

Audit Report

Department of Health and Mental Hygiene

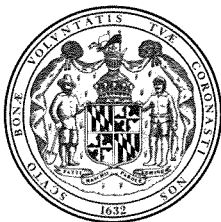
Prevention and Health Promotion Administration Health Systems and Infrastructure Administration Office of Preparedness and Response

March 2015



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Karl S. Aro
Executive Director

March 18, 2015

Thomas J. Barnickel III, CPA
Legislative Auditor

Senator Guy J. Guzzone, Co-Chair, Joint Audit Committee
Delegate Craig J. Zucker, Co-Chair, Joint Audit Committee
Members of Joint Audit Committee
Annapolis, Maryland

Ladies and Gentlemen:

We have conducted a fiscal compliance audit of the following units of the Department of Health and Mental Hygiene (DHMH) for the periods noted:

Prevention and Health Promotion Administration (PHPA) – July 1, 2012 to
October 27, 2013
Infectious Disease and Environmental Health Administration (IDEHA) –
January 5, 2010 to June 30, 2012
Family Health Administration (FHA) – August 4, 2010 to June 30, 2012
Health Systems and Infrastructure Administration (HSIA) – July 1, 2012 to
October 27, 2013
Office of Preparedness and Response (OPR) – February 27, 2013 to
October 27, 2013

PHPA is responsible for protecting, promoting, and improving the health and well-being of Marylanders and their families through the provision of public health leadership and community-based public health efforts with special attention to at-risk and vulnerable populations. PHPA represents the integration of certain responsibilities and financial activities of the former IDEHA and FHA as described under the Organizational Change on page 4 of this report. The responsibilities of HSIA and OPR are further described under the Agency Responsibilities also on page 4.

Our audit disclosed that PHPA did not have adequate procedures and controls over applicant and provider eligibility in the Breast and Cervical Cancer Diagnosis and Treatment Program (BCCDTP) and the Maryland AIDS Drug Assistance Programs (MADAP). For example, PHPA did not use available independent resources to help verify applicant eligibility, which not only is based on the existence of certain medical conditions, but also is contingent on income.

BCCDTP and MADAP had expenditures totaling approximately \$14.7 million and \$58.9 million, respectively, in fiscal year 2013. Furthermore, PHPA did not sufficiently restrict access to automated systems used for eligibility determinations and claims processing and ensure that incompatible functions were adequately separated. Finally, we noted that PHPA lacked adequate controls over certain collections.

DHMH's response to this audit is included as an appendix to this report. We wish to acknowledge the cooperation extended to us during the course of this audit by DHMH.

Respectfully submitted,

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

Thomas J. Barnickel III, CPA
Legislative Auditor

Table of Contents

| | |
|---|----------|
| Background Information | 4 |
| Agency Responsibilities | 4 |
| Organizational Change | 4 |
| Status of Findings From Preceding Audit Report | 5 |
| Findings and Recommendations | 6 |
| Client and Provider Eligibility | |
| Finding 1 – PHPA Did Not Use Available Resources to Verify Applicant Income and to Identify Possible Third-Party Insurance for Certain Programs | 6 |
| Finding 2 – PHPA Did Not Always Consider Critical Information When Redetermining Applicant Eligibility For One Program | 7 |
| Finding 3 – Access to Systems Used to Maintain Critical Information and Process Related Claims For Certain Programs Was Not Adequately Restricted | 8 |
| Finding 4 – PHPA Did Not Always Obtain Certain Necessary Documents to Establish Provider Eligibility and Did Not Conduct Periodic Eligibility Reassessments | 9 |
| Cash Receipts | |
| Finding 5 – PHPA Lacked Adequate Procedures and Controls Over Certain Collections | 10 |
| Audit Scope, Objectives, and Methodology | 12 |
| Agency Response | Appendix |

Background Information

Agency Responsibilities

The Prevention and Health Promotion Administration (PHPA), Health Systems and Infrastructure Administration (HSIA), and the Office of Preparedness and Response (OPR) are units within the Department of Health and Mental Hygiene (DHMH).

