Audit Report

Department of Health and Mental Hygiene

Health Professional Boards and Commission
State Board of Physician Quality Assurance
State Board of Nursing

October 2002

Office of Legislative Audits
Department of Legislative Services
Maryland General Assembly
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October 15, 2002

Senator Nathaniel J. McFadden, Co-Chair, Joint Audit Committee
Delegate Samuel I. Rosenberg, Co-Chair, Joint Audit Committee
Members of Joint Audit Committee
Annapolis, Maryland

Ladies and Gentlemen:

We have audited the Health Professional Boards and Commission, the State Board of Physician Quality Assurance and the State Board of Nursing units of the Department of Health and Mental Hygiene for the period beginning June 1, 1999 and ending January 15, 2002. These units were previously reported upon as the Regulatory Services Unit of the Department.

Our audit disclosed that adequate oversight was not established over the fiscal functions that were essentially being independently performed by each board and commission. Numerous internal control weaknesses continued to exist, some of which have been repeated in audit reports since 1983, and during the audit we became aware of several questionable and potentially fraudulent activities involving senior management personnel at certain boards.

Loans of $223,000 were made by several boards to other boards to offset operating deficits, in violation of State law. In addition, sufficient controls had not been established over the collection of cash receipts and the issuance of prenumbered licenses by certain boards. Critical changes to automated licensing data were not always being independently verified to ensure such changes were proper. Finally, certain complaints received by the State Board of Physician Quality Assurance were not always resolved in a timely manner as required by law.

Respectfully submitted,

Bruce A. Myers, CPA
Legislative Auditor
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Executive Summary

Legislative Audit Report on the
Department of Health and Mental Hygiene – Health Professional Boards and
Commission, the State Board of Physician Quality Assurance
and the State Board of Nursing
October 2002

• Adequate oversight was not established over the fiscal functions performed by the boards and commission. Numerous internal control weaknesses continued to exist, some of which have been repeated in audit reports since 1983.

The Department should investigate centralizing certain fiscal functions performed by the boards and commission. In addition, the Department should consider developing uniform guidelines and policies to be followed by all units and develop an ongoing oversight function.

• Loans totaling approximately $223,000 were made by several boards to offset operating deficits at other health professional boards in violation of State law.

The boards should discontinue the practice of loaning funds to offset operating deficits at other health professional boards. Additionally, steps should be taken by the applicable boards to prevent future deficits and the outstanding loan balances should be returned.

• Certain boards had not established sufficient accountability and control over the collection of funds and issuance of prenumbered licenses.

The boards should take the recommend corrective actions to improve controls over these areas.

• None of the six boards reviewed performed independent verifications to determine the propriety of critical changes made to automated licensing data, including licensee names and addresses. Furthermore, one board did not appropriately restrict employee access to its system, which resulted in a license being issued to an unqualified individual.

The boards should verify that all additions, deletions and other changes made to automated systems are accurate and properly authorized and properly restrict access to these systems.
• The Board of Physician Quality Assurance did not ensure that complaints filed against physicians were resolved in a timely manner.

The Board should take appropriate actions to ensure that complaints are resolved in a timely manner.

• The State Board of Morticians did not conduct annual inspections of all funeral homes as required.

The Board should take appropriate action to ensure that all funeral homes are inspected in accordance with State regulations.
Background Information

Agency Responsibilities

The Health Professional Boards and Commission budgetary unit of the Department of Health and Mental Hygiene’s Office of the Secretary, consists of 16 health-related professional boards and one commission. These entities, the State Board of Physician Quality Assurance, and the State Board of Nursing (which are separate budgetary units) are responsible for licensing and regulating health professionals (such as, dentists, physicians and nurses) in the State. These entities were reported upon as the Regulatory Services Unit of the Department prior to July 1, 2001.

Questionable and Potentially Fraudulent Activities

During our audit we became aware of certain questionable and potentially fraudulent activities involving personnel employed by three boards. Specifically we noted the following:

- At the Board of Dental Examiners, the Department received allegations of questionable activities involving a senior management employee (including possible embezzlement of funds and the misuse of the Internet on State-owned computers). The Department’s Office of Inspector General initiated an investigation. The senior management employee subsequently resigned from his position at the Board. The Department subsequently referred these matters to the Office of the Attorney General – Criminal Investigations Division. Additionally, during our audit we discovered certain other questionable matters related to this employee, which we also referred to the Office of the Attorney General – Criminal Investigations Division. As of September 25, 2002, these matters were still under investigation by the Division.

