

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

***Operating Budget Data***

(\$ in Thousands)

	<u>FY 07</u> <u>Actual</u>	<u>FY 08</u> <u>Working</u>	<u>FY 09</u> <u>Allowance</u>	<u>FY 08-09</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$25,746	\$25,565	\$29,563	\$3,998	15.6%
Special Fund	25	30	30	0	
Federal Fund	12,886	13,775	13,438	-338	-2.5%
Reimbursable Fund	<u>5,305</u>	<u>5,054</u>	<u>5,049</u>	<u>-6</u>	<u>-0.1%</u>
<b>Total Funds</b>	<b>\$43,962</b>	<b>\$44,425</b>	<b>\$48,079</b>	<b>\$3,655</b>	<b>8.2%</b>

- The Governor's fiscal 2009 budget for the Department of Health and Mental Hygiene (DHMH) Administration increases by almost \$3.7 million, 8.2%. However, factoring out changes in health insurance, Other Post Employment Benefits liability payments, and other one-time influences reduces the growth to less than \$1.3 million (3.1%).
- Much of the budget growth reflects assigned charges for such items as rent and insurance.

***Personnel Data***

	<u>FY 07</u> <u>Actual</u>	<u>FY 08</u> <u>Working</u>	<u>FY 09</u> <u>Allowance</u>	<u>FY 08-09</u> <u>Change</u>
Regular Positions	489.50	479.20	468.20	-11.00
Contractual FTEs	<u>14.45</u>	<u>20.02</u>	<u>18.08</u>	<u>-1.94</u>
<b>Total Personnel</b>	<b>503.95</b>	<b>499.22</b>	<b>486.28</b>	<b>-12.94</b>

***Vacancy Data: Regular Positions***

Turnover, Excluding New Positions	18.73	4.00%
Positions Vacant as of 12/31/07	40.6	8.47%

- The fiscal 2009 budget abolishes 11 vacant positions. All of these positions are anticipated to be cut by the Board of Public Works (BPW) in January 2008.

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:** After reducing repeat audit findings and maintaining a relatively low level of repeat audit findings for one audit cycle, repeat audit findings jumped up in fiscal 2007.

**Employment Data:** Retention amongst key classifications again dropped in fiscal 2007. Difficulty in the retention of skilled direct care workers is evident. DHMH paid out substantially in excess of available budgeted funds in fiscal 2007 for nurse retention bonuses. The fiscal 2009 budget significantly underfunds the program.

**Employee “Churn”:** DHMH is seeing an increasing number of separations from employment in the past three calendar years. Filling skilled and professional positions appears to be getting more difficult.

### Issues

**The Development of an Electronic Vital Records System:** In October 2007, BPW awarded a \$3.9 million contract to Netsmart New York, Inc., to develop and implement an Electronic Vital Records System. The new system is intended to address key security and other issues.

### Recommended Actions

	<u>Funds</u>
1. Reduce funds for patient advocate legal contracts,	\$ 30,000
<b>Total Reductions</b>	<b>\$ 30,000</b>

### Updates

**A Plan for the Future Role and Capacity of State-run Psychiatric Hospitals in the Context of Emergency Department Overcrowding:** This plan, required by fiscal 2008 budget bill language, has been delayed for a year.

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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; and
- Deputy Secretary for Public Health.

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
- Office of Preparedness and Response
- Laboratories Administration
- Alcohol and Drug Abuse Administration
- Mental Hygiene Administration (MHA)
- Developmental Disabilities Administration (DDA)

In prior years, the DHMH Administration budget analysis has included the **Deputy Secretary for Health Care Financing**, the deputy secretariat responsible for the activities and mission of the Medical Care Programs Administration. However, in the 2007 interim, this part of the budget was placed into the Medical Care Programs Administration as part of an internal reorganization.

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 (MFR)**

For the purpose of this analysis, performance analysis review is limited to measures of specific administrative activities of the units included in DHMH Administration rather than larger system measures. Those measures will be reviewed in the relevant analyses. As a result, the available MFR measures are somewhat administrative in nature and, for the most part, as shown in **Exhibit 1**, vary little from year to year.

Nevertheless, a number of issues are raised from the exhibit:

- A concern of the Joint Audit Committee has been the extent to which audit findings 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 audit comments for DHMH units with audit reports in that fiscal year 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. At a recent meeting of the Joint Audit Committee, the Legislative Auditor stated that agencies should have a goal to have 35% or fewer repeat findings.

As recently as fiscal 1999, almost half of the audit comments in DHMH audits were repeat comments. This fell to fewer than 30% although it jumped back to 47% in fiscal 2003. DHMH managed one complete OLA audit cycle (typically three years) with lowered repeat audit findings (below 30%) before seeing that number jump back over 40% in fiscal 2007.