- PHPA protects, promotes, and improves the health and well-being of Marylanders and their families through the provision of public health leadership and community-based public health efforts, including partnerships with local health departments, with special attention to at-risk and vulnerable populations. PHPA provides State grant funding to the local health departments for various purposes including support for their operational costs.
- HSIA improves the health of all Marylanders by assuring access to and the quality of health care, and provides resources and technical assistance to allow each local health department to provide essential public health services, such as family planning and adult health and geriatric services.
- OPR organizes and prepares for public health and medical emergencies through statewide partnerships with public, private, and government agencies to coordinate an effective emergency response for the health and safety of all Maryland residents.

According to the State's records, during fiscal year 2014, expenditures for PHPA, HSIA, and OPR totaled \$328 million, \$50 million, and \$16.5 million, respectively.

Organizational Change

Effective July 1, 2012, DHMH reorganized its public health structure. The reorganization realigned program responsibilities underneath the Deputy Secretary for Public Health Services and brought under its direction certain functions previously performed by other DHMH units. Specifically, DHMH integrated certain responsibilities and financial activities of the Infectious Disease and Environmental Health Administration (IDEHA) and the Family Health Administration into the newly created PHPA. The reorganization also created HSIA, as a new administration, consisting of certain functions previously performed by IDEHA.

Our audit also included OPR which is another unit under the Deputy Secretary for Public Health Services. Previously, OPR was audited as part of our DHMH – Office of the Secretary and Other Units audits.

Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of four of the seven findings contained in our preceding audit report on the DHMH Infectious Disease and Environmental Health Administration, dated December 17, 2010. We followed up on these four findings based on our assessment of significance and risk relative to our current audit objectives. Our audit also included a review to determine the status of the three findings contained in our preceding audit report on the DHMH Family Health Administration, dated August 23, 2011. We determined that PHPA satisfactorily addressed these seven findings.

Findings and Recommendations

Client and Provider Eligibility

Background

The Department of Health and Mental Hygiene (DHMH) – Prevention and Health Promotion Administration (PHPA) is responsible for determining client and provider eligibility for the Breast and Cervical Cancer Diagnosis and Treatment Program (BCCDTP), the Maryland AIDS Drug Assistance Program (MADAP), and the MADAP-Plus program. These programs are funded with special funds and/or federal funds.

BCCDTP pays for certain medical costs on behalf of low-income individuals who have a qualifying medical condition. According to the State's records, BCCDTP spent approximately \$14.7 million in special funds on behalf of approximately 3,300 recipients during fiscal year 2013.

MADAP helps low to moderate income individuals pay for certain HIV/AIDS drugs and the MADAP-Plus program helps some of these individuals pay for their health insurance premiums, providing access to inpatient and outpatient health care as well as prescription coverage. According to the State's records, during fiscal year 2013, MADAP and MADAP-Plus expenditures totaled approximately \$58.9 million and the programs were serving 5,505 clients in MADAP, 2,452 of whom were also enrolled in MADAP-Plus as of September 18, 2014.

Finding 1

PHPA did not use available independent resources to help verify applicant income and to identify possible third-party insurance for certain programs.

Analysis

PHPA did not use available independent resources to help ensure new and renewal applicants for BCCDTP, MADAP, and MADAP-Plus submitted complete and accurate income information. For example, PHPA did not use online resources, such as the Maryland Automated Benefits System (MABS) and the National Directory of New Hires. These resources are used by other State entities, such as the Department of Human Resources, to verify income for other critical programs, including Medicaid.

Furthermore, although PHPA required BCCDTP and MADAP applicants to provide documentation of any third-party insurance coverage the applicants maintained, PHPA had no procedure in place to independently identify the existence of third-party insurance. We noted that DHMH's Medical Care

Program Administration (MCPA) uses an independent contractor to search for possible third-party insurance covering its program applicants and recipients.

Applicants are required to submit documentation with their new and renewal applications such as pay stubs and information about third-party insurance coverage. Because applicant income must be considered when determining an applicant's eligibility, and the existence of third-party insurance may affect the amount of program payments made for a recipient, it is critical that steps be taken to ensure the complete and accurate reporting of this information.

Recommendation 1

We recommend that PHPA implement procedures to use available resources, such as MABS and the aforementioned MCPA contract, to help verify applicant income and to identify any third-party insurance.

Finding 2

PHPA did not always consider certain critical information, such as income and insurance data, in its BCCDTP eligibility redeterminations.

