



DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Karl S. Aro
Executive Director

February 26, 2015

Thomas J. Barnickel III, CPA
Legislative Auditor

Senator Edward J. Kasemeyer, Chair
Senate Budget and Taxation Committee
Miller Senate Office Building, 3 West Wing
11 Bladen Street
Annapolis, Maryland 21401

Delegate Maggie McIntosh, Chair
House Appropriations Committee
House Office Building, Room 121
6 Bladen Street
Annapolis, Maryland 21401

Dear Senator Kasemeyer and Delegate McIntosh:

The Office of Legislative Audits (OLA) has conducted a review of the actions taken by the Department of Health and Mental Hygiene – Developmental Disabilities Administration (DDA) to resolve the repeat findings in our October 2, 2013 audit report. This review was conducted in accordance with a requirement specified in the April 2014 *Joint Chairmen's Report* (JCR), page 82. The JCR required that, prior to release of \$500,000 of its administrative appropriation for fiscal year 2015, DDA must take corrective action on all repeat audit findings. The JCR language further provided that OLA submit a report to the budget committees listing each repeat audit finding along with a determination that each repeat finding was corrected within sufficient time to allow 45 days for the budget committees to review and release the funds prior to the end of fiscal year 2015.

The October 2, 2013 DDA audit report contained seven repeat audit findings presented as six findings (findings 1, 3, 4, 5, 12, and 13) that were addressed by 11 recommendations. In accordance with the aforementioned JCR requirement, DDA provided a report to OLA detailing the corrective actions that DDA has taken as of October 31, 2014 with respect to these repeat audit findings.

To address the JCR requirement, we used the results of a previous follow-up review we conducted that addressed three of the six repeat findings; the remaining three repeat findings were recently reviewed.

Previously, we issued a report (dated August 25, 2014) on the results of a follow-up review of actions taken by DDA, as of April 11, 2014, to address certain findings in our October 2, 2013 report. That 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

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audit report, which was the case for DDA. At the time of the follow-up review, we noted that corrective actions had been taken for three of the repeat findings (findings 5, 12, and 13) and have relied on those results for the current review. During our current review, we assessed the status of the remaining three repeat findings (findings 1, 3, and 4). For these three findings, we reviewed DDA's October 31, 2014 report and related documentation, performed limited tests and analyses of the information, and held discussions with DDA personnel, as deemed necessary, to assess the implementation status of the related recommendations. Our previous follow-up and current reviews do not constitute audits conducted in accordance with generally accepted government auditing standards.

Exhibit 1 is DDA's status report, as October 31, 2014, which indicated all repeat findings had been resolved, with the exception of one finding for which substantial progress had been made. Our review confirmed DDA's status of the repeat findings. We agree with DDA's assessment that additional actions are needed to resolve the one remaining finding.

A summary of OLA's assessment of the status of each of the repeat audit findings is included in the attached Exhibit 2. Exhibit 3 contains OLA's assessment regarding the one repeat finding that had not been resolved. After discussing our review results, DDA generally agreed with the accuracy of the information presented. We wish to acknowledge the cooperation extended to us by DDA during this review.

We trust our response satisfactorily addresses the JCR requirement. Please contact me if you need additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "Tom J. Barnickel III", with a stylized flourish at the end.

Thomas J. Barnickel III, CPA
Legislative Auditor

Senator Edward J. Kasemeyer
Delegate Maggie McIntosh

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February 26, 2015

cc: Senator Guy J. Guzzone, Co-Chair, Joint Audit Committee
Delegate Craig J. Zucker, Co-Chair, Joint Audit Committee
Joint Audit Committee Members and Staff
Senator Thomas V. Mike Miller, Jr., President of the Senate
Delegate Michael E. Busch, Speaker of the House of Delegates
Governor Lawrence J. Hogan, Jr.
Comptroller Peter V.R. Franchot
Treasurer Nancy K. Kopp
Attorney General Brian E. Frosh
David R. Brinkley, Secretary, Department of Budget and Management
Van T. Mitchell, Secretary, DHMH
Bernard A. Simons, Deputy Secretary for Developmental Disabilities
Valerie A. Roddy, Deputy Director, DDA
Thomas V. Russell, Inspector General, DHMH
Elizabeth Morgan, Acting Assistant Inspector General, DHMH
Joan Peacock, Manager, Audit Compliance Unit, DBM
Karl S. Aro, Executive Director, Department of Legislative Services
Jennifer A. Ellick, Policy Analyst, Department of Legislative Services

Exhibit 1 to February 26, 2015 Letter to Joint Chairmen



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

October 27, 2014

Thomas J. Barnickel, III, CPA
Legislative Auditor
Office of Legislative Audits
301 West Preston Street
Baltimore, MD 21201

Subject: 2014 Joint Chairman's Report, p. 83 – Status Update of Corrective Actions
Related to the Repeat Audit Findings Contained in the Most Recent Fiscal
Compliance Audit of the Developmental Disabilities Administration

Dear Mr. Barnickel:

Thank you for your letter of June 25, 2014 outlining the JCR requirements for a status report to be submitted by November 1, 2014 on the status of corrective actions related to the repeat audit findings contained in the October 2, 2013 Fiscal Compliance Audit of the Developmental Disabilities Administration, (DIDA).

