

**M00A01**  
**Administration**  
**Department of Health and Mental Hygiene**

***Operating Budget Data***

(\$ in Thousands)

	<b><u>FY 04</u></b>	<b><u>FY 05</u></b>	<b><u>FY 06</u></b>	<b><u>FY 05-06</u></b>	<b><u>% Change</u></b>
	<b><u>Actual</u></b>	<b><u>Working</u></b>	<b><u>Allowance</u></b>	<b><u>Change</u></b>	<b><u>Prior Year</u></b>
General Fund	\$21,875	\$21,839	\$21,619	-\$220	-1.0%
Special Fund	1,065	60	60	0	
Federal Fund	15,837	14,931	14,441	-490	-3.3%
Reimbursable Fund	<u>4,053</u>	<u>5,809</u>	<u>4,292</u>	<u>-1,518</u>	<u>-26.1%</u>
<b>Total Funds</b>	<b>\$42,829</b>	<b>\$42,639</b>	<b>\$40,412</b>	<b>-\$2,228</b>	<b>-5.2%</b>
Contingent & Back of Bill Reductions			-2,001	-2,001	
<b>Adjusted Total</b>	<b>\$42,829</b>	<b>\$42,639</b>	<b>\$38,411</b>	<b>-\$4,229</b>	<b>-9.9%</b>

- The Governor's fiscal 2006 allowance reflects an almost 10% reduction over the fiscal 2005 working appropriation. The most significant changes are in federally funded information technology programs.
- There are almost \$2 million in reductions contingent on the enactment of legislation. Over \$1.8 million of this is contingent on legislation allowing the department to assess indirect costs against the health regulatory commissions. If approved, this reduction would ultimately be back-filled with reimbursable funds, lessening the extent of the budget decline.

Note: Numbers may not sum to total due to rounding.

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## ***Personnel Data***

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	<b><u>FY 04 Actual</u></b>	<b><u>FY 05 Working</u></b>	<b><u>FY 06 Allowance</u></b>	<b><u>FY 05-06 Change</u></b>
Regular Positions	500.90	473.50	464.50	(9.00)
Contractual FTEs	<u>15.51</u>	<u>20.70</u>	<u>17.70</u>	<u>(3.00)</u>
<b>Total Personnel</b>	<b>516.41</b>	<b>494.20</b>	<b>482.20</b>	<b>(12.00)</b>

### ***Vacancy Data: Regular Positions***

Turnover, Excluding New Positions	15.98	3.44%
Positions Vacant as of 12/31/04	0.00	0.00%

- The allowance abolishes 9 FTE regular positions and 3 FTE contractual positions. This reduction is in addition to the 24.4 FTE regular positions and 2.5 FTE contractual positions abolished by the Board of Public Works in the 2004 interim.

## ***Analysis in Brief***

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### **Major Trends**

***Condition of Facilities:*** The department anticipates improvements in facility conditions (as measured by condition of infrastructure systems and how well those buildings meet code and patient/client need). However, this improvement reflects the removal of the recently closed Crownsville Hospital from the facility inventory rather than any increased investment in the facilities.

***Vital Records:*** The Division of Vital Records' ability to get death certificates filed within 72 hours of a death is declining. Additional concerns about the operations of the division have been raised in a recent audit.

### **Recommended Actions**

	<b><u>Funds</u></b>
1. Reduce contractual support for patient safety reporting/tracking system.	\$ 85,834
2. Reduce funds for health claims recordkeeping function.	175,000
3. Reduce funds based on anticipated federal indirect cost recoveries.	337,000

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4.	Delete funds for volunteer recognition ceremonies.	22,034
5.	Reduce funding for printing costs in the Division of Vital Records.	47,000
	<b>Total Reductions</b>	<b>\$ 666,868</b>

**Updates**

*Status of DHMH's Efforts to Meet HIPAA Compliance Deadlines:* A review of DHMH efforts to meet the Health Insurance Portability and Accountability Act of 1996 (HIPAA) compliance deadlines is provided.

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

***Operating Budget Analysis***

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**Program Description**

The Department of Health and Mental Hygiene (DHMH) Administration budget analysis includes the following offices within the department:

- Office of the Secretary;
- Deputy Secretary for Operations;
- Deputy Secretary for Public Health; and
- Deputy Secretary for Health Care Financing.

The **Office of the Secretary** establishes policies regarding health services and supervises the administration of the health laws of the State and its subdivisions. Following reorganization in the 2004 interim, the Financial Management Administration has also been moved under the Office of the Secretary from the Deputy Secretariat for Operations.

