

Audit Report

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

July 2011



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

July 12, 2011

Karl S. Aro
Executive Director

Bruce A. Myers, CPA
Legislative Auditor

Delegate Guy J. Guzzone, Co-Chair, Joint Audit Committee
Senator James C. Rosapepe, Co-Chair, Joint Audit Committee
Members of Joint Audit Committee
Annapolis, Maryland

Ladies and Gentlemen:

We have audited the Department of Health and Mental Hygiene (DHMH) – Mental Hygiene Administration (MHA) for the period beginning July 1, 2007 and ending June 30, 2010. MHA is responsible for developing comprehensive treatment and rehabilitation services for individuals with mental illness, and oversees the provision of publicly-funded services that provide for the care and treatment of individuals who have mental disorders. MHA also supervises State mental health facilities, and reviews and approves local government plans for the treatment of the mentally ill.

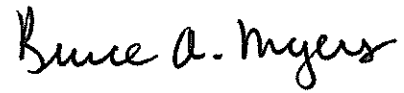
Our audit disclosed that MHA lacked adequate procedures for ensuring that documentation of patient eligibility was obtained and reviewed for services paid entirely with general funds. These payments totaled approximately \$20 million between September 2009 and June 2010. In addition, certain critical independent reviews of claims processed were discontinued, and a data match between Social Security Administration records and MHA's claim payment records disclosed certain questionable recipient data and claim payments.

Our audit also disclosed that MHA's contract with its Administrative Service Organization (ASO) lacked essential provisions needed to obligate the organization to address certain significant information technology security and operational risks, including the safeguarding of sensitive data. Furthermore, certain security and control deficiencies were noted with regard to the ASO's information systems used to process MHA transactions.

We also noted that MHA did not adequately monitor certain contracts established to provide mental health services to local jurisdictions and controls over cash receipts were not sufficient.

An executive summary of our findings can be found on page 5. DHMH's response to this audit, on behalf of MHA, is included as an appendix to this report. We wish to acknowledge the cooperation extended to us during the course of this audit by MHA.

Respectfully submitted,

A handwritten signature in black ink that reads "Bruce A. Myers". The signature is written in a cursive style with a large initial "B".

Bruce A. Myers, CPA
Legislative Auditor

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Executive Summary

Legislative Audit Report on the Department of Health and Mental Hygiene (DHMH) – Mental Hygiene Administration (MHA) July 2011

- **MHA lacked adequate procedures for ensuring that required documentation supporting patient eligibility for services paid entirely by the State’s General Fund (uninsured coverage) was obtained and verified. Payments for uninsured coverage totaled approximately \$20 million between September 2009 and June 2010.**

MHA should establish procedures to ensure that required documentation of patient eligibility is obtained and verified.

- **An automated data match between death records maintained by the Social Security Administration and claim payment records maintained by MHA’s Administrative Service Organization (ASO) disclosed questionable recipient data and claim payments (payments for services rendered after the date of death) over a 14-month period totaling \$207,000.**

MHA should consider conducting similar matching procedures on a periodic basis and should investigate the aforementioned match results for invalid payments.

- **Certain independent reviews of claims processed by the ASO were discontinued. These reviews served as a primary means for testing the accuracy and propriety of processed claims, which totaled approximately \$472 million between September 2009 and June 2010.**

MHA should ensure that all processed claims are subject to an independent systematic review and evaluation on a regular basis.

- **MHA’s contract with the ASO lacked specific provisions needed to obligate the vendor to address certain security and operational risks.**

MHA should include applicable provisions in such contracts to protect against security and operational risks.

- **Certain security and control deficiencies were noted with regard to the ASO's information systems used to process MHA transactions. For example, a default user account allowed unnecessary modification access to many system files.**

MHA should take the recommended actions to improve controls and security.