- At the State Board of Physician Quality Assurance, Board management discovered certain improprieties over its cash receipt and licensure functions, including the issuance of an improper license to an unqualified individual. The Department referred these matters to the Office of the Attorney General – Criminal Investigations Division. We have been informed by Division personnel that this case is currently closed unless additional information is disclosed.
• At the State Board of Chiropractic Examiners, the Department received a complaint of an ethical nature about a senior management employee’s dealings with Board staff and certain members of the chiropractic profession (for example, borrowing money from subordinates) over several years. An investigation was initiated by the Department’s Personnel Services Administration and its Office of the Inspector General to review the allegations. The Department also advised that this matter was referred to the State Ethics Commission. As a result of the investigation by the Personnel Services Administration, this individual was terminated. Since the Department concluded that no State funds were involved, this matter was not formally referred to the Office of the Attorney General – Criminal Investigations Division.

The internal control weaknesses associated with these matters and the related recommendations to address the problems are addressed in Findings 1, 3, 5, and 6 of this report.

**Current Status of Findings From Preceding Audit Report**

Our audit included a review to determine the current status of the five fiscal/compliance findings included in our preceding audit report of the unit (previously known as the Regulatory Services Unit) dated May 4, 2000. We determined that the boards and commission satisfactorily addressed two of the five fiscal/compliance findings. The remaining three items are repeated in this report. The conditions from one finding in the preceding report are addressed in two separate findings in this report. In its response to our preceding audit report, the units generally agreed to implement the recommendations related to those findings.
Findings and Recommendations

Control and Oversight of Fiscal Functions – Policy Issue

<table>
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<th>Finding 1</th>
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<td>Adequate oversight was not provided over fiscal functions of the various units to improve controls and enhance efficiency.</td>
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Adequate controls and oversight were not provided over the fiscal functions of the various boards and commission. These units perform similar fiscal functions, including the collection of fees and the issuance of licenses, yet there was a lack of a coordinated approach related to these functions. Each board and commission essentially operated independently and the Department did not maintain an ongoing oversight process.

Our current audit of the Boards and Commission noted a number of questionable and potentially fraudulent activities involving senior management personnel at certain boards—including allegations of embezzlement and the issuance of an improper license—that, in some cases, were allowed to continue unabated for several years. The details can be found in the Background section of this report.

In addition, our current audit again disclosed that numerous internal control weaknesses existed within all units reviewed, some of which relate to conditions that have been repeated in our audit reports since 1983. These findings primarily related to controls over cash receipts and license record keeping. Collectively, these boards and commission received approximately $16 million during fiscal year 2001. In addition, certain boards’ operating expenses have exceeded the revenues generated from fees charged to licensees. As a result, loans were obtained from other boards to offset the deficits, which was a violation of State law. These issues are further detailed in several findings that follow in this report.

In view of the significance of fiscal-related audit findings, some of which have been unresolved for periods of up to 19 years, we believe that the Department should seriously consider consolidating certain fiscal functions of the various units and establishing a formal ongoing oversight process over the boards (such as conducting routine internal audits). In this regard, several of the boards’ attempts to establish adequate controls over various accounting functions have been
hindered by the small number of employees working at the boards. We believe that the internal controls, as well as the efficiency and effectiveness of the processes, would be enhanced through the centralization of certain fiscal activities.

The units have been established by statute and are directly responsible for day-to-day operations. However, based on our discussions with the Department’s legal counsel, the Secretary of the Department of Health and Mental Hygiene has certain authority over these units.

**Recommendation 1**
We recommend that the Department investigate the practicality and cost effectiveness of centralizing fiscal functions for the units, including the collection of funds and control and accountability over the licensing transactions. We further recommend that the Department, in conjunction with the Boards and Commission, develop uniform guidelines and policies to be followed by all of the units. Finally, we recommend that the Department develop an ongoing oversight function (such as, internal audits) for the units.

**Operating Deficits**

**Finding 2**
Loans totaling approximately $223,000 were made by several health professional boards to offset operating deficits at other boards in violation of State Law.

**Analysis**
Loans totaling approximately $223,000 were made during the audit period by several health professional boards to offset operating deficits that existed at other boards, in violation of State Law. As of June 2002, approximately $133,000 of this balance had yet to be repaid in accordance with written agreements between the applicable boards.

State laws governing the operation of the Health Professional Boards and Commission require that all health boards, with the exception of the State Board of Examiners of Nursing Home Administrators, fund their operations from fees established relative to their activities. Additionally, the laws generally provide that fees collected can only be used to fund the operating cost of the respective board and that no other State money may be used to support the board’s operation.
The treatment of the loans also resulted in inaccurate and misleading revenue information being provided to the General Assembly in the State budgetary process. Specifically, the loan amounts due to or from other boards were not recorded as such; rather, these amounts were recorded in a manner that inappropriately increased or decreased the boards’ actual revenues for the applicable year. This is particularly significant in light of the concern expressed in the 1998, 1999 and 2000 Joint Chairman’s Reports regarding potential excess fund balances being maintained by the boards and commission.