The **Deputy Secretary for Operations** is the general support agency for the whole department, providing administrative, information technology, and general services (such as central warehouse management, inventory control, fleet management, space management, and management of engineering/construction projects).

The **Deputy Secretary for Public Health Services** is responsible for policy formulation and program implementation affecting the health of Maryland's citizens through the actions and interventions of the following administrations:

- Community and Family Health Administrations;
- AIDS Administration;
- Office of the Chief Medical Examiner;
- Laboratories Administration;
- Alcohol and Drug Abuse Administration;
- Mental Hygiene Administration; and
- Developmental Disabilities Administration.

The **Deputy Secretary for Health Care Financing** is responsible for the activities and mission of the Medical Care Programs.

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The primary goals of the various secretariats that comprise the analysis are of two broad categories:

- Goals of the administrations under the oversight of those secretariats. For example, the Deputy Secretary for Public Health Services has a variety of public and behavioral health goals related to programs in such administrations as Developmental Disabilities, Community Health, Family Health, and so forth.
- Goals that relate to specific functions within the various secretariats. For example, the Deputy Secretary for Public Health Services has goals related to grievance resolutions at State institutions; the Deputy Secretary for Operations has goals related to services provided to the department as a whole such as the timely award of contracts.

**Performance Analysis: Managing for Results**

For the purpose of this analysis, performance analysis review is limited to measures of specific administrative activities of the units included in DHMH Administration. Selected data are shown in **Exhibit 1**. A number of points can be made from the exhibit:

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**Exhibit 1**  
**Selected Program Measurement Data**  
**DHMH - Administration**  
**Fiscal 2001 through 2006**

	<b>Actual Fiscal <u>2001</u></b>	<b>Actual Fiscal <u>2002</u></b>	<b>Actual Fiscal <u>2003</u></b>	<b>Actual Fiscal <u>2004</u></b>	<b>Working Fiscal <u>2005</u></b>	<b>Allowance Fiscal <u>2006</u></b>
Repeat OLA audit comments (%)	28.6	29.8	47.2	28.0	28.0	28.6
Identified interactive business applications available online (%)		52	65	59		
Condition of facility infrastructure systems (% in good/excellent condition)	78	81	80	85	85	90
Residential and program buildings meeting licensing standards, current building codes and patient/client needs (%)	58	54	59	58	58	69

OLA = Office of Legislative Audits

Source: Department of Health and Mental Hygiene

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- A concern of the Joint Budget and Audit Committee has been the extent to which audit comments repeat from one audit to the next. One DHMH objective, repeat Office of Legislative Audits' (OLA) audit comments, speaks to this issue. Specifically, the measure illustrates how many of the audit comments for any particular DHMH unit are repeated from the previous audit of the same unit. While the measure is imperfect since it does not take into consideration the severity of different audit comments, it does point to some measure of effort to improve fiscal compliance. As recently as fiscal 1999, almost half of the audit comments in DHMH audits were repeat comments. This had fallen in recent years to just fewer than 30%. In fiscal 2003 the number of repeat comments rose back to 47.2% but fell back to under 30% in fiscal 2004.
- DHMH's objectives in terms of the appropriateness of the physical environment at its facilities as well as facility infrastructure systems reveal a need for some considerable capital improvement at DHMH-operated facilities. Although the percent of facility infrastructure systems in good/excellent condition was at 85% in fiscal 2004 (up from 80% in fiscal 2003), only 58% of residential and program buildings met current standards and patient/client needs, down from 59% in fiscal 2003.

Interestingly, in its Managing for Results (MFR) submission, DHMH estimates that the percentage of building standards that meet patient/client need will increase dramatically in fiscal 2006, to 69%. Apparently this overstated the actual increase which should read 63%. Further, the increase (and the anticipated improvement in the condition of facility infrastructure systems) is not the result of any substantial anticipated investment in facilities. Rather it is a result of buildings at the recently closed Crownsville Hospital being removed from DHMH's facility inventory for the purpose of the calculation of this measure.

