Summary of Reports Issued and Recommended Committee Action

November 1, 2010 to August 31, 2011

Presentation to Joint Audit Committee

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September 20, 2011

Reports Issued November 1, 2010 to August 31, 2011

Summary

Total Reports Issued	60
Reports Recommended for Action	9

Agency	Recommended Action
1. Department of Health and Mental Hygiene – Medical Care Programs Administration	JAC Hearing
2. Department of General Services – Office of the Secretary and Other Units	JAC Letter of Concern
3. Department of Human Resources – Office of the Secretary and Related Units	JAC Letter of Concern
4. Department of Human Resources – Family Investment Administration	JAC Hearing
5. Office of the Public Defender	JAC Letter of Concern
6. Department of Human Resources – Social Services Administration	JAC Hearing
7. Department of Transportation – State Highway Administration – Possible Conflicts of Interest Involving Certain Construction – Related Contracts (Special)	JAC Hearing
8. Department of Health and Mental Hygiene – Mental Hygiene Administration	JAC Hearing
9. Department of Health and Mental Hygiene – Office of the Secretary and Other Units	JAC Letter of Concern

Summary of Recommended Action

Joint Audit Committee (JAC) Hearing	5
JAC Letter of Concern	4
Total	9

REPORTS ISSUED
NOVEMBER 1, 2010 TO AUGUST 31, 2011

Agency	Report Date	Number of Pages
Review of Community College Audit Reports – Fiscal Year Ending June 30, 2009 (Special)	11/1/10	6
Worcester County Public Schools (Financial Management Practices Performance Audit)	11/1/10	66
Department of Public Safety and Correctional Services – Division of Parole and Probation	11/17/10	12
Review of the Maryland State Department of Education Assessment Contracts in Response to the April 2010 Joint Chairmen's Report (Special)	11/18/10	4
Department of Health and Mental Hygiene – Medical Care Programs Administration	12/6/10	36
Maryland Transportation Authority	12/7/10	10
Department of Health and Mental Hygiene – Infectious Disease and Environmental Health Administration	12/17/10	18
Comptroller of Maryland – Information Technology Division (Data Center and Network Review)	12/21/10	9
Maryland Energy Administration	12/22/10	7
Department of General Services – Office of the Secretary and Other Units	1/06/11	24
Dorchester County Public Schools (Financial Management Practices Performance Audit)	1/10/11	60
Department of Human Resources – Office of the Secretary and Related Units	1/11/11	20
Statewide Review of Budget Closeout Transactions for Fiscal Year 2010 (Special)	1/24/11	14
Managing for Results – Performance Measures – Health – Department of Health and Mental Hygiene – Maryland State Department of Education (Performance)	2/04/11	27
Department of Human Resources – Family Investment Administration	2/09/11	24
Office of the Public Defender	2/10/11	18
Comptroller of Maryland – Compliance Division	2/11/11	8
University System of Maryland – Bowie State University	2/15/11	18
Baltimore City – Office of the Trust Clerk to the Circuit Court	2/17/11	4
Prince George's County – Office of the Register of Wills	2/28/11	6
Maryland Food Center Authority	3/02/11	11
Somerset County – Office of the Register of Wills	3/02/11	5
Somerset County – Office of the Clerk of Circuit Court	3/03/11	5
Maryland Health Care Provider Rate Stabilization Fund – January 1, 2010 to December 31, 2010	3/11/11	6
Department of Human Resources – Social Services Administration	3/16/11	20
Office of People's Counsel	3/23/11	4
Maryland Department of Aging	3/29/11	15
Department of Public Safety and Correctional Services – Division of Pretrial Detention and Services	4/01/11	18
Department of Natural Resources	4/01/11	12
Managing for Results – Performance Measures – Commerce – Department of Agriculture – Department of Budget and Management – Department of Labor, Licensing and Regulation – Department of Planning – Department of Transportation (Performance)	4/18/11	24

REPORTS ISSUED
NOVEMBER 1, 2010 TO AUGUST 31, 2011
(continued)