As requested, attached is the DDA status update of corrective actions related to the repeat audit findings as of October 31, 2014. The Developmental Disabilities Administration has now resolved all repeat findings, with the exception of Finding 4. On this finding, the Developmental Disabilities Administration believes that substantial progress has been made, but complete resolution will be dependent on the elimination of Prospective Payment in accordance with Chapter 648 of the Acts of 2014.

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

Toll Free 1-877-4MD-DHMH • TTY/Maryland Relay Service 1-800-735-2258

Web Site: www.dhmh.state.md.us

cc: Bernard A. Simons, Deputy Secretary, DDA
Valerie A. Roddy, Deputy Director, DDA
Rianna P. Matthews- Brown, Acting Chief of Staff, DHMH
Thomas V. Russell, Inspector General, DHMH
Ellwood L. Hall, Assistant Inspector General, Audits, DHMH

November 1, 2014

MARYLAND DEPARTMENT OF HEALTH AND MENTAL HYGIENE
DEVELOPMENTAL DISABILITIES ADMINISTRATION
SUMMARY REPORT ON THE STATUS OF LEGISLATIVE AUDIT FINDINGS

<u>Actions Taken to Address Legislative Audit Finding/ Recommendation</u>	<u>Point of Contact</u>	<u>Status</u>	<u>Date Resolution Strategy was Implemented or Anticipated Date of Implementation</u>
<i>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. (Repeat)</i>			
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:			
Finding 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"> Developed Quick Reference Monitoring and Follow-up Guide for Resource Coordination (RC) Providers Created procedure to document steps that the DDA will take to verify, on a test basis, that RC Providers are ensuring that services are provided as required in the individual service plans and that adequate documentation is maintained Developed and implemented PCIS2 Resource Coordination module to record resource coordination activity and enable the DDA to monitor resource coordinators Defined the Quarterly RC Provider Quality Report format and built queries in PCIS2 to populate data for some of the performance measures in the report Presented the RC Provider Quality Report format to the Resource Coordinator's Coalition Meeting in April 2014 Conducted training sessions for resource coordinators on the RC Provider Quality Reports Reviewed the first set of provider reports 	Name: Rhonda Workman Telephone: 410-767-8690 Email: rhonda.workman@maryland.gov	DDA: Complete OLA (04/14): In Progress	10/31/14

<u>Actions Taken to Address Legislative Audit Finding/ Recommendation</u>	<u>Point of Contact</u>	<u>Status</u>	<u>Date Resolution Strategy was Implemented or Anticipated Date of Implementation</u>
Finding 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"> Created procedure to document the assessment of resource coordinator support for annual waiver reassessments Developed checklist of monitoring activities that resource coordinators must complete to support the annual reassessment of consumers for waiver eligibility Developed an Eligibility Letters Tracking Report to track A02 (loss of waiver eligibility) Codes Sent MMIS Report identifying individuals with waiver issues to resource coordinators and Regional Offices Sent Quarterly Level of Care (LOC) reminders to RC providers Developed an automated email notification in PCIS2 for resource coordinator to notify them of upcoming redeterminations and changes in an individual's eligibility. These notifications are sent out monthly Conducted 10% audit of individuals who lost waiver eligibility 	Name: Rhonda Workman Telephone: 410-767-8690 Email: rhonda.workman@maryland.gov	DDA: Complete OLA (04/14): In Progress	9/30/14
Finding 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"> Followed up on the 28 individuals who lost waiver eligibility and obtained federal fund reimbursement for individuals reinstated on the waiver 	Name: Terri Hartman Telephone: 410-767-5421 Email: terri.hartman@maryland.gov	DDA: Complete OLA (04/14): In Progress	7/31/14
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. (Repeat)			

