Summary of Reports Issued and Recommended Committee Action

August 1, 2017 to November 30, 2017

Presentation to Joint Audit Committee

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Reports Issued August 1, 2017 to November 30, 2017

Summary

Total Reports Issued	21
Reports Recommended for Action	7

	Agency	Recommended Action
1.	Maryland Department of Health – Medical Care Programs Administration	JAC Hearing[1]
2.	Maryland Department of Health – Office of the Secretary and Other Units	JAC Hearing[1]
3.	Department of Human Services – Office of the Secretary and Related Units	JAC Hearing
4.	Department of Juvenile Services	JAC Letter of Concern
5.	Baltimore City Community College	JAC Letter of Concern
6.	Department of Human Services – Social Services Administration	JAC Hearing
7.	Department of Transportation – Motor Vehicle Administration	JAC Letter of Concern

Summary of Recommended Action	
Joint Audit Committee (JAC) Hearing	4
JAC Letter of Concern	3
Total	7

[1] Presented to Joint Audit Committee in September 2017

REPORTS ISSUED
AUGUST 1, 2017 TO NOVEMBER 30, 2017

Agency	Report Date	Number of Pages
Department of General Services – Office of Secretary and Other Units	8/03/17	15
Department of Labor, Licensing and Regulation – Office of the Secretary – Division of Administration – Division of Workforce Development and Adult Learning	8/07/17	12
Maryland Department of Health – Medical Care Programs Administration	8/18/17	43
Prince George's County – Office of the Clerk of Circuit Court	8/23/17	7
Maryland Department of Health – Office of the Secretary and Other Units	8/30/17	36
Maryland Health Care Commission (Special)	9/05/17	8
Potomac River Fisheries Commission – Report for the Year Ended June 30, 2016 (Examination)	9/06/17	9
Department of Human Services – Office of the Secretary and Related Units	9/12/17	25
Department of Public Safety and Correctional Services – Inmate Medical Healthcare Service Contract (Special)	9/12/17	28
Review of Local Government Audit Reports – Fiscal Year Ending June 30, 2016 (Special)	9/19/17	17
Subsequent Injury Fund	9/26/17	13
Maryland Food Center Authority	10/03/17	8
University System of Maryland – Bowie State University	10/31/17	13
Department of Juvenile Services	11/01/17	28
Board of Public Works	11/13/17	5
Comptroller of Maryland – Information Technology Division (Fiscal Operations)	11/13/17	6
Baltimore City Community College	11/14/17	22
Dorchester County Public Schools (Financial Management Practices Audit)	11/15/17	41
Department of Human Services – Social Services Administration	11/20/17	37
Department of Transportation – Motor Vehicle Administration	11/22/17	29
Department of Labor, Licensing and Regulation – Division of Occupational and Professional Licensing	11/28/17	10

Total Number of Reports Issued: **21**

Reports Recommended for Committee Action
Significant Audit Findings
August 1, 2017 to November 30, 2017

1) **Maryland Department of Health (MDH) – Medical Care Programs Administration (MCPA) (8/18/17 – 43 pages – 15 Findings)**

As a result of the significance of our audit findings and the number of repeat findings, OLA determined that MCPA's accountability and compliance level was unsatisfactory, in accordance with the rating system we established in conformity with State law.

- MCPA did not have adequate procedures and controls over the Medicaid enrollment and eligibility process. MCPA did not enroll 11,153 new recipients in a Managed Care Organization (MCO) in a timely manner resulting in MCPA paying certain recipients' claims on a fee-for-service basis rather than the claims being paid by an MCO. MCPA could not determine the fiscal impact of these delays without an analysis of each recipient's claim activities. Our test of the 10 highest fee-for-service claims paid during fiscal year 2015 disclosed that 4 claims totaling $826,000 would have been paid by an MCO had the recipient been enrolled in an MCO timely.

- MCPA's memoranda of understanding with the Department of Human Services and the Maryland Health Benefit Exchange, the two entities that are responsible for processing the majority of eligibility determinations, did not contain provisions for quality assurance procedures to ensure that recipient eligibility determinations were proper and did not specify the actions to be taken when fraud or abuse was identified.

- MCPA did not conduct timely follow-up on potentially ineligible Medicaid recipients it had referred to the appropriate local department of social services (LDSS) for resolution. For example, as of June 2015, 2,721 instances identified at three LDSSs had been outstanding for an average of 79, 125, and 194 days, and 266 alerts statewide related to long-term care recipients had been outstanding for an average of 201 days.