- **MHA did not adequately monitor contracts established by local Core Service Agencies (CSAs) with independent vendors to provide mental health services to local jurisdictions throughout the State.**

MHA should establish procedures to ensure that CSA contracts with independent vendors include all required services and conditions of award.

Background Information

Agency Responsibilities

The Mental Hygiene Administration (MHA) is responsible for developing comprehensive treatment and rehabilitation services for individuals with mental illness. MHA's mission is to promote the creation and management of a coordinated, comprehensive, accessible, culturally and age-appropriate system of publicly-funded services and to support individuals who have mental disorders. In addition, MHA oversees the provision of publicly-funded services that provide for the care and treatment of individuals who have mental disorders. Finally, MHA supervises State mental health facilities and reviews and approves local government plans for the treatment of the mentally ill. According to the State's records, MHA expenditures totaled approximately \$684 million during fiscal year 2010 (\$388 million in State funds and \$296 million in federal funds), and were primarily for mental health services.

Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of the 11 findings contained in our preceding audit report dated May 21, 2008. We determined that MHA satisfactorily addressed nine of these items. The remaining two items are repeated in this report.

Findings and Recommendations

Administrative Service Organization

Background

The Mental Hygiene Administration (MHA) contracts with an Administrative Service Organization (ASO) to provide benefit management services, such as ensuring consumer eligibility, authorizing consumer services, and paying provider claims for the public mental health system. Effective September 1, 2009, MHA entered into a contract with a new ASO. The ASO pays providers based on an established fee schedule, and payments are made from a special bank account approved by the Comptroller of Maryland's General Accounting Division for this purpose. As claims are paid from the account, MHA processes reimbursements to the account. During the period of September 1, 2009 through June 30, 2010, the ASO paid provider claims totaling approximately \$472 million. The vast majority of these claims were eligible for federal fund participation (reimbursement), which is normally 50 percent of the claim amount paid. For its services during that period, MHA paid the ASO approximately \$8.3 million.

Finding 1

MHA lacked adequate procedures to ensure that required documentation to support patient eligibility for mental health services paid entirely by the State's General Fund was obtained and verified.

Analysis

MHA lacked adequate procedures to ensure that required documentation supporting patient eligibility for mental health services paid entirely by the State's General Fund (uninsured coverage) was obtained by the provider and verified by MHA or the ASO. In addition, our review of recipients whose claims were paid exclusively with general funds disclosed that certain required eligibility documentation was not always on file. For example, we examined the eligibility documentation for 16 patients who had claims paid during the period from September 1, 2009 through October 31, 2010 totaling approximately \$48,000 under the uninsured coverage classification. Our examination disclosed that documentation of a verifiable social security number and State residency, two of six required eligibility criteria, was not available in 10 and 2 cases, respectively. Furthermore, although providers claimed in 12 cases that the individual had received services from the public mental health system (PMHS) within the last 2 years, supporting documentation was not available for 5 of those cases. Previous receipt of service from the PMHS is one of several qualifying conditions which must be met in addition to the six eligibility criteria for uninsured coverage.

In addition, although the ASO was required by its contract with MHA to periodically examine selected providers and related claims for propriety, these reviews did not specifically target claims paid as uninsured coverage, nor did they include a review of supporting eligibility documentation when such claims were examined.

Individuals with Medicaid coverage are automatically eligible for mental health services through MHA and receive the vast majority of services provided. Individuals who do not qualify for Medicaid may still be eligible for mental health services which are paid entirely by the State's General Fund if they meet certain criteria and qualifying conditions. Between September 2009 and June 2010, the ASO paid claims totaling approximately \$20 million entirely with State general funds for patients granted uninsured coverage. The lack of adequate procedures for obtaining and verifying documentation of eligibility for uninsured coverage was commented upon in our preceding audit report.

Recommendation 1

We recommend that MHA establish procedures to ensure that required documentation supporting eligibility for individuals whose services are paid for entirely with general funds is obtained in all cases, and verified, at least on a test basis (repeat).