Analysis

PHPA did not always consider certain critical information reported by applicants, such as income and insurance data in its review of BCCDTP renewal applications, which could impact applicant eligibility and the amount of claim payments for BCCDTP services. Applicants for BCCDTP services must submit documentation with their renewal applications to support their continued medical and financial eligibility. Our test of 13 renewal BCCDTP applications approved during our audit period disclosed the following conditions associated with 5 applications with paid claims for the related applicants totaling approximately \$1.1 million during fiscal years 2011 through 2013 (a portion of these claims were paid in the period after the tested BCCDTP renewal applications were approved):

- Two renewal applications indicated that the applicant's spouse had earned income, but the applicant did not provide sufficient documentation of the income. PHPA did not request any additional information from these applicants or include the spouses' income when calculating the applicants' financial eligibility.
- Information on three of the renewal applications tested (including one application noted in the previous bullet) indicated that the applicant may have had third-party insurance (such as a pay stub with a deduction for health insurance), but that information was not pursued by PHPA staff. Third-party insurance may have covered certain of the costs paid by PHPA.

- One renewal application included a new social security number (SSN) for the applicant, but the SSN was not recorded by PPHA in the database used to track enrollees. Although an applicant is not required to provide a SSN to be eligible for BCCDTP benefits, if a SSN is provided it should be recorded in the database. An applicant's SSN can be used to help verify applicant income and any third-party insurance coverage.

Eligibility is redetermined annually, at which time applicants must resubmit an application and supporting documentation similar to the initial application process. It is critical that PPHA adequately evaluate all reported data to ensure recipient eligibility and the propriety of payments made.

Recommendation 2

We recommend that PPHA

- a. record all critical information reported by applicants and use the information to evaluate continued applicant eligibility and the existence of third-party insurance; and**
- b. determine whether the aforementioned applicants were eligible and had third-party insurance, and take appropriate action.**

Finding 3

PPHA did not adequately restrict access to systems used to maintain critical program information and pay related claims.

Analysis

PPHA did not adequately restrict users' access to the MADAP system, used to maintain critical information such as eligible applicants for the MADAP and MADAP-Plus programs, and the claims adjudication and point of sale systems used to process related claims. Our review of the access capabilities that had been assigned to users as of April 10, 2014 identified the following conditions:

- Twenty-two employees were assigned capabilities that allowed them to record an individual as eligible for MADAP and MADAP-Plus in the MADAP system without independent approval, including 16 employees who did not need this access based on their job responsibilities.
- Six of these employees also had incompatible duties in that they could also manually process related claims on the MADAP system and/or the claims adjudication and point of sale systems without being subject to an adequate independent approval. Four of these six employees did not require this capability to perform their job responsibilities.

- Four of these employees could add and modify pharmacy and insurance vendors and add drugs to the formulary maintained on the MADAP system without independent supervisory approval. Two of these four employees did not require this capability to perform their job responsibilities.

Consequently, improper payments could occur without timely detection.

MADAP applications are reviewed by PHPA clerical staff and, once approved, the applicants are entered into the MADAP system. The system is interfaced with the claims adjudication and point of sale systems, which are used by pharmacies to ensure that individuals requesting medications have been approved for MADAP and to initiate the related claims. Claims for the MADAP-Plus program (health insurance premiums) are manually processed and entered into the MADAP system for processing.

Recommendation 3

We recommend that PHPA

- ensure a documented review of critical data recorded into the MADAP system is performed by independent supervisory personnel,**
- separate incompatible duties that allowed employees to input individuals as eligible and to manually process related claims, and**
- eliminate capabilities to ensure employees can only perform duties required as part of their job responsibilities.**

Finding 4

PHPA did not always obtain required documents necessary to determine BCCDTP provider eligibility and did not conduct periodic reassessments to ensure providers maintained their eligibility.

Analysis

PHPA did not always obtain required documentation to establish eligibility for BCCDTP providers and did not conduct periodic reassessments of provider eligibility.

