

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

***Operating Budget Data***

(\$ in Thousands)

	<b>FY 05</b>	<b>FY 06</b>	<b>FY 07</b>	<b>FY 06-07</b>	<b>% Change</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	\$20,618	\$18,453	\$25,446	\$6,993	37.9%
Special Fund	38	60	60	0	
Federal Fund	16,022	11,652	11,717	64	0.6%
Reimbursable Fund	<u>6,047</u>	<u>6,203</u>	<u>4,169</u>	<u>-2,034</u>	<u>-32.8%</u>
<b>Total Funds</b>	<b>\$42,725</b>	<b>\$36,369</b>	<b>\$41,392</b>	<b>\$5,023</b>	<b>13.8%</b>

- There is an almost \$2.7 million fiscal 2006 deficiency appropriation for the Department of Health and Mental Hygiene (DHMH) Administration budgets to back-fill a reduction in federal fund indirect cost recoveries made by the Fiscal 2006 Budget Bill.
- All the significant budget increases are in personnel costs (almost \$5.3 million), although over half of these increases can be considered technical adjustments.
- When adjustments are made to the fiscal 2006 working appropriation to better reflect expenditures, growth between fiscal 2006 and 2007 is in the 4 to 6% range rather than 13.8%.

***Personnel Data***

	<b>FY 05</b>	<b>FY 06</b>	<b>FY 07</b>	<b>FY 06-07</b>
	<b><u>Actual</u></b>	<b><u>Working</u></b>	<b><u>Allowance</u></b>	<b><u>Change</u></b>
Regular Positions	471.10	457.10	458.10	1.00
Contractual FTEs	<u>13.41</u>	<u>14.70</u>	<u>13.80</u>	<u>-0.90</u>
<b>Total Personnel</b>	<b>484.51</b>	<b>471.80</b>	<b>471.90</b>	<b>0.10</b>

***Vacancy Data: Regular Positions***

Turnover, Excluding New Positions	23.55	5.14%
Positions Vacant as of 12/31/05	31.00	6.4%

- There is one new position in the DHMH Administration budget, a contractual conversion.

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

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## *Analysis in Brief*

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### Major Trends

**Repeat Audit Findings:** DHMH has maintained recent gains in terms of reducing the number of repeat audit findings in legislative audits. A test of this improvement will come in fiscal 2006, as the units scheduled for audits are those that in the previous two audit cycles have had over 50% repeat audit findings.

**Retention Rates:** Workforce retention rates, as measured by DHMH, have shown some improvement in recent years. However, the department believes that these data may paint an overly optimistic picture.

**Challenges Facing the Division of Vital Records:** The Division of Vital Records has stemmed the declining trend in terms of the filing of death certificates. However, a new challenge, implementing the federal REAL ID Act, is looming.

### Recommended Actions

	<u>Funds</u>	<u>Positions</u>
1. Delete funding for a new position.	\$ 55,828	1.0
2. Reduce funds based on anticipated federal indirect cost recoveries.	185,000	
3. Reduce training funds (other than for nurses and information technology professionals) to the most recent actual level.	37,000	
4. Reduce funds for commemorative birth certificates.	30,000	
5. Reduce funding for resident grievance contracts.	37,000	
<b>Total Reductions</b>	<b>\$ 344,828</b>	<b>1.0</b>

### Updates

**DHMH Continues to Meet Initial HIPAA Compliance Deadlines:** Deadlines set by the federal 1996 Health Insurance Portability and Accountability Act (HIPPA) continue to be met by the department.

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***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;
- 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. For the purposes of this budget analysis, the financial management function within the Office of the Secretary is included in this analysis while the Office of Health Care Quality and Health Occupations Boards are discussed in separate analyses.

