

## Budget Hearing Follow-Up

Subcommittee: PSA

Budget Analyst: Elizabeth Bayly

Hearing Date: 2/25/15

Committee Analyst: Dana Tagalicod

Agency: Uninsured  
Employers' Fund

Agency Contact: Roxanne Pitts

Follow up material should be submitted within two weeks of the budget hearing. For budget hearings held on or after Friday, February 20, 2015, follow-up material should be submitted as soon as possible but no later than 12 noon, Friday, March 6, 2015. Any information submitted after this time will not be considered by the committee during its budget deliberations. Copies of all responses should be submitted to:

*House Appropriations Committee  
Attn: Cherie Warehime  
6 Bladen Street  
House Office Building, Room 121  
Annapolis, Maryland 21401*

This information request sheet must be included as a cover sheet on each of the copies. Please submit 10 copies for subcommittee hearing follow up and 29 copies for full committee hearing follow up.

Please submit all response items for each agency at the same time.

Request by	Analyst or Agency Responsible	Issue/Request
Haynes	UEF	Please provide a written response to the DLS analysis of UEF's budget, including actions UEF is taking to address the OLA audit findings.
C		

LAWRENCE J. HOGAN, JR.  
GOVERNOR

STATE OF MARYLAND

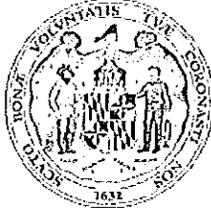
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March 4, 2015

House Appropriations Committee  
Attn: Cherie Warehime  
6 Bladen Street  
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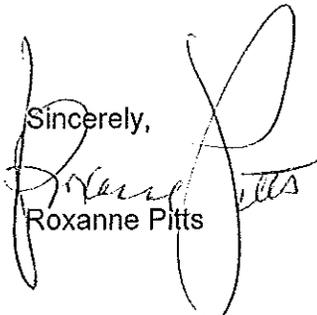
The Honorable House Appropriations Committee Members:

Thank you for the opportunity to testify before the Committee. The Uninsured Employers' Fund (UEF) concurs with the findings and recommendations of the legislative analyst.

Enclosed you will find thirty-nine (39) copies of the Agency's response and plan for correction that addresses each recommendation of the analyst and legislative audit.

If you have any questions, or require additional information, please do not hesitate to contact me.

Sincerely,

  
Roxanne Pitts

RP/dj  
Enclosure(s)

**Department of Legislative Services analysis of the Uninsured Employers' Fund Budget.**

**Issue: Data Mismanagement Contributing to the Funds' Bleak Future.**

**Recommendation: The Department of Legislative Services recommends that the agency comment on the steps it has taken to implement the actuarial recommendations and to resolve the repeat Office of Legislative Audits findings.**

The UEF is currently utilizing a claims management system where data is collected from claims to track the number and amount of indemnity and medical payments made on an annual basis for each claim. The claims management system provides a mechanism to attribute payments to the proper award type as opposed to defaulting to the "miscellaneous payments" category.

The claims management system is an archive of the claim files that maintains a summary of the claim file and will reflect rates of change in the statistics (indemnity and medical payments) on an annual basis. The claims management system also allows the Agency to set reserves on individual claims allowing for consistency and a review for future exposure.

In addition and as recommended, the UEF will conduct an actuarial study every two (2) years with consideration of the operating cash balance levels and assessment rate. The actuarial study does not suggest strategies to maintain the fund balance. The fund balance is maintained and increased or adjusted based upon the assessments. Since the UEF is wholly funded by an assessment on all claims, the only tool available to maintain the fund balance is to adjust the assessments based upon the actuarial study or review and analysis of any unforeseen change in a large self-insured entity such as the bankruptcy of the Bethlehem Steel Company.

**Office of Legislative Audits Findings and Recommendations.**

**Accounts Receivable: Findings 1: UEF did not conduct independent review of certain critical accounts receivable transactions.**

The Fund acknowledges that the auditors' findings and analysis are correct. (a) The UEF will implement its provisions with a system where the Fiscal Technicians enter the WCC Awards into the accounts receivable records with review by the Chief Financial Officer. (b) The adjustments will be received by the approving officials and recorded in the accounts receivable records.

**Accounts Receivable: Finding 2: UEF did not adequately monitor and pursue collection of delinquent accounts.**

The Fund agrees that the findings and analysis are correct. The UEF has currently sent approximately 420 cases/ 17 million dollars to the Central Collections Unit for collections. The UEF continues to send delinquent accounts for collections on a monthly basis.

**Claims Processing: Finding 3: UEF did not contact independent supervisory reviews of indemnity and medical claim payments to ensure propriety.**

The Fund concurs with the findings and the analysis of the auditors. The Chief Financial Officer will conduct an independent supervisory review of the indemnity and medical payments of the Bethlehem Steel claims.

**Accounts Receivable: Finding 4: UEF did not properly verify collections to deposit or properly separate the responsibilities for collections and accounts receivable functions.**

The Fund agrees with Recommendation 4 and will:

- (a) Assign deposit verification to an independent employee, and
- (b) Ensure the cash receipt and accounts receivable functions are appropriately separated.

**Information Systems Security and Control: Finding 5: Security event monitoring, access controls, and user access monitoring were not sufficient.**

The Fund agrees with Recommendation 5 and will:

- (a) Security auditing features are enabled for critical files;
- (b) When critical security events occur i.e. staff changes, reports will be generated, retained and each review will be documented;
- (c) User accounts for two SIF employees are deleted;
- (d) User modification access to critical files are restricted, logged and periodically reviewed;
- (e) Security reports are periodically generated and reviewed to ensure incompatible functions are not performed; and
- (f) The prohibition of sharing user IDs is strictly enforced.

**Information Systems Security and Control: Finding 6: UEF did not have a Disaster Recovery Plan and critical programs and data files were not backed up offsite.**

The Fund agrees with Recommendation 6 and will:

- (a) Develop and implement a disaster recovery plan, and
- (b) Continue working with their IT Contractor to develop daily cloud storage of all critical data and programs.

**Contractual Services: Finding 7: UEF did not comply with State procurement regulations when contracting with certain services.**

The Fund agrees with Recommendation 7 and will:

- (a) Solicit competitive bids for independent medical assessments and investigations and comply with State procurement regulations.