**Recommendation 2**

We recommend the boards discontinue the practice of loaning funds to offset operating deficits at other health professional boards. We further recommend that steps be taken by the applicable boards (for example, a reduction in operating expenditures) to prevent future deficits. Finally, we recommend that outstanding loan balances be returned as soon as possible.

**Cash Receipts**

**Finding 3**

Certain boards had not established sufficient accountability and control over collections.

**Analysis**

Cash receipts procedures for each of the six boards reviewed were not sufficient to ensure that collections were adequately accounted for and controlled. During fiscal year 2001, cash receipts for these six boards (excluding lockbox receipts), which primarily consisted of licensing and examination fees, totaled approximately $13.6 million. These receipts were subsequently forwarded to the Department of Health and Mental Hygiene – Division of Reimbursement for further processing and deposit. Our review disclosed the following:

- Three of the boards did not record all checks immediately upon receipt; rather, collections were recorded after they had been handled by at least two individuals. A similar condition was commented upon in our three preceding audit reports.

- At four boards, adequate independent verifications were not performed to provide assurance that all recorded collections were properly accounted for and deposited.
None of the six boards performed a reconciliation of licenses issued and examinations given with the related cash receipts deposited. The lack of such reconciliations by certain boards has been commented upon in our audit reports since 1983.

Recommendation 3
We again recommend that all collections be recorded immediately upon receipt. We also recommend that employees independent of the cash receipts functions verify that all recorded collections were deposited. In addition, we again recommend that an employee independent of the cash receipts and license issuance functions periodically reconcile the actual number of licenses issued and examinations given with the related cash receipts deposited. We advised the boards on accomplishing the necessary separation of duties using existing personnel.

License Control and Accountability

Finding 4
Adequate control and accountability had not been established over licenses.

Analysis
Adequate control and accountability had not been established over the prenumbered licenses issued by the five boards tested. Specifically, we noted the following:

- Three boards did not adequately account for prenumbered licenses as to issued, voided or on hand. This condition was commented upon in our four preceding audit reports. The records for one of these boards didn’t reflect an accounting for approximately 11,000 licenses during fiscal year 2001. We also noted numerous instances in which this Board listed the same series of prenumbered forms as being issued on more than one occasion in the license control log.

- At three of the boards, the license control records did not provide sufficient detail (for example, licensee’s name and/or license number) to trace the license issuance and the related collections to recordation in the automated system.
At two boards, we found that the destruction of voided and obsolete licenses were not properly documented and/or witnessed by appropriate administrative personnel.

**Recommendation 4**
We again recommend that prenumbered licenses be periodically accounted for as to issued, voided or on hand by an individual not responsible for maintaining the inventory. We further recommend that the license control records contain all appropriate information to ensure that the license was properly issued and that the related fee was deposited. Finally, we recommend that the destruction of voided and obsolete license forms be properly documented and witnessed by appropriate administrative personnel. We advised the boards on accomplishing the necessary separation of duties using existing personnel.

**License Processing**

**Finding 5**
Independent verifications were not performed to ensure the propriety of critical changes made to the automated licensing files.

**Analysis**
Independent verifications of the propriety of critical changes made to the automated licensing files were not performed at any of the six boards reviewed. Specifically, output reports of critical changes to the automated files were either not obtained or, if obtained, were not used to verify that only properly authorized changes were made. A similar deficiency was commented upon in our audit reports since 1987.

As previously mentioned in the Background section of this report, certain improprieties occurred at one of these boards including the issuance of an improper license after certain critical licensing information (name, address, social security number) had been changed in the applicable board’s automated files. The issuance of the invalid license was later detected because the license was inadvertently mailed to the board at which time the license was voided and appropriate corrections made to the automated files.

Each board is responsible for preparing and distributing licenses as well as for processing additions, deletions and other changes (for example, name, address) to
its automated license system. As of January 15, 2002 the six boards reviewed had approximately 181,000 active licensees.

Recommendation 5
We again recommend that an employee, who does not have the ability to modify the license file, verify that all additions, deletions and other changes are accurate and properly authorized. We advised the boards on accomplishing the necessary separation of duties using existing personnel.

State Board of Physician Quality Assurance

Finding 6
The Board did not properly restrict security access to its automated licensing system allowing an improper license to be issued.

Analysis
The Board did not properly restrict security access to its automated licensing system that allowed the previously mentioned improper renewal license to be issued. Specifically, we noted the following:

- The Board had not adequately defined those functions to be performed by users assigned to the automated system and, as such, individuals had capabilities not required to perform their assigned duties. Twenty-one employees had unnecessary security access that allowed them to record or change critical data. In addition, users with access under the “receptionist” classification had been provided with the ability to change critical data—including licensee names, addresses and social security numbers—recorded in the automated licensing file. In fact, an individual with this classification made changes to the licensing record that caused an improper license to be issued (as previously mentioned in the Background section of this report and in Finding 5).

