

Audit Report

Department of Human Services Office of the Secretary and Related Units

November 2020



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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Victoria L. Gruber
Executive Director

DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Gregory A. Hook, CPA
Legislative Auditor

November 17, 2020

Senator Clarence K. Lam, M.D., Senate Chair, Joint Audit and Evaluation Committee
Delegate Carol L. Krimm, House Chair, Joint Audit and Evaluation Committee
Members of Joint Audit and Evaluation Committee
Annapolis, Maryland

Ladies and Gentlemen:

We have conducted a fiscal compliance audit of the Office of the Secretary and related units of the Department of Human Services (DHS) for the period beginning August 31, 2015 and ending July 31, 2019. DHS provides intervention services to stabilize families and vulnerable adults, encourages financial independence by providing temporary support and transition services, and provides for the welfare of children at risk.

Our audit disclosed that sensitive personally identifiable information (PII) maintained by DHS was stored without adequate safeguards. In addition, while DHS had manually inventoried its information technology applications as of December 2017 to identify all sensitive PII, we determined that additional inventorying efforts had not been made after that date. Furthermore, DHS did not adequately address information technology security and operational issues for its Electronic Benefits Transfer System.

Our audit also disclosed that DHS, as a member of the State's Rate Setting Reform Stakeholders Workgroup formed under the State's Interagency Rates Committee, did not modify the payment rates for residential rehabilitation services, which resulted in the use of State funds to cover the cost of services that were potentially eligible for federal reimbursement. In addition, DHS did not always publish contract awards on *eMaryland Marketplace*, as required by State law and regulations. We also noted that DHS had not conducted an annual physical inventory of sensitive equipment since fiscal year 2016 and DHS' equipment records did not contain dollar values for numerous equipment items.

Finally, our audit included a review to determine the status of 12 of the 13 findings contained in our preceding audit report. We call your attention to our determination that DHS satisfactorily addressed 11 of these 12 findings. The remaining finding is repeated in this report.

DHS' response to this audit is included as an appendix to this report. We reviewed the response to our findings and related recommendations, and while we have concluded that the corrective actions identified are sufficient to address all audit issues, we also would like to call your attention to certain future implementation dates. One date to note in particular is an estimated completion date of July 2023 in DHS' response to Recommendation 3. While not as timely as desired, we nevertheless recognize that DHS is only one member of the responsible Workgroup and acknowledge its efforts to work with the subgroup of Inter-Agency Rates Committee members to establish and follow timelines as set out in its response.

We wish to acknowledge the cooperation extended to us during the audit by DHS and its willingness to address the audit issues and implement appropriate corrective actions.

Respectfully submitted,

A handwritten signature in black ink that reads "Gregory A. Hook". The signature is written in a cursive, flowing style.

Gregory A. Hook, CPA
Legislative Auditor

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Background Information

Agency Responsibilities

The Department of Human Services (DHS) provides intervention services to stabilize families and vulnerable adults, encourages financial independence by providing temporary support and transition services, and provides for the welfare of children at risk. To deliver these services, DHS is organized into seven budgetary units. This audit included the operations of the Office of the Secretary, which provides overall direction and coordination for all DHS programs and activities; the Operations Office, which provides core administrative services to DHS units; and the Office of Technology for Human Services, which is responsible for the overall management and direction of DHS' information systems. The remaining four units of DHS, listed below, are audited and reported upon separately.

- Child Support Administration
- Family Investment Administration
- Local Department Operations
- Social Services Administration

According to State records, during fiscal year 2019, expenditures for all of DHS' seven budgetary units totaled approximately \$2.4 billion, of which the majority was for assistance programs such as the Supplemental Nutrition Assistance Program (SNAP). For the three units included in this audit, the expenditures totaled approximately \$210.5 million during this period.

MD THINK Project Implementation

In fiscal year 2017, the Maryland Total Human Services Integrated Network (MD THINK) project was initiated to modernize and integrate multiple State health and human services information systems. The goal of MD THINK is to eliminate redundancies in the benefit application process for individuals requiring services from multiple agencies and help ensure applicants receive all needed services regardless of which agency administers the program. According to State records, MD THINK expenditures totaled \$145.4 million, which included \$118.9 million (82 percent) of federal funds as of June 30, 2019.