- PHPA did not always obtain copies of physician licenses and proof of liability insurance required by State regulations. For example, when approving applications from providers (medical practices), individual physician licenses were not always obtained for all physicians working for that provider. Additionally, PHPA did not require proof of licensure to be submitted for certain other types of individuals, such as physical therapists and occupational therapists, even though State regulations require licensure for participation by these individuals in BCCDTP. As a result, providers were approved as eligible BCCDTP providers without all individual physicians or therapists

being subject to PHPA license verification and claims were processed for services rendered by these unverified individuals. Furthermore, unless voluntarily submitted by providers, proof of liability insurance required by State regulations was not obtained by PHPA. Our test of 20 claim payments totaling \$408,452 processed during fiscal years 2011, 2012, and 2013 disclosed that 8 payments totaling \$361,646 were for services performed by 8 physicians whose licenses were never verified by PHPA. In addition, proof of required insurance was not on file for 9 of 15 provider applications tested which were processed during fiscal years 2011, 2012, and 2013.

- PHPA did not conduct periodic reassessments of provider eligibility to ensure that providers remained compliant with State regulations. Our test of 15 provider applications disclosed that, as of March 2014, the licenses for 2 physicians employed by one of these providers had expired on September 30, 2012 and September 30, 2013 respectively, and the license for another physician employed by the provider had been suspended on November 16, 2012. PHPA was not aware of the status of these licenses until we brought the status to its attention, and could not readily determine if services were rendered by these physicians, and claims were paid, after their licenses had expired or were suspended.

Recommendation 4

We recommend that PHPA

- a. at the time of application, obtain documentation of licensure and insurance for all individual physicians and therapists as required by State regulations;**
- b. periodically reassess provider eligibility; and**
- c. investigate the aforementioned instances of unverified, expired, or suspended licenses, and ensure that the required documentation is obtained and appropriate actions are taken.**

Cash Receipts

Finding 5

PHPA lacked adequate procedures and controls over certain collections.

Analysis

PHPA lacked adequate procedures and controls over HIV Client Services (which handles MADAP and MADAP-Plus) and BCCDTP collections, which totaled approximately \$48.1 million and \$1.5 million, respectively, during fiscal year 2013.

- The PHPA employee who processed BCCDTP collections was also responsible for updating the related accounts receivable records, which included amounts due from primary insurers and providers for overpayments, and from manufacturers for pharmacy rebates. As a result, funds could be misappropriated without being readily detected.
- PHPA did not perform timely or complete verifications of HIV Client Services collections to deposit. Specifically, as of March 2014, collections received since July 2013 had not been verified to deposit. In addition, when PHPA's verification procedures were performed, the procedures did not ensure that all amounts initially recorded were subsequently deposited. Specifically, a PHPA employee agreed recorded amounts to the State's accounting records rather than to validated bank documentation.
- PHPA did not pursue the feasibility of having drug manufacturers submit large rebates via wire transfer instead of by check. Rebate checks received by PHPA relating to HIV Client Services periodically were in amounts that could exceed a million dollars. The use of wire transfers would expedite the deposit of rebates and improve controls over these funds.

The Comptroller of Maryland – General Accounting Division's *Accounting Procedures Manual* requires cash handling, record keeping, and accounts receivable duties be segregated, and collections be independently verified to validated bank documentation.

Recommendation 5

We recommend that PHPA establish adequate controls over HIV Client Services and BCCDTP collections. Specifically, we recommend that PHPA

- ensure employees without access to collections maintain the related accounts receivable records,**
- perform timely and complete deposit verifications that ensure all recorded collections were deposited, and**
- pursue the feasibility of receiving large collections via wire transfer.**

We advised PHPA on accomplishing the necessary separation of duties using existing personnel.

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the following units of the Department of Health and Mental Hygiene (DHMH) for the periods noted:

Prevention and Health Promotion Administration – July 1, 2012 to October 27, 2013
Infectious Disease and Environmental Health Administration – January 5, 2010 to June 30, 2012
Family Health Administration – August 4, 2010 to June 30, 2012
Health Systems and Infrastructure Administration – July 1, 2012 to October 27, 2013
Office of Preparedness and Response – February 27, 2013 to October 27, 2013

The audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

As prescribed by the State Government Article, Section 2-1221 of the Annotated Code of Maryland, the objectives of this audit were to examine DHMH's financial transactions, records, and internal control, and to evaluate its compliance with applicable State laws, rules, and regulations.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of significance and risk. The areas addressed by the audit included contracts and grants, client and provider eligibility and related claims, cash receipts, payroll, and corporate purchasing cards. We also determined the status of four of the seven findings contained in our preceding audit report on DHMH's Infectious Disease and Environmental Health Administration, and the status of the three findings contained in our preceding audit report on DHMH's Family Health Administration.

