

Performance
Audit

FINAL
REPORT



DHHS Contracting for Cost Shared Non-MaineCare Human Services – Cash Management Needs Improvement to Assure Best Use of Resources

Report No. SR-CHSS-07

a report to the
Government Oversight Committee
from the
Office of Program Evaluation & Government Accountability
of the Maine State Legislature

July
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ABOUT OPEGA & THE GOVERNMENT OVERSIGHT COMMITTEE

The Office of Program Evaluation and Government Accountability (OPEGA) was created by statute in 2003 to assist the Legislature in its oversight role by providing independent reviews of the agencies and programs of State Government. The Office began operation in January 2005. Oversight is an essential function because legislators need to know if current laws and appropriations are achieving intended results.

OPEGA is an independent staff unit overseen by the bipartisan joint legislative Government Oversight Committee (GOC). OPEGA's reviews are performed at the direction of the GOC. Independence, sufficient resources and the authorities granted to OPEGA and the GOC by the enacting statute are critical to OPEGA's ability to fully evaluate the efficiency and effectiveness of Maine government.

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EXECUTIVE SUMMARY

DHHS Contracting for Cost Shared Non-MaineCare Human Services – Cash Management Needs Improvement to Assure Best Use of Resources

OPEGA focused on the financial close-out phase of cost shared non-MaineCare human services contracts.

OPEGA estimates DHHS could improve cash flow by \$2.6 million annually through enhanced cash management. In addition, assertive collection efforts could realize a one time infusion of \$960,660.

DHHS needs to better balance financial management and service delivery. This is being addressed as part of the Department's ongoing transformation, but additional work remains.

The Maine Legislature's Office of Program Evaluation and Government Accountability (OPEGA) has completed a performance audit of contracting for human services at the Department of Health and Human Services (DHHS). OPEGA conducted this audit at the direction of the joint legislative Government Oversight Committee (GOC), in accordance with 3 MRSA §§991-997 and the Government Auditing Standards set forth by the United States Government Accountability Office.

The Department reported planned expenditures of approximately \$187 million in fiscal year 2007 and \$185 million in fiscal year 2008 for agreements with community based agencies for delivery of human services. This review focused on identifying potential General Fund opportunities related to the financial close-out phase of a specific group of these agreements: cost shared non-MaineCare agreements for human services.

OPEGA has concluded that there are opportunities associated with the agreements reviewed. We conservatively estimate that improving cash management practices for cost shared agreements could result in DHHS retaining approximately \$2.6 million annually that may otherwise have been overpaid to providers and could instead be used immediately to support other services. Assertive collection efforts could produce faster collection of future overpayments and result in a one time infusion of \$960,660 from full collection of balances already owed.

Specific findings noted in this report include the following:

- Cash management was inadequate and resulted in providers owing balances back to the State.
- Collections of amounts due to the State were not timely.
- Financial data for decision makers was lacking, but recent improvements have been made and more are planned.
- Appeals of cost settlements consume resources and may be avoidable.

The Department acknowledges its fiscal stewardship role and has been working, since early 2007, on a financial transformation plan. OPEGA observed that culture change is needed at DHHS to better balance fiscal management and service delivery and to bridge the historical gap between the Department's program and financial staff. This culture change has been part of DHHS' transformation plan, but significant challenges remain and must be addressed if the transformation is to be successful.
