# Summary of Reports Issued and Recommended Committee Action

## October 1, 2008 to November 30, 2008

Presentation to Joint Audit Committee

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December 9, 2008

# REPORTS ISSUED OCTOBER 1, 2008 TO NOVEMBER 30, 2008

## SUMMARY

| | |
|---|---|
| Total Reports Issued | 19 |
| Reports for Which Committee Action is Recommended | 5 |

| Agency | Recommended Committee Action |
|---|---|
| 1. Department of Human Resources – Social Services Administration | Hearing (1) |
| 2. Department of Human Resources – Child Support Enforcement Administration | Hearing (1) |
| 3. Department of Transportation – Maryland Transit Administration | Letter of Concern |
| 4. Department of Health and Mental Hygiene – Spring Grove Hospital Center – Possible Improper Procurement Activities (Special – Fraud) | Hearing (2) |
| 5. Department of Business and Economic Development | Letter of Concern |

(1) Presented to Joint Audit Committee in October 2008

(2) Fraud Hotline Update

### Summary of Recommended Committee Action

| | |
|---|---|
| Hearings (Present to Joint Audit Committee) | 3 |
| Letters of Concern | 2 |
| Total | 5 |

# REPORTS ISSUED
# OCTOBER 1, 2008 TO NOVEMBER 30, 2008

| Agency | Report Date | Number of Pages |
|---|---|---|
| Office of the Secretary of State | 10/03/08 | 6 |
| Department of Human Resources – Social Services Administration | 10/06/08 | 26 |
| Department of Labor, Licensing and Regulation – Division of Occupational and Professional Licensing | 10/06/08 | 18 |
| Department of Human Resources – Child Support Enforcement Administration | 10/07/08 | 26 |
| Department of Health and Mental Hygiene – Regional Institute for Children and Adolescents – Baltimore | 10/14/08 | 4 |
| Baltimore County Public Schools (Financial Management Practices Performance Audit) | 10/15/08 | 66 |
| Department of Public Safety and Correctional Services – Western Maryland Region | 10/16/08 | 9 |
| Department of Health and Mental Hygiene – Holly Center | 10/23/08 | 8 |
| Harford County – Office of the Register of Wills | 11/03/08 | 4 |
| Department of Transportation – Maryland Transit Administration | 11/05/08 | 20 |
| Department of Health and Mental Hygiene – Maryland Health Regulatory Commissions | 11/06/08 | 7 |
| Maryland Institute for Emergency Medical Services Systems | 11/10/08 | 10 |
| Department of Health and Mental Hygiene – Spring Grove Hospital Center – Possible Improper Procurement Activities (Special – Fraud) | 11/10/08 | 15 |
| Department of Business and Economic Development | 11/10/08 | 24 |
| Review of Community College Audit Reports – Fiscal Year Ending June 30, 2007 (Special) | 11/12/08 | 6 |
| Harford County – Office of the Clerk of Circuit Court | 11/18/08 | 6 |
| Judiciary – Judicial Information Systems | 11/18/08 | 16 |
| Department of Health and Mental Hygiene – Eastern Shore Hospital Center and Upper Shore Community Mental Health Center | 11/19/08 | 7 |
| Department of Labor, Licensing and Regulation – Office of the Secretary and Division of Administration | 11/21/08 | 20 |

Total Number of Reports Issued: 19

REPORTS FOR WHICH COMMITTEE ACTION IS RECOMMENDED
SIGNIFICANT AUDIT FINDINGS
OCTOBER 1, 2008 TO NOVEMBER 30, 2008

**1) Department of Human Resources – Social Services Administration (SSA) (10/6/08 – 26 pages – 9 findings)**

- SSA has not been able to successfully implement several critical components of the Children's Electronic Social Services Information Exchange (CHESSIE) system and has not been able to ensure data entered into the system were accurate and complete. These problems affected SSA's ability to conduct effective programmatic and financial monitoring and hindered preparation of accurate reports to the federal government. Development costs for CHESSIE totaled $67.6 million through June 30, 2007.
- SSA had not ensured compliance with critical foster care service requirements established by State and federal regulations. The system used to monitor compliance with State regulations was discontinued, and SSA had not met the required federal child welfare outcomes.
- SSA was unable to adequately monitor the sufficiency of the child welfare caseload ratios of the local departments of social services, as required by State law.
- A reliable and accurate single registry source of information about individuals known to be guilty of child abuse or neglect, or found responsible for indicated abuse or neglect, did not exist.
- SSA did not ensure that all available federal funds were obtained for certain services provided to eligible foster care children.
- SSA did not monitor local department caseworkers to ensure foster care children were placed with preferred group providers which, when available, generally had lower rates than non-preferred providers.
- Timely reviews of group care provider annual reports for fiscal years 2005 and 2006 were not conducted to identify overpayments.