**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.

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

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; 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:

**Exhibit 1**  
**Selected Program Measurement Data**  
**DHMH - Administration**  
**Fiscal 2002 – 2007**

	<u>Actual Fiscal 2002</u>	<u>Actual Fiscal 2003</u>	<u>Actual Fiscal 2004</u>	<u>Actual Fiscal 2005</u>	<u>Working Fiscal 2006</u>	<u>Allowance Fiscal 2007</u>
Repeat OLA audit comments (%)	29.8	47.2	28.0	28.6	29.8	28.4
Condition of facility infrastructure systems (% in good/excellent condition)	81	80	85	88	89	90
Residential and program buildings meeting licensing standards, current building codes and patient/client needs (%)	54	59	58	59*	63*	60
Employment rate within 20 key classifications (%)	88.2	89.0	91.5	90.9	91.0	91.0
State employment rate Grades 1-26 (%)	92.3	91.5	90.5	90.8	91.0	91.0

\* Actual fiscal 2005 figure as reported in Governor's budget book was 49%. According to DHMH this figure is incorrect and the correct figure is 59% as shown in this exhibit. Similarly, the fiscal 2006 working figure is also overstated at 69% rather than 63%.

OLA = Office of Legislative Audits

Source: Department of Health and Mental Hygiene

- A concern of the Joint 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% although it jumped back to 47.2% in fiscal 2003. Fiscal 2005 data underscores the fiscal 2004 data that again saw repeat comments falling back under 30%.
- It will be interesting to see the extent of actual repeat audit comments in fiscal 2006. OLA audit cycles are typically once every three years. Many of those agencies audited in fiscal 2003 and fiscal 2000 before that, when the extent of repeat audits was significant, will be the subject of audits in fiscal 2006. At this point, DHMH is predicting it can maintain its current performance in this area.
- DHMH's objectives in terms of the appropriateness of the physical environment at its facilities as well as facility infrastructure systems continue to reveal a need for some considerable capital improvement at DHMH-operated facilities. Although the percent of

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facility infrastructure systems in good/excellent condition was at 88% in fiscal 2004 (up from 85% in fiscal 2004), only 59% of residential and program buildings met current building standards and patient/client needs, virtually unchanged from fiscal 2003. The slight increase from 59% to 63% from fiscal 2005 to fiscal 2006 and the subsequent drop back down to 60% from fiscal 2006 to fiscal 2007 in this latter figure reflects buildings at the recently closed Crownsville Hospital being removed from DHMH's facility inventory for the purpose of the calculation of this measure. DHMH had originally thought that the closure of Crownsville would result in more buildings meeting applicable codes and patient/client needs. However, a number of the buildings used at Springfield and Spring Grove to accommodate patients transferred from Crownsville are also below code.

- One measure of the department's ability to attract and retain a skilled workforce is the employment rate within 20 key classifications (see **Exhibit 2**). These 20 classifications are taken from over 750 classification levels used by DHMH and are considered by the department to be a representative sample of those classifications key to fulfilling the mission of the department. The employment rate is calculated by dividing the number of filled positions versus total positions on a monthly basis and then averaged for the year. As shown in Exhibit 1, this particular measure had improved between fiscal 2002 and fiscal 2004 from 88.2% to 91.5% (at a time when the overall employment rate in the State workforce for employees in Grades 1 through 26 as calculated by the Department of Budget and Management (DBM) was falling) before falling to 90.9% in fiscal 2005. However, according to the department, it believes that both the DHMH and DBM measure may present an overly optimistic picture, especially if retirement eligibility and workforce trends are taken into consideration.

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**Exhibit 2**  
**DHMH MFR Retention Goal: 20 Key Classification Levels**

Sanitarian IV/Environmental Sanitarian II	Direct Care Assistant II
Coordinator Special Programs Health Services/Developmental Disabilities	Community Health Nurse II
Medical Care Program Specialist II	Health Facility Surveyor Nurse I
Agency Procurement Specialist II	Registered Nurse
Office Secretary III	Computer Network Specialist II
Public Health Lab Scientist General and Lead	Fiscal Accounts Clerk II
Social Worker II, Health Services	Accountant II
Program Administrator II, Health Services	Physician Clinical Specialist
Alcohol and Drug Counselors	Physician Program Manager
Epidemiologist III	Health Policy Analyst, Advanced