Agency	Report Date	Number of Pages
Prince George's County – Office of the Clerk of Circuit Court	4/18/11	8
Crime Scene DNA Collection and Analysis Reporting by Law Enforcement Agencies (Special)	4/20/11	49
Managing for Results – Performance Measures – Education – Maryland Higher Education Commission (Performance)	4/21/11	21
Maryland Department of Planning	4/28/11	5
Comptroller of Maryland – Field Enforcement Division	5/11/11	6
Maryland Agricultural Land Preservation Fund – Fiscal Year Ended June 30, 2010	5/13/11	11
Department of Health and Mental Hygiene – Deer's Head Center	5/26/11	7
Baltimore City – Office of the Clerk of Circuit Court	6/03/11	15
Board of Public Works	6/09/11	6
Talbot County – Office of the Register of Wills	6/13/11	5
Carroll County – Office of the Register of Wills	6/22/11	5
Maryland Insurance Administration	6/22/11	18
Department of Transportation – State Highway Administration – Possible Conflicts of Interest Involving Certain Construction – Related Contracts (Special)	6/24/11	18
Potomac River Fisheries Commission – Report for the Year Ended June 30, 2010 (Examination)	6/28/11	5
Office of the Attorney General	7/01/11	4
Talbot County – Office of the Clerk of Circuit Court	7/06/11	7
Department of Health and Mental Hygiene – Mental Hygiene Administration	7/12/11	20
Washington County – Office of the Register of Wills	7/13/11	5
University System of Maryland – University of Maryland, College Park	7/14/11	12
Morgan State University	7/15/11	24
University System of Maryland – University of Baltimore	7/15/11	16
Managing for Results – Performance Measures – Environment – Department of Natural Resources – Maryland Department of the Environment – Maryland Department of Agriculture (Performance)	7/18/11	21
Department of Health and Mental Hygiene – Office of the Chief Medical Examiner	7/25/11	6
Department of Health and Mental Hygiene – Office of the Secretary and Other Units	8/9/11	24
Washington County – Office of the Clerk of Circuit Court	8/11/11	5
Baltimore County – Office of the Register of Wills	8/16/11	6
Department of Labor, Licensing and Regulation - Division of Racing	8/23/11	6
Department of Health and Mental Hygiene - Family Health Administration	8/23/11	10
Review of Local Government Audit Reports – Fiscal Year Ending June 30, 2010 (Special)	8/26/11	14
University System of Maryland – University of Maryland Eastern Shore	8/29/11	24

Total Number of Reports Issued: **60**

1) Department of Health and Mental Hygiene – Medical Care Programs Administration (MCPA) (12/06/10 – 36 pages – 14 findings)

- MCPA's policies and procedures for determining applicant eligibility for participation in the Medical Assistance Program were not comprehensive and longstanding deficiencies in the eligibility process and related monitoring have not been corrected. These conditions occurred, at least in part, because the memorandum of understanding between the Department of Health and Mental Hygiene and the Department of Human Resources, which performs certain eligibility determination responsibilities for the Program, was generally outdated and lacked important provisions.
- MCPA did not sufficiently verify data (that is, medical services provided to enrollees) that were factored into the computation of capitation (per person) rates paid to managed care organizations participating in the HealthChoice program, which enroll about 70 percent of Medicaid recipients.
- MCPA lacked adequate procedures over claims paid for Medicaid recipients who also had Medicare coverage (Medicare crossover claims). MCPA also did not ensure that claims adjustments were subject to independent supervisory review and approval.
- MCPA used inmates for data entry of sensitive claims information, including social security numbers, and did not ensure a contractor that also performed data entry had obtained the required criminal background checks for its employees. (Policy Issue)
- Certain healthcare provider applications were not subject to adequate supervisory review and approval.
- MCPA did not have procedures in place to ensure that drug prices paid for pharmacy reimbursements under the Maryland Medicaid Pharmacy Program were reasonable. Such payments totaled $271 million during fiscal year 2009.
- MCPA did not adequately account for cost settlements from long-term care facilities to ensure that all cost settlements were conducted as required. As of April 2010, there were 246 cost settlements that were not issued within the one year required period.
- MCPA did not fully correct procedures and control deficiencies, which contributed to a $1.8 million fraud in the Kidney Disease Program.
- Procedures were not sufficient to ensure the proper use of Transportation Grant Program funds. Payments under this Program totaled $32.5 million during fiscal year 2009.