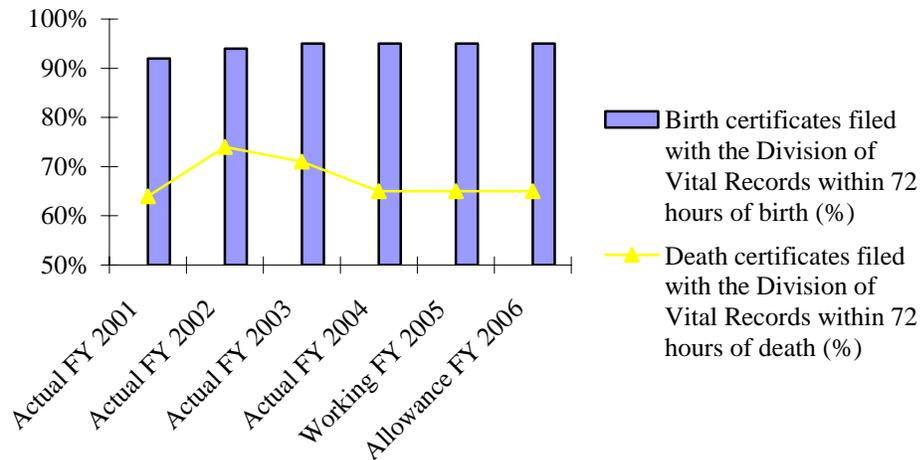
- Chapter 5, Acts of 2000 required all units of the Executive Branch (excluding higher education institutions) to make 50% of their information and services available to the public over the Internet by calendar 2002, rising to 65% and 80% by calendar 2003 and 2004, respectively. DHMH had reported meeting the appropriate goal in previous MFR submissions but did not do so in the fiscal 2006 submission.

According to the department, it no longer properly tracks this number although it provided a figure of 59% for fiscal 2005, a drop from fiscal 2004. The Department of Legislative Services has questioned elsewhere how meaningful the goals set by Chapter 5 actually were. However, the department's dropping of this measure as well as the doubts that are raised about the accuracy of numbers from prior years given its current estimate, reinforces concern either about how seriously agencies take the MFR process or how meaningful some of those measures actually are.

**Exhibit 2** shows additional performance data related to the Division of Vital Records, specifically relating to birth and death certificates. In the fiscal 2006 MFR submission, data concerning the turnaround of birth and death certificates in a timely and efficient manner is presented in a slightly different format than in the prior year. In fiscal 2005, the outcome measure was the percentage of birth and death certificates available to customers within 72 hours of the birth or death certificate being available from hospital/funeral homes, the objective being 96%. A single outcome was provided with no distinction being made for birth or death certificates. In fiscal 2006, the outcome measure returns to that used in fiscal 2004 and relates to filing of certificates with the Division of

Vital Records within 72 hours of a birth or death and provides different objectives for birth and death certificates.

**Exhibit 2**  
**Birth and Death Certificate Filing**  
**Fiscal 2001 through 2006**



Source: Department of Health and Mental Hygiene

Two things are of interest in the data: first, actual outcomes with regard to death certificates are trending in the wrong direction. DHMH had hoped to improve its handling of death certificates through the implementation of an electronic filing system for death certificates as it has for birth certificates. However, efforts to implement that system foundered. Secondly, in the fiscal 2004 MFR, objectives were 98% of birth certificates and 75% of death certificates being filed within 72 hours of a birth or death. The objectives have been lowered in fiscal 2006 to 95% for birth certificates and 65% for death certificates. Not significant changes, but for both, this appears to be a case of “Managing for Success” rather than “results”, i.e., lowering expectations to match actual achievement.

In addition to timeliness of filings, a recent Office of Legislative Audits review of the operations of the Office of Vital Records raised concerns about security (see Appendix 2 for more details).

### **Governor’s Proposed Budget**

The Governor’s fiscal 2006 allowance reflects the abolition of 9 FTE regular positions. This reduction is in addition to the 24.4 FTE regular positions abolished in the administrative budgets by the Board of Public Works in order to meet the fiscal 2005 position cap. At this point, DHMH has not made the final decision on which nine positions will be cut. It is the expectation of the

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department that no lay-offs will result from these position abolitions. **DHMH should provide the committees with a list of the specific positions (and PINs) to be cut.**

Interestingly, the fiscal 2006 budget does contain 3 FTE positions that DHMH was allowed to retain in order for DHMH to assume the recordkeeping function currently performed by the Health Claims Arbitration Office. The fiscal 2006 allowance downsizes this office because there had been so little arbitration performed in recent years. At this time, DHMH is uncertain as to where to place this function within the department.