- MCPA did not take certain actions or establish adequate processes to maximize recoveries from other sources to reduce Medicaid payments to providers. Timely action had not been taken to ensure Medicaid recipients age 65 or older had applied for Medicare, which generally reduces Medicaid payments. According to its records, MCPA paid claims during fiscal year 2015 totaling $85.4 million for 4,133 recipients who were at least 65 and were not enrolled in Medicare, despite being potentially eligible. Furthermore, MCPA did not ensure that all potential third-party health insurance information for Medicaid recipients was received and properly investigated in a timely manner.

- MCPA did not institute certain security measures and controls over its information systems, and did not ensure recipient's personally identifiable information and protected health information maintained by both MCPA and its vendors were safeguarded.

Recommended Committee Action – Hearing (Presented at the Committee's September 2017 Meeting)

2) MDH – Office of the Secretary and Other Units (8/30/17 – 36 pages – 17 Findings)

As a result of the significance of our audit findings and the number of repeat findings, OLA determined that MDH's accountability and compliance level was unsatisfactory, in accordance with the rating system we established in conformity with State law.

- MDH did not provide adequate oversight of and guidance to its administrations to ensure interagency agreements with State universities, which are not competitively procured, are appropriate and represent the best value to MDH. During an approximate three-year period, there were 304 such agreements in effect valued at $329.5 million. In many cases, the agreements allowed MDH administrations to augment their staff beyond their authorized positions. It appears that 102 of the 304 agreements totaling $122.7 million were used for this purpose. Furthermore, State universities typically charged administration fees ranging up to 31 percent of the agreement value and MDH did not have a process to evaluate those fees for reasonableness. Administration fees for the 304 agreements totaled $25.6 million.

- MDH did not always comply with State procurement regulations when awarding sole source and emergency procurements. For example, MDH had not negotiated pricing for any of the six sole source contracts tested, totaling $17.1 million, and for three of these contracts totaling $8.7 million, it did not adequately justify the procurements as sole source awards. In addition, MDH did not have a formal monitoring procedure to ensure contract awards were consistently published, as required by State law and regulations.

- Supervisory reviews of federal fund reimbursement requests were not always effective. Our review of 20 of these requests totaling $3 billion disclosed that 5 requests contained errors totaling $27.2 million of which only one of these errors totaling $1.3 million was identified through the review for correction.

- MDH's Office of the Inspector General had not completed timely and/or comprehensive audits of private providers, which received $196 million from MDH during fiscal year 2016. The Office also lacked a formal process for oversight and monitoring of corrective actions taken related to audits of both local health departments and private providers.

- There were a number of deficiencies with MDH's security and control over its information systems and network. For example, MDH inappropriately stored certain sensitive personally identifiable information, including social security numbers stored in clear text along with names, addresses, and dates of birth, for approximately 215,000 individuals without adequate safeguards.

Recommended Committee Action – Hearing (Presented at the Committee's September 2017 Meeting)

3) Department of Human Services (DHS) – Office of the Secretary and Related Units (9/12/17 – 25 pages – 13 Findings)

- DHS did not effectively administer contract terms and task order activity under a $125 million information technology (IT) contract. DHS did not have formal procedures to evaluate the vendor cost proposals for each task order, nor was there any evidence DHS verified the reasonableness of employee hours and related costs proposed by the vendor. Also, DHS adopted a change in the billing process from a deliverable basis to a fixed-price installment basis, which was not consistent with contract terms. This change resulted in DHS paying approximately $4 million more than necessary for one project that was ultimately cancelled. DHS issued and paid for $8.4 million in task orders beyond the $10 million authorized in the contract for fiscal year 2015 without preparing a contract modification and obtaining Board of Public Works approval as required by State procurement regulations.

- DHS did not properly plan and administer task order projects for the IT contract, resulting in payments totaling approximately $10.1 million for a project that was subsequently cancelled, including the $4 million referenced above. DHS did not formally cancel the project in a timely manner, resulting in $781,000 being unnecessarily paid to the vendor. DHS management advised us that it does not anticipate resuming the project; therefore, there is no evidence that the deliverables received will provide any future benefits.

- DHS guaranteed a minimum compensation to two of eight legal firms awarded emergency contracts resulting in approximately $616,000 more being paid than if the firms were reimbursed on a per-case fee, which was the reimbursement method used for the other six firms. DHS could not explain why some firms were offered this payment provision while others were not. DHS also did not have adequate procedures to ensure payments made to the legal firms, totaling $24.5 million from September 2013 through August 2015, were proper and did not follow up on deficiencies regarding services provided that were noted during annual site visits of the firms.