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, observations of DHMH's operations, and tests of transactions. We also performed various data extracts of pertinent information from the State's Financial Management Information System (such as revenue and expenditure data) and the State's Central Payroll Bureau (payroll data), as well as from the contractor administering the State's Corporate Purchasing Card Program (credit card activity). The

extracts are performed as part of ongoing internal processes established by the Office of Legislative Audits and were subject to various tests to determine data reliability. We determined that the data extracted from these various sources were sufficiently reliable for the purposes the data were used during this audit. Finally, we performed other auditing procedures that we considered necessary to achieve our objectives. The reliability of data used in this report for background or informational purposes was not assessed.

Our audit did not include certain support services provided by DHMH's Office of the Secretary. These support services (such as certain payroll processing functions, purchasing, maintenance of accounting records, and related fiscal functions) are included within the scope of our audit of DHMH - Office of the Secretary. Furthermore, responsibilities related to grants awarded to local health departments are divided between the DHMH – Office of the Secretary and the various administrations. Our audit included a review of the calculations of amounts awarded which is the responsibility of the administrations, but did not include other responsibilities related to these grant awards such as ensuring the grant funds are expended in accordance with the related agreements which is within the scope of our audit of DHMH – Office of the Secretary. In addition, our audit did not include an evaluation of internal controls for federal financial assistance programs and an assessment of DHMH's compliance with federal laws and regulations pertaining to those programs because the State of Maryland engages an independent accounting firm to annually audit such programs administered by State agencies, including DHMH.

DHMH's management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records, effectiveness and efficiency of operations including safeguarding of assets, and compliance with applicable laws, rules, and regulations are achieved.

Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

Our reports are designed to assist the Maryland General Assembly in exercising its legislative oversight function and to provide constructive recommendations for improving State operations. As a result, our reports generally do not address activities we reviewed that are functioning properly.

This report includes findings related to conditions that we consider to be significant deficiencies in the design or operation of internal control that could adversely affect DHMH's ability to maintain reliable financial records, operate

effectively and efficiently, and/or comply with applicable laws, rules, and regulations. Our report also includes findings regarding significant instances of noncompliance with applicable laws, rules, or regulations. Other less significant findings were communicated to DHMH that did not warrant inclusion in this report.

The response from DHMH to our findings and recommendations is included as an appendix to this report. As prescribed in the State Government Article, Section 2-1224 of the Annotated Code of Maryland, we will advise DHMH regarding the results of our review of its response.



STATE OF MARYLAND

DHMH

Maryland Department of Health and Mental Hygiene

Lawrence J. Hogan, Jr., Governor - Boyd K. Rutherford, Lt. Governor - Van T. Mitchell, Secretary

APPENDIX

March 17, 2015

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

Dear Mr. Barnickel:

Thank you for your letter regarding the draft audit report for the Department of Health and Mental Hygiene, Prevention and Health Promotion Administration, Health Systems and Infrastructure Administration and Office of Preparedness and Response for the period beginning July 1, 2012 through October 27, 2013. Enclosed you will find the Department's response and plan of correction that addresses each audit recommendation.

I will work with the appropriate administration directors, program directors and deputy secretary to promptly address the audit exceptions. In addition, the Office of the Inspector General's Division of Internal Audits will follow up on the recommendations to ensure compliance.

If you have any questions or require additional information, please do not hesitate to contact me at 410-767-4639 or Thomas V. Russell, Inspector General, at 410-767-5784.

Sincerely

Van T. Mitchell
Secretary

Enclosure

cc: Thomas V. Russell, Inspector General, DHMH
Elizabeth Morgan, Assistant Inspector General, DHMH
Irma Bevans, Director of Fiscal Services, DHMH
Shawn Cain, Chief of Staff, Office of the Secretary, DHMH
Jennifer Newman-Barnhart, Acting Chief of Staff, Public Health Services, DHMH

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Findings and Recommendations

Finding 1

PHPA did not use available independent resources to help verify applicant income and to identify possible third-party insurance for certain programs.