The project plan was approved by the federal Department of Health & Human Services and the federal Department of Agriculture. The plan established a State agency steering committee to oversee the project consisting of DHS, the Department of Information Technology (DoIT), the Department of Juvenile

Services (DJS), the Maryland Department of Health (MDH), the Maryland Health Benefit Exchange (MHBE), the Department of Budget and Management (DBM), and the Governor's Office. These agencies each signed an agreement which designated DHS as the project host and provided that "DHS will have the primary responsibility for the development of these coordinated systems."

In addition, DoIT entered into a memorandum of understanding with DHS outlining specific DoIT personnel that would be provided to assist with the project which specifically states that DHS will supervise and direct the work of DoIT personnel. Finally, to assist in project oversight, DoIT contracted with an independent public accounting firm to provide Independent Verification and Validation assessments (IV&V) as a means to assess the project progress and identify areas that need improvement for the project to be successful. The IV&V contractor provides periodic reports to the steering committee for its review.

Although DHS was designated with the primary responsibility over the project, in accordance with State law, DoIT has oversight and monitoring responsibilities for major information technology development projects, which includes MD THINK. Accordingly, issues with MD THINK development were subject to review during our audit of DoIT. In our most recent audit of DoIT, dated May 1, 2020, we noted that DoIT was providing procurement and project oversight support for MD THINK¹ and highlighted certain concerns with this oversight.

Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of 12 of the 13 findings contained in our preceding audit report dated September 12, 2017. As disclosed in the following table, we determined that DHS satisfactorily addressed 11 of these 12 findings. The remaining finding is repeated in this report. We did not follow up on one finding in our preceding audit report that related to controls in the grants management office; the status of this finding was repeated during our audit of DHS – Family Investment Administration.

¹ As of October 1, 2019, DoIT provides consulting support for procurements and the Department of General Services provides all other support as the new IT procurement unit.

Status of Preceding Findings

Preceding Finding	Finding Description	Implementation Status
Finding 1	DHS did not effectively administer contract terms and task order activity to ensure the reasonableness of vendor proposed services and costs. Task orders totaling \$8.4 million were issued in excess of the amount authorized resulting in unfunded liabilities.	Not repeated
Finding 2	DHS cancelled an information system modernization project after paying approximately \$10.1 million, including approximately \$4.8 million that was paid unnecessarily.	Not repeated
Finding 3	DHS guaranteed a minimum compensation to two of the eight legal firms awarded emergency contracts, resulting in payments of approximately \$616,000 more than if the firms were paid a per-case fee.	Not repeated
Finding 4	DHS did not have adequate procedures to ensure that payments to legal firms were proper, and did not follow up on deficiencies with the services provided by the legal firms that were noted during annual site visits.	Not repeated
Finding 6	DHS did not adequately monitor Department-wide user access to critical functions on the State's Financial Management Information System and did not establish adequate online controls over purchase orders.	Not repeated
Finding 7	DHS paid \$300,000 to a State university for services that were not provided.	Not repeated
Finding 8	DHS did not modify its payment rates for residential rehabilitation services, resulting in the use of State funds to cover the cost of services that are potentially eligible for federal reimbursement.	Repeated (Current Finding 1)
Finding 9	Sensitive personally identifiable information was not properly protected by DHS.	Not repeated
Finding 10	Monitoring controls over certain databases were not sufficient to properly protect these databases.	Not repeated
Finding 11	Malware protection for DHS computers and Intrusion Detection Prevention System coverage for the DHS network was not sufficient to properly protect DHS computers and network.	Not repeated
Finding 12	DHS lacked assurance that the Electronic Benefit Transfer System provider was properly secured against operational and security risks.	Not repeated
Finding 13	DHS did not adequately investigate payments to employees on multiple State payrolls.	Not repeated

Findings and Recommendations

Information Systems Security and Control

Background

The Department of Human Services (DHS) Office of Technology for Human Services (OTHS) is responsible for the overall management and direction of DHS' information systems. The OTHS is also responsible for oversight of DHS' utilization of the web-enabled Electronic Benefits Transfer System (EBTS), which is operated and maintained by a service provider.