Finding 2

An automated match between death records maintained by the Social Security Administration and the ASO's paid claims records disclosed questionable recipient data and claim payments.

Analysis

An automated match we performed between death records maintained by the Social Security Administration (SSA) and paid claims data maintained by the ASO for the period September 1, 2009 through October 31, 2010 disclosed certain questionable recipient data and claim payments. In particular, the match disclosed 106 individuals whose social security numbers matched and for whom claims totaling approximately \$207,000 were paid by the ASO for services rendered after the date of death as indicated by SSA's records.

We selected 5 of those cases, with claims payments totaling \$44,000, after the indicated date of death, and requested MHA and the ASO to further investigate the cases. According to MHA, the results of that investigation and any follow-up action taken disclosed no inappropriate payments had been made in 3 cases (for example, the individual in question was not deceased and should not have been on

the SSA records). However, in two cases with claims payments totaling approximately \$5,500, the date of death on SSA's records was confirmed, any invalid claims have been or will be retracted (recovered from the provider), and referral was made to the State's Medicaid fraud unit as warranted.

Discrepancies between critical data files, such as the aforementioned SSA records and ASO claims data, may occur for a number of reasons, such as clerical error or other unintentional errors on the part of providers or patients when providing critical data. However, such cases may also be the result of intentional misrepresentation of data; therefore, further investigation for all such cases is warranted, as was done for the five cases noted. The ASO depends on regular automated updates of critical data from the DHMH's Medicaid Management Information System (MMIS) maintained by the Medical Care Programs Administration to help determine an individual's initial and continued eligibility for benefits. Consequently, it is critical that MMIS contain current and accurate recipient data.

Recommendation 2

We recommend that MHA

- a. in coordination with the Medical Care Programs Administration, conduct matching procedures using the Social Security Administration's death records or other sources to help detect invalid or inaccurate recipient data and invalid claim payments; and**
- b. investigate the remaining cases noted in the aforementioned match results and, based on that investigation, take any appropriate action necessary, such as recovery of invalid payments and referral to the State's Medicaid fraud unit.**

Finding 3

Certain independent reviews of claims processed by the ASO have not been performed since March 2009.

Analysis

Although MHA had previously contracted with a private firm to conduct quarterly reviews of selected claims processed by the ASO, as of January 2011, the last review performed was for the quarter ending March 31, 2009. Consequently, no such reviews of MHA's current ASO, whose contract was effective September 1, 2009, had been conducted.

These reviews were intended to determine the ASO's compliance with certain claims processing and record keeping requirements. Each quarter, the firm performed certain agreed upon procedures on a random sample of claims, such as tracing claims to proper authorization, ensuring proper record keeping, and examining the submission of claims for federal reimbursement. According to the firm's reports, findings included, for example, discrepancies between payments to providers and the related Medicaid reimbursement, and instances of inadequate documentation.

MHA advised us that the previous contract was obtained under a Department of Budget and Management (DBM) task order which was terminated by DBM in May 2009. Although a new task order was issued by DBM with an effective date of August 1, 2010, MHA did not submit a request for proposal under the task order until January 4, 2011. Under the request for proposal, the reviews were to be conducted retroactive to September 1, 2009.

Independent reviews of processed claims are one of MHA's primary means for testing the accuracy and propriety of claims processed by the ASO. It is incumbent upon MHA to ensure that all claims are subject to periodic review and evaluation.

Recommendation 3

We recommend that MHA ensure that all claims processed by the ASO are subject to an independent systematic review and evaluation on a regular basis.

Information Systems Security and Control

Background

MHA contracts with an ASO to provide mental health benefit management services. The ASO's system processed various information related to the provision of mental health services and captured and stored typical demographic information for individuals, including name, address, and date of birth. The system also captured and stored sensitive personal health information, including but not limited to, medical diagnosis codes, prescribed medications, and physician assessments of patient risks, impairments, and substance abuse. The system was hosted at the ASO's national data center facility.