Recommended Committee Action – Hearing

2) Department of General Services (DGS) (1/06/11 – 24 pages – 7 findings)

- DGS did not verify the propriety of certain data used and assumptions made by energy service companies to calculate State facility energy usage under energy performance contracts (EPC). DGS also did not verify whether guaranteed cost savings reported by energy service companies in measurement and verification (M&V) reports were realized.
  As of May 31, 2010, there were 14 EPC's statewide in the construction and M&V contract phases, costing $165 million, which included fees totaling $5.6 million for annual M&V services to be rendered by the companies.
- DGS could not adequately support its decision to pay an energy service company for certain required M&V services that were not performed and it did not request approval from the Board of Public Works to modify the related contract.
- DGS permitted certain energy service companies to use M&V methods that did not appear to be supported by federal guidelines and industry protocols.
- DGS lacked adequate controls for the issuance and recovery of State identification (ID) cards. For example, there was no supervisory review of ID cards issued to ensure that the cards were issued only to authorized individuals.
- DGS did not formally document its decision regarding seeking the recovery of costs incurred due to project design errors or omissions by contractors. DGS processed construction change orders totaling approximately $1.2 million that it attributed to contractor design errors and omissions.
- DGS inappropriately accrued certain revenues totaling approximately $549,000, and lacked documentation to support certain accrued expenditures totaling approximately $1 million.
- DGS did not maintain its equipment and related records in accordance with State regulations. According to its detail equipment records, as of June 30, 2010, the value of DGS equipment totaled approximately $10.3 million

Recommended Committee Action – Letter of Concern

3) Department of Human Resources – Office of the Secretary and Related Units (DHR) (1/11/11 – 20 pages – 9 findings)

- The United States Department of Health and Human Services disallowed $9.6 million in certain Title IV-E expenditures because there was no provision for those expenditures in DHR's cost allocation plan. Consequently, the expenditures, which were paid with State general funds, will not be reimbursed.
- Adequate procedures had not been established to ensure that payments made to legal firms on behalf of indigent individuals, such as adults in Adult Protective Services proceedings, were proper and that the firms provided the related services. Such payments totaled $16.1 million during fiscal year 2009.
- DHR did not adequately monitor grant expenditures, which totaled $30 million in fiscal year 2009, to ensure that the funds were spent and services were performed in accordance with the grant agreements. For example, although grantees are required to provide expenditure reports on a regular basis, DHR did not independently verify the accuracy of these reports.
- DHR circumvented the State procurement process by allowing a contractor to purchase 450 computers on its behalf, at a total cost of approximately $850,000, without soliciting competitive bids. Consequently, DHR had no assurance that the computers were purchased at the lowest cost to the State.
- DHR did not establish adequate controls over its information systems. For example, DHR did not independently review the propriety of actions taken by users with unrestricted access to electronic benefit and payment menu screens in the Clients' Automated Resource and Eligibility System.
- Adequate accountability and control was not established over equipment. For example, differences between the physical inventories and the related detail records were not adequately investigated and resolved. As of February 2010, there were 42,433 missing items, including sensitive items such as computer equipment, with a total cost of $27.5 million.

Recommended Committee Action – Letter of Concern

4) Department of Human Resources – Family Investment Administration (2/09/11 – 24 pages – 8 findings)

- FIA did not ensure that that the results of computer matches performed to help verify eligibility for assistance programs such as Temporary Cash Assistance were investigated and resolved by the local departments of social services (LDSSs) in a timely and adequate manner. For example, as of May 2010, FIA had identified approximately 28,700 instances of a missing or unverified social security number relating to active or pending public assistance cases, 2,600 of which had remained unresolved for over a year. FIA estimated that FY 2010 DHR benefit payments to the related individuals totaled $3.4 million
- FIA lacked assurance that LDSSs complied with quality assurance program requirements in a timely and complete manner. These requirements were implemented to assess LDSS performance and to identify and address errors that may have occurred when processing applications. Also, due to the State's error rates exceeding certain national performance measures, sanctions of $423,563 were imposed by the federal government.
- FIA did not use available matching procedures to help verify critical information submitted by applicants for energy assistance program benefits, which totaled approximately $150 million during fiscal year 2010. Furthermore, adequate documentation of data used to help determine the amount of benefits due an applicant was not always obtained.
- FIA had not established adequate controls over the automated data management system used to process applications for energy assistance and to calculate benefit amounts due. Also, controls over refunds of energy assistance benefits received from utility companies, which totaled approximately $5.3 million during fiscal year 2010, were not sufficient.
- FIA did not verify that individuals receiving Temporary Disability Assistance Program (TDAP) benefits for an extended period were pursuing federal benefits as required. TDAP benefits, which are entirely State funded and totaled approximately $41.6 million during fiscal year 2010, are discontinued once federal benefits are approved and initiated by the Social Security Administration.