**Exhibit 1**  
**Selected Program Measurement Data**  
**DHMH – Administration**  
**Fiscal 2003-2007**

	<u>Actual</u> <u>2003</u>	<u>Actual</u> <u>2004</u>	<u>Actual</u> <u>2005</u>	<u>Actual</u> <u>2006</u>	<u>Actual</u> <u>2007</u>
Repeat OLA audit comments (%)	47	28	29	27	41
Condition of facility infrastructure systems (% in good/excellent condition)	80	85	88	87	88
Employment rate within 20 key classifications (%)	89	91	91	90	89
State retention rate Grades 1-26 (%)	92	91	91	90	89
Birth certificates filed with the Division of Vital Records within 72 hours of birth (%)	95	96	96	95	95
Death certificates filed with the Division of Vital Records within 72 hours of death (%)	71	66	66	66	66

DHMH: Department of Health and Mental Hygiene

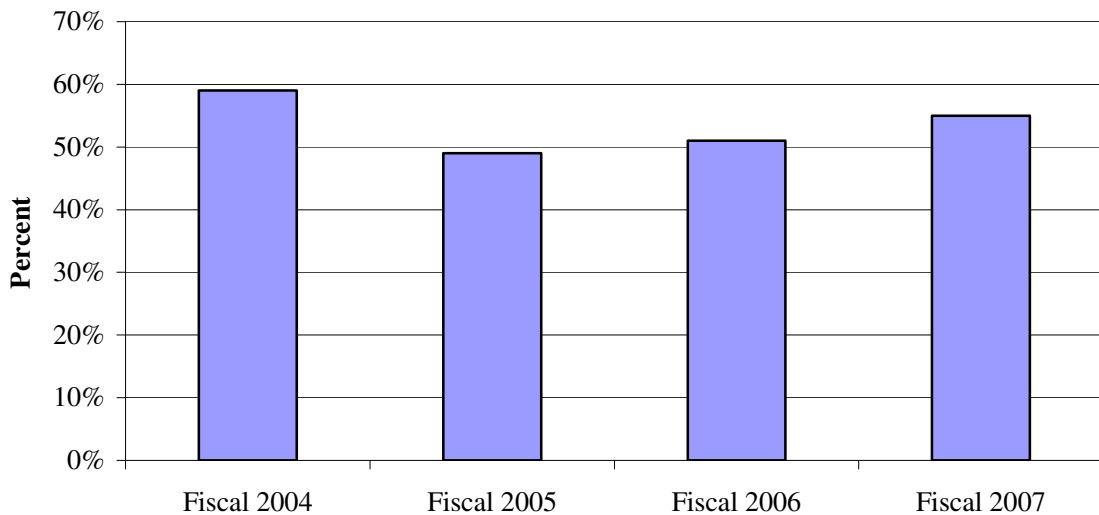
OLA: Office of Legislative Audits

Source: Department of Health and Mental Hygiene

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- 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. The percent of facility infrastructure systems in good/excellent condition was at 88% in fiscal 2007, up slightly from fiscal 2006. This was achieved through improvements at four buildings at Springfield Hospital (installation of suicide proof shower controls in three buildings and installation of air-conditioning in the main patient program building). However, as shown in **Exhibit 2**, while an improvement over fiscal 2006, in fiscal 2007 only 55% of residential and program buildings met licensing requirements, current building standards, and patient/client needs.

**Exhibit 2**  
**Percentage of Residential and Program Buildings Meeting**  
**Licensing Requirements, Building Standards, and Patient Needs**  
**Fiscal 2004-2007**



Source: Department of Health and Mental Hygiene; Department of Legislative Services

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- One measure of the department’s ability to attract and retain a skilled workforce is the employment rate within 20 key classifications (see **Exhibit 3**). 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 improved between fiscal 2003 and 2004 from 89% to 91%, and stayed at that level until fiscal 2006 when it fell back to 90%. In fiscal 2007 the employment rate fell again to 89% (paralleling overall statewide employment rates).