Finding 4

MHA's contract with the ASO did not contain specific provisions obligating the ASO to address certain significant information technology security and operational risks.

Analysis

The contract with the ASO did not contain specific provisions obligating the ASO to address certain significant information technology security and operational risks, including risks over sensitive State and client data (such as confidential medical information). Furthermore, MHA did not ensure that the ASO had established proper controls to ensure security over the related data. Specifically, the contract did not establish expectations relative to significant risks in order to reduce those risks associated with outsourcing information technology operations as outlined in guidance issued by the Cloud Security Alliance. For example, we noted that the aforementioned contract lacked specific provisions addressing the following issues:

Data Segregation

- The segregation of MHA's data from data of other vendor clients when systems for multiple clients are hosted on the same server

Data Security

- The maintenance of user data in a specific jurisdiction and/or the avoidance of certain jurisdictions
- The establishment of how quickly the vendor can perform data restores in the event of data loss
- The definition of a contingency plan in the event of natural disaster

Contract Termination and Service Exit Plan

- Upon contract termination, the process for the safe return of MHA's data

The Cloud Security Alliance, a not-for-profit organization with a mission to promote the use of best practices for providing security assurance within cloud computing, has issued *Security Guidance for Critical Areas of Focus in Cloud Computing*, dated December 2009, which addresses security best practices when using services of this nature and has been widely adopted. Cloud computing refers to the use of Internet-based services and resources to provide computing services, such as data processing and storage, to customers. These services are typically performed by vendors (service organizations). This guidance outlines the operational and security risks associated with these services and the related recommendations to mitigate these risks.

The ASO obtained an independent service auditor's report (a report issued under American Institute of Certified Public Accountants' [AICPA] Statement on Auditing Standards No. 70, commonly referred to as a SAS 70 Report) dated December 17, 2010. The auditor's work, which covered the period from January 1, 2010 to November 30, 2010, was conducted to provide assurances to customers, such as MHA, concerning the design and effectiveness of internal controls related to processing of transactions for clients of its eligibility and claims management services.

Recently, the AICPA has issued new guidance concerning examinations of service organization controls (SOC) pertaining to security, availability, processing integrity, confidentiality, and privacy. Based on this guidance, customers, such as MHA, who seek to obtain assurances about controls over their data, may now obtain from service organizations an independent auditor's report referred to as a SOC 2, type 2 report. Such a report contains the service organization's description of its system and the results of the auditor's examination of the suitability of the system design and operating effectiveness of the controls.

Recommendation 4

We recommend that, for future information technology contracts involving cloud computing services with significant risks, MHA

- a. include provisions that require the vendors to address critical security and operational risks, including safeguards for sensitive data; and**
- b. periodically verify that the applicable vendor is in compliance with all relevant contract requirements that address such risks (for example, by requiring the vendor to periodically obtain a SOC 2, type 2 report).**

Finding 5

Access and monitoring controls over the ASO's servers hosting the portal and the web server software were not adequate.

Analysis

Access and monitoring controls over the ASO's servers hosting the portal and the web server software were not adequate. Specifically, our review disclosed the following conditions:

- The portal's default user account had unnecessary modification access to 436 system files on the servers hosting the Provider and Member web applications. In addition, this default user account had unnecessary modification access to over 90,000 files within the website's Document Root. As a result of these

conditions, the Provider and Member web applications were unnecessarily exposed to security risks and attacks.

- We were advised that there were no regular reviews of the web servers' software log files for security-related events. Furthermore, the web servers' software logs did not capture a critical data element necessary for effective monitoring activities. As a result of these conditions, monitoring of web server connections and traffic was not effective and hindered the ASO's ability to prevent, detect, and promptly respond to attacks.

The ASO's Provider and Member web applications operated on two web servers which used web server software. These applications were accessible via the ASO's portal website. Information presented by the portal website is stored in files within what is known as the Document Root.