The Governor's fiscal 2006 allowance shows a decline of just over \$4.2 million (9.9%) from the fiscal 2005 working appropriation (see **Exhibit 3**). The allowance includes two reductions contingent on legislation:

- \$1,833,000 general fund reduction contingent on legislation allowing the charging of indirect costs to the Health Regulatory Commissions. The commissions will reimburse DHMH for departmental support at a rate equal to the federal indirect cost recovery rate. Indirect costs are currently imposed on the Health Occupations Boards. This reduction continues the action contained in Chapter 430, Acts of 2004, the Budget Reconciliation and Financing Act. As originally introduced, it was a permanent change. However, the legislature restricted it to a one-time action.
- \$169,000 reduction (\$81,000 general funds, \$74,000 federal funds, \$14,000 reimbursable funds) contingent on legislation reducing the deferred compensation match for State employees.

Of the non-personnel changes in the budget, the most significant are in information technology. There is an \$856,000 decline associated with a federally funded Public Health Information Network (formerly the Health Alert Network). This network is part of the State's overall emergency preparedness effort and is designed to alert and advise public health and medical professionals concerning emergency response in the event of a public health emergency. While there are additional software (\$136,000) and hardware (\$250,000) expenditures anticipated in the allowance, the major hardware expenditures were funded in fiscal 2005 resulting in an overall decline in fiscal 2006.

Similarly, the allowance reflects the removal of the Women, Infants, and Children (WIC) Management Information System from DHMH's major information technology development projects program because the project is no longer in the development stage.

Like the fiscal 2005 budget, the fiscal 2006 allowance appears to impose significant reductions on DHMH administration. However, again, it is important not to overstate this change. The \$1,833,000 contingent general fund reduction will ultimately be back-filled with reimbursable funds provided that legislation allowing DHMH to recover indirect costs from the health regulatory commissions is enacted. Further, the most significant non-personnel changes involve federally funded programs. Nevertheless, adjustments notwithstanding, general fund expenditures continue to fall (albeit modestly) reflecting cost containment efforts.

**Exhibit 3**  
**Governor's Proposed Budget**  
**Administration**  
(\$ in Thousands)

<b>How Much It Grows:</b>	<b>General Fund</b>	<b>Special Fund</b>	<b>Federal Fund</b>	<b>Reimb. Fund</b>	<b>Total</b>
2005 Working Appropriation	\$21,839	\$60	\$14,931	\$5,809	\$42,639
2006 Governor's Allowance	21,619	60	14,441	4,292	40,412
Contingent & Back of Bill Reductions	<u>-1,914</u>	<u>0</u>	<u>-74</u>	<u>-14</u>	<u>-2,001</u>
Adjusted Allowance	19,705	60	14,367	4,278	38,411
Amount Change	-\$2,134	\$0	-\$564	-\$1,531	-\$4,229
Percent Change	-9.8%		-3.8%	-26.4%	-9.9%

**Where It Goes:**

<b>Personnel Expenses</b>	<b>\$9</b>
Increments .....	\$582
Workers' Compensation Premium Assessment.....	419
Retirement contributions.....	287
Social security contributions.....	57
Reclassifications (emergency management and patient advocate rights advisers) .....	56
Other fringe benefit adjustments.....	-12
Turnover adjustment .....	-331
Employee and retiree health.....	-384
Savings from positions to be abolished (9 FTEs) .....	-665
<b>Information Technology and Telecommunications</b>	<b>\$-2,116</b>
DBM Telecommunications charges.....	147
Annapolis Data Center charges.....	75
Telecommunications capital lease payments .....	-70
Public Health Information Network.....	-856
Women, Infants, and Children Management Information System .....	-1,412

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**Where It Goes:**

<b>Miscellaneous</b>	<b>\$-2,122</b>	
Insurance .....		189
Contractual payroll.....		-53
Travel .....		-73
Consolidation of office space at Patterson Avenue .....		-151
Office of Administrative Hearings charges .....		-165
Contingent reduction (indirect cost recovery from regulatory commissions) .....		-1,833
Other.....		-36
<b>Total</b>		<b>-\$4,229</b>

Note: Numbers may not sum to total due to rounding.