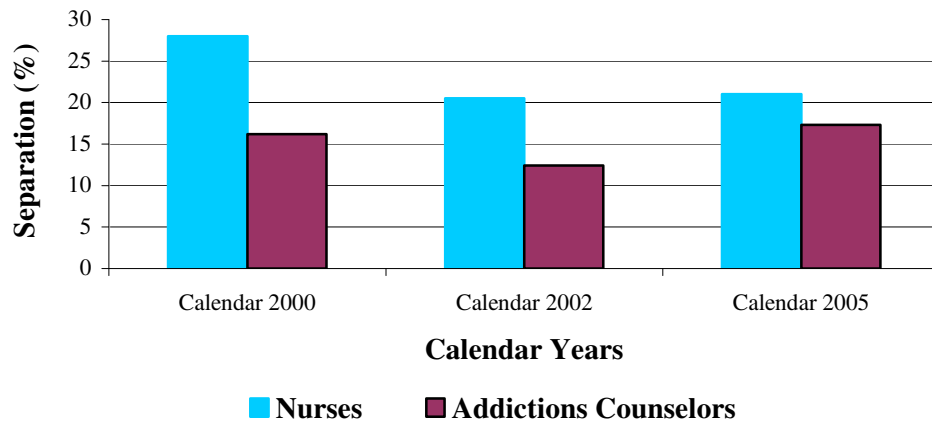
Source: Department of Health and Mental Hygiene

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Interestingly, a number of the key classifications have received Annual Salary Reviews (ASRs) in recent years. Specifically, during the course of fiscal 2002, nurses and addiction counselors received the equivalent of two grade increases (one in July 2001 and one in January 2002). Did those ASRs have an impact on attraction and retention of those classes of workers? As shown in **Exhibit 3**, there is certainly some evidence to suggest that separations from the workforce in those classes of workers fell immediately after the ASR. However, it should be noted that separations may include movement within the workforce between job classifications, and DHMH could not distinguish between the two. The long-term picture is less clear. Separations from the workforce among addictions counselors were higher in calendar 2005 than in calendar 2000 prior to the ASR.

Unfortunately, the department does not have data to distinguish retention rates of those employees in place prior to the ASR, and those who were recruited immediately after the ASR. Such data would be useful in providing additional information on retention and specifically the value of ASRs versus other possible recruitment and retention tools. It should be noted that there are funds that will impact DHMH in the DBM budget to support alternative recruitment/retention tools including over \$1.2 million for higher shift differentials for direct care assistants and nurses, and \$346,000 for mission critical bonuses for registered nurses.

**Exhibit 3**  
**DHMH: Nurses and Addictions Counselors**  
**Separation Rate**  
**2000, 2002, and 2005 (%)**

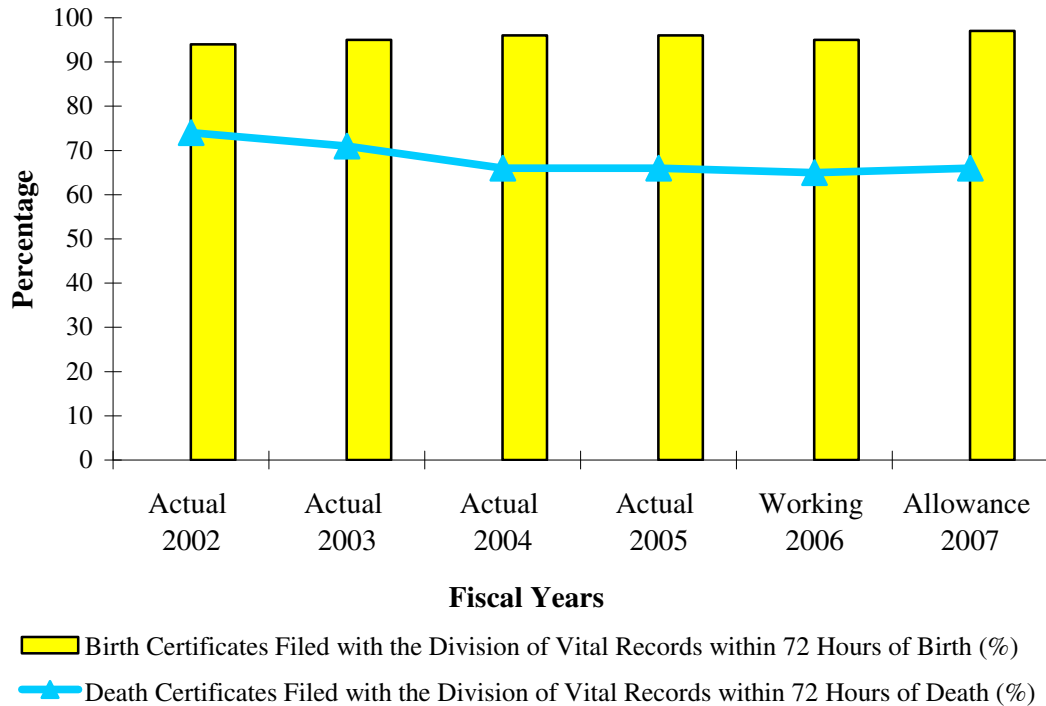


Note: See text for further explanation.