**Exhibit 3**  
**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

DHMH: Department of Health and Mental Hygiene

MFR: Managing for Results

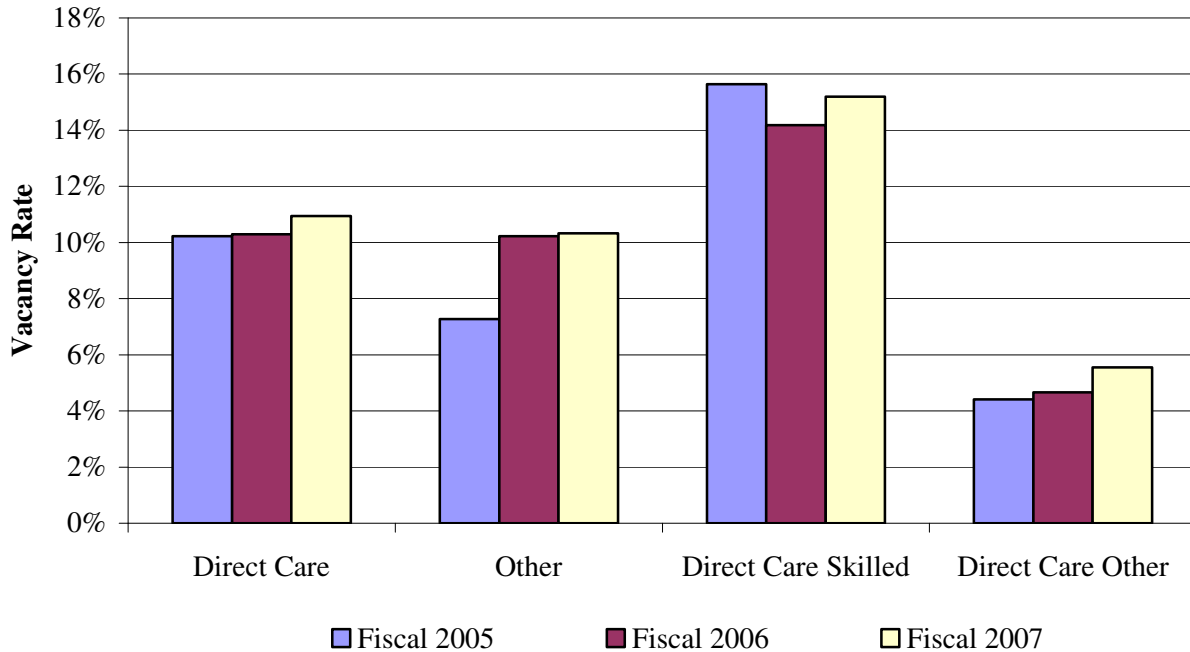
Source: Department of Health and Mental Hygiene

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Digging behind this employment retention data a little further, as shown in **Exhibit 4**, in fiscal 2007 the direct care categories included in this analysis have vacancy rates above that of non-direct care categories, although this distinction is not as pronounced as in fiscal 2005. What continues to be striking is the difference within the direct care categories between skilled direct care workers (for example nurses and physicians) and other direct care workers (in this instance direct care assistants). While both categories have higher vacancy rates in fiscal 2007 than fiscal 2006, the vacancy rates for skilled direct care workers continue to be starkly higher than for other direct care workers.

The only targeted response to this particular vacancy problem continues to be the \$346,000 for mission critical bonuses for nurses. These bonuses were first offered in fiscal 2007 and are budgeted in both the current fiscal year and the proposed budget at the same level. Nurses with good evaluations and five or fewer unscheduled absences are eligible for \$3,000 bonuses. DHMH noted that 719 nurses were eligible for the bonus (with the available funding equivalent to 16% of eligible nurses achieving the bonus).

**Exhibit 4  
DHMH – 20 Key Classification Levels  
Vacancy Rates  
Fiscal 2005-2007**



DHMH: Department of Health and Mental Hygiene

Source: Department of Health and Mental Hygiene; Department of Legislative Services

In fiscal 2007, DHMH notes that 415 nurses actually received this bonus (58%) at a cost of \$1.245 million. DHMH had to absorb the additional costs through savings elsewhere in the department’s budget. As noted above, funding levels for the program in fiscal 2009 remain at the \$346,000 level, indicating that the department again will potentially have to absorb the \$900,000 difference. To date, DHMH has anecdotal evidence from the various facilities and administration that the bonus is a positive management tool for retention although no data is available concerning actual retention experience for those nurses receiving the bonus and those who did not. However, it would appear that the budget inadequately funds a response to a documented problem that anecdotally has been successful.

Interestingly, the contention that DHMH has a more difficult time recruiting and retaining more skilled direct care positions as shown in Exhibit 4, is underlined by departmentwide data shown in **Exhibit 5**. While the data shown in Exhibit 5 is broad-based, the conclusions that can be reached include:

**Exhibit 5**  
**DHMH: Vacancy and Turnover Rates**  
**Calendar 2005-2007**

	CY 2005		CY 2006		CY 2007	
	<u>Vacancy Rate</u>	<u>Turnover Rate</u>	<u>Vacancy Rate</u>	<u>Turnover Rate</u>	<u>Vacancy Rate</u>	<u>Turnover Rate</u>
Direct Care (Exc. Nurses)	6.3%	17.3%	7.0%	15.4%	7.1%	21.9%
Support Staff	7.0%	13.2%	6.3%	15.9%	4.6%	16.0%
Misc. Paraprofessional	7.5%	11.6%	6.6%	12.0%	7.8%	11.6%
Administrative/ Clerical	9.0%	11.0%	10.2%	12.6%	10.2%	12.1%
Misc. Professional	9.3%	11.0%	12.1%	13.9%	11.0%	14.5%
Nurses	9.8%	17.8%	12.4%	21.1%	11.0%	22.6%
Trades and Other	5.4%	9.8%	5.7%	8.1%	8.6%	11.3%
<b>DHMH</b>	<b>8.4%</b>	<b>13.4%</b>	<b>9.9%</b>	<b>15.1%</b>	<b>9.4%</b>	<b>16.6%</b>

DHMH: Department of Health and Mental Hygiene

Source: Department of Health and Mental Hygiene; Department of Legislative Services

- Vacancy rates (measured by total positions divided by end of calendar year vacancies) are highest among more skilled, professional positions;
- Turnover rates, as measured by total positions divided by the number of separations from employment during the year, are high almost across-the-board and have increased between calendar 2005 and 2007. Turnover as defined here is especially high in direct care staff (nurses and direct care);
- While staff churn is an issue for all job types, the department appears to be able to fill less skilled positions more readily than skilled, professional positions.