Recommendation 5

We recommend that MHA ensure that the ASO implements appropriate controls over its portal and web server software. Accordingly, we made detailed recommendations to MHA which, if implemented by the ASO, would enhance controls over the portal and web server software.

Finding 6

The ASO's account and password controls were not adequate.

Analysis

The ASO's account and password controls were not adequate. We noted the following conditions:

- Account and password controls on the server hosting the system that interfaces with the Provider and Member applications were not sufficient to properly protect the sensitive data in this system. Specifically, we noted 69 active accounts where the password was the same as the userid. In addition, security settings gave 70 active accounts unnecessary, unrestricted modification access to a critical program library. These conditions increased the risk of unauthorized access and changes to sensitive MHA data.
- Controls over accounts and passwords used to access the Provider and Member applications were not adequate. Specifically, password complexity requirements, aging and history were not enforced. In addition, accounts were not locked out after a predetermined number of failed logon attempts. These conditions increased the risk of unauthorized access to sensitive MHA data.

These conditions were not in compliance with the State of Maryland Department of Information Technology's *Information Security Policy* which prescribes best practices for account and password controls.

Recommendation 6

We recommend that MHA ensure that the ASO implements and enforces strong account and password controls over its critical systems in accordance with the best practices prescribed by the State of Maryland Department of Information Technology's *Information Security Policy*.

Core Service Agencies

Finding 7

MHA did not adequately monitor contracts established by the State's local Core Service Agencies.

Analysis

MHA did not adequately monitor contracts established by the State's local Core Service Agencies (CSAs). On an annual basis, MHA provides funding to the CSAs to provide various mental health services to local jurisdictions throughout the State. Although CSAs may subcontract provision of these services to other vendors, we found that these subcontracts did not always include all required services or conditions of award. Consequently, there was a lack of assurance that the required services were being provided.

Our review of 26 subcontracts awarded by 3 CSAs for fiscal year 2010, totaling approximately \$3.2 million, disclosed that 4 of the subcontracts totaling \$787,000 did not contain all of the original conditions of award contained in the corresponding agreement between MHA and the CSA. Furthermore, MHA did not detect the omissions even though it had reviewed the contracts. For example, MHA awarded one CSA \$346,000 to provide a transitional sheltered housing program for homeless men. The award specifically required the CSA to provide 15 consumer beds and 5,037 bed days. Although the CSA subcontracted these services to another vendor, the subcontract did not include specific requirements regarding the number of beds or bed days to be provided. Furthermore, documentation completed by MHA as part of its review of the CSA's subcontracts erroneously indicated that the contract did in fact include all of the original conditions of award.

CSAs are designated county or multi-county authorities, such as a local health department or private contractor, responsible for planning, managing, and monitoring certain publicly-funded mental health services. During fiscal year 2010, MHA awarded approximately \$63.8 million to the 20 CSAs. While CSAs may subcontract required services to other vendors, MHA policy requires that it ensure that these subcontracts meet all of the conditions of the original award agreement.

Recommendation 7

We recommend that MHA establish adequate procedures to ensure that CSA subcontracts include all required services and conditions of award included in original award agreements between MHA and the CSA.

Cash Receipts

Finding 8

Internal controls over cash receipts were not sufficient.

Analysis

Controls over cash receipts were not sufficient. Specifically, we noted the following conditions:

- MHA did not adequately verify that collections received in the mail, which totaled approximately \$781,000 for fiscal year 2010, were forwarded to and received by DHMH's general accounting unit for deposit. These receipts, which related primarily to amounts due from grantees or vendors because of cost settlements, were initially recorded on a check log by MHA then forwarded to the accounting unit for processing. Although the accounting unit provided a receipt to MHA for the funds, there was no independent verification performed to ensure that all recorded collections were transferred to and received by the unit.
- Collections received at MHA's Crownsville Hospital Center¹ were not adequately controlled and verified to deposit. Although these funds, which totaled approximately \$403,000 during fiscal year 2010, were recorded when received at the Center, they were not restrictively endorsed for deposit to the State until they were delivered to MHA headquarters for processing. In addition, the employee who received the collections at headquarters was also

