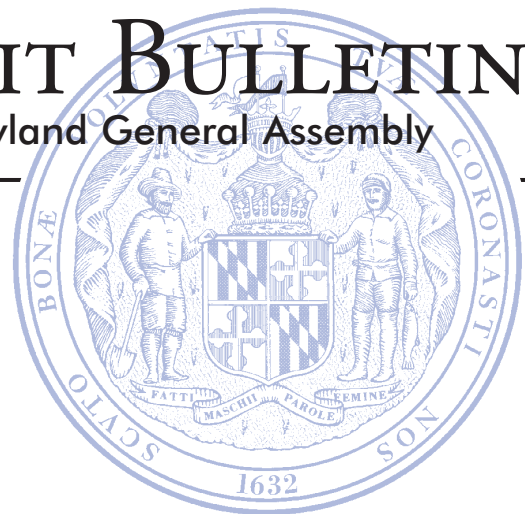


LEGISLATIVE AUDIT BULLETIN

Publication for Members of the Maryland General Assembly



DEPARTMENT OF HUMAN RESOURCES – CHILD SUPPORT ENFORCEMENT ADMINISTRATION (CSEA)

CSEA needs to more effectively use available tools to collect money from noncustodial parents who are delinquent on their child support payments. As of September 30, 2010, unpaid child support totaled \$1.72 billion.

Although the withholding of wages from noncustodial parents accounts for the largest portion of collections,

this enforcement tool was not used to the extent possible. OLA determined that wage withholding had not been established for 8,763 noncustodial parents with child support arrearages totaling \$88 million. These individuals had \$43 million in wages for the quarter ending September 30,

2010. Our test of 22 of these accounts disclosed that, in 12 cases, wages should have been withheld.

Based on our tests, the wage withholding process was not being effectively administered because local child support offices did not always follow up on federal notifications of noncustodial parents with earned wages. Also, certain employers were not reporting new hires to the State's new hire registry, which is also used by CSEA to identify noncustodial parents that are earning wages.

CSEA needs to effectively use occupational license suspension as a collection enforcement tool. CSEA only obtained occupational licensing data from 7 of the 15 State licensing authorities to identify, for possible license suspension, noncustodial parents who are obligated for child support, but do not make payments. In addition, the matches conducted were not properly designed; therefore, only a few

individuals were referred to the applicable authorities for suspension.

OLA's match of CSEA obligor records with 10 licensing authorities' records identified almost 7,000 individuals with occupational licenses who owed \$47 million in child support. OLA tested 25 individuals and found 17 with delinquent payments totaling \$966,000.

Although State law allows the seizure of bank account funds when a noncustodial parent owes more than \$500 and has not paid for more than 60 days, CSEA's policy was to use this collection technique for individuals owing more than \$2,500. Consequently, although all these obligors might not be late, as of December 2010, there were 25,550 noncustodial parents with child support accounts totaling \$33.6 million whose bank account funds were not subject to bank garnishment procedures.

CSEA did not have adequate procedures to ensure that two large local child support offices investigated and resolved incorrect obligor social security numbers recorded in its automated records. Valid social security numbers are essential for successful child support enforcement efforts.

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Using the Federal Death Master File to Detect and Prevent Medicaid Payments Attributable to Deceased Individuals - Performance Audit

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Child support collection tools were not being effectively used.

USING THE FEDERAL DEATH MASTER FILE TO DETECT AND PREVENT MEDICAID PAYMENTS ATTRIBUTABLE TO DECEASED INDIVIDUALS – PERFORMANCE AUDIT

An OLA performance audit concluded that performing periodic automated matches of the Medicaid eligibility file to the federal Social Security Administration's (SSA) Death Master File (DMF) appears to be a practical and cost-effective tool to help detect and prevent certain improper Medicaid payments.

Although the Department of Health and Mental Hygiene (DHMH) performs certain matches of Medicaid files against the State's death records, these matches would not identify individuals who died in other states. The DMF contains nationwide death data.

OLA matched the DMF to the DHMH file of Medicaid-eligible persons and subsequently determined if any payments were made attributable to matched

persons after their reported dates of death. These procedures disclosed payments totaling \$2.5 million attributable to 323 individuals after their reported dates of death.

Automated matches of the Medicaid eligibility file and the SSA's Death Master File should be performed.

Since SSA acknowledges that the DMF contains inaccuracies, the results of any match with the DMF need to be evaluated to ensure identified individuals are, in fact, deceased. Therefore, OLA judgmentally selected 20 of the matched individuals and determined that improper payments totaling \$426,000 were made after the actual dates of death of 10 of these individuals, 6 of whom died outside of Maryland. At the time of our review, DHMH had recovered \$115,000 of these overpayments. DHMH needs to pursue these recoveries and review the remaining 303 cases.

Additional investigation is needed since the match results indicate that the Medicaid eligibility file could contain certain data inaccuracies involving the names of Medicaid eligible persons, their social security numbers, and dates of birth.

MARYLAND DEPARTMENT OF TRANSPORTATION – STATE HIGHWAY ADMINISTRATION (SHA) – SPECIAL REVIEW OF CERTAIN CONSTRUCTION INSPECTION SERVICES CONTRACTS

OLA conducted a special review of construction inspection services contracts at SHA that expanded on certain findings identified in OLA's June 2011 Special Report on SHA, which primarily involved allegations of conflicts of interests. That report identified several questionable financial transactions with construction inspection services contracts procured and managed by SHA's Office