Again, it is difficult to see how the fiscal 2009 budget will change these trends in recruitment and retention.

## **Fiscal 2008 Actions**

### **Impact of Cost Containment**

Cost containment reductions taken by the Board of Public Works (BPW) in July 2007 reduced the general fund appropriation for DHMH Administration by \$493,000. In addition to personnel savings, DHMH Administration's budget for such items as telecommunications, supplies, and equipment replacement was also reduced.

### **Governor's Proposed Budget**

As shown in **Exhibit 6**, the Governor's fiscal 2009 budget for DHMH Administration includes an almost \$3.7 million increase over the fiscal 2008 working appropriation (8.2%). However, this growth is distorted by the recent funding patterns for employee and retiree health insurance, Other Post Employment Benefits (OPEB) costs, as well as other one-time influences. As shown in **Exhibit 7**, factoring out all of these various distortions, underlying growth in the DHMH Administration budget is just under \$1.3 million, or 3.1%. Major changes include:

- **Personnel Costs:** Variation in health insurance and OPEB costs account for the increase in personnel costs. Absent these influences, personnel costs are essentially flat, with savings from 11 full-time equivalent (FTE) abolished positions (all vacant) offsetting other increases. The 11 abolished positions are all expected to be cut by BPW at the end of January 2008.
- **Information Technology (IT) and Communications Expenses:** IT and communications costs rise primarily because of increased funding for two federally funded IT projects as well as higher assigned charges for telecommunications.
- **Other Costs:** Most of the other increases reflect increases in assigned charges (for example, rent, insurance, and Office of Administrative Hearings) over which DHMH has minimal influence. The most notable cut to the fiscal 2009 budget is the deletion of contract funding for the Community Services Rate Reimbursement Commission (CSRRC). The commission, among other things, provides data to MHA and DDA on community-based provider costs and recommends rates for those providers, although those recommendations are advisory and not mandatory. The commission is set to sunset September 30, 2008, absent legislative action.

**Exhibit 6**  
**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>
2008 Working Appropriation	\$25,565	\$30	\$13,775	\$5,054	\$44,425
2009 Governor’s Allowance	<u>29,563</u>	<u>30</u>	<u>13,438</u>	<u>5,049</u>	<u>48,079</u>
Amount Change	\$3,998	\$0	-\$338	-\$6	\$3,655
Percent Change	15.6%		-2.5%	-0.1%	8.2%
 <b>Where It Goes:</b>					
<b>Personnel Expenses</b>				<b>\$2,523</b>	
Health insurance; reduce long-term OPEB liability.....					\$1,521
Employee and retiree health insurance pay-as-you-go costs .....					664
Increments and other compensation.....					576
Fiscal 2008 Budget Section 45 one-time hiring freeze savings .....					313
Turnover adjustments.....					100
Other fringe benefit adjustments.....					85
Workers’ compensation premium assessment .....					-111
Abolished positions (11 regular full-time equivalents).....					-625
<b>Information Technology and Communications</b>				<b>\$516</b>	
Medicaid Fraud and Abuse Case Tracking System (federal funds).....					217
Variety of systems software upgrades .....					104
Public Health Information Network (federal funds) equipment replacement.....					82
Telecommunications costs .....					73
Outsourced data entry costs (alignment to most recent actuals) .....					40
<b>Miscellaneous Changes</b>				<b>\$584</b>	
Rent .....					305
Patient Advocate Legal Services Contracts .....					144
Insurance .....					104
Office of Administrative Hearings charge .....					99
Utilities.....					76
Miscellaneous supplies and materials .....					73
Anatomy Board: various contracts (ambulance services, cremation costs, etc.) .....					57
New security contract at Metro Executive Building (Patterson Avenue) .....					39
Contractual employment.....					-57