¹ Although the Crownsville Hospital Center is closed, certain areas of the facility are leased to various entities. Collections received at the Center represent payments from those tenants for their share of utility costs.

responsible for mailing related monthly invoices to tenants, recording the related payments in the accounts receivable records, and depositing the payments. Consequently, this employee had complete control over the collections. Furthermore, an independent verification of the Center's initial record of collections to validated bank deposit documentation was not performed. Under these conditions errors or other discrepancies could occur without timely detection.

Similar conditions regarding the verification of recorded collections to deposit were commented upon in our preceding audit report.

Recommendation 8

We recommend that MHA

- a. designate an employee independent of the cash collection functions to verify recorded collections to either the receipt from DHMH, or validated bank documentation as appropriate (repeat); and**
- b. ensure that all checks are restrictively endorsed immediately upon receipt.**

Audit Scope, Objectives, and Methodology

We have audited the Department of Health and Mental Hygiene (DHMH) – Mental Hygiene Administration (MHA) for the period beginning July 1, 2007 and ending June 30, 2010. The audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

As prescribed by the State Government Article, Section 2-1221 of the Annotated Code of Maryland, the objectives of this audit were to examine MHA's financial transactions, records and internal control, and to evaluate its compliance with applicable State laws, rules, and regulations. We also determined the 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. The areas addressed by the audit included claims payments for treatment and rehabilitation services as managed by an Administrative Service Organization, monitoring of Core Service Agencies, cash receipts, and information system security and control. Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of MHA's operations. We also tested transactions and performed other auditing procedures that we considered necessary to achieve our objectives. Data provided in this report for background or informational purposes were deemed reasonable, but were not independently verified.

Our audit did not include certain support services provided to MHA by the DHMH – Office of the Secretary. These support services (such as payroll, purchasing, maintenance of accounting records, and related fiscal functions) are included within the scope of our audit of the Office of the Secretary. In addition, our audit did not include an evaluation of internal controls for federal financial assistance programs and an assessment of MHA's compliance with federal laws and regulations pertaining to those programs because the State of Maryland engages an independent accounting firm to annually audit such programs administered by State agencies, including MHA.

MHA's management is 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,

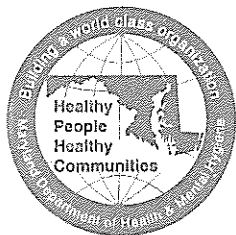
effectiveness and efficiency of operations including safeguarding of assets, and compliance with applicable laws, rules, and regulations are achieved.

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 conditions that we consider to be significant deficiencies in the design or operation of internal control that could adversely affect MHA's ability to maintain reliable financial records, operate effectively and efficiently, and/or comply with applicable laws, rules, and regulations. Our report also includes findings regarding significant instances of noncompliance with applicable laws, rules, or regulations. Other less significant findings were communicated to MHA that did not warrant inclusion in this report.

DHMH's response to our findings and recommendations, on behalf of MHA, 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 DHMH 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

Martin O'Malley, Governor – Anthony G. Brown, Lt. Governor – Joshua M. Sharfstein, M.D., Secretary

July 11, 2011

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

Dear Mr. Myers:

Thank you for your letter regarding the draft audit report for the Department of Health and Mental Hygiene – Mental Hygiene Administration for the period beginning July 2, 2007 and ending June 30, 2010. Enclosed you will find the Department's response and plan of correction that addresses each audit recommendation. I will work with the appropriate Administration Directors, Programs Directors, and Deputy Secretary to promptly address all audit exceptions. In addition, the Division of Internal Audits will follow-up on the recommendations to ensure compliance.