- The Board did not have a procedure to inactivate terminated employees’ userids. As of May 2002, we noted five active userids that had been assigned to individuals no longer employed by the Board. One of these userids belonged to an employee who had been terminated six years
earlier. We also noted an instance in which a current employee had used the userid of a former employee, providing this employee with unauthorized access to the Board’s automated system.

**Recommendation 6**

*We recommend that the Board evaluate the system access granted to all current employees and eliminate any access to system and/or functions not required for the completion of their assigned duties. We further recommend that the Board establish policies and procedures to promptly terminate userids when employees leave employment with the Board. Finally, we recommend that the Board immediately inactivate the five userids assigned to former employees.*

**Finding 7**

*Complaints against physicians were not always resolved in a timely manner.*

**Analysis**

As of May 6, 2002, 140 (or 28 percent) of the 493 open complaints against physicians that were on file with the State Board of Physician Quality Assurance had not been resolved for periods ranging from 19 months to in excess of 4 years from the date the complaint was first received. The law states that complaint investigations should be completed as expeditiously as possible and, in any event, within 18 months after the complaint was received by the Board. The timely resolution of complaints is significant since physicians are generally allowed to practice pending the results of the investigation. This situation was commented upon in our two preceding audit reports.

In accordance with the Health Occupations Article, Section 14-404 of the Annotated Code of Maryland, the Board has the authority to discipline physicians (for example, suspend or revoke a license) under specified circumstances. After the Board performs a preliminary investigation, complaints received by the Board involving standards of medical care and overuse of health care services are referred to the Medical and Chirurgical Faculty of Maryland for peer review, as required by law. Other types of complaints are generally investigated by the Board.

We were advised by the Board that it has limited control regarding the period of time taken to investigate or process certain complaints since certain aspects of the complaint resolution process are handled by other entities (including the Office of
the Attorney General, Medical and Chirurgical Faculty of Maryland and the Office of Administrative Hearings), although the Board is ultimately responsible for the timely resolution of cases.

**Recommendation 7**

We again recommend that the Board, in conjunction with the other entities responsible for the investigation and/or processing of complaints, take the appropriate actions to ensure that complaints are resolved in accordance with the time parameters established by law.

**Board of Morticians**

**Finding 8**

Funeral home inspections were not always performed annually as required.

**Analysis**

The Board of Morticians did not conduct annual inspections of all funeral homes as required by law. Specifically, of the approximately 260 funeral homes licensed during fiscal year 2001, approximately 75 (29 percent) had not been inspected during the year ended June 30, 2001. In addition, our test of 20 funeral home inspections conducted by the Board disclosed 8 instances in which 14 to 28 months had passed since the previous inspection.

State Regulations require the Board to inspect funeral homes on an annual basis for various purposes, including to monitor compliance with established health standards (such as proper disposal of infectious blood and waste).

**Recommendation 8**

We recommend that the Board take appropriate action to ensure that all funeral homes are inspected in accordance with the State Regulations.
Commission on Kidney Disease

Finding 9
Surveys of dialysis centers were not always performed on a periodic basis as required.

Analysis
The Commission on Kidney Disease did not ensure that surveys of dialysis centers were conducted on a periodic basis as required. Surveys are to be conducted of dialysis centers to determine compliance with policies and procedures. Specifically, during the two-year period that ended February 2002 the Commission only received survey results for 62 of the approximately 100 licensed dialysis centers. We were informed that the Commission relied upon surveys conducted by the Department’s Office of Health Care Quality for the remaining facilities; however, the results of this Office’s surveys were not provided to the Commission for consideration. Furthermore, the Commission had not defined the frequency with which the surveys should be conducted.

State Regulations require that periodic surveys of facilities or centers certified to perform dialysis be performed and reported to the Commission for consideration.

Recommendation 9
We recommend that appropriate action be taken to ensure that all dialysis centers are surveyed on a periodic basis and that the results are promptly submitted to the Commission for consideration and appropriate action. We further recommend that the Commission define the frequency with which the surveys must be completed to comply with the aforementioned requirement.
Audit Scope, Objectives, and Methodology

We have audited the Health Professional Boards and Commission, the Board of Physician Quality Assurance and the State Board of Nursing for the period beginning June 1, 1999 and ending January 15, 2002. The audit was conducted in accordance with generally accepted government auditing standards.

As prescribed by the State Government Article, Section 2-1221 of the Annotated Code of Maryland, the objectives of this audit were to examine the Boards’ and Commission’s financial transactions, records and internal control, and to evaluate their compliance with applicable State laws, rules, and regulations. We also determined the current status of the findings contained in our preceding audit report.

In planning and conducting our audit, we focused on the major financial related areas of operations based on assessments of materiality and risk. Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the Boards’ and Commission’s operations. We also tested transactions and performed other auditing procedures that we considered necessary to achieve our objectives.