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## ***Recommended Actions***

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- |  | <b><u>Amount<br/>Reduction</u></b> |    |
|--|------------------------------------|----|
| 1. Reduce contractual support for the development of a patient safety reporting/tracking system for the department's facilities. Patient safety and the collection of functional assessment outcomes is an integral part of the Joint Commission on Accreditation of Healthcare Organizations (JCAHO) accreditation process. All of the department's facilities are JCAHO accredited and maintain this information for accreditation. In recent years the facilities have significantly improved the consistency of outcome data. If the department feels the need to continue this improvement, it should call on the expertise of the facility management already on staff.  | \$ 85,834                          | GF |
| 2. Reduce funds for health claims recordkeeping function. The department's budget includes funds for three positions to maintain the recordkeeping function previously done in the Health Claims Arbitration Office (HCAO). HCAO is not funded in the fiscal 2006 allowance. The department has yet to decide where these positions should be housed. A suitable location would be the Maryland Health Care Commission (MHCC). The positions could also be special funded through MHCC's provider assessment. Funds may be added to the MHCC's fiscal 2006 budget by budget amendment. It should be noted that MHCC's assessment cap will have to be raised in budget reconciliation and financing legislation in order to accommodate the Governor's proposed charging of indirect costs to the commission. Based on the proposed cap level in that legislation, this additional expenditure can be accommodated. | 175,000                            | GF |
| 3. Reduce funds based on anticipated federal indirect cost recoveries. The department recovers federal funds to cover indirect costs incurred by the department for certain federally funded positions and other items. Based on the extent of federally funded  | 337,000                            | GF |

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positions in the fiscal 2006 budget (including the proposed 2% Cost-of-Living Adjustment), the extent of fiscal 2006 indirect cost recoveries is understated. The department may increase federal funds by budget amendment to offset reduced general funds.

- |                                      |   |                   |    |
|--------------------------------------|---|-------------------|----|
| 4.                                   | Delete funds for volunteer recognition ceremonies. The department has indicated that as a cost containment measure it does not intend to use the funds that are currently provided in the fiscal 2005 budget to hold these ceremonies. This action continues that cost containment for fiscal 2006. Volunteering will be reward enough. | 22,034            | GF |
| 5.                                   | Reduce funding for printing costs in the Division of Vital Records. The reduction funds printing costs at the most recent actual.   | 47,000            | GF |
| <b>Total General Fund Reductions</b> |   | <b>\$ 666,868</b> |    |

## Updates

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### 1. Status of DHMH’s Efforts to Meet HIPAA Compliance Deadlines

In 1996 Congress passed the federal Health Insurance Portability and Accountability Act (HIPAA). HIPAA’s most significant impact for state health agencies and healthcare organizations generally has been in the area of administrative simplification. The intent of HIPAA administrative simplification is to streamline and standardize the electronic filing and processing of health insurance claims, thereby reducing administrative costs and at the same time providing better service for providers, insurers, and patients.

Specifically, HIPAA establishes uniform transaction and code set requirements, privacy standards, the adoption of unique identifier codes, security and electronic signature standards, and penalties for noncompliance. For DHMH, HIPAA compliance is required for information systems involving such activities as claims submissions and attachments processing, enrollment and eligibility transactions, claims payment and remittance notices, and health care referrals or claims authorizations. Compliance will be ongoing as standards may be subject to change. Significant civil penalties can be assessed for noncompliance with appropriate deadlines.

#### Key HIPAA Compliance Deadlines

As shown in **Exhibit 4**, key initial compliance deadlines have been phased in over a number of years.

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#### Exhibit 4 Selected HIPAA Administrative Simplification Initial Compliance Deadlines

<u>HIPAA Compliance Item</u>	<u>Deadline*</u>
Privacy of individually identifiable health information	April 2003
Standards for electronic transactions and code sets	April 2004
Security standards	April 2005
National Provider Identifier	May 2007

\* Standards are generally required to be implemented within two years of the effective date of a final rule. However, congressional or administrative action can delay the implementation of a final rule. For example, congressional action delayed the initial deadline for compliance with transaction and code set requirements from October 2002 to October 2003 and these were subsequently delayed again by the federal Department of Health and Human Services to April 2004. Deadlines also vary by size of health care provider, with small providers receiving additional time to comply. For the sake of simplicity, the deadlines above are specific to DHMH.

Source: Department of Legislative Services; Centers for Medicare and Medicaid Services

## **Meeting Security Standards**

As reported in prior budget analyses, it was anticipated that compliance with security standards could be the biggest challenge and the biggest expense facing DHMH. It was also noted in the fiscal 2005 analysis that State spending to meet security deadlines was much more limited than DHMH had indicated in calendar 2001. At that time some of the larger DHMH information technology systems (the Hospital Management Information System [HMIS], Medicaid Management Information System [MMIS], and the DHMH data network) were still in the process of undergoing security assessments, and the potential remained for the need for significant expenditures if extensive remediation was required.