These systems are used to provide eligible individuals public assistance, food subsidies, child support payments, and foster care payments. Maintenance and operation of these information systems are provided by a combination of outsourced services and DHS personnel. The OTHS operates both an internal network at DHS' headquarters and a wide area network which connects to DHS' locations throughout the State. Additionally, DHS obtains internet and statewide government intranet connectivity from networkMaryland.

Finding 1

Sensitive personally identifiable information (PII) maintained by DHS was stored without adequate safeguards.

Analysis

Sensitive PII maintained by DHS was stored without adequate safeguards. Specifically, we determined that as of January 2020, four of five DHS information technology applications we reviewed contained PII information which was not adequately secured, with a portion of a fifth application's PII also not being adequately secured. According to DHS records, these applications held varying amounts of sensitive PII which ranged from approximately 100,000 to 4,290,000 records. DHS personnel advised us that PII was subject to certain mitigating controls; however, we determined that DHS' procedures did not adequately safeguard the information.

Furthermore, while DHS had manually inventoried its applications as of December 2017 to identify all sensitive PII, we determined that additional inventorying efforts had not been made after that date to in order to more currently identify and control the PII information within all DHS applications. Detailed sensitive aspects of this finding were omitted from this report, however the related detailed information was previously shared with DHS for purposes of implementing the following recommendation.

The State of Maryland *Information Technology Security Manual* requires that agencies protect confidential data using adequate safeguards and/or other substantial mitigating controls, and annually inventory all programs and systems used for collecting, creating, using, disclosing, maintaining, or sharing PII, for use by security personnel.

Recommendation 1

We recommend that DHS

- a. implement appropriate information security safeguards for its multiple applications' stored sensitive PII; and**
- b. perform an annual inventory of its application systems, identify all sensitive PII, and delete all unnecessary PII.**

Finding 2

DHS did not adequately address numerous significant information technology security and operational issues for its EBTS.

Analysis

DHS did not adequately address information technology (IT) security and operational issues identified for its EBTS service provider. Specifically, a Service Organization Controls (SOC) 2 Type 2 report for the EBTS service provider contained a qualified opinion, which indicates that certain controls reviewed were not designed and/or operating effectively, and DHS's review of the report, and resultant efforts to ensure appropriate corrective actions were taken was not documented. In addition, our review of the report concluded that certain critical service provider IT controls related to EBTS were not subject to review or testing. The EBTS supported DHS' operations for the public assistance and food stamp benefit programs. Per DHS records, the EBTS processed benefits totaled approximately \$1,024,000,000 for fiscal year 2109. The EBTS service provider procured an independent review over its EBTS' IT security controls, from a national certified public accounting (CPA) firm who issued a SOC 2 Type 2 report, dated September 30, 2019, for the period July 1, 2018 through July 31, 2019.

Our review determined that DHS had obtained a copy of the aforementioned SOC 2 Type 2 report in October 2019, and DHS personnel advised us that they had reviewed the report. However, as of January 2020, DHS' review of the SOC report and any related follow-up to ensure report recommendations were implemented by the service provider were not documented. Such a documented review and follow-up is critical, since we noted that the aforementioned SOC 2 Type 2 report contained a qualified opinion, which indicates that certain controls

were not designed and/or operating effectively. Specifically, the CPA firm conducting the SOC review, cited deviations in six significant security control areas, including functions such as identity and access management, remediating software vulnerabilities, and disaster recovery planning and testing. Additionally, we found further concerns, as our review of the SOC report disclosed that certain significant service provider IT security controls were either not tested or not addressed, including controls for monitoring system activity logs for recording privileged user access and information security events, and virtual systems activation status controls.

The American Institute of Certified Public Accountants has issued guidance concerning examinations of service providers and issuance of SOC reports, including SOC 2 Type 2 reports for service organizations. The SOC 2 Type 2 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 for the period under review, and can include an evaluation of system security, data availability, processing integrity, confidentiality, and privacy trust services criteria. The State of Maryland *Information Technology Security Manual*, within its risk assessment policy section, enumerates customer responsibilities regarding SOC reports which include reviewing such reports and preparing a formal risk memorandum, with required follow-up actions in the event that a SOC report cites non-compliant IT controls.