Recommendation 1

We recommend that PHPA implement procedures to use available resources, such as MABS and the aforementioned MCPA contract, to help verify applicant income and to identify any third-party insurance.

PHPA Response:

PHPA concurs with the recommendation that it would be beneficial to use available resources, such as MABS and the aforementioned MCPA contract, to help verify applicant income and to identify any third-party insurance.

Both the BCCDTP and MADAP programs have begun preliminary research and conversations with the Department of Human Resources and MCPA to explore the cost and efficiency associated with available resources to verify applicant income, in order to make an informed decision regarding implementation.

The new Medicaid Management Information System (MMIS) will include the capability to identify whether BCCDTP applicants may have third-party insurance. BCCDTP staff will then follow up on this information to confirm the existence of third-party insurance for that applicant. The implementation of the MMIS system has been delayed. In the interest of improving BCCDTP and MADAP Program operations in the interim, preliminary discussions have begun with MCPA to determine whether it is possible to utilize their existing vendor to identify third-party insurance prior to the implementation of the new MMIS system.

Finding 2

PHPA did not always consider certain critical information, such as income and insurance data, in its BCCDTP eligibility redeterminations.

Recommendation 2

We recommend that PHPA

- a. record all critical information reported by applicants and use the information to evaluate continued applicant eligibility and the existence of third-party insurance; and**
- b. determine whether the aforementioned applicants were eligible and had third-party insurance, and take appropriate action.**

PHPA Response

- a. PHPA concurs with this recommendation to record all critical information reported by applicants and use the information to evaluate continued applicant eligibility and the existence of third-party insurance. The BCCDT Program has policies in place for application review and will provide additional training to all staff responsible for application review.

Additionally, the new Medicaid Management Information System (MMIS) claims processing system will include the capability to identify whether an applicant has third-party insurance. However, the implementation of the new MMIS system has been delayed, and its expected implementation date for the BCCDT Program is unknown. Per the Administration's response in number 1 above, discussions have begun with MPCA to determine whether it is possible to utilize their existing vendor to identify third-party insurance prior to the implementation of the new MMIS system.

- b. PHPA concurs with this recommendation and will determine whether the aforementioned applicants were eligible and had third-party insurance, and take appropriate action as regulations and policy allow.

Finding 3

PHPA did not adequately restrict access to systems used to maintain critical program information and pay related claims.

Recommendation 3

We recommend that PHPA

- a. ensure a documented review of critical data recorded into the MADAP system is performed by independent supervisory personnel,**

- b. separate incompatible duties that allowed employees to input individuals as eligible and to manually process related claims, and**
- c. eliminate capabilities to ensure employees can only perform duties required as part of their job responsibilities.**

PHPA Response

- a. PHPA concurs with the recommendation that all critical data be subject to supervisory review and, by the end of fiscal year 2015, the program will have in place a supervisory review process, inclusive of documentation, that verifies the accuracy of critical data received and recorded for all determinations made by eligibility specialists. The final approval or denial of an application will be made at the supervisory level.
- b. PHPA concurs with the recommendation to separate incompatible duties that could allow employees to input individuals as eligible and to manually process related claims. One of the two employees cited in the Finding has left State services and the problem will be resolved as described next in response c.
- c. PHPA concurs with the recommendation to restrict access to authorized users and has initiated action to be completed by the end of FY 15 to clearly define and delineate the division of incumbent duties, revise job descriptions (MS-22s) as necessary, and restrict access to the database system consistent with assigned duties and responsibilities.

Finding 4

PHPA did not always obtain required documents necessary to determine BCCDTP provider eligibility and did not conduct periodic reassessments to ensure providers maintained their eligibility.