Our audit did not include certain support services provided to the Boards and Commission by the Department of Health and Mental Hygiene. These support services (such as payroll, purchasing, maintenance of accounting records and related fiscal functions) are included within the scope of our audits of the Department’s Office of the Secretary and Other Units.

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

Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.
Our reports are designed to assist the Maryland General Assembly in exercising its legislative oversight function and to provide constructive recommendations for improving State operations. As a result, our reports generally do not address activities we reviewed that are functioning properly.

This report includes findings relating to conditions that we consider to be significant deficiencies in the design or operation of internal control that could adversely affect the Boards’ and Commission’s ability to maintain reliable financial records, operate effectively and efficiently and/or comply with applicable laws, rules and regulations. Our report also includes significant instances of noncompliance with applicable laws, rules, or regulations.

The Department’s response, on behalf of the Boards and Commission to our findings and recommendations, is included as an appendix to this report. As prescribed in the State Government Article, Section 2-1224 of the Annotated Code of Maryland, we will advise the Department regarding the results of our review of its response.
APPENDIX

STATE OF MARYLAND
DHMH
Maryland Department of Health and Mental Hygiene
201 W. Preston Street • Baltimore, Maryland 21201
Parris N. Glendening, Governor - Georges C. Benjamin, M.D., Secretary

October 10, 2002

Mr. Bruce Myers, CPA
Legislative Auditor
Office of Legislative Audits
301 West Preston Street
Baltimore MD 21201

Dear Mr. Myers:

This is in response to your September 26, 2002, letter that included the draft audit report for the Health Professional Boards & Commission, State Board of Physician Quality Assurance and State Board of Nursing for the period beginning June 1, 1999, and ending January 15, 2002. Attached you will find the Boards plan of correction that addresses each audit recommendation. I will work with the appropriate Boards to address all audit recommendations. In addition, as stated in our response to Finding #1, the Department will investigate the practicality and cost effectiveness of centralizing certain fiscal functions and developing an ongoing oversight function for the units.

If you have any questions or require additional information, please do not hesitate to contact me at (410) 767-6505 or Larry Triplett of my staff at (410) 767-5228.

Sincerely,

Georges C. Benjamin, M.D.
Secretary

cc: Mr. James T. Merrow, Audit Liaison, DHMH
Mr. C. Irving Pinder, Jr., Executive Director, State Board of Physician Quality Assurance
Ms. Donna M. Dorsey, Executive Director, State Board of Nursing
Mr. Lawrence P. Triplett, Inspector General, Office of Inspector General, DHMH
Mr. Richard A. Proctor, Chief of Staff, DHMH
Findings and Recommendations

Control and Oversight of Fiscal Functions – Policy Issue

Finding 1
Adequate oversight was not provided over fiscal functions of the various units to improve controls and enhance efficiency.

Recommendation 1
We recommend that the Department investigate the practicality and cost effectiveness of centralizing fiscal functions for the units, including the collection of funds and control and accountability over the licensing transactions. We further recommend that the Department, in conjunction with the Boards and Commission, develop uniform guidelines and policies to be followed by all of the units. Finally, we recommend that the Department develop an ongoing oversight function (such as, internal audits) for the units.

The Department agrees with this recommendation to investigate the practicality and cost effectiveness of centralizing certain fiscal functions among the various boards. The Department jointly with the Boards and Commission will form a task force, made-up of board members, administrative staff, and applicable staffs from the Department’s support units to examine this sort of consolidation. In addition, the task force will develop and recommend fiscal guideline and procedures for the individual board’s consideration. Lastly, the task force will look into developing an ongoing oversight function for the units.

Operating Deficits

Finding 2
Loans totaling approximately $223,000 were made by several health professional boards to offset operating deficits at other boards in violation of State Law.
Recommendation 2
We recommend the boards discontinue the practice of loaning funds to offset operating deficits at other health professional boards. We further recommend that steps be taken by the applicable boards (for example, a reduction in operating expenditures) to prevent future deficits. Finally, we recommend that outstanding loan balances be returned as soon as possible.

Health Occupations Boards and Commission

The Boards and Commission disagree with the recommendation that the boards should discontinue the practice of loaning funds to offset temporary revenue deficits. The Boards and Commission do not concur with the finding and do not believe that the loans are in violation of State law.

Since the Health Occupation Boards were legislated as special fund units, it has been the practice for one board to loan revenue to another board for the purpose of making up a temporary deficit in the fund balance at the close of a fiscal year. While the individual board statutes are silent on the issue of loans, the boards believe that this practice is within the scope of board’s authority to manage their Fund. All loans between boards are fully disclosed. The individual boards involved have on file and available for inspection loan agreements, repayment schedules, and fund adjustments that document and disclose the loan and its repayment. In addition all loans are voted on and approved by members of both boards in open public meetings. The discussion, vote and approval are reflected in the board’s minutes. To resolve this issue and clarify the boards’ authority in administrating their Funds the Boards and Commission will request advice from the Attorney General.