*M00A01 – DHMH – Administration*

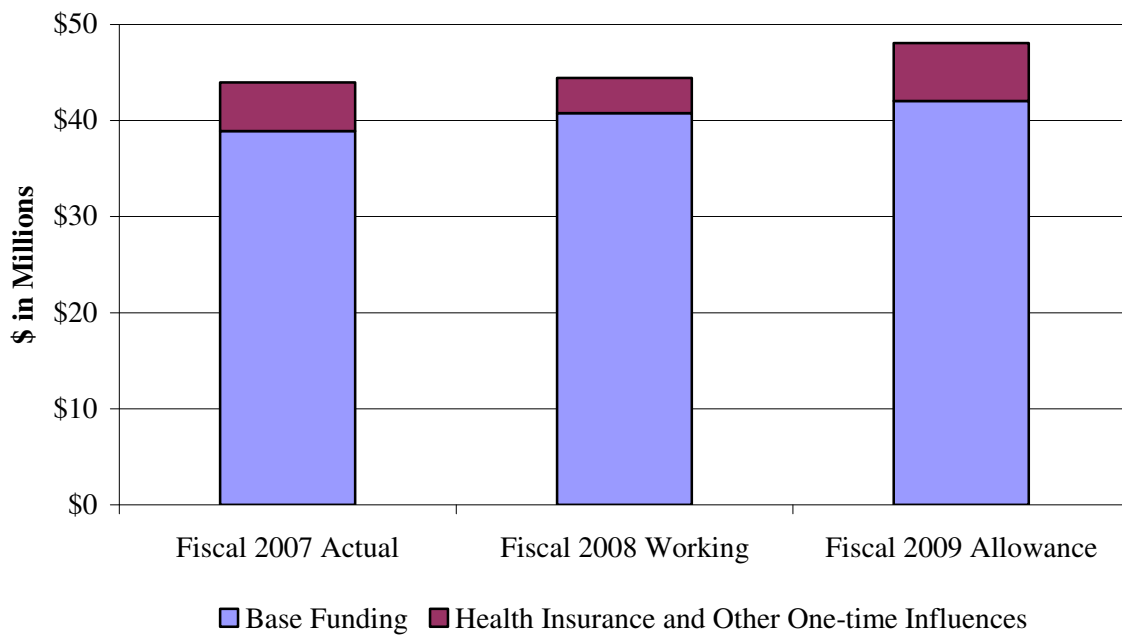
**Where It Goes:**

One-time office relocation costs .....	-75
Contract funding for the Community Services Rate Reimbursement Commission.....	-181
<b>Other</b>	<b>32</b>
<b>Total</b>	<b>\$3,655</b>

OPEB: Other Post Employment Benefits

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

**Exhibit 7  
DHMH – Administration  
Fiscal 2007-2009**



Note: See text for explanation.

Source: Department of Legislative Services; Department of Health and Mental Hygiene

## *Issues*

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### **1. The Development of an Electronic Vital Records System**

In October 2007, BPW awarded a \$3.9 million contract to Netsmart New York, Inc., to develop and implement an Electronic Vital Records System. The system is intended to replace the existing electronic birth registration system as well as the paper-based systems recording deaths, fetal deaths, marriages, and divorces. The system is planned as a series of components with staggered implementation deadlines:

- birth records: January 2009;
- death records: July 2010; and
- fetal death, marriage, and divorce records: July 2011.

Total project costs, including independent verification and validation (IV&V), are anticipated at \$4.5 million.

### **The New System Will Address Two Key Concerns**

In addition to basic efficiencies and improvements in data accuracy and customer service, the new system is also intended to address two major problems faced by the Division of Vital Records:

- Issues of security raised in both the current and prior audits of the Office of the Secretary (see **Appendix 2** and separate OLA audit presentation document for specific details on this issue). Specifically, the new system will address security issues by having data reside on servers rather than the mainframe which will restrict access to records; and allowing all records to be printed on prenumbered security paper which will allow for better reconciliation of records and cash transactions.
- The need to be able to respond to the federal REAL ID Act of 2005 which, in recently announced rules, beginning in 2014 will require federally approved identification (ID) cards, for example, to travel on an airplane, or enter a federal building such as a post office. The actual implementation dates are staggered by age, with some age-groups not requiring this type of ID card until later. The federal legislation has encountered significant state opposition not least are the costs involved. However, at this point, it is anticipated that one of the requirements for federally approved ID will be a person's date of birth. The Motor Vehicle Administration (MVA), as the State agency taking the lead on this issue, will thus need to interact with the Division of Vital Records for this information.

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As noted in prior analyses, 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. NAPHSIS has already piloted 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.

According to DHMH, the Electronic Vital Records System is compatible with the EVVE system, and as long as the MVA uses the EVVE system to verify birth data (as recommended by the national association of motor vehicle administrators), there should not be any issues concerning the interaction between the two agencies.

## **Project Funding and Status**

Funding for the Electronic Vital Records System is primarily from the Major Information Technology Development Project Fund (MITDPF). Fiscal 2009 funding from the MITDPF will total \$860,000. Of this amount, \$200,000 is for IV&V.