According to DHMH, at this point all of the systems are either compliant with HIPAA or on track to be compliant by the April 1, 2005, deadline. Much of the remediation work was done in-house, obviating the need for expensive contractual assistance.

## **Other Upcoming Compliance Deadlines**

The final HIPAA compliance deadline for all covered entities is May 23, 2007, with the adoption of the National Provider Identifier (NPI) as the standard unique identifier for health care providers. When the NPI is implemented, covered entities will use only the NPI to identify health care providers in all standard transactions. DHMH must comply with this requirement. At this time, DHMH is still in the process of analyzing compliance for MMIS and HMIS.

## *Current and Prior Year Budgets*

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<b>Current and Prior Year Budgets Administration (\$ in Thousands)</b>					
	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
<b>Fiscal 2004</b>					
Legislative Appropriation	\$26,119	\$40	\$12,037	\$3,987	\$42,183
Deficiency Appropriation	800	0	0	0	800
Budget Amendments	-1,586	1,042	5,361	74	4,891
Cost Containment	-303	0	0	0	-303
Reversions and Cancellations	-3,154	-17	-1,562	-8	-4,741
<b>Actual Expenditures</b>	<b>\$21,875</b>	<b>\$1,065</b>	<b>\$15,837</b>	<b>\$4,053</b>	<b>\$42,829</b>
<b>Fiscal 2005</b>					
Legislative Appropriation	\$22,312	\$60	\$13,512	\$4,268	40,152
Budget Amendments	-473	0	1,419	1,541	2,487
<b>Working Appropriation</b>	<b>\$21,839</b>	<b>\$60</b>	<b>\$14,931</b>	<b>\$5,809</b>	<b>\$42,639</b>
Note: Numbers may not sum to total due to rounding.					

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## **Fiscal 2004**

The fiscal 2004 legislative appropriation for DHMH Administration was increased by \$646,000. This increase was derived as follows:

- The general fund appropriation fell by just over \$4.2 million. A deficiency appropriation approved in the 2004 session to support a contingency contract to increase Medicare and Medicaid recoveries added \$800,000 to the appropriation. However, that was more than offset by a combination of actions:
  - BPW-imposed cost containment reductions of just over \$300,000 mainly derived from savings from vacant positions.
  - Budget amendments reducing the general fund appropriation totaling almost \$1.6 million. The most significant amendments included the year-end transfer of funds to other programs in DHMH (\$4.4 million) much of which were available because of increased federal fund indirect cost recoveries (\$3.2 million) and vacancies. This decline was offset by the transfer into the Office of the Secretary of all unspent health insurance funds from throughout DHMH (\$3.2 million).
  - The reversion of \$3.2 million in unspent health insurance funds.
- Against this reduction in the general fund appropriation, special funds rose by just over \$1 million, \$1.042 million in budget amendments offset by cancellations of \$17,000. The budget amendments were all related to approved information technology projects funded through the Major Information Technology Project Development Fund.
- Federal funds rose by almost \$3.8 million. Just under \$5.4 million in federal fund budget amendments were offset by almost \$1.6 million in cancellations. The major budget amendments included just over \$3.2 million in increased federal fund indirect cost recoveries and just under \$2.2 million in information technology upgrades and other programs intended to improve emergency preparedness.
- Reimbursable funds increased by \$66,000.
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## **Fiscal 2005**

To date, the fiscal 2005 legislative appropriation has been increased by almost \$2.5 million as follows:

- General fund budget amendments have reduced the appropriation by \$473,000. This change is derived from a \$358,000 increase representing the share of the fiscal 2005 COLA originally

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budgeted in DBM for the DHMH Administration budgets; a \$74,000 increase related to internal reorganization; and a \$905,000 decrease related to salary realignments following the elimination of positions in the department at the beginning of fiscal 2005 as well as to facilitate salary increases in the Office of the Chief Medical Examiner.

- Federal fund amendments have added just over \$1.4 million to the appropriation. This represents the transfer of funds from the Family Health Administration to DHMH Administration for the upgrade of the Women's, Infants and Children (WIC) information system.
- Reimbursable fund amendments have added just over \$1.5 million to the appropriation. These funds are attained from the Health Regulatory Commissions. Chapter 430, Acts of 2004, the Budget and Reconciliation Financing Act, authorized DHMH to assess the commissions for administrative support services and reduced general funds by the same amount.