**Recommended Committee Action – None at this time since the report was previously discussed at the Committee's October 2008 meeting.**

**2) Department of Human Resources – Child Support Enforcement Administration (CSEA) (10/7/08 – 26 pages – 15 findings)**

- CSEA did not use occupational license suspension as an enforcement tool for delinquent child support obligors. A match of CSEA obligors to 16 licensing units identified 5,283 individuals with occupational licenses that owed child support payments totaling $47 million.
- Comprehensive procedures were not in place to ensure valid social security numbers were on file for each obligor to facilitate the collection of unpaid child support.
- CSEA did not fully use available automated techniques to identify and seize certain obligor bank accounts to satisfy unpaid child support balances. For example, effective July 2005, CSEA ceased identifying obligor bank accounts in Maryland-chartered financial institutions.
- Driver's license suspension referrals rejected by the Motor Vehicle Administration due to system edits were not adequately investigated.
- CSEA did not have effective procedures to detect child support payments that were issued to deceased individuals, who were generally custodial parents. A data match disclosed payments totaling $331,972 during fiscal years 2006 and 2007 to 576 deceased individuals 30 days or more after the payee's date of death.
- CSEA did not forward certain undisbursed funds to the Comptroller of the Treasury as required by State law. As of August 2007, CSEA was holding $1.1 million in undisbursed funds that had been collected over four years ago.
- CSEA transferred $2.4 million from a local child support office bank account and retained these funds in its central disbursement account without determining the proper distribution.

**Recommended Committee Action – None at this time since the report was previously discussed at the Committee's October 2008 meeting.**

**3) Department of Transportation – Maryland Transit Administration (MTA) (11/5/08 – 20 pages – 9 findings)**

- MTA did not adequately safeguard and account for keys to certain fare revenue equipment. In January 2008, MTA referred to the Office of the Attorney General – Criminal Division a matter regarding an unauthorized employee who used such keys to improperly access certain fare box collections.
- MTA did not use reports produced by its automated bus fare box system to ensure that recorded fare collections were subsequently deposited in the bank. Using available system reports, we identified differences between recorded collections and amounts deposited totaling approximately $475,000 for the period from March 2007 to June 2007.
- Preventive maintenance inspections of its transit buses were not performed timely in accordance with federal requirements and MTA's bus inspection plan.
- MTA made a grant payment totaling approximately $433,000 in violation of the related grant agreement.
- Internal control deficiencies were noted with respect to information systems security, materials and supplies, and equipment. Specifically, access to critical payroll systems was not properly restricted, appropriate accountability was not established for certain materials and supplies, and a physical inventory of equipment had not been completed for a number of years.
- MTA's motor vehicle fleet was significantly underutilized.

**Recommended Committee Action – Letter of Concern**

**4) Department of Health and Mental Hygiene – Spring Grove Hospital Center (SGHC) – Possible Improper Procurement Activities (Special – Fraud) (11/10/08 – 15 pages – 4 findings)**

Based on allegations received through its fraud hotline, OLA conducted a review regarding possible improper procurement activities related to certain maintenance projects by the Spring Grove Hospital Center (SGHC), a unit of the Department of Health and Mental Hygiene. OLA's review of SGHC records indicated that the allegations related primarily to maintenance projects that were individually less than $25,000. Projects under that amount do not require outside control agency approvals, such as the Department of General Services. The review identified the following:

- There were questionable transactions totaling $167,106 involving one contractor. The bidding processes for numerous projects awarded to this contractor appeared to have been significantly compromised. Specifically, competing bids were purportedly submitted by two or three contractors but all of the bids were, in actuality, faxed to SGHC by the winning low bidder. In other instances, faxed bid documents had been tampered with to eliminate references as to where the bids had originated.
- Projects were often awarded to this contractor either without using a competitive bid process or as sole source procurements for repairs that appeared to be routine in nature.
- SGHC directed maintenance projects totaling $232,000 to three other contractors during the period when these contractors employed a certain individual. The projects were generally awarded without using a competitive bid process and involved other questionable procurement practices, such as awarding projects as sole source procurements without any written justification.
- Personal relationships existed between certain SGHC employees and contractors. These relationships and related transactions may have violated State Ethics Laws and a related Governor's Executive Order.

**Recommended Committee Action – Hearing (Fraud Hotline Update)**

**5) Department of Business and Economic Development (DBED) (11/10/08 – 24 pages – 11 findings)**

- DBED did not always obtain adequate documentation to verify eligibility for income tax credits it approved, such as to businesses for creating a specified number of new jobs in Maryland. In one case, a $50,000 credit was approved for a corporation that did not meet the applicable eligibility criteria.
- Controls over the issuance of sales tax exemption certificates to film production companies were not sufficient. During fiscal years 2005 through 2007, 215 applicants were certified for tax credits under various programs and 273 sales tax exemption certificates were issued.
- DBED did not effectively verify employment data submitted by recipients of loans under the Economic Development Opportunities Program Fund and the Maryland Economic Development Assistance Authority and Fund. The accuracy of these data is critical since loan agreements often provide for forgiveness of all or a portion of the loan if a certain number of jobs are retained and/or created. Loan amounts totaling approximately $27.6 million were forgiven during fiscal years 2005 through 2007.
- DBED did not always enforce contract and grant reporting requirements related to certain financing programs, its international offices, and the development of tourism and economic development in Maryland. For example, activity reports and audited financial statements were not always obtained.
- Certain expenditures tested were not adequately supported or made in accordance with contract terms. In addition, controls over certain purchasing transactions and State checks received directly by DBED for distribution to payees need to be improved.
- The effectiveness of certain promotional and marketing events, costing approximately $184,000, was not adequately evaluated or documented.
- DBED made payment to certain employees by allowing them to remain on the payroll for extended periods after their termination dates with no specific assigned responsibilities.

**Recommended Committee Action – Letter of Concern**