Recommendation 2

We recommend that DHS, for the EBTS system,

- a. continue to obtain and review the SOC 2 Type 2 reports on a timely basis and ensure that all significant IT controls are addressed;**
- b. identify any reported security weaknesses and formally assess their impact upon DHS' operations, and ensure that the service provider implements all critical recommendations made in the reports; and**
- c. document all performed SOC report actions and retain the documentation for future reference.**

Federal Funds

Finding 3

DHS did not modify the payment rates for residential rehabilitation services, resulting in the use of State funds to cover the cost of certain services that were potentially eligible for federal reimbursement.

Analysis

DHS, as a member of the State's Rate Setting Reform Stakeholders Workgroup formed under the State's Interagency Rates Committee², did not revise the rates paid for residential rehabilitation services, as recommended by a 2011 federal audit³ potentially leading to higher State costs. Specifically, by not revising these rates, DHS has been precluded from obtaining federal reimbursement of certain service costs under Medicaid, which resulted in the use of State funds for services that were potentially eligible for federal reimbursement. In response to the federal audit report recommendations, the Maryland Department of Health, which administers the State's Medicaid program, agreed to pursue changes to the State's methodology for setting per diem rates for residential rehabilitation services and to ensure claims were properly documented in accordance with that methodology. Subsequently, in the fall of 2011, the issue was referred to the Workgroup (under the Committee) to revise the rate methodology to address the concerns raised in the audit.

The Workgroup determined in 2015 that most services that were reimbursed and were included in the per diem rates, such as residential rehabilitation room and board and recreation, were not Medicaid-covered services. The Workgroup concluded that the small portion of Medicaid-covered services (such as mental health counseling by a licensed clinical social worker) should be recovered directly by the providers as fee-for-service claims and a reduced State per diem rate should be established for the non-Medicaid eligible service portion. However, we were advised as of November 2019, there has been limited progress

² The Workgroup was created under the State's Interagency Rates Committee and is comprised of DHS, the Maryland Department of Health (MDH), and the Departments of Juvenile Services, Budget and Management, and Education, as well as the Governor's Office for Children. DHS is the agency which bears the greatest budgetary burden of residential rehabilitation services, and in January 2014 was identified as the lead agency of the Workgroup.

³ The August 2011 audit by the U.S. Department of Health and Human Services (HHS) concluded that the State's use of a flat per diem rate for Medicaid claims for all residential rehabilitation services from October 1, 2005 through September 30, 2007, regardless of the specific services received by each client, made it unclear whether such services were eligible for Medicaid reimbursement. DHS received \$20.7 million from HHS in fiscal year 2015, for these claims as a result of these services being included in the Medicaid State Plan which MDH had with HHS.

in developing a new rate and providers have not been submitting the claims for the services as fee-for-service; meaning the State is still fully funding the costs.

Committee narrative in the 2019 Joint Chairmen's Report (JCR) noted that DHS was working with two State universities to develop a new rate structure, which would include residential rehabilitation services eligible for federal financial participation under the Medicaid program. The narrative noted that DHS anticipated completing this report in December 2019 and the budget committees requested a copy of the report with the submission of the 2021 budget.

Committee narrative in the 2020 JCR noted that DHS had not submitted the aforementioned report and consequently, the Committee restricted \$100,000 of DHS' appropriation until the report is submitted by September 1, 2020 (recently extended until October 15, 2020).

DHS continued to use the old rate through fiscal year 2015, at which point it stopped recovering funds until a new rate is developed in order to avoid potential federal penalties. As a result, since this date, the costs associated with these services that could be eligible for reimbursement under the Medical Assistance program (Medicaid) have been funded solely by the State's General Fund. DHS was unable to provide us with an estimate of the annual Medicaid-eligible amounts that have not been recovered.

A similar condition was noted in our preceding audit report.