<u>Actions Taken to Address Legislative Audit Finding/ Recommendation</u>	<u>Point of Contact</u>	<u>Status</u>	<u>Date Resolution Strategy was Implemented or Anticipated Date of Implementation</u>
We recommend that DDA: Finding 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).			
<ul style="list-style-type: none"> Developed a procedure ensure provider claims for prepaid services have been submitted for federal fund reimbursement Developed a tracking file to monitor the submission and payment of monthly CMS 1500 forms Consulted with Legal on the ability to withhold payment from providers Created automated email to notify providers of incomplete or inaccurate claims submissions Finalized process to withhold payment from providers who have incomplete or inaccurate claims <ul style="list-style-type: none"> Created memos to notify the Regional Offices and Resource Coordinators Documented steps to withhold payment by DDA Accounting 	Name: Casey Brown Telephone: 410-767-5616 Email: casey.brown@maryland.gov	DDA: Complete OLA (04/14): Not Reviewed	10/15/14
Finding 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"> Recovered \$2.2M in federal fund reimbursements for eligible claims; the remaining claims have exceeded the two year statutory limitation and cannot be recovered 	Name: Casey Brown Telephone: 410-767-5616 Email: casey.brown@maryland.gov	DDA: Complete OLA (04/14): Not Reviewed	11/15/13
Finding 4: Federal fund reimbursement requests were not made timely, resulting in a loss of interest income of \$262,000. (Repeat)			
Finding 4. We recommend that DDA ensure that future requests for federal fund reimbursements are made in a timely manner (Repeat).			

<u>Actions Taken to Address Legislative Audit Finding/ Recommendation</u>	<u>Point of Contact</u>	<u>Status</u>	<u>Date Resolution Strategy was Implemented or Anticipated Date of Implementation</u>
<ul style="list-style-type: none"> Created a procedure to ensure that provider claims are being submitted timely for federal fund reimbursement Created a process to submit FPS claims on a monthly basis, to ensure claims are being submitted between 30 and 60 days of the date of service Implemented the electronic submission of Behavioral Support Services and Targeted Case Management Claims to ensure timely submission of claims going forward Updated the majority of non-FPS claims in the Denied Claims Processor and resubmitted any eligible claims for reimbursement 	Name: Casey Brown Telephone: 410-767-5616 Email: casey.brown@maryland.gov	DDA: Substantial Progress OLA (04/14): Not Reviewed	10/31/14
Finding 5: DDA did not investigate rejected claims with potential federal fund reimbursements totaling \$2.2 million. (Repeat)			
We recommend that DDA, in conjunction with MCPA: Finding 5A. Take immediate action to ensure that rejected federal fund reimbursement claims are timely investigated, resolved, and recovered (Repeat).			
<ul style="list-style-type: none"> Developed a procedure to document steps necessary to investigate rejected federal fund reimbursement claims Created a Denied Claims Processor database to track the status of claims Investigated 36, 194 rejected claims, collecting \$536,112 in federal fund reimbursements 	Name: Casey Brown Telephone: 410-767-5616 Email: casey.brown@maryland.gov	DDA: Complete OLA (04/14): Complete	2/3/14
Finding 5B. Maintain documentation supporting its actions taken to resolve rejected claims (Repeat).			
<ul style="list-style-type: none"> Developed reports within the Denied Claims Processor database to track the status of FPS, Non-FPS, Ineligible, Invalid, Resolved, and Unresolved claims Coordinated with providers to submit previously ineligible claims for resubmittal 	Name: Casey Brown Telephone: 410-767-5616 Email: casey.brown@maryland.gov	DDA: Complete OLA (04/14): Complete	2/3/14
Finding 12: Proper security access controls had not been established over critical PCIS2 data. (Repeat)			

<u>Actions Taken to Address Legislative Audit Finding/ Recommendation</u>	<u>Point of Contact</u>	<u>Status</u>	<u>Date Resolution Strategy was Implemented or Anticipated Date of Implementation</u>
We recommend that DDA establish proper security access controls over critical PCIS2 data. Specifically, we recommend that DDA:			
Finding 12A. Immediately deactivate user logons of terminated employees.			
<ul style="list-style-type: none"> Implemented a monthly review of terminated DDA employees to ensure access to PICS2 has been removed Implemented process to verify non-DDA users on a monthly basis Modified system functions to deactivate inactive user accounts after 60 days Deactivated logons of terminated employees 	Name: Peter deFries Telephone: 410-767-5573 Email: peter.defries@maryland.gov	DDA: Complete OLA (04/14): Complete	9/18/13
Finding 12B. Grant modification access capabilities to critical data only to individuals with a need for such access (Repeat).			
<ul style="list-style-type: none"> Reviewed and limited PCIS2 modification access to critical individuals 	Name: Peter deFries Telephone: 410-767-5573 Email: peter.defries@maryland.gov	DDA: Complete OLA (04/14): Complete	9/18/13
Finding 12C. Immediately eliminate unnecessary modification access (Repeat).			
<ul style="list-style-type: none"> Removed unnecessary modification access in PCIS2 	Name: Peter deFries Telephone: 410-767-5573 Email: peter.defries@maryland.gov	DDA: Complete OLA (04/14): Complete	9/18/13
Finding 13: <i>Certain security measures over the PCIS2 production database were not in effect. (Repeat)</i>			
We recommend that DDA:			
Finding 13A. Log all critical security related events for the PCIS2 database (Repeat);			
<ul style="list-style-type: none"> Developed a process to conduct independent reviews of all applicable logs 	Name: Peter deFries Telephone: 410-767-5573	DDA: Complete	1/10/12