Two points need to be made about project funding and status to date:

- There remains a discrepancy between the Department of Budget and Management's (DBM) understanding of fiscal 2008 funding for this project and DHMH's (as reflected in the Governor's fiscal 2009 budget documents and the Information Technology Project Request (ITPR) data). In discussion of this project during the fiscal 2008 budget deliberations, the discrepancy was a substantial difference of opinion on fiscal 2008 funding sources. Specifically, DBM anticipated the project receiving \$665,000 in general fund expenditures in fiscal 2007 which were not available. It was noted at the time that there was sufficient fund balance in the MITDPF to cover the balance, and indeed MITDPF funds were used for the project in fiscal 2008. However, the DBM data indicates that prior year funding for the project is \$1.137 million, whereas DHMH's ITPR shows \$1.337 million. DHMH indicates that \$200,000 in general funds has in fact been spent on the system that is not reflected in DBM's data.
- The delay in the award of the contract by five months has resulted in several project lifecycle milestones for the initial component of the system—birth records—being pushed back. However, according to DHMH, the project implementation date of January 2009 remains unchanged.

## ***Recommended Actions***

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	<b><u>Amount Reduction</u></b>	
1. Reduce funds for patient advocate legal contracts. These contracts (a combination of fixed price and hourly) are awarded to private attorneys in order to provide independent legal representation and advocacy for patients in State institutions. The allowance provides a \$144,000 increase in funding for these contracts over fiscal 2008 (26%). The proposed reduction is based on current utilization estimates. It should be noted that the Department of Health and Mental Hygiene estimates that fiscal 2008 funds for the program are inadequate. However, using the higher projected fiscal 2008 costs, the reduction still allows for a \$73,000 increase (12%).	\$ 30,000	GF
<b>Total General Fund Reductions</b>	<b>\$ 30,000</b>	

## ***Updates***

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### **1. A Plan for the Future Role and Capacity of State-run Psychiatric Hospitals in the Context of Emergency Department Overcrowding**

During fiscal 2008 budget deliberations, budget bill language was added requesting the Maryland Health Care Commission (MHCC) to convene a task force of interested parties to develop a plan for the appropriate continuum of mental health services in Maryland. This language was adopted as part of a general discussion concerning emergency department (ED) overcrowding.

Specifically, a recent MHCC report on the pressures faced by EDs recommended that MHA develop a plan to guide the future role and capacity of State-run psychiatric hospitals. In order to do this, MHA essentially has to plan for the entire continuum of mental health services (public and private). The MHCC-convened task force was expected to report back to the legislature by November 1, 2007.

MHCC requested an extension of the plan deadline given the comprehensive nature of the task. The budget committee considered this request and agreed that an extension was warranted. The report is now expected by December 1, 2008.

## *Current and Prior Year Budgets*

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

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
<b>Fiscal 2007</b>					
Legislative Appropriation	\$31,242	\$336	\$12,339	\$4,169	\$48,086
Deficiency Appropriation	0	0	46	0	46
Budget Amendments	-5,496	-32	1,142	1,485	-2,900
Reversions and Cancellations	0	-280	-641	-349	-1,269
<b>Actual Expenditures</b>	<b>\$25,746</b>	<b>\$25</b>	<b>\$12,886</b>	<b>\$5,305</b>	<b>\$43,962</b>
<b>Fiscal 2008</b>					
Legislative Appropriation	\$44,735	\$30	\$34,822	\$3,804	\$83,391
Cost Containment	-493	0	0	0	-493
Budget Amendments	-18,677	0	-21,047	1,250	-38,474
<b>Working Appropriation</b>	<b>\$25,565</b>	<b>\$30</b>	<b>\$13,775</b>	<b>\$5,054</b>	<b>\$44,424</b>

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

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## **Fiscal 2007**

The fiscal 2007 legislative appropriation for DHMH Administration was reduced by \$4.124 million. This reduction was derived as follows:

- Deficiency appropriations added \$46,000 in federal funds for the vital records office and expenditures related to the fiscal 2007 cost-of-living adjustment (COLA).
- Budget amendments reduced the legislative appropriation by just under \$3.0 million. General fund budget amendments reduced the legislative appropriation by just under \$5.5 million. Most of this change (almost \$7.1 million) was the cost containment action taken by BPW in February 2007. Other reductions included the reallocation of the fiscal 2007 COLA to other parts of DHMH (\$777,000) and DHMH's share of the statewide salary study (\$101,000). Significant additions to the general fund appropriation included:
  - \$909,000 to reflect reorganization within DHMH, specifically the transfer of the Program Integrity Unit into the Inspector General's Office;
  - \$489,000 to reflect DHMH Administration's share of the fiscal 2007 COLA originally budgeted in DBM;
  - \$432,000 added through closeout transactions. Most of this increase is for higher than anticipated salaries and fringe benefits and various contractual services;
  - a \$346,000 increase for annual salary reviews and other salary adjustments;
  - the realignment of \$80,000 of health insurance and telecommunications funds;
  - \$56,000 in lower than anticipated Annapolis Data Center charges;
  - \$54,000 following internal reorganization of Medicaid programming;
  - \$52,000 in surplus AIDS Administration funds to cover utility costs; and
  - \$50,000 transferred from the Family Health Administration to the DHMH Administration budget in order to make a grant to the University of Maryland School of Pharmacy to support a diabetes management project in Allegany County.