The Boards and Commission agree with the recommendation that the boards take steps to prevent future deficits. The Boards and Commission are now required to file with the legislature an annual Fund Balance Report. This report focuses on future expenditures and revenues. In developing this report the boards review revenue trends relating to new licensure and license renewals and related staffing needs. While the boards are diligent in managing their fiscal resources, unforeseeable circumstances can and do occur e.g. a sudden decrease in license renewals or costly litigation that makes the revenue loans a necessary option in managing a board’s finances.
The current loan agreements and repayment schedules will be adhered to pending advice from the Attorney General.

Cash Receipts

Finding 3
Certain boards had not established sufficient accountability and control over collections.

Recommendation 3
We again recommend that all collections be recorded immediately upon receipt. We also recommend that employees independent of the cash receipts functions verify that all recorded collections were deposited. In addition, we again recommend that an employee independent of the cash receipts and license issuance functions periodically reconcile the actual number of licenses issued and examinations given with the related cash receipts deposited. We advised the boards on accomplishing the necessary separation of duties using existing personnel.

The Boards concur with the recommendations and for those boards not currently employing these controls, will implement the recommended cash control procedures as allowed by existing staff.

License Control and Accountability

Finding 4
Adequate control and accountability had not been established over licenses.

Recommendation 4
We again recommend that prenumbered licenses be periodically accounted for as to issued, voided or on hand by an individual not responsible for maintaining the inventory. We further recommend that the license control records contain all appropriate information to ensure that the license was properly issued and that the related fee was deposited. Finally, we recommend that the destruction of voided and obsolete license forms be properly documented and witnessed by
appropriate administrative personnel. We advised the boards on accomplishing the necessary separation of duties using existing personnel.

**Board of Dental Examiners**

The Board of Dental Examiners concurs with this recommendation. The Board is developing a procedure that will allow for a monthly reconciliation of licenses used and on hand, including an account of licenses voided or destroyed. Monthly output reports of licensing activity will be applied to reconcile licenses used to cash receipts. The destruction of voided or obsolete licenses will be documented and witnessed by the Program Manager.

**Board of Social Workers**

The Board of Social Work Examiners concurs with this recommendation and feels that it has in place adequate mechanisms to meet the necessary requirements.

**Board of Nursing**

The Board of Nursing concurs with this recommendation. The Board has developed a procedure that will account for licenses issued and voided daily. This will allow for a daily reconciliation. In this way all licenses issued will be accounted for daily. Because licenses are printed in bulk it is not possible to attach a control number to each license record. This form will be attached with the deposit showing fees collected and license issued from walk ins. The Board currently lists all licenses destroyed and has two signatures on the form. Procedures have been modified to assure that the actual shredding is witnessed.

**The Board of Physician Quality Assurance**

A prenumbered license is a registration card that contains a sequential registration number that changes with each card (e.g. renewal, reinstatement, duplicate), and a license number, which does not change. Previously, the BPQA computer system recorded the license number but not any registration number. Various methods, including spreadsheets, have been used to monitor usage of prenumbered registration cards in the past. However, without an
automated way to identify the wallet card with a registration number and licensee, compliance with the requirement to account for registration cards has required significant resources. Since the audit, the Board’s Information Services Division has written a program to automatically assign and record registration numbers to the BPQA computer system for voids and all categories of “issued” except for initial licenses. This system and various spreadsheets are now giving the Board Secretary the ability to reconcile licensure activity.

Key systems and reports for initial and renewal license activity now contain critical data elements (license and registration numbers) to enable BPQA staff to ensure that a license was properly issued and the related fee was deposited.

Separation of duties is in place. The fiscal unit controls money; the customer service unit issues licenses and records data as to issued/voided; and the Board Secretary reconciles.

License Processing

Finding 5
Independent verifications were not performed to ensure the propriety of critical changes made to the automated licensing files.

Recommendation 5
We again recommend that an employee, who does not have the ability to modify the license file, verify that all additions, deletions and other changes are accurate and properly authorized. We advised the boards on accomplishing the necessary separation of duties using existing personnel.

Board of Chiropractic Examiners

The Board recently was advised of the possible availability of image output reporting service through the FORVUS System. The Board will forthwith seek to employ this service to resolve this issue. Should the service not be available, the Board will commence the process of retaining all changed rosters in a binder to verify that the before/after changes have been properly executed.
Board of Dental Examiners

The Board of Dental Examiners concurs with this recommendation. Based on the number of additions and changes performed during FY 2002, the Board believes it can verify 100% of the entries beginning with FY 2003. The Board agrees to attempt a full reconciliation, but may revise the reconciliation to a review of 75% of all additions and changes if such entries escalate beyond staff capability to achieve 100% verification. To accomplish this, monthly output reports for all additions and changes will be reconciled against the licensee documentation to confirm the propriety of all modifications to the License 2000 system. Licensee information cannot be deleted in License 2000. Verification will be conducted by an employee independent of licensing functions.

