improperly collected from consumers, and had not taken any action to return such funds to the affected consumers.

- The improper CTC was identified during our prior audit. DDA advised the Joint Audit Committee in January 2017 that it would develop repayment plans to return funds to affected consumers.
 - DDA determined that providers improperly collected \$3.6 million from 2,194 consumers in CY 2013. As of July 2018, DDA had not taken any action to return the funds to these consumers.
 - DDA does not intend to determine the amounts improperly collected prior to CY 2013. According to its records, 80 percent of the 2,194 affected consumers received DDA-funded services for at least 5 years prior to CY 2013.
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Provider Consumer Information System II (PCIS2)

PCIS2 provides a mechanism for provider payment and includes provider and consumer activity, services, and related payment rates. As of April 2018, there were 2,133 system users and FY2017 expenditures processed through PCIS2 totaled \$903 million.

Critical Adjustments Were Not Verified (Finding 9)

- Controls had not been established over critical adjustments to provider accounts. We identified errors in three of eight payment adjustments tested totaling \$24,800.
- Access to PCIS2 was not reviewed to ensure it was limited to appropriate users. Our test of 15 DDA users disclosed that 13 had unnecessary access, including 8 that had been identified during our preceding audit and were not corrected by DDA.



Provider Consumer Information System II (PCIS2)

PCIS2 Running on Outdated Software (Finding 10)

- The PCIS2 database software version in use by DDA as of July 2018 had not been supported by the database software vendor since August 2015.
- The operating system software for the PCIS2 database server had not been updated for the most current software patches. We identified 48 security-related software updates that had been released since June 22, 2017 that not been installed as of August 2018.

The out-of-date database software and uninstalled operating system updates exposed DDA to increased security risks.



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Other Findings

Finding 1 – Consumer Budgets

DDA did not ensure that budgets for consumers' services, based on 3rd party vendor assessments, were in accordance with its established criteria and that the budgets were properly recorded in PCIS2.

Finding 6 – Coordination of Community Services (CCS) Agency Billings

DDA did not ensure that amounts invoiced by CCS agencies properly reflected consumer services provided.

Finding 8 – Federal Funds

Federal fund reimbursement requests were not always timely, resulting in lost interest income totaling approximately \$126,000 for expenditures incurred from May 2015 through February 2018.

Finding 11 – PCIS2

PCIS2 backup files were not stored offsite and DDA did not have a complete information technology disaster recovery plan.



DDA Performance Audit

Due to concerns identified during our past 3 fiscal compliance audits, we conducted a performance audit of DDA's monitoring of its Coordination of Community Services (CCS) agencies. Our audit report was issued on January 2, 2019.

- Although based on documentation that we received directly from service provider, there appeared to be support for the delivery of services to DDA consumers we selected for testing, we found that DDA did not adequately monitor CCS agencies' efforts to ensure consumers received those services. Our test of quarterly monitoring visits performed by CCS agencies for 15,000 consumers for a 2-year period disclosed:
 - The CCS could not document all 8 required monitoring visits for 97% of consumers.
 - Less than half the 8 monitoring visits could be documented for over 50% of consumers.
 - DDA did not provide CCS agencies with appropriate guidance on their monitoring responsibilities.
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Conclusions

DDA should:

- ensure consumer budgets are properly assigned and recorded in PCIS2;
 - determine the extent of provider overpayments and conduct provider audits to verify that services were provided and in accordance with consumers' individual plans;
 - comply with State procurement regulations, including obtaining control agency approval and justifying sole source procurements;
 - monitor vendors to ensure deliverables are received;
 - return improperly collected CTC to consumers and determine the extent of additional improper collections;
 - ensure requests for federal fund reimbursements are submitted timely; and
 - implement the recommended actions to improve controls over critical PCIS2 adjustments and system security, and implement a comprehensive disaster recovery plan.
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