## ***Audit Findings***

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Audit Period for Last Audit:	July 1, 2000 through July 9, 2003. Includes units in the Office of the Secretary that are not considered as part of the DHMH Administration analysis but are included by OLA in its review of the DHMH administrative units.
Issue Date:	August 11, 2004
Number of Findings:	20
Number of Repeat Findings:	5
% of Repeat Findings:	25%
Rating: (if applicable)	n/a

**Finding 1:** Controls over the issuance of birth certificates were inadequate. For example, applicants were not required to provide proper identification when requesting birth certificates. DHMH did not concur with this finding. The department argues it is limited under current law as to the extent to which it can limit access to records and to the extent possible it requires photo identification.

**Finding 2:** Security over birth certificates forms, related information, and the employees that process them was inadequate. DHMH concurred with the finding and recommendation.

**Finding 3:** Access to the automated system containing birth information was not adequately restricted. DHMH concurred with the finding and recommendation.

**Finding 4:** Procedures were not adequate to ensure that birth records of all deceased individuals were marked as deceased. DHMH did not concur with this finding. Although OLA was correct in its characterization of the current process that DHMH only matches death information to birth records for persons who die aged under 45 years, DHMH notes that it does not have the personnel (an additional 2 FTEs) to conduct such a match for all persons who die (4,400 records compared to 44,400).

**Finding 5:** Certain federal fund reimbursements were not requested in a timely manner resulting in the loss of interest income to the general fund of approximately \$1 million. DHMH concurred with the finding and recommendation.

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- Finding 6:** Federal fund grant accounting records were inaccurate and certain accrued federal fund revenue could not be substantiated. DHMH concurred with the finding and recommendation.
- Finding 7:** **Provider budgets were not always prepared promptly, subprovider budgets were not reviewed and subproviders were not always audited. This was a repeat finding. DHMH concurred with the finding and recommendation.**
- Finding 8:** The Office of Health Care Quality had not inspected various health care facilities as required. DHMH concurred with the finding and recommendation.
- Finding 9:** **Proper internal controls were not established over the processing of purchasing and disbursement transactions. This was a repeat finding. DHMH concurred with the finding and recommendation.**
- Finding 10:** **Financial investigations conducted to determine contributions to recipients' cost of care were not always comprehensive. This was a repeat finding. DHMH concurred with the finding and recommendation.**
- Finding 11:** Prompt collection action, such as forwarding accounts to the State's Central Collection Unit, was not taken for all delinquent accounts receivable. DHMH concurred with the finding and recommendation although at the same time arguing that the accounts in question were appropriately handled by DHMH.
- Finding 12:** **Adequate controls were not established over certain collections. This was a repeat finding. DHMH concurred with the finding and recommendation.**
- Finding 13:** DHMH lacked a policy on fees to be charged for training medical students. Several of the State-run psychiatric institutions performed such a function but only one received fees. DHMH concurred with the finding and recommendation.
- Finding 14:** DHMH did not have adequate policies and procedures for addressing network security. DHMH concurred with the finding and recommendation.
- Finding 15:** DHMH's local network was not adequately protected. DHMH concurred with the finding and recommendation.
- Finding 16:** Backup copies of critical network device configurations were not stored offsite. DHMH concurred with the finding and recommendation.
- Finding 17:** Security reporting and related review processes were inadequate. DHMH concurred with the finding and recommendation.
- Finding 18:** Access controls over the Hospital Management Information System security functions and procedural controls over production program modifications were not adequate. DHMH concurred with the finding and recommendation.

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**Finding 19:** Proper controls were not established over payroll processed by DHMH. DHMH concurred with the finding and recommendation.

**Finding 20:** **Physical inventories were not properly completed as missing items totaling \$690,000 were not promptly investigated. Furthermore, the equipment records were not adequately maintained. This was a repeat finding. DHMH concurred with the finding and recommendation.**

\*Bold denotes item repeated in full or part from preceding audit report.