Recommendation 4

We recommend that PHPA

- a. at the time of application, obtain documentation of licensure and insurance for all individual physicians and therapists as required by State regulations;**
- b. periodically reassess provider eligibility; and**
- c. investigate the aforementioned instances of unverified, expired, or suspended licenses, and ensure that the required documentation is obtained and appropriate actions are taken.**

PHPA Response

- a. PHPA concurs with this recommendation to obtain documentation of licensure and insurance for all individual physicians and therapists at the time of application. The instructions for completing the provider application form for the Program currently requires submission of copies of all applicable licenses with the

completed application, and specifically directs that a copy of the current medical license for each physician be attached. Also, the Program will modify its provider application form to require the submission of insurance documentation for each provider listed on an application for all new applications effective July 1, 2015. The Program will conduct additional training of staff to strengthen Program oversight of licensure and insurance requirements. Finally, when the new Medicaid Management Information System (MMIS) is implemented, providers will be responsible for updating their own information online with verification by Program staff or a MMIS fiscal agent, and claims will be paid accessing this information. In addition, a direct interface with the applicable licensing board will allow for ongoing licensing updates.

- b. PHPA partially concurs with this recommendation to establish procedures to periodically reassess provider eligibility. The instructions for completing the provider application form for the Program currently informs providers that they will be asked to update licensure information periodically. Also, by regulation, the program is required to update the list of participating medical care providers not less than once a year and has a procedure for updating provider licenses annually during the anniversary month of the practice's enrollment in the Program. In addition, provider licenses are updated every time the Program receives a request to update the practice's information, such as add or terminate providers or update billing or location addresses. However, due to limited resources, the large number of providers/ practices, and the significant amount of time the updates require, the entire provider license updates have not been completed according to the annual schedule. Provider licensure and insurance information will be collected as part of provider enrollment under the new Medicaid Management Information System (MMIS). Also, a direct interface with the licensing board will allow for ongoing licensing updates. Finally, when MMIS is implemented, the Program will confirm insurance annually when it confirms licensure status.

In the interim until the MMIS is implemented, the Program will determine a schedule to periodically reassess provider eligibility including licensure and insurance to the extent feasible with current staffing resources.

- c. PHPA concurs with the recommendation to investigate the aforementioned instances of unverified, expired, or suspended licenses, and ensure that the required documentation is obtained and appropriate actions are taken as regulations and policy allow.

Finding 5**PHPA lacked adequate procedures and controls over certain collections.****Recommendation 5**

We recommend that PHPA establish adequate controls over HIV Client Services and BCCDTP collections. Specifically, we recommend that PHPA

- a. ensure employees without access to collections maintain the related accounts receivable records,**
- b. perform timely and complete deposit verifications that ensure all recorded collections were deposited, and**
- c. pursue the feasibility of receiving large collections via wire transfer.**

We advised PHPA on accomplishing the necessary separation of duties using existing personnel.

PHPA Response

- a. PHPA partially concurs with the recommendation in that effective December 2006, the BCCDTP Program implemented a process that assures that incoming checks are appropriately handled and deposited correctly. The process also ensures that any reimbursements that were expected were actually collected in full. This process involves a separation of duties that include BCCDT Program *office clerks* receiving a check, logging the received check into the check/cash receipt log as “received”, and endorsing the check with a DHMH Deposit Only stamp indicating the account for deposit. The *fiscal clerks* then receive the check from the office clerks, initial the check/cash receipt log to acknowledge receipt, determine the appropriate PCA/agency object code/fiscal year that the check should be credited to, create a cash receipt memo, and deliver the check to General Accounting. The *fiscal clerks* are responsible for accounts receivable and each fiscal clerk maintains the shared recoupment spreadsheet for their own accounts.

In addition, the BCCDT Program utilizes the services of the Center for Cancer Prevention and Control fiscal coordinator, as an independent reconciler who verifies the deposits and monthly reconciles the check/cash receipt log with the recoup spreadsheet as well as the FMIS accounts to assure there is no misappropriation of funds.

- b. PHPA concurs with this finding and recommendation as it relates to HIV Client Services. As of March 4, 2015, PHPA has verified all deposits through January 2015 by reconciling the daily check log to the daily deposit slips and verifying that all deposits are recorded in FMIS. No exceptions were noted. Also, PHPA will strive to complete future monthly verifications within 30 days following the closeout of each month’s fiscal activities. Finally, as a

point of clarification, the reconciliation of deposits with bank statements is performed for all DHMH Central Office units by the DHMH Division of General Accounting.

- c. PHPA concurs with this recommendation as it relates to HIV Client Services, and PHPA will examine the feasibility of establishing an EFT arrangement for drug rebates in the future.

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