Recommended Committee Action – Hearing

5) Office of the Public Defender (OPD) (2/10/11 – 18 pages – 7 findings)

- OPD policies and procedures for determining client financial eligibility for its legal services were not sufficiently comprehensive. OPD policies did not require applicants to provide supporting documentation for reported expenses used to determine the applicant's ability to pay for legal representation and did not define situations when an independent verification of an applicant's financial status would be warranted. Also, eligibility determinations were not always properly supported and were not subject to supervisory review.
- OPD lacked adequate procedures to ensure administrative and court-ordered fees due from clients were recorded in the accounts receivable records and were pursued for collection. For example, according to OLA's analysis, OPD failed to record and/or pursue collection of administrative fees for 40,000 cases opened during fiscal year 2010 totaling an estimated $1.9 million.
- OPD did not assess administrative fees on certain applicants and did not have procedures to ensure clients were billed for certain court-ordered fees. For example, OLA estimated that OPD did not assess administrative fees totaling $78,400 to applicants who were denied services even though State regulations provide that the fee shall be assessed for these applicants.
- OPD did not properly segregate accounts receivable duties and did not require independent approval for critical transactions. As of June 30, 2010, accounts receivable related to administrative fees and court-ordered reimbursements totaled $19.4 million and $3.9 million, respectively.
- OPD did not remove two employees from the payroll in a timely manner and improperly calculated the unused annual leave balance paid to six employees on termination of employment resulting in overpayments totaling approximately $66,000.

Recommended Committee Action – Letter of Concern

6) Department of Human Resources – Social Services Administration (SSA) (3/16/11 – 20 pages – 6 findings)

- Certain information recorded in the Children's Electronic Social Services Information Exchange (CHESSIE), SSA's automated child welfare information system, was incomplete and unreliable. As a result, SSA has not been able to use CHESSIE's investigation module to effectively monitor child welfare activities performed by the LDSSs, such as the timeliness of investigations performed for allegations of child abuse and neglect. This condition also resulted in the reporting of certain unreliable data to the federal government.
- SSA did not establish procedures to effectively monitor foster and kinship care placements to ensure that children were not placed with certain providers, as required by State regulations. OLA's review identified 6 foster care providers who had cared for 32 children even though there was credible evidence of child abuse or neglect against the provider prior to, or during, these placements.
- SSA did not ensure compliance with certain foster care service requirements, such as annual medical exams for foster care children.
- SSA did not achieve the required 90 percent success rate for any of the seven outcome measures in the federal Child and Family Services Review (CFSR) dated January 2010.
- SSA did not have a process in place to ensure that annual reports from group home providers detailing the disposition of overpayments they retained from prior years were obtained. According to SSA's records, overpayments to 55 providers in fiscal year 2008 totaled $5.8 million.
- SSA did not have a process in place to obtain supporting documentation for invoices related to contracts totaling $3.4 million that SSA entered into with a State university. Under the terms of the contracts, payments to the university were to be based on the actual time and materials spent by the university.

Recommended Committee Action – Hearing

7) Department of Transportation – State Highway Administration (SHA) – Possible Conflicts of Interest Involving Certain Construction – Related Contracts (Special) (6/24/11 – 18 pages – 5 findings)