<u>Actions Taken to Address Legislative Audit Finding/ Recommendation</u>	<u>Point of Contact</u>	<u>Status</u>	<u>Date Resolution Strategy was Implemented or Anticipated Date of Implementation</u>
<ul style="list-style-type: none"> Developed a database to track all critical PCIS2 activity and privileges 	Email: peter.defries@maryland.gov	OLA (04/14): Complete	
Finding 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).			
<ul style="list-style-type: none"> Reviewed database logs regularly to identify critical events requiring investigation Conducted investigations for any critical events 	Name: Peter deFries Telephone: 410-767-5573 Email: peter.defries@maryland.gov	DDA: Complete OLA (04/14): Complete	10/3/13
Finding 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 unsecure service in PCIS2 that had been previously enabled to allow users to run commands as privileged users 	Name: Peter deFries Telephone: 410-767-5573 Email: peter.defries@maryland.gov	DDA: Complete OLA (04/14): Complete	1/10/12

Exhibit 2 to February 26, 2015 Letter to Joint Chairmen

Status of Repeat Findings in OLA's October 2, 2013 Audit Report on the Department of Health and Mental Hygiene Developmental Disabilities Administration (DDA)

Prior Recommendations Pertaining to Repeat Findings	Status Based on OLA Review
Consumers' Services	
1. We recommend that DDA <ul style="list-style-type: none"> 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. b. monitor its resource/service coordinators to ensure that annual reassessments of consumers are performed, as required by federal regulations. c. determine if eligibility can be restored to the 28 consumers noted in the finding and if reimbursement can be obtained for services provided to these consumers. 	Corrected
	Corrected
	Corrected
Federal Funds	
3a. We recommend that DDA implement a process to ensure that all provider claims for prepaid services under the contractual payment system have been submitted for federal reimbursement.	Corrected
4. We recommend that DDA ensure that future requests for federal fund reimbursements are made in a timely manner.	Not Resolved
5. We recommend that DDA, in conjunction with Medical Care Programs Administration <ul style="list-style-type: none"> a. take immediate action to ensure that rejected federal fund reimbursement claims are timely investigated, resolved, and recovered. b. maintain documentation supporting its actions taken to resolve rejected claims. 	Corrected
	Corrected
Provider Consumer Information System (PCIS2)	
12. We recommend that DDA <ul style="list-style-type: none"> b. grant modification access capabilities to critical data only to individuals with a need for such access. c. immediately eliminate unnecessary modification access. 	Corrected
	Corrected

The shaded recommendation is more fully described in Exhibit 3.

Prior Recommendations Pertaining to Repeat Findings	Status Based on OLA Review
<p>13. We recommend that DDA</p> <ul style="list-style-type: none"> a. log all critical security related events for the PCIS2 database. b. review all applicable database logs on a timely basis, investigate questionable items, document these reviews and investigations, and retain the documentation for verification purposes. 	<p>Corrected</p> <p>Corrected</p>

Exhibit 3 to February 26, 2015 Letter to Joint Chairmen

OLA's Assessment Regarding Repeat Findings That Had Not Been Resolved

Federal Funds

Prior Report Recommendation – Finding 4

We recommend that DDA ensure that future requests for federal fund reimbursements are made in a timely manner (repeat).

Status: Not Resolved

In its status report, DDA stated that substantial progress had been made in complying with the recommendation. For example, DDA noted that procedures and processes have been created to help ensure that provider claims are submitted timely to facilitate the timely submission of the related federal fund reimbursements. According to an analysis prepared by DDA, during fiscal years 2013 and 2014, it processed federal fund reimbursements totaling approximately \$720 million, of which \$37 million, or 5 percent of the reimbursements, were untimely. This resulted in lost interest income to the State's General Fund of \$117,000. Our October 2, 2013 audit report noted that \$89 million of the \$789 million reimbursement requests tested or 11 percent of the reimbursements tested were not submitted timely. We were advised by DDA management that the current delay in federal fund reimbursement requests is partially attributable to the late submission of valid claim documentation by providers on which federal fund reimbursement requests are based.