Board of Pharmacy

The Administrative Licensing Specialist does not have the ability to modify the license database, nor print licenses. Therefore, this position verifies the actual licenses against the applications and the applications against the information recorded in the database to assure that all additions, deletions, and other changes were made. As recommended, Ms. James will perform this function.

Board of Social Workers

The Board of Social Work Examiners concurs with the Auditors finding/recommendations to independently verify the propriety of critical changes made to the automated licensing files. Realizing that this is a time-intensive process, the Board will immediately begin to assign someone independent of the licensing process to assume the responsibility for this task.

Board of Nursing

The Board of Nursing does not concur with this recommendation. After the last audit the Board agreed to have an independent staff person review changes made from mail in requests. It was agreed that the Board would randomly choose 10% for verification. Changes to the database are made by licensees through the renewal application which is scanned into the database via the imaging system. This can amount to 500 per day. To verify every
change would require at least two additional staff. The Board has requested a report from the vendor for a date range report for name and address changes. Costs of the report are unknown. If cost effective the Board could increase verifications by another 10%. The Board will verify 20% of all mail in requests.

The Board of Physician Quality Assurance

The BPQA agrees. The Chief of Information Services Division is generating a weekly report of critical changes, and these are being reviewed by a Public Policy Analyst, who is independent of any licensing function. The Public Policy Analyst also reviews another weekly report of all changes made to ensure that only the appropriate person is making changes. The Public Policy Analyst will randomly select a sample of transactions and will request and review documentation for the transaction.

State Board of Physician Quality Assurance

Finding 6
The Board did not properly restrict security access to its automated licensing system allowing an improper license to be issued.

Recommendation 6
We recommend that the Board evaluate the system access granted to all current employees and eliminate any access to system and/or functions not required for the completion of their assigned duties. We further recommend that the Board establish policies and procedures to promptly terminate userids when employees leave employment with the Board. Finally, we recommend that the Board immediately inactivate the five userids assigned to former employees.

The Board of Physician Quality Assurance

BPQA agrees. The Chief of Information Services Division has begun the task of re-delineating privileges and limiting access. Reassigning and limiting access needs to be done in a systematic way so as to not disrupt
service. All roles and responsibilities need to be examined carefully. The target date for completion is December 31, 2002.

The Chief of Information Services Division has removed all but two obsolete Userids. The BPQA computer system was developed using workflow technology that has several limitations including the inability to remove Userids. The ISD Chief has reprogrammed the system using Oracle. This reprogramming (the “new workflow”), which is currently in testing and debugging, will allow him to eliminate old Userids. The target date for this to be effective is November 1, 2002.

Finding 7
Complaints against physicians were not always resolved in a timely manner.

Recommendation 7
We again recommend that the Board, in conjunction with the other entities responsible for the investigation and/or processing of complaints, take the appropriate actions to ensure that complaints are resolved in accordance with the time parameters established by law.

The Board of Physician Quality Assurance

BPQA does not agree. The 18 month timeframe is not a legal requirement. In 1988, Chap. 109 struck the “limitations” in describing the 18 month timeframe, making it clear that the eighteen month period for completing the disposition of complaints is directory and not mandatory. The Maryland medical board has been acknowledged by Public Citizen, the national health interest group, as handling more “standard of care” cases compared with other medical boards, and these are among the most time consuming of investigations.

In 2002, the number of cases pending over 18 months rose from 49 cases in FY 2001 to 140 cases in FY 2002; the majority of these cases are “standard of care” cases, and over half were from malpractice claims.

The BPQA maintains adequate internal controls to assure expeditious investigations. While the BPQA has no direct control over its external business partners, it has taken steps to better control those functions assigned to the Office of the Attorney General, the Office of Administrative Hearings and the Maryland Medical Society (Med Chi). For example, a small group of BPQA staff and Med Chi staff have met regularly to monitor rehabilitation
cases and improve communications between the BPQA and Med Chi Physician Rehabilitation Program staffs and a similar workgroup is being formed to monitor peer review cases.

Two years ago, in response to a similar recommendation, the BPQA stated that it would pursue court rulings to diminish aggressive delaying tactics by respondents. This has occurred. The Maryland Court of Special Appeals and the U.S. District Court for the District of Maryland have published opinions ruling that: 1) the BPQA has the right to investigate; 2) physicians have the obligation to comply with BPQA subpoenas and the courts will not interfere; and 3) patients do not have the right to stay a BPQA subpoena by raising issues of confidentiality.
Board of Morticians

Finding 8
Funeral home inspections were not always performed annually as required.