Source: Department of Health and Mental Hygiene

**Exhibit 4** shows additional performance data related to the Division of Vital Records, specifically relating to birth and death certificates and the filing of birth and death certificates within 72 hours of a birth or death. The data shown in the exhibit reveals little change in the actual outcomes from fiscal 2004 to fiscal 2005. However, this at least shows that the trend with regard to death certificates, which had been moving in the wrong direction, has now leveled out.

**Exhibit 4  
Birth and Death Certificate Filing  
Fiscal 2002 – 2007**



Source: Department of Health and Mental Hygiene

The most significant near-term challenge that the Division of Vital Records faces relates to the implementation of the federal REAL ID Act. Beginning in 2008, it is anticipated that anybody living or working in the U.S. will require a federally approved identification (ID) card, for example, to travel on an airplane, open a bank account, collect Social Security payments or take advantage of virtually any government service. Until the federal government issues regulations to implement the Act, specific requirements are unknown. The major impact of the REAL ID Act will be on the operation of the Motor Vehicle Administration (MVA) as State drivers’ licenses and other similar State-issued ID documents will have to meet federal ID standards established by the Department of Homeland Security. However, one key element of the new ID card involves documentation showing the person’s date of birth. The MVA must verify the authenticity of documentation presented. This will require interaction between the Division of Vital Records and the MVA and also the MVAs of other states.

According to DHMH, the National Association for Public Health Statistics and Information Systems (NAPHSIS) has developed and implemented an electronic system (the Electronic Verification of Vital Events [EVVE] to immediately confirm information on a birth certificate presented at a government office irrespective of the place or date of issuance. According to NAPHSIS, the system was piloted in eight states: Colorado, Hawaii, Mississippi, Minnesota, Iowa, Missouri, California and Oklahoma.

Indeed, given the upcoming REAL ID requirement, NAPHSIS is currently piloting the EVVE system with the American Association of Motor Vehicle Administrators so that users at participating MVA offices can query participating vital records offices to verify the birth certificate presented by the applicant for a driver's license or other ID card. As of January 2006, Iowa and South Dakota MVA offices are participating in the pilot together with five state vital records offices: Iowa, Minnesota, Missouri, South Dakota, and North Dakota.

At this point, however, funding for Maryland to participate in such a system is unavailable.

## **Fiscal 2006 Actions**

### **Proposed Deficiency**

There are deficiency appropriations totaling \$2,684,826 in general funds spread across the DHMH Administration budgets. This funding is intended to back-fill for a reduction in federal fund indirect cost recoveries made by Section 31 of Chapter 443, Acts of 2005 (Fiscal 2006 budget bill). That section required the reversion to the State General Fund of that portion of federal indirect cost recoveries attributed to statewide costs. In DHMH, 23.7% of total federal fund indirect cost recoveries were attributed to statewide costs.

## **Governor's Proposed Budget**

The Governor's fiscal 2007 allowance shows an increase of just over \$5 million (13.8%) from the fiscal 2006 working appropriation (see **Exhibit 5**). The allowance includes one reduction contingent on legislation, namely a \$1.185 million general fund reduction contingent on legislation allowing the charging of indirect costs to the Health Regulatory Commissions. If approved, this charge will result in an equal amount of reimbursable funds being added to the DHMH Administration budgets, resulting in a zero impact on the budget, but reducing the extent of general fund increase. This contingent reduction is similar to one made in both the fiscal 2005 and fiscal 2006 budgets. However, unlike previous reductions, the rate of indirect cost recoveries will not be equal to the federal indirect cost recovery rate (32% of eligible costs) but rather 18%. According to DHMH, this lower amount was negotiated with the Health Regulatory Commissions based on a more detailed review of the actual amount of central services provided to the commissions.