Recommendation 3

We recommend that DHS as a member of the Rate Setting Reform Stakeholders Workgroup, ensure that a methodology is established for a per diem residential rehabilitation services rate that includes only non-Medicaid services, and that Medicaid-eligible services are billed separately by the providers as fee-for-service claims (repeat).

Contract Awards

Finding 4

DHS did not always publish contract awards on *eMaryland Marketplace* as required by State procurement laws and regulations.

Analysis

DHS did not always publish contract awards on *eMaryland Marketplace* (*eMM*) as required by State procurement laws and regulations. Our test of 14 contract awards for various program services including child placement and legal services

during the period from September 2015 through June 2019 totaling \$112.8 million, disclosed that DHS did not post 5 of these awards valued at \$18.6 million in accordance with State laws and regulations.

State procurement laws and regulations require awards for contracts greater than \$50,000 (greater than \$25,000 prior to October 1, 2017) to be published on *eMM* not more than 30 days after the execution and approval of the contract.

Publishing awards on *eMM* provides transparency over State procurements, including information about winning bidders and the amount of the related awards. *eMM* is an internet-based, interactive procurement system managed by the Department of General Services (DGS). Although, effective July 2019, DGS replaced *eMM* with *eMaryland Marketplace Advantage (eMMA)*, the same publishing requirements exist.

Recommendation 4

We recommend that DHS comply with State procurement laws and regulations by publishing contract awards on *eMMA*.

Equipment

Finding 5

DHS had not conducted an annual physical inventory of sensitive equipment since fiscal year 2016 and DHS' equipment records did not contain dollar values for numerous equipment items.

Analysis

DHS had not conducted an annual physical inventory of sensitive equipment since fiscal year 2016 and DHS' equipment records did not contain dollar values for numerous equipment items. According to DHS records as of June 30, 2019, its equipment was valued at \$150.9 million of which \$39.2 million was related to sensitive equipment (for example, items that are prone to theft such as computer equipment).

DHS had not completed an annual physical inventory of sensitive equipment since fiscal year 2016. DHS management advised us that it had not conducted the required inventories due to staffing shortages. DHS management further advised that in September 2019 an inventory of sensitive equipment was initiated for calendar year 2019 but could not provide documentation of that inventory. In this regard, our review of DHS' records as of January 8, 2020 disclosed that the most recent inventory listed for any sensitive item examined was in January 2017. Specifically, of the 46,904 sensitive equipment items, 16,256 items did not have

any inventory date recorded, and the remaining items had inventory dates ranging from January 2017 back to January 2003.

DHS' detailed equipment records did not always include values for numerous equipment items. In calendar year 2017, DGS reviewed the DHS equipment records and noted numerous equipment items that did not include a dollar value. In response to this review, DHS added dollar values for certain equipment items totaling \$43.3 million; however, DHS could not provide us with the method it used to determine the value assigned to these items.

The DGS *Inventory Control Manual* requires agencies to complete a physical inventory every year for sensitive items and to record equipment on hand that does not have original cost information at the appraised value.

Recommendation 5

We recommend that DHS

- a. conduct annual physical inventories of sensitive equipment, and**
- b. ensure its equipment records accurately reflect the dollar value of all equipment.**

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the Department of Human Services and related units (DHS) for the period beginning August 31, 2015 and ending July 31, 2019. 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 DHS' financial transactions, records, and internal control, and to evaluate its compliance with applicable State laws, rules, and regulations.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of significance and risk. The areas addressed by the audit included electronic benefit transfers, federal funds, legal services, purchases and disbursements, corporate purchasing cards, information systems security and control, equipment and payroll. Our audit included various support services (such as payroll, purchasing, maintenance of accounting records, and related fiscal functions) provided by DHS' Office of the Secretary and related units to the other units of DHS. We also determined the status of 12 of the 13 findings contained in our preceding audit report. The remaining finding was followed up in our audit of DHS – Family Investment Administration.

Our audit did not include an evaluation of internal controls over compliance with federal laws and regulations pertaining to federal financial assistance programs and an assessment of DHS' compliance with those laws and regulations because the State of Maryland engages an independent accounting firm to annually audit such programs administered by State agencies, including DHS.