Recommendation 8
We recommend that the Board take appropriate action to ensure that all funeral homes are inspected in accordance with the State Regulations.

The Health Occupation Investigator, III position became vacant June 23, 2001 and was not filled until November, 2001. Once the new inspector was hired, inspections resumed within a month to allow the new employee time to become familiar with the statute and regulations.

The Board of Morticians did conduct annual inspections of funeral homes as required by law. However, the circumstances reflect that the Board was without an inspector for a period of five months in FY 2001. Once the position was filled, the Board aggressively returned to the inspection of funeral establishments.

The Board has documentation on file and available, “FY 2001 Inspection Spreadsheet”, which shows that during FY 01, 182 funeral establishments were inspected, 6 new establishments were inspected and 75 were not inspected during the time the inspector’s position was vacant.

The Board has documentation on file and available, “FY 2002 Inspection Spreadsheet”, which reflects a dramatic improvement over the previous fiscal year due to the filling of the vacancy. Specifically, 245 funeral establishments were inspected with the remaining 15 funeral establishment inspections completed in the first month of FY 2003.

The Executive Director has developed a tracking system for inspections which has proved to be a useful tool in monitoring the dates of inspections completed.

Summary

The inspection process has improved with the filling of the vacancy which had existed. To date, the inspections are ongoing and on target to meet the
requirements of COMAR 10.29.03(4) (B) (1), Inspection of Funeral Establishments and Funeral Service Businesses.

Commission on Kidney Disease

Finding 9
Surveys of dialysis centers were not always performed on a periodic basis as required.

Recommendation 9
We recommend that appropriate action be taken to ensure that all dialysis centers are surveyed on a periodic basis and that the results are promptly submitted to the Commission for consideration and appropriate action. We further recommend that the Commission define the frequency with which the surveys must be completed to comply with the aforementioned requirement.

The Maryland Commission on Kidney Disease is hereby responding to the analysis and recommendations resulting from the audit concluded February 2002.

Currently, the Commission annually surveys two thirds of the dialysis centers in Maryland. The Office of Health Care Quality surveys the remaining third of the facilities. During the period from June 2000 until November 2001, the Commission did not have a nurse surveyor (the contractual nurse surveyor retired). The Commission nevertheless continued to meet, respond to, and resolve 30 patient complaints. Patient safety and welfare was preserved at all times.

Because of the low pay offered by the State to nurses, whose services in the better-paying private sector are in high demand, the Commission had some difficulty recruiting a competent nurse surveyor to replace the retired surveyor. Additionally, according to the latest quote from the American Nurses Association, presently there are 125,000 vacancies for nursing positions in the USA. In November 2001, the Commission was finally successful in hiring a Certified Renal Nurse, to replace the retired nurse surveyor. Since this hire, sixty six (66) facilities were surveyed and the Commission responded to seven (7) patient complaints. Presently, the Commission is surveying 70% of all facilities on an annual basis. In addition to the surveys, the Commission investigates and resolves patient and facility
complaints, and handles all inappropriate patient discharges from a dialysis facility in the State. COMAR 10.30.01.04.

Facility survey results are mailed to the facility within one week of the survey and Commissioners are notified regularly of the results of the surveys. If a survey has deficiencies, the Commission’s Medical and Physical Standards Committee is notified immediately, and works in collaboration with the staff and the Medical Director of each dialysis facility to address the corrective action plans. All survey outcomes are immediately sent to the Commissioners for review comments and, if necessary, recommendations. If the deficiencies are considered severe, the professional staff of that facility must come before the Commission to discuss methodologies to address the deficiencies.

Throughout the aforementioned period, the Commission has accomplished investigating and resolving all patient complaints directed to the Commission, and has surveyed an adequate number of facilities to ensure patient safety and welfare, based on previous compliance history.

Finally, the Commission’s regulations provide that the Secretary of DHMH will conduct “periodic” surveys of dialysis facilities in conjunction with the Commission”. In making the determination about facilities to be surveyed, the Commission takes into account the existence of adequate personnel and resources and the need to meet other priorities such as the resolution of urgent patient safety issues and the survey activities of OHCQ. These variables can change unpredictably. It is not possible for the Commission to survey all facilities or to establish in advance a fixed number of facilities to be surveyed. The Commission regularly surveys as many facilities as it can and surveys all facilities periodically. Accordingly, the Commission has fulfilled the requirement of its regulations.

Significantly, the Centers for Medicare and Medicaid Systems (Medicare certification of ESRD facilities) previously required the OHCQ to inspect only 10% of ESRD facilities annually. Only recently have they changed the requirement to a 30% annual review of all facilities, which OHCQ incorporated into their three (3) year licensure cycle. Therefore, the Commission using the Federal Regulations cites for surveys of chronic dialysis facilities as their guidelines, has surveyed dialysis facilities above and beyond the percentage required in these regulations, thus accomplishing its mandate.
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