- A senior SHA Office of Construction (OOC) management employee appeared to have solicited funds for a charity event hosted by the employee's company from firms doing, or seeking to do, business with SHA, potentially violating State Ethics Laws, a Governor's Executive Order, and SHA policies. The employee's financial relationship with these firms is significant because some of these firms had ongoing contracts with SHA, which were procured, in part, by this employee's unit (OOC). Two of these firms were each awarded a $16 million contract for construction management and inspection services shortly before the event.
- A former senior management employee was hired by a firm doing business with SHA within 12 days of retirement and subsequently worked on an SHA contract that, as an employee, this individual had helped to procure. This condition may have violated State Ethics Laws, as well as SHA's ethics policies and contract provisions.
- SHA did not ensure that firms doing business with SHA complied with State Ethics Laws and SHA policies regarding the hiring of former State employees. SHA made no attempts to identify these former employees and/or ensure that their employment was not violating ethics requirements.
- SHA's procurement of two $16 million contracts circumvented certain established independent bid evaluation processes and the procurement was not adequately documented. For example, the Office of Procurement and Contracts (OPC) did not perform a complete rating of the technical proposals and SHA did not document how disparities in the evaluation of technical proposals by OPC and OOC were resolved.
- SHA solicited the cooperation of the two aforementioned firms to redirect contract funds from the two $16 million contracts for unrelated projects, thereby circumventing Board of Public Works oversight and approval. SHA solicited the cooperation of these two firms through correspondence which requested the firms to provide services that were not within the defined scope of their BPW-approved contracts and instructed the firms how to submit their invoices to facilitate the payments.

Recommended Committee Action – Hearing

8) Department of Health and Mental Hygiene – Mental Hygiene Administration (MHA) (7/12/11 – 20 pages – 8 findings)

- MHA lacked adequate procedures for ensuring that documentation supporting patient eligibility for services paid entirely by the State's General Fund (uninsured coverage) was obtained and verified. Although MHA contracted with an Administrative Service Organization (ASO) to review patient eligibility, these reviews did not target uninsured coverage claims nor did they include a review of supporting documentation when such claims were examined. Payments for uninsured coverage totaled approximately $20 million between September 2009 and June 2010.
- An automated data match between death records of the Social Security Administration (SSA) and MHA claim payment records disclosed questionable recipient data and claim payments. In particular, the match disclosed 106 individuals whose social security numbers matched those of deceased individuals. For these individuals, claims totaling approximately $207,000 were paid for services rendered after their dates of death as indicated by SSA's records.
- Certain independent reviews of claims processed by the ASO have not been performed since March 2009. These reviews served as a primary means for testing the accuracy and propriety of processed claims, which totaled approximately $472 million between September 1, 2009 and June 30, 2010.
- MHA's contract with the ASO lacked specific provisions needed to obligate the vendor to address certain significant information technology security and operational risks, including risks over sensitive data.
- 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 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. During fiscal year 2010, MHA awarded approximately $63.8 million to the 20 CSAs.

Recommended Committee Action – Hearing

9) Department of Health and Mental Hygiene – Office of the Secretary and Other Units (DHMH) (8/09/11 – 24 pages – 10 findings)

- DHMH lacked adequate procedures and controls over vital records, resulting in a lack of assurance that all birth record information recorded on the vital records system was accurate and that related certificates were only issued to authorized recipients. Also, DHMH did not reconcile the number of certificates issued to the related fees collected and deposited and did not generate output reports of certificates issued for use in such reconciliations. During fiscal year 2010, DHMH's Division of Vital Records collected approximately $4.9 million for the issuance of approximately 413,000 certified copies of certificates.
- DHMH did not properly monitor local health department (LHD) procedures and controls over birth and death certificates. Critical vital record and cash receipts duties were not properly segregated at certain LHDs, and an employee at one LHD allegedly issued birth certificates for which the related collections had not been recorded and/or accounted for, resulting in a DHMH investigation and referral of the case to the Office of the Attorney General's Criminal Division. During fiscal year 2010, the LHD's collected approximately $2.1 million for the issuance of approximately 185,000 certificates.
- DHMH did not properly or timely perform financial investigations of patients enrolled in State facilities to determine their ability to pay for the cost of care and/or to identify other liable parties. The cost of services provided cannot be billed to the patients or to appropriate liable third parties, when appropriate, until the financial investigations are completed.
- DHMH did not always adequately pursue delinquent accounts receivable for collection and/or transfer the accounts to the Department of Budget and Management's Central Collection Unit (CCU) as required. According to DHMH records as of March 31, 2010, there were 672 accounts totaling approximately $10 million that were outstanding for more than 120 days.
- DHMH did not expand testing of pharmacy claims and take sufficient corrective action when significant errors were identified during audits of pharmacies participating in the Maryland Pharmacy Program. According to DHMH records, during fiscal year 2009, 1,120 pharmacies were paid $271 million for claims and 161 pharmacies were audited with recommended recoveries of approximately $43,000.

Recommended Committee Action – Letter of Concern