- DHS did not properly secure its information systems. Sensitive personally identifiable information stored on several databases was not properly protected. Also, DHS did not ensure, on an ongoing basis, that malware protection software was installed, up-to-date, and operational on all its computers.

- DHS did not have adequate internal controls and record keeping with respect to grants, purchases and disbursements, and payroll. For example, in August 2015, DHS paid a State university's $300,000 invoice in full, but as of March 2017, the billed services had not been provided.

Recommended Committee Action – Hearing

Significant Audit Findings
August 1, 2017 to November 30, 2017

4) Department of Juvenile Services (DJS) (11/01/17 – 28 pages – 12 Findings)

- DJS procured certain youth care services via intergovernmental agreements with non-private entities, which did not provide assurance that these services were obtained at the best value to the State and DJS did not ensure that the related services were received. Six agreements we tested, valued at $7.6 million, included administrative fee payments totaling $523,000 to the entities to monitor non-private subcontractors that in some cases provided all youth care services. These agreements did not require the entities to report on their subcontractor monitoring efforts, nor had DJS monitored the entities for this oversight.

- Financial examinations of youth care service providers conducted by DJS were not sufficient to ensure funds were spent on allowable costs and that excess payments were recovered. Our review of 12 providers found 4 that were allowed to retain $380,000 in excess payments without required justifications. During fiscal year 2015, DJS was under contract with 81 providers for services valued at approximately $63.0 million.

- DJS circumvented State procurement regulations, including Board of Public Works and control agency approvals, by artificially dividing procurements to certain vendors so as not to require public solicitation of bids and public notification of the awards. During fiscal years 2014 through 2016, DJS paid 22 vendors $9 million, with $7.5 million for procurements of $15,000 or less; including 204 purchases totaling $1.5 million from one vendor, of which 202 purchases were for $15,000 or less. These conditions also allowed certain questionable purchasing activity to occur without detection since DJS employees, under delegated authority were able to directly solicit, receive, evaluate bids, and select vendors without extensive involvement of DJS procurement personnel. For example, DJS employees accepted bids for 19 routine service procurements from 2 companies owned by the same individuals, and these companies were the only bidders for 18 of these procurements. We referred this matter to the Office of the Attorney General – Criminal Division.

- DJS did not maximize recovery of federal funds used to offset the cost of eligible residential rehabilitation and treatment foster care services. Our tests disclosed that certain federal reimbursement requests did not include all potentially eligible expenditures. In addition, DJS did not take action to obtain federal Medicaid reimbursement for allowable residential rehabilitation services and DJS has not recovered any such costs since July 1, 2015.

- DJS had not established sufficient controls to ensure that court-ordered restitution was properly recorded, collected, and disbursed to crime victims. DJS admitted that its records of restitution owed by juveniles are unreliable.

- DJS did not protect personally identifiable information of juveniles, such as names, social security numbers and/or dates of birth, in both hardcopy and electronic formats.

Recommended Committee Action – Letter of Concern

5) Baltimore City Community College (BCCC) (11/14/17 – 22 pages – 8 Findings)

- BCCC's Facilities Planning and Operations Department procurement deficiencies resulted in a circumvention of State procurement regulations and lack of effective controls. Department employees directly solicited, received, and evaluated bids and selected vendors to supply maintenance goods and services.

    - Many of these purchases were artificially divided to avoid competitive public solicitations or the use of statewide contracts, as well as the involvement of BCCC's central procurement personnel. During a three-year period, the Department made 178 payments to the same seven vendors totaling $420,000, each below the $15,000 threshold requiring central personnel to perform procurement tasks.

    - These procurement practices allowed certain questionable purchasing activity to occur within the Department without detection. Our tests disclosed an apparent familial relationship between vendors from which bids were directly solicited and questionable payments totaling $73,900, such as payments for maintenance services performed in rooms or on equipment that did not exist.

    - Department employees shared their corporate purchasing cards (CPC), precluding effective accountability and control, and did not have documentation, such as detailed invoices, to support certain payments, as required by State CPC policy. Our review of five payments for maintenance services totaling $10,900 disclosed three purchases totaling $6,500 that were not supported.

- BCCC granted salary incentives or increases totaling $129,250 to four senior management positions without adequate justification, including three increases that were not approved by its Board of Trustees.