If you have any questions or require additional information, please do not hesitate to contact me at 410-767-6505 or Thomas Russell of my staff at 410-767-5862.

Sincerely,

Joshua M. Sharfstein, M.D.
Secretary

Enclosure

cc: Renata Henry, Deputy Secretary Behavioral Health & Disabilities, DHMH
Wendy Kronmiller, Chief of Staff to the Office of the Secretary, DHMH
Valerie A. Roddy, Assistant to the Deputy Secretary for Behavioral Health and Disabilities, DHMH
Brian M. Hepburn, M.D., Executive Director, MHA
Thomas V. Russell, Inspector General, DHMH
Ellwood L. Hall, Jr., Assistant Inspector General, DHMH

Findings and Recommendations

Administrative Service Organization

Finding 1

MHA lacked adequate procedures to ensure that required documentation to support patient eligibility for mental health services paid entirely by the State's General Fund was obtained and verified.

Recommendation 1

We recommend that MHA establish procedures to ensure that required documentation supporting eligibility for individuals whose services are paid for entirely with general funds is obtained in all cases, and verified, at least on a test basis (repeat).

MHA's Response:

MHA concurs with the recommendation.

MHA has had procedures since 1997 for programs to collect documentation supporting the eligibility of the individual to be classified as uninsured. These procedures were most recently distributed to all providers in guidance dated April 18, 2011 and clarified June 9, 2011

Since March 2010, the current Administrative Services Organization has audited a sample of charts for the required documentation. The Administrative Services Organization will continue to audit a sample of charts for this documentation.

Finding 2

An automated match between death records maintained by the Social Security Administration and the ASO's paid claims records disclosed questionable recipient data and claim payments.

Recommendation 2

We recommend that MHA

- a. in coordination with the Medical Care Programs Administration, conduct matching procedures using the Social Security Administration's death records or other sources to help detect invalid or inaccurate recipient data and invalid claim payments; and**
- b. investigate the remaining cases noted in the aforementioned match results and, based on that investigation, take any appropriate action necessary, such as recovery of invalid payments and referral to the State's Medicaid fraud unit.**

MHA's Response:

MHA concurs with these recommendations.

- a. MHA will continue to work with Medical Care Programs Administration to conduct matching with the Social Security Administration death records to reduce the risk of invalid claims.
- b. Medicaid will investigate all remaining cases and taking appropriate action including referral to the Medicaid Fraud Unit. In addition, the Administrative Services Organization will retract claims paid with dates of service post-mortem for consumers identified as deceased in 2010.

Finding 3

Certain independent reviews of claims processed by the ASO have not been performed since March 2009.

Recommendation 3

We recommend that MHA ensure that all claims processed by the ASO are subject to an independent systematic review and evaluation on a regular basis.

MHA's Response:

The MHA concurs with the recommendation.

In conjunction with DBM, has awarded a new contract with a Notice To Proceed (NTP) effective May 25, 2011. The contract requires quarterly audits of claims and bank reconciliations, retroactive to September 1, 2009 which is the start date for the new ASO. The contract ends August 31, 2014.

MHA participated in DBM's first Task Order RFP (TORFP) master contract which ended May 31, 2009 for audit services and June 30, 2009 for management consulting services. MHA moved forward to re-award this contract when DBM established a new contract in August 2010.

Information Systems Security and Control

Finding 4

MHA's contract with the ASO did not contain specific provisions obligating the ASO to address certain significant information technology security and operational risks.

Recommendation 4

We recommend that, for future information technology contracts involving cloud computing services with significant risks, MHA

- a. include provisions that require the vendors to address critical security and operational risks, including safeguards for sensitive data; and**
- b. periodically verify that the applicable vendor is in compliance with all relevant contract requirements that address such risks (for example, by requiring the vendor to periodically obtain a SOC 2, type 2 report).**

MHA's Response:

MHA concurs with the recommendations.