The major changes in the budget relate to personnel expenses. The largest change is a technical one and relates to the general funds that have been added to the fiscal 2007 budget to offset for the reversion of federal fund indirect cost recoveries attributed to statewide costs. Employee and retiree health insurance costs also rise significantly. These costs have two parts to them: the anticipated increase in fiscal 2007 health insurance costs, \$677,000; and \$582,000 which reflects the understatement of employee and retiree health insurance costs in fiscal 2006.

There is relatively little change in the non-personnel areas of the budget. In the information technology and telecommunications area, the most significant increases are both DBM assigned costs: for telecommunications charges; and DHMH's share of capital lease payments for a new telecommunications system installed at the Preston Street complex. These increases are more than offset by decreases in expenditures on the federally funded Public Health Information 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. Declines in spending on this network are found in hardware, software, and contractual expenses.

**Exhibit 5**  
**Governor's Proposed Budget**  
**DHMH 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>
2006 Working Appropriation	\$18,453	\$60	\$11,652	\$6,203	\$36,369
2007 Governor's Allowance	<u>25,446</u>	<u>60</u>	<u>11,717</u>	<u>4,169</u>	<u>41,392</u>
Amount Change	\$6,993	\$0	\$64	-\$2,034	\$5,023
Percent Change	37.9%		0.6%	-32.8%	13.8%

**Where It Goes:**

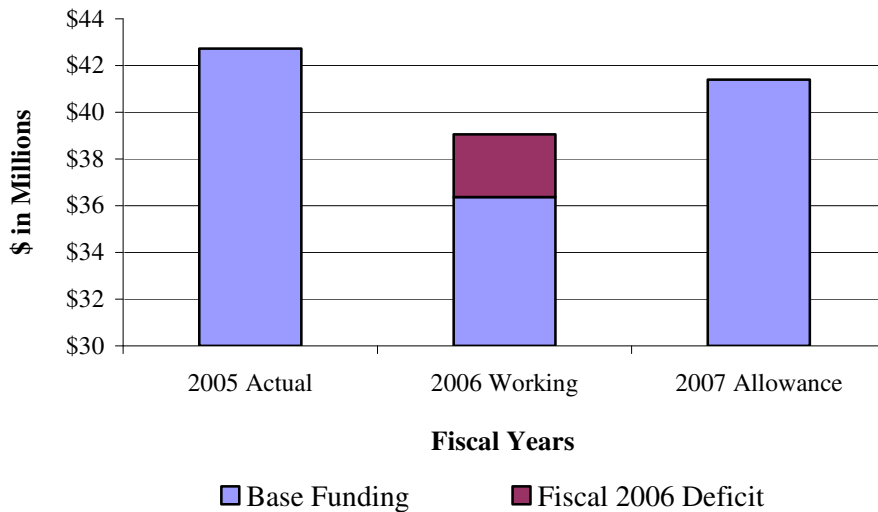
<b>Personnel Expenses</b>	<b>\$5,283</b>
Fiscal 2006 deficiency funds ongoing costs .....	\$2,685
Fiscal 2007 employee and retiree health .....	677
Employment salary increments .....	590
Increase due to understatement of fiscal 2006 employee and retiree health ....	582
Turnover adjustment.....	426
Savings from positions abolished in fiscal 2006 .....	270
Retirement contributions .....	227
One FTE new position (contractual conversion).....	56
Workers' compensation assessment .....	-132
Other fringe benefit adjustments .....	-98
<b>Information Technology and Telecommunications</b>	<b>-219</b>
Telecommunications capital lease payments.....	137
DBM Telecommunications charges .....	96
Public Health Information Network: software, hardware and contract expenditures.....	-452
<b>Miscellaneous</b>	<b>-41</b>
Rent at Spring Grove and Patterson Avenue .....	173
Insurance.....	-140
Contractual employment due in part to contractual conversion .....	-91
Other .....	17
<b>Total</b>	<b>\$5,023</b>

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

Actual change in the DHMH Administration fiscal 2007 budget is overstated because of the significant proposed fiscal 2006 deficiency. As shown in **Exhibit 6**, when the fiscal 2006 deficiency is added to the fiscal 2006 working appropriation, the fiscal 2007 allowance is just over \$2.3 million above the fiscal 2006 working appropriation, a more modest increase of 6%. Indeed, further adjusting the fiscal 2007 allowance by those health insurance costs attributable to the understatement of fiscal 2006 health insurance costs reduces growth to 4%. In any event, the proposed fiscal 2007 level of spending remains below actual fiscal 2005 levels, primarily because of the completion/near completion of several large federally funded information technology projects.