**Object/Fund Difference Report  
DHMH Administration**

<u>Object/Fund</u>	<u>FY04 Actual</u>	<u>FY05 Working Appropriation</u>	<u>FY06 Allowance</u>	<u>FY05 - FY06 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	500.90	473.50	464.50	-9.00	-1.9%
02 Contractual	15.51	20.70	17.70	-3.00	-14.5%
<b>Total Positions</b>	<b>516.41</b>	<b>494.20</b>	<b>482.20</b>	<b>-12.00</b>	<b>-2.4%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 28,786,228	\$ 29,055,559	\$ 29,233,037	\$ 177,478	0.6%
02 Technical & Spec Fees	525,418	652,429	599,914	-52,515	-8.0%
03 Communication	1,533,603	2,108,168	2,144,890	36,722	1.7%
04 Travel	586,194	604,023	531,476	-72,547	-12.0%
06 Fuel & Utilities	88,240	84,233	64,494	-19,739	-23.4%
07 Motor Vehicles	45,104	68,535	44,967	-23,568	-34.4%
08 Contractual Services	6,956,667	6,014,906	5,005,376	-1,009,530	-16.8%
09 Supplies & Materials	266,595	298,234	277,708	-20,526	-6.9%
10 Equip - Replacement	201,813	93,216	89,561	-3,655	-3.9%
11 Equip - Additional	1,596,861	1,870,498	592,968	-1,277,530	-68.3%
12 Grants,Subsidies,Contr	505,342	86,000	86,000	0	0%
13 Fixed Charges	1,736,807	1,703,658	1,741,348	37,690	2.2%
<b>Total Objects</b>	<b>\$ 42,828,872</b>	<b>\$ 42,639,459</b>	<b>\$ 40,411,739</b>	<b>-\$ 2,227,720</b>	<b>-5.2%</b>
<b>Funds</b>					
01 General Fund	\$ 21,874,579	\$ 21,838,940	\$ 21,619,045	-\$ 219,895	-1.0%
03 Special Fund	1,064,807	60,000	60,000	0	0%
05 Federal Fund	15,836,553	14,931,105	14,441,114	-489,991	-3.3%
09 Reimbursable Fund	4,052,933	5,809,414	4,291,580	-1,517,834	-26.1%
<b>Total Funds</b>	<b>\$ 42,828,872</b>	<b>\$ 42,639,459</b>	<b>\$ 40,411,739</b>	<b>-\$ 2,227,720</b>	<b>-5.2%</b>

Note: The fiscal 2005 appropriation does not include deficiencies, and the fiscal 2006 allowance does not reflect contingent reductions.

**Fiscal Summary  
DHMH Administration**

<u>Program/Unit</u>	<u>FY04 Actual</u>	<u>FY05 Wrk Approp</u>	<u>FY06 Allowance</u>	<u>Change</u>	<u>FY05 - FY06 % Change</u>
01 Executive Direction	\$ 3,571,472	\$ 3,615,907	\$ 3,934,905	\$ 318,998	8.8%
02 Financial Management Administration	7,584,253	7,422,288	7,239,622	-182,666	-2.5%
01 Executive Direction	10,323,937	10,015,465	10,011,361	-4,104	0%
02 Fiscal Services Administration	0	0	0	0	0%
03 Information Resources Management Administration	9,153,692	9,402,960	8,315,515	-1,087,445	-11.6%
04 General Services Administration	7,161,299	7,716,476	7,442,670	-273,806	-3.5%
05 Capital Appropriation	1,740,551	1,419,214	0	-1,419,214	-100.0%
01 Executive Direction	3,179,910	3,039,761	3,308,770	269,009	8.8%
01 Executive Direction	113,758	7,388	158,896	151,508	2050.7%
<b>Total Expenditures</b>	<b>\$ 42,828,872</b>	<b>\$ 42,639,459</b>	<b>\$ 40,411,739</b>	<b>-\$ 2,227,720</b>	<b>-5.2%</b>
General Fund	\$ 21,874,579	\$ 21,838,940	\$ 21,619,045	-\$ 219,895	-1.0%
Special Fund	1,064,807	60,000	60,000	0	0%
Federal Fund	15,836,553	14,931,105	14,441,114	-489,991	-3.3%
<b>Total Appropriations</b>	<b>\$ 38,775,939</b>	<b>\$ 36,830,045</b>	<b>\$ 36,120,159</b>	<b>-\$ 709,886</b>	<b>-1.9%</b>
Reimbursable Fund	\$ 4,052,933	\$ 5,809,414	\$ 4,291,580	-\$ 1,517,834	-26.1%
<b>Total Funds</b>	<b>\$ 42,828,872</b>	<b>\$ 42,639,459</b>	<b>\$ 40,411,739</b>	<b>-\$ 2,227,720</b>	<b>-5.2%</b>

Note: The fiscal 2005 appropriation does not include deficiencies, and the fiscal 2006 allowance does not reflect contingent reductions.