- a. MHA will include provisions that require the vendors to address critical security and operational risks, including safeguards for sensitive data; and**
- b. MHA will periodically verify that the applicable vendor is in compliance with all relevant contract requirements that address such risks (for example, by requiring the vendor to periodically obtain a SOC 2, type 2 report).**

Finding 5

Access and monitoring controls over the ASO's servers hosting the portal and the web server software were not adequate.

Recommendation 5

We recommend that MHA ensure that the ASO implements appropriate controls over its portal and web server software. Accordingly, we made detailed recommendations to MHA which, if implemented by the ASO, would enhance controls over the portal and web server software.

MHA's Response:

MHA concurs with the recommendations and will implement them.

MHA will make this part of future contracts and MHA will include an IT expert (either within DHMH or a contractor) both in developing the RFP and in reviewing the proposals generated by the RFP.

In addition to taking steps to further improve security, MHA notes that there have been no known breaches to the security of the system overseen by the current Administrative Services Organization.

Finding 6

The ASO's account and password controls were not adequate.

Recommendation 6

We recommend that MHA ensure that the ASO implements and enforces strong account and password controls over its critical systems in accordance with the best practices prescribed by the State of Maryland Department of Information Technology's *Information Security Policy*.

MHA's Response:

MHA concurs with the recommendation.

The Administrative Services Organization is implementing the recommended controls.

MHA will make these requirements part of future contracts and MHA will include an IT expert (either within DHMH or a contractor) both in developing the RFP and in reviewing the proposals generated by the RFP.

In addition to taking steps to further improve security, MHA notes that there have been no known breaches to the security of the system overseen by the current Administrative Services Organization.

Core Service Agencies

Finding 7

MHA did not adequately monitor contracts established by the State's local Core Service Agencies.

Recommendation 7

We recommend that MHA establish adequate procedures to ensure that CSA subcontracts include all required services and conditions of award included in original award agreements between MHA and the CSA.

MHA's Response:

MHA concurs with the recommendation.

MHA currently has contract language (see below) and monitoring to ensure that CSA subcontracts include all required services and conditions of award included in the original award agreements between MHA and the CSA. MHA will ensure that these procedures are strictly followed during the quarterly monitoring reviews.

The standard language in the MOU requires that the CSA include the MHA conditions of award:

“The CSA shall execute agreements with all its contractors who receive funds from the CSA for the provision of mental health services. At a minimum, the CSA shall include the requirements of MHA’s Condition of Awards (COA) in their funding agreements with their providers of services. All of these agreements must be executed prior to the inception of their covered period and shall incorporate requirements of the MHA specific program COAs and all relevant Federal, State, and local laws, regulations, and policies.”

Finding 8

Internal controls over cash receipts were not sufficient.

Recommendation 8

We recommend that MHA

- a. designate an employee independent of the cash collection functions to verify recorded collections to either the receipt from DHMH, or validated bank documentation as appropriate (repeat); and**
- b. ensure that all checks are restrictively endorsed immediately upon receipt.**

MHA’s Response:

The Department concurs with the recommendations:

- a. There were corrective actions as a result of the prior audit. However, MHA recognizes the importance of the additional recommendation to improve the internal control over cash receipts. An employee independent of the cash collection functions has been designated, briefed and has verified all recorded cash collection transactions from the start of FY 2011 through June 22nd, finding no exceptions.
- b. Checks will be restrictively endorsed upon receipt at Crownsville Hospital Center (CHC) by the contractual Maintenance Chief. The contractual accountant will verify the initial record of collections to the validated bank deposit documents via a spread sheet or log. Once verified, a copy of the spread sheet or log will be forwarded to the MHA Management Operations Officer. Collections will be deposited on the next business day, in accordance with GAD requirements by the MHA Management Operations Officer. A record of collection receipts and dates of deposits will be maintained by the MHA Management Operation Officer. A unique user-ID will be obtained for the contractual CHC accountant.

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