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**Exhibit 6**  
**An Alternative View of Growth in the**  
**DHMH Administration Budget**  
**Fiscal 2005 – 2007**



Source: Department of Legislative Services

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## ***Recommended Actions***

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	<b><u>Amount Reduction</u></b>		<b><u>Position Reduction</u></b>
1. Delete funding for a new position. The department has requested that an existing contractual position be converted to a regular position. The department should request the reclassification of an existing vacancy in order to move forward with the contractual conversion.	\$ 55,828	GF	1.0
2. 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 positions in the fiscal 2007 budget (including the proposed 2% cost-of-living adjustment), the extent of fiscal 2007 indirect cost recoveries is understated. The department may increase federal funds by budget amendment to offset reduced general funds.	185,000	GF	
3. Reduce training funds (other than for nurses and information technology professionals) to the most recent actual level.	37,000	GF	
4. Reduce funds for commemorative birth certificates. The Division of Vital Records issues a commemorative birth certificate. This reduction is based on actual sales. If sales exceed the current level, the department may process a budget amendment to account for the increase in special funds.	30,000	SF	
5. Reduce funding for resident grievance contracts based on the last two years of actual expenditures. Expenditures on resident grievance contracts (used to provide independent legal representation to residents of State psychiatric hospitals and State residential centers) dropped significantly in fiscal 2005. The proposed reduction averages costs over fiscal 2004 and 2005. The number of requests for grievance services as well as actual grievances filed has fallen	37,000	GF	

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in recent years, reflecting a lower institutional population.

<b>Total Reductions</b>	<b>\$ 344,828</b>	<b>1.0</b>
<b>Total General Fund Reductions</b>	<b>\$ 314,828</b>	
<b>Total Special Fund Reductions</b>	<b>\$ 30,000</b>	

## *Updates*

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### **1. DHMH Continues to Meet Initial 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. 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.

HIPAA initial compliance deadlines have been phased in between 2003 and 2007. The most recently passed deadline, April 2005, was for meeting security standards. According to DHMH, all relevant systems were HIPAA compliant for security standards in a timely manner.

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. According to DHMH, it has already completed a risk assessment and mitigation plan for the systems of all identified covered entities.

## ***Current and Prior Year Budgets***

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### **Current and Prior Year Budgets Administration (\$ in Thousands)**

	<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 2005</b>					
Legislative Appropriation	\$22,312	\$60	\$13,512	\$4,268	\$40,152
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	-758	0	3,844	1,847	4,933
Reversions and Cancellations	-936	-22	-1,334	-69	-2,361
<b>Actual Expenditures</b>	<b>\$20,618</b>	<b>\$38</b>	<b>\$16,022</b>	<b>\$6,047</b>	<b>\$42,725</b>
<b>Fiscal 2006</b>					
Legislative Appropriation	\$18,533	\$60	\$14,416	\$4,287	\$37,297
Budget Amendments	-80	0	-2,764	1,916	-928
<b>Working Appropriation</b>	<b>\$18,453</b>	<b>\$60</b>	<b>\$11,652</b>	<b>\$6,203</b>	<b>\$36,369</b>

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

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## **Fiscal 2005**

The fiscal 2005 legislative appropriation for DHMH Administration was increased by just under \$2.6 million. This increase was derived as follows:

- Budget amendments increased the legislative appropriation by just over \$4.9 million. General fund budget amendments actually reduced the legislative appropriation by \$758,000. Most of this change is derived as follows:
  - a \$986,000 transfer into the Office of the Secretary of all unspent health insurance funds from throughout DHMH;
  - a \$358,000 increase representing the share of the fiscal 2005 cost-of living adjustment (COLA) originally budgeted in DBM for the DHMH Administration budgets;
  - a \$174,000 increase to reflect the transfer of funds from the Medical Programs Administration into the Deputy Secretary for Health Care Financing to support salaries for a newly appointed Deputy Secretary plus support staff;
  - a \$103,000 increase to reflect actual usage of the Annapolis Data Center by DHMH;
  - a \$74,000 increase related to internal reorganization;
  - a \$1.4 million decrease at closeout to reflect lower than anticipated spending primarily on salaries and benefits and higher than anticipated federal fund indirect cost recoveries;
  - 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; and
  - a \$123,000 decrease related to the transfer of emergency preparedness funding to the Community Health Administration.
- However, federal and reimbursable fund budget amendments more than offset the decrease in the legislative appropriation from general fund budget amendments. Federal fund budget amendments added just over \$3.8 million to the legislative appropriation. These included:
  - two amendments totaling almost \$2 million for the Women, Infant, and Children Food Program on the Web information technology project;
  - just over \$1.5 million representing higher than anticipated federal fund indirect cost recoveries;

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- \$623,000 in Edward Byrne Memorial State and Local Law Enforcement and other grant funds for emergency preparedness;
- \$185,000 to reflect the transfer of funds from the Medical Programs Administration into the Deputy Secretary for Health Care Financing to support salaries for a newly appointed Deputy Secretary plus support staff; and
- a decrease of \$476,000 related to the transfer of emergency preparedness funding to the Community Health Administration.

Reimbursable fund budget amendments totaled just over \$1.8 million, the bulk of which (almost \$1.6 million) are attained from the Health Regulatory Commissions. Chapter 430, Acts of 2004, the Budget Reconciliation and Financing Act, authorized DHMH to assess the commissions for administrative support services and reduced general funds by the same amount.

- Budget amendment additions to the legislative appropriation were offset by just over \$2.3 million in reversions and cancellations. Of this, \$936,000 was a general fund reversion, virtually all of which (\$922,000) was unspent health insurance funds. Most of the cancellations, just over \$1.3 million, were in federal funds. Of this amount, just under \$1 million were emergency preparedness funds.

## **Fiscal 2006**

To date, the fiscal 2006 legislative appropriation has been reduced by \$928,000 as follows:

- General fund budget amendments have decreased the appropriation by \$80,000. This change is derived from a \$163,000 increase representing the share of the fiscal 2006 COLA originally budgeted in DBM for the DHMH Administration budgets and \$115,000 to reflect the transfer of funds from the Medical Programs Administration into the Deputy Secretary for Health Care Financing to support salaries for a newly appointed Deputy Secretary plus support staff; and an offset of \$359,000 because of further consolidation of emergency preparedness funding in the Community Health Administration
- Federal fund amendments have taken almost \$2.8 million from the legislative appropriation. The most significant transactions are reductions of just over \$2.6 million because of a required reversion of that portion of federal fund indirect cost recoveries attributable to statewide costs and \$967,000 because of further consolidation of emergency preparedness funding in the Community Health Administration. The most significant offset to this reduction is increased funding of \$767,000 due to an anticipated increase in federal fund attainment.
- A reimbursable fund amendment has added just over \$1.9 million to the legislative appropriation, all attained from the Health Regulatory Commissions. Chapter 444, Acts of 2005, the Budget Reconciliation and 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 full-time equivalents) 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.

- 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. 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. DHMH concurred with the finding and recommendation.**
- Finding 10:** **Financial investigations conducted to determine contributions to recipients' cost of care were not always comprehensive. 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. 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 off site. DHMH concurred with the finding and recommendation.
- Finding 17:** Security reporting and related review processes were inadequate. DHMH concurred with the finding and recommendation.

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**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.

