

## EXECUTIVE DIGEST

# MEDICAID MANAGEMENT INFORMATION SYSTEM

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### INTRODUCTION

This report contains the results of our performance\* and financial related audit\* of the Medicaid Management Information System (MMIS), Department of Community Health (DCH). The financial related portion of our audit covered the period October 1, 1996 through September 30, 1998.

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### AUDIT PURPOSE

This performance and financial related audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Performance audits are conducted on a priority basis related to the potential for improving effectiveness\* and efficiency\*. Financial related audits are conducted at various intervals to permit the Auditor General to express an opinion on the State's financial statements.

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### BACKGROUND

The Michigan Medical Assistance (Medicaid) Program, created under Title XIX of the Social Security Act, provides medical services for indigent persons in the general categories of families with dependent children; the aged, blind, and disabled; and other targeted groups that meet income eligibility standards. Title XIX, federal regulations, and the Medicaid State Plan\* specify program

requirements for federal financial participation. MMIS is the automated management and control system for Medicaid payments. MMIS is composed of eight major subsystems, which include the Claims Processing, Management and Administrative Reporting, Prior Authorization, Provider Enrollment, Recipient Eligibility, Reference File, Surveillance and Utilization Review, and Third Party Liability Subsystems.

The DCH Medical Services Administration (MSA) administers the Michigan Medicaid Program. MSA is composed of the Office of Medical Affairs, the Quality Improvement and Eligibility Services Bureau, the Plan Administration and Customer Services Bureau, and the Actuarial and Payment Services Bureau. Also, the Management Information Systems Division, within the Budget and Finance Administration, is included under MSA's appropriations.

For fiscal year 1997-98, MSA was appropriated \$58.9 million for administrative expenditures and was authorized approximately 550 full-time equated positions. Expenditures for medical services totaled \$5.5 billion for the fiscal year ended September 30, 1998. Medical services for 1.1 million recipients were provided by 40,000 active providers.

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**AUDIT OBJECTIVES,  
CONCLUSIONS, AND  
NOTEWORTHY  
ACCOMPLISHMENTS**

**Audit Objective:** To assess the reliability of MMIS controls in ensuring accurate, complete, timely, and secure information for MSA and other users of MMIS.

**Conclusion:** Our assessment disclosed that MMIS controls were reasonably reliable in ensuring accurate, complete, timely, and secure information for MSA and other users of MMIS. However, we noted reportable

conditions\* regarding deceased recipients, the Surveillance and Utilization Review Subsystem, the license verification process, and the drug file (Findings 1 through 4).

**Audit Objective:** To assess the effectiveness of the MMIS internal control structure\* in ensuring compliance with federal program requirements.

**Conclusion:** Our assessment disclosed that the MMIS internal control structure was reasonably effective in ensuring compliance with federal program requirements. However, we noted reportable conditions regarding incarcerated recipients, risk assessments, and Third Party Liability Subsystem (Findings 5 through 7).

**Noteworthy Accomplishments:** MSA complied with almost all of the prior audit recommendations that were included in the scope of this audit. This demonstrates management commitment to ensure the implementation and operation of effective controls.

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**AUDIT SCOPE AND  
METHODOLOGY**

Our audit scope was to examine Medicaid Management Information System information processing and other records of the Medical Services Administration. Also, our audit scope was to examine the financial related records for the period October 1, 1996 through September 30, 1998. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

We collected background information about MMIS and obtained an understanding of the internal control structure. Also, we examined DCH's information processing and other records for the period October 1, 1996 through September 30, 1998 and conducted interviews with DCH personnel regarding MMIS application controls. We then performed analysis and testing and verified the effectiveness of the internal control structure. Our final phase was to evaluate and report on the results of our data gathering, and the detailed analysis and testing phases.

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**AGENCY RESPONSES  
AND PRIOR AUDIT  
FOLLOW-UP**

Our audit report contains 7 findings and 10 corresponding recommendations. DCH's preliminary response indicated that it agreed with the findings and recommendations and that it would comply with all the recommendations.

MSA complied with 30 of the 32 prior audit recommendations that were included in the scope of our current audit. We repeated 1 of the prior audit recommendations in this report.