- BCCC did not have a current and comprehensive agreement with its affiliated foundation and the most recent agreement did not contain any operational goals or outcomes to be achieved by the foundation. BCCC paid the salaries and benefits for the foundation's three employees, which totaled $524,846 during fiscal years 2015 and 2016, representing 65 percent of the foundation's total revenue during those years.

- There were several deficiencies with BCCC's security and control over its information systems and data, such as the lack of protection for personally identifiable information.

Recommended Committee Action – Letter of Concern

6) DHS – Social Services Administration (SSA) (11/20/17 – 37 pages – 14 Findings)

Due to the number and significance of our audit findings, OLA determined that SSA's accountability and compliance level was unsatisfactory, in accordance with the rating system we established in conformity with State law.

- SSA did not have a comprehensive quality assurance program to ensure that child welfare programs were being properly administered by the local departments of social services (LDSSs) that are responsible for case management functions, including the monitoring of child placements, providers, and investigating reports of abuse and neglect. SSA had not established LDSS oversight or the oversight was insufficient in the following areas:
    - Foster care placement recordkeeping
    - Medical and dental exams for foster care children
    - School attendance for school-aged children
    - Approval, monitoring, and continued eligibility of family foster care providers, and adoptive parents and guardians
    - Continued program eligibility of children over the age of 18
    - Child abuse and neglect investigations
    - Substance-exposed newborn risk assessments
    - Children born to individuals with parental rights previously terminated

  In each of these areas, we identified instances in which the LDSSs were not complying with SSA requirements, State regulations, or law. For example, based on a judgmental selection of 57 foster care children monitored by 10 different LDSSs, we determined that evidence was lacking regarding compliance with 31 percent of five required attributes tested, such as medical exams. According to SSA records, during fiscal year 2016, approximately 17,000 children participated in SSA programs and were served by 9,000 providers/parents at a cost of approximately $270 million.

- SSA did not maximize the recovery of federal reimbursement for eligible children in foster care, as well as those in adoption and guardianship programs. Eligibility decisions were not subject to effective supervisory reviews, and our test of 36 children for which federal funding was not being received identified 18 cases for which children were incorrectly identified as ineligible, resulting in the failure to recover $1 million in federal funds. We also identified instances in which the State was not collecting Supplemental Security Income to apply against the cost of care for eligible children.

- Financial information from providers of child placement services, such as group homes, were not reviewed timely to identify and recoup overpayments. As of September 2016, most of the approximately 90 provider financial reports for fiscal year 2014 had not been completed and none of fiscal year 2015 reports were reviewed.

Recommended Committee Action – Hearing

7) Department of Transportation – Motor Vehicle Administration (MVA) (11/22/17 – 29 pages – 12 Findings)

- A focused internal investigation conducted by MVA in 2016 identified 270 fraudulent federally non-compliant driver's licenses and identification cards (products) that had been issued based on counterfeit documents at one branch over a six-month period. However, MVA did not expand its investigation to determine the full extent of such occurrences and did not alter its procedures to address the related control deficiencies. Our expanded analysis identified 329 additional products that may have been improperly issued; accordingly, further investigation is warranted.

- MVA had not established sufficient controls over its inventory stock of driver's license and identification cards, and could not account for 7,500 cards received in June 2016, which could be used for improper purposes.

- MVA did not ensure that all driving records were being reviewed for possible administrative action. After our inquiries, MVA determined that certain cases in which the driver had already accumulated 8 or 12 points on his or her driving record were being incorrectly excluded from MVA established review procedures. Our test of 31 excluded records disclosed that required administrative action, such as license suspension, was not taken against 8 drivers.

- MVA did not ensure that required supervisory reviews of 5% of the critical transactions recorded on driving records, such as the addition or removal of a license suspension or revocation, were adequately performed and documented. Our test of 1,044 critical transactions processed by 10 employees over five days disclosed that, although 46 (4.4 percent) of the critical transactions tested had been reviewed, none of the 176 transactions processed by 2 employees were reviewed.

- By using a competitive procurement process instead of an existing State master contract, MVA did not ensure that a $21.4 million IT services contract was procured at the most favorable labor rates available. In addition, MVA's procedures for monitoring this and other IT contracts, including the review of related billings, were not effective in ensuring the receipt of all deliverables, compliance with all contract terms, and the reasonableness of the hours billed and paid.

- Effective controls were not established over MVA's virtual servers associated with its *eStore* and 15% of its computer workstations were not adequately secured with malware protection.

- A number of other internal control and record keeping deficiencies were noted in areas including cash receipts, the Ignition Interlock Program, and corporate purchasing cards.

Recommended Committee Action – Letter of Concern