**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. 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>FY05 Actual</u>	<u>FY06 Working Appropriation</u>	<u>FY07 Allowance</u>	<u>FY06 - FY07 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	471.10	457.10	458.10	1.00	0.2%
02 Contractual	13.41	14.70	13.80	-0.90	-6.1%
<b>Total Positions</b>	<b>484.51</b>	<b>471.80</b>	<b>471.90</b>	<b>0.10</b>	<b>0%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 28,795,703	\$ 25,802,762	\$ 31,085,565	\$ 5,282,803	20.5%
02 Technical & Spec Fees	489,525	570,247	478,803	-91,444	-16.0%
03 Communication	2,302,031	2,137,091	2,300,680	163,589	7.7%
04 Travel	444,486	483,805	527,867	44,062	9.1%
06 Fuel & Utilities	87,985	64,494	78,025	13,531	21.0%
07 Motor Vehicles	56,982	43,410	44,677	1,267	2.9%
08 Contractual Services	7,324,199	4,497,475	4,217,463	-280,012	-6.2%
09 Supplies & Materials	262,993	253,573	274,878	21,305	8.4%
10 Equip - Replacement	142,835	89,561	92,680	3,119	3.5%
11 Equip - Additional	980,688	592,600	387,750	-204,850	-34.6%
12 Grants, Subsidies, and Contributions	94,299	86,000	99,014	13,014	15.1%
13 Fixed Charges	1,743,182	1,747,878	1,804,387	56,509	3.2%
<b>Total Objects</b>	<b>\$ 42,724,908</b>	<b>\$ 36,368,896</b>	<b>\$ 41,391,789</b>	<b>\$ 5,022,893</b>	<b>13.8%</b>
<b>Funds</b>					
01 General Fund	\$ 20,618,431	\$ 18,453,465	\$ 25,446,260	\$ 6,992,795	37.9%
03 Special Fund	37,545	60,000	60,000	0	0%
05 Federal Fund	16,022,345	11,652,420	11,716,803	64,383	0.6%
09 Reimbursable Fund	6,046,587	6,203,011	4,168,726	-2,034,285	-32.8%
<b>Total Funds</b>	<b>\$ 42,724,908</b>	<b>\$ 36,368,896</b>	<b>\$ 41,391,789</b>	<b>\$ 5,022,893</b>	<b>13.8%</b>

Note: The fiscal 2006 appropriation does not include deficiencies, and the fiscal 2007 allowance does not reflect contingent reductions.

**Fiscal Summary  
DHMH Administration**

<u>Program/Unit</u>	<u>FY05 Actual</u>	<u>FY06 Wrk Approp</u>	<u>FY07 Allowance</u>	<u>Change</u>	<u>FY06 - FY07 % Change</u>
01 Office of the Secretary	\$ 4,050,400	\$ 3,699,156	\$ 4,187,876	\$ 488,720	13.2%
02 Financial Management Administration	7,080,377	6,711,231	7,492,804	781,573	11.6%
01 Operations	10,046,381	8,466,483	9,881,338	1,414,855	16.7%
03 Information Resources Management Administration	8,501,528	7,725,525	8,228,416	502,891	6.5%
04 General Services Administration	8,045,386	6,501,820	8,108,830	1,607,010	24.7%
05 Capital Appropriation	1,938,603	0	0	0	0%
01 Deputy Secretary Public Health	2,698,119	2,867,831	3,081,650	213,819	7.5%
01 Deputy Secretary Health Care Financing	364,114	396,850	410,875	14,025	3.5%
<b>Total Expenditures</b>	<b>\$ 42,724,908</b>	<b>\$ 36,368,896</b>	<b>\$ 41,391,789</b>	<b>\$ 5,022,893</b>	<b>13.8%</b>
General Fund	\$ 20,618,431	\$ 18,453,465	\$ 25,446,260	\$ 6,992,795	37.9%
Special Fund	37,545	60,000	60,000	0	0%
Federal Fund	16,022,345	11,652,420	11,716,803	64,383	0.6%
<b>Total Appropriations</b>	<b>\$ 36,678,321</b>	<b>\$ 30,165,885</b>	<b>\$ 37,223,063</b>	<b>\$ 7,057,178</b>	<b>23.4%</b>
Reimbursable Fund	\$ 6,046,587	\$ 6,203,011	\$ 4,168,726	-\$ 2,034,285	-32.8%
<b>Total Funds</b>	<b>\$ 42,724,908</b>	<b>\$ 36,368,896</b>	<b>\$ 41,391,789</b>	<b>\$ 5,022,893</b>	<b>13.8%</b>

Note: The fiscal 2006 appropriation does not include deficiencies, and the fiscal 2007 allowance does not reflect contingent reductions.