Our assessment of internal controls was based on agency procedures and controls in place at the time of our fieldwork. Our tests of transactions and other auditing procedures were generally focused on the transactions occurring during our audit period of August 31, 2015 to July 31, 2019, but may include transactions before or after this period as we considered necessary to achieve our audit objectives.

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, tests of transactions, and to the extent practicable observations of DHS operations. Generally,

transactions were selected for testing based on auditor judgment, which primarily considers risk. Unless otherwise specifically indicated, neither statistical nor non-statistical audit sampling was used to select the transactions tested. Therefore, the results of the tests cannot be used to project those results to the entire population from which the test items were selected.

We also performed various data extracts of pertinent information from the State's Financial Management Information System (such as revenue and expenditure data) and the State's Central Payroll Bureau (payroll data), as well as from the contractor administering the State's Corporate Purchasing Card Program (credit card activity). The extracts are performed as part of ongoing internal processes established by the Office of Legislative Audits and were subject to various tests to determine data reliability. We determined that the data extracted from these sources were sufficiently reliable for the purposes the data were used during this audit. Finally, we performed other auditing procedures that we considered necessary to achieve our audit objectives. The reliability of data used in this report for background or informational purposes was not assessed.

DHS' 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. As provided in *Government Auditing Standards*, there are five components of internal control: control environment, risk assessment, control activities, information and communication, and monitoring. Each of the five components, when significant to the audit objectives, and as applicable to DHS, were considered by us during the course of this audit.

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 findings relating to conditions that we consider to be significant deficiencies in the design or operation of internal control that could adversely affect DHS' 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 DHS that did not warrant inclusion in this report.

DHS' response to our findings and recommendations 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 DHS regarding the results of our review of its response.

APPENDIX



Larry Hogan, Governor | Boyd K. Rutherford, Lt. Governor | Lourdes R. Padilla, Secretary

November 6, 2020

Mr. Gregory A. Hook
Legislative Auditor
Office of Legislative Audits
301 West Preston Street, Room 1202
Baltimore, Maryland 21201

Dear Mr. Hook:

Please find enclosed the Department of Human Services' (DHS) response to the draft Legislative Audit Report of the Department of Human Services – Office of the Secretary and Related Units for the period beginning August 31, 2015 and ending July 31, 2019.

If you have any questions regarding the responses, please contact the Inspector General, Marva Sutherland or my staff at 443-378-4060 or marva.sutherland@maryland.gov.

Sincerely,

A handwritten signature in black ink that reads "Lourdes R. Padilla".

Lourdes R. Padilla
Secretary

Enclosures:

cc:

Gregory James, Deputy Secretary, Operations
Netsanet Kibret, Acting Deputy Secretary, Programs
Samantha Blizzard, Acting Chief of Staff
Kenyatta Powers, Chief, Office of Technology for Human Services
Stafford Chipungu, Chief Financial Officer
Marva Sutherland, Inspector General, OIG
Keonna Wiley, Assistant Inspector General - Audits



**Department of Human Services
Office of the Secretary and Related Units**

Agency Response Form

Information Systems Security and Control

Finding 1

Sensitive personally identifiable information (PII) maintained by DHS was stored without adequate safeguards.

We recommend that DHS

- a. implement appropriate information security safeguards for its multiple applications' stored sensitive PII; and**
- b. perform an annual inventory of its application systems, identify all sensitive PII, and delete all unnecessary PII.**

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.	N/A		
Recommendation 1a	Agree	Estimated Completion Date:	March 2021
Please provide details of corrective action or explain disagreement.	Various information security data safeguards are being tested and evaluated for planned use to protect PII in the Department's applications.		
Recommendation 1b	Agree	Estimated Completion Date:	March 2021
Please provide details of corrective action or explain disagreement.	In September 2020, the Department performed a manual inventory of our application systems and identified all sensitive PII. A similar review will be performed quarterly until the automated solution is in place. The automated tools will be implemented to detect the presence of PII. Additionally, DHS formed a committee to review the use of PII data and determine its need for continued use. The committee has representation from operations, security, and relative business stakeholders. Unneeded PII is being removed from the system or returned following approved sponsor standards.		

**Department of Human Services
Office of the Secretary and Related Units**

Agency Response Form

Finding 2

DHS did not adequately address numerous significant information technology security and operational issues for its EBTS.

We recommend that DHS, for the EBTS system,

- a. continue to obtain and review the SOC 2 Type 2 reports on a timely basis and ensure that all significant IT controls are addressed;**
- b. identify any reported security weaknesses and formally assess their impact upon DHS' operations, and ensure that the service provider implements all critical recommendations made in the reports; and**
- c. document all performed SOC report actions and retain the documentation for future reference.**

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.	N/A		
Recommendation 2a	Agree	Estimated Completion Date:	Jan 2021
Please provide details of corrective action or explain disagreement.	A new SOC Report Review Process has been written that includes steps to ensure that timely reviews are conducted for SOC reports received and to determine that all necessary controls are addressed. The new written process has been communicated to and accepted by the legislative audit team.		
Recommendation 2b	Agree	Estimated Completion Date:	Complete
Please provide details of corrective action or explain disagreement.	The new SOC Report Review Process developed includes steps to identify and discuss any reported security weaknesses. The new process also includes steps to ensure that the vendor addressed all critical recommendations made in the reports. The vendor was still in the remediation phase when this audit was conducted.		

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Agency Response Form

Recommendation 2c	Agree	Estimated Completion Date:	Jan 2021
Please provide details of corrective action or explain disagreement.	A new SOC Report Review Process has been developed that includes steps to document the SOC report actions performed during the phases of the new process.		

**Department of Human Services
Office of the Secretary and Related Units**

Agency Response Form

Federal Funds

Finding 3

DHS did not modify the payment rates for residential rehabilitation services, resulting in the use of State funds to cover the cost of certain services that were potentially eligible for federal reimbursement.

We recommend that DHS as a member of the Rate Setting Reform Stakeholders Workgroup, ensure that a methodology is established for a per diem residential rehabilitation services rate that includes only non-Medicaid services, and that Medicaid-eligible services are billed separately by the providers as fee-for-service claims (repeat).

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.	N/A		
Recommendation 3	Agree	Estimated Completion Date:	July 2023
Please provide details of corrective action or explain disagreement.	DHS agrees to make all reasonable efforts as a member of the Rate Setting Reform Stakeholders Workgroup to develop and implement a methodology that allows for the appropriate claiming of Medicaid reimbursement for Medicaid-eligible services under the established State Plan. However, as DHS is only one member of the Rate Setting Reform Stakeholders Workgroup, DHS cannot unilaterally “ensure” that this will be done. DHS and a subgroup of Inter-Agency Rates Committee (IRC) members consisting of and The Institute for Innovation & Implementation at the University of Maryland School of Social Work (The Institute) and The Hilltop Institute at the University of Maryland Baltimore County (Hilltop) continue working to ensure forward movement on the implementation of Maryland’s rates reform, named the Children’s Quality Service Reform Initiative (QSRI). The Institute drafted a service description, provider qualifications and medical necessity criteria for a tiered residential intervention service		

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	which has been reviewed by the Maryland Department of Health (MDH) to support alignment for a future submission of a Medicaid State Plan Amendment (SPA). This has served as the basis for Medicaid's preliminary approval to proceed with a new service under the Rehabilitation Option using a per diem rate. The proposed new rate methodology has been determined. Furthermore, the new rate structure report has been submitted in accordance with the JCR request. Specifically, the proposed new rate methodology will use the framework of the existing IRC process as a foundation but <u>will move away from individual rates based on individual program costs</u>. The proposed methodology will separate the rate out into a direct care rate and a clinical care rate. The proposed methodology will use class rates for the direct and clinical care rates. Each program will be grouped into a particular class or tier of direct and clinical care rates based on similar characteristics. Each program will have an assigned class for its direct care rate and its clinical care rate. Direct Care Rate: The <i>direct care rate</i> will be based on operating and other costs related to the daily direct care of the children, including food, clothing, transportation, utilities, rent/mortgages, socialization activities, and general supervision. Maryland will establish a base rate that covers the standard costs of care. This rate will be modified for each class to reflect particular costs associated with maintaining the "therapeutic milieu" as well as personnel costs. Personnel costs will be calculated based on the qualifications of personnel (i.e. years of experience, specific training, and/or credentials), staffing ratios, level of supervision, and work performed. Clinical Care Rate: The <i>clinical care rate</i> will be based on the rehabilitative services provided to the child, based on documented need, according to clinical and therapeutic service specifications and provider qualifications. Each clinical care rate class will include a certain volume of individual, family, and group clinical or behavioral interventions during the day or week. The differences in the clinical care classes will be based on the duration and frequency of the intervention and the practitioner who is offering the therapeutic service or intervention.
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	The frequency of the services will be included in the service description (the rate could be daily, weekly, or monthly). The rates for these services will be standardized based on Bureau of Labor Statistics data for personnel costs as well as other standardized data for operating costs. The workgroup along with the Institute and Hilltop have established the following timeline for the execution of CQSRI: Fall 2021- Hilltop Institute finalizes new rate structure. Providers are trained on new rate structure; Child Placement Agency rate revision work is initiated. FY 2022- Rates for Residential Child Care Providers are shared for pilot testing. Programming occurs in the Medicaid Management Information System FY 2023- New rate structure implemented for RCCs. FY 2023- Child Placement Agency (CPA) testing for new rate structure. FY 2024- New rate structure implemented for CPAs.
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Contract Awards

Finding 4
DHS did not always publish contract awards on *eMaryland Marketplace* as required by State procurement laws and regulations.

We recommend that DHS comply with State procurement laws and regulations by publishing contract awards on *eMMA*.

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.	DHS will comply with COMAR Title 21.		
Recommendation 4	Agree	Estimated Completion Date:	01/01/2021
Please provide details of corrective action or explain disagreement.	DHS will continue to comply with State procurement laws and regulations by publishing contract awards on eMMA. Specifically, DHS has implemented a post award verification tool in the form of a checklist that is completed by the related procurement officer and reviewed by the designated management personnel to verify adherence to procurement requirements including publishing of awards on eMMA. The aforementioned checklist has been shared with the legislative audit team.		

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Equipment

Finding 5

DHS had not conducted an annual physical inventory of sensitive equipment since fiscal year 2016 and DHS' equipment records did not contain dollar values for numerous equipment items.

We recommend that DHS

- a. conduct annual physical inventories of sensitive equipment, and**
- b. ensure its equipment records accurately reflect the dollar value of all equipment.**

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.	The Department of Human Services will continue to practice inventory control procedures pursuant to the Department of General Services Inventory Standards and Support Services Division's Inventory Control Manual, Effective July 1, 2012 (or any superseding revision of the manual created thereafter).		
Recommendation 5a	Agree	Estimated Completion Date:	2022
Please provide details of corrective action or explain disagreement.	The Department of Human Services will conduct statewide physical inventories pursuant to the applicable timeline prescribed in the DGS Inventory Control Manual. To facilitate the re-engagement of physical inventory efforts, DHS is working with internal partners to acquire as soon as possible industry standard radio frequency identification (RFID) Fixed Asset Inventory Management System and equipment. Additionally, DHS is seeking the necessary technical support services associated with the product. This will enable the department to implement and utilize a customized, onsite (server) or cloud-based software application as well as hardware for RFID Fixed Asset Inventory Management. We intend to automate and track DHS' capital and sensitive assets in a more efficient manner with increased accuracy and efficiency. We further anticipate that once a vendor is identified, it will take at minimum 18 months to implement the new system; DHS foresees a functional system being in place within the 2022 fiscal year.		

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Recommendation 5b	Agree	Estimated Completion Date:	9/2020
Please provide details of corrective action or explain disagreement.	DHS Asset Management follows established inventory control procedures per the statewide MD Department of General Services (DGS) Inventory Control Manual. DHS will ensure its equipment records accurately reflect a value for all equipment. In September 2020, the DHS Asset Manager sent the first of an ongoing annual reminder to departmental Accountable Officers that all capital assets must be appropriately documented with its respective purchasing information or record of origin and that DHS Accountable Officers will forward copies of receipts and/or packing slips for any equipment items purchased or acquired by their respective agency.		

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