Special fund amendments ultimately made little difference to the fiscal 2007 appropriation. However, federal and reimbursable fund budget amendments partially offset the reduction in the legislative appropriation from general fund budget amendments:

### *M00A01 – DHMH – Administration*

- Federal fund amendments added slightly over \$1.1 million to the appropriation, primarily funds associated with the transfer of the Program Integrity Unit into the Inspector General’s Office noted above.
- Reimbursable fund budget amendments added almost \$1.5 million to the legislative appropriation. The major changes included an increase of \$1.185 million due to additional funding attained from the Health Regulatory Commissions. Chapter 107 of 2006 authorized DHMH to assess the health regulatory commissions for administrative support services. The fiscal 2007 Administration budget assumed a \$1.185 million general fund reduction in anticipation of this legislation. Thus, the reimbursable funds simply backfill the general fund reduction that was already taken in the base budget. An additional \$300,000 was transferred from the Major Information Technology Development Project Fund to support the development of a replacement for the Hospital Management Information System.
- Finally, the appropriation was reduced by just under \$1.3 million in a combination of special, federal, and reimbursable fund cancellations across various programs.

### **Fiscal 2008**

To date, the fiscal 2008 legislative appropriation has been decreased by almost \$39 million. This change is derived as follows:

- Cost containment reductions taken by BPW in July 2007 reduced the general fund appropriation by \$493,000.
- Budget amendments have further reduced the appropriation by almost \$38.5 million. Specifically:
  - In general funds, an increase of \$492,000 representing the DHMH Administration portion of the fiscal 2008 COLA and \$161,000 from internal realignment of funds is more than offset by reductions of just over \$1.8 million from the reallocation of utility costs from the DHMH Operations budget to the various DHMH-operated facilities, and over \$17.5 million related to the reorganization of Medicaid administration expenditures out of the DHMH Administration budget.
  - Similarly, federal funds have been reduced by over \$21 million, again related to the reorganization of Medicaid administration expenditures out of the DHMH Administration budget.
  - These reductions in general and federal funds are marginally offset by an increase in reimbursable funds of \$1.25 million due to additional funding attained from the Health Regulatory Commissions. Chapters 627 and 628 of 2007 authorized DHMH to assess

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the health regulatory commissions for administrative support services. The fiscal 2008 Administration budget assumed a \$1.25 million general fund reduction in anticipation of this legislation. Thus, the reimbursable funds simply backfill the general fund reduction that was already taken in the base budget.

## ***Audit Findings***

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Audit Period for Last Audit:	July 10, 2003 – August 31, 2006
Issue Date:	August 2007
Number of Findings:	13
Number of Repeat Findings:	6
% of Repeat Findings:	46%
Rating: (if applicable)	n/a

Note: One finding (#5) in the most recent audit pertaining to the Office of Health Care Quality (OHCQ) is excluded from the findings list and the totals above and is discussed in the OHCQ analysis. Finding numbers correspond to the original audit findings.

**Finding 1:** Controls over the issuance of, accounting for, and safeguarding of vital records was inadequate. DHMH agreed with the finding and recommendations for remediation (see earlier discussion for more detail).

**Finding 2:** Oversight of the issuance and security of birth and death certificates by the local health departments was inadequate. DHMH agreed with the finding and recommendations for remediation.

**Finding 3:** Access to critical birth information on DHMH’s automated vital records system was not adequately restricted. DHMH agreed with the finding and recommendations for remediation.

**Finding 4:** Subprovider budgets were not always reviewed, and subprovider expenditures were not always audited. DHMH agreed with the finding and recommendations for remediation.

**Finding 6:** Taxpayer donations to the Cancer Fund have not been spent since its inception in fiscal 2005. DHMH agreed with the finding and the recommendation for remediation.

**Finding 7:** A federal fund reimbursement was not requested in a timely manner resulting in a loss of interest to the general fund. DHMH agreed with the finding and the recommendation for remediation.

- Finding 8:** Proper internal controls were not established over the processing of purchasing and disbursement transactions. DHMH partially agreed with this finding. The department noted that at the particular locations in question in the audit, there was appropriate compliance with policies and procedures. However, to avoid this finding in the future, the department will not permit one of the choices provided for under those policies and procedures.
- Finding 9:** DHMH has not established adequate controls over the issuance of purchasing cards. DHMH agreed with the finding and the recommendation for remediation.
- Finding 10:** The Information Resources Management Administration did not maintain a listing of critical mainframe application files to help ensure that all such files were properly protected. DHMH agreed with the finding and recommendations for remediation.
- Finding 11:** Security reporting and related review processes were inadequate. DHMH agreed with the finding and the recommendation for remediation.
- Finding 12:** Security over DHMH’s computer network needs to be enhanced. DHMH agreed with the finding and the recommendation for remediation.
- Finding 13:** Controls over payroll processing and personnel transactions were inadequate. DHMH agreed with the finding and recommendations for remediation.
- Finding 14:** A complete physical inventory of sensitive equipment had not been performed since 2003 and equipment records were not adequately maintained. DHMH agreed with the finding and the recommendation for remediation.

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

**Object/Fund Difference Report  
DHMH – Administration**

<u>Object/Fund</u>	<u>FY07 Actual</u>	<u>FY08 Working Appropriation</u>	<u>FY09 Allowance</u>	<u>FY08-FY09 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	489.50	479.20	468.20	-11.00	-2.3%
02 Contractual	14.45	20.02	18.08	-1.94	-9.7%
<b>Total Positions</b>	<b>503.95</b>	<b>499.22</b>	<b>486.28</b>	<b>-12.94</b>	<b>-2.6%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 32,878,508	\$ 33,223,026	\$ 35,746,295	\$ 2,523,269	7.6%
02 Technical and Spec. Fees	576,448	728,372	671,117	-57,255	-7.9%
03 Communication	2,289,734	2,420,817	2,495,683	74,866	3.1%
04 Travel	544,864	587,000	557,963	-29,037	-4.9%
06 Fuel and Utilities	116,693	101,992	177,892	75,900	74.4%
07 Motor Vehicles	59,975	45,901	76,255	30,354	66.1%
08 Contractual Services	4,768,122	4,572,092	5,168,352	596,260	13.0%
09 Supplies and Materials	340,071	227,116	299,944	72,828	32.1%
10 Equip. – Replacement	128,996	93,168	120,409	27,241	29.2%
11 Equip. – Additional	351,824	401,736	324,000	-77,736	-19.4%
12 Grants, Subsidies, and Contributions	131,177	139,933	139,933	0	0%
13 Fixed Charges	1,775,335	1,883,568	2,301,561	417,993	22.2%
<b>Total Objects</b>	<b>\$ 43,961,747</b>	<b>\$ 44,424,721</b>	<b>\$ 48,079,404</b>	<b>\$ 3,654,683</b>	<b>8.2%</b>
<b>Funds</b>					
01 General Fund	\$ 25,745,848	\$ 25,565,091	\$ 29,562,929	\$ 3,997,838	15.6%
03 Special Fund	24,615	30,000	30,000	0	0%
05 Federal Fund	12,886,415	13,775,160	13,437,526	-337,634	-2.5%
09 Reimbursable Fund	5,304,869	5,054,470	5,048,949	-5,521	-0.1%
<b>Total Funds</b>	<b>\$ 43,961,747</b>	<b>\$ 44,424,721</b>	<b>\$ 48,079,404</b>	<b>\$ 3,654,683</b>	<b>8.2%</b>

Note: The fiscal 2008 appropriation does not include deficiencies.

**Fiscal Summary  
DHMH – Administration**

<u>Program/Unit</u>	<u>FY07 Actual</u>	<u>FY08 Wrk Approp</u>	<u>FY09 Allowance</u>	<u>Change</u>	<u>FY08-FY09 % Change</u>
01 Office of the Secretary	\$ 6,805,960	\$ 7,183,659	\$ 9,195,455	\$ 2,011,796	28.0%
02 Financial Management Administration	7,481,027	7,486,383	6,886,473	-599,910	-8.0%
01 Operations – Executive Direction	17,942,238	18,569,039	20,234,690	1,665,651	9.0%
03 Information Resources Management Administration	8,455,773	8,018,331	8,462,662	444,331	5.5%
05 Capital Appropriation	129,023	0	0	0	0%
01 Dep. Sec. Public Health Services	3,147,726	3,167,309	3,300,124	132,815	4.2%
<b>Total Expenditures</b>	<b>\$ 43,961,747</b>	<b>\$ 44,424,721</b>	<b>\$ 48,079,404</b>	<b>\$ 3,654,683</b>	<b>8.2%</b>
General Fund	\$ 25,745,848	\$ 25,565,091	\$ 29,562,929	\$ 3,997,838	15.6%
Special Fund	24,615	30,000	30,000	0	0%
Federal Fund	12,886,415	13,775,160	13,437,526	-337,634	-2.5%
<b>Total Appropriations</b>	<b>\$ 38,656,878</b>	<b>\$ 39,370,251</b>	<b>\$ 43,030,455</b>	<b>\$ 3,660,204</b>	<b>9.3%</b>
Reimbursable Fund	\$ 5,304,869	\$ 5,054,470	\$ 5,048,949	-\$ 5,521	-0.1%
<b>Total Funds</b>	<b>\$ 43,961,747</b>	<b>\$ 44,424,721</b>	<b>\$ 48,079,404</b>	<b>\$ 3,654,683</b>	<b>8.2%</b>

Note: The fiscal 2008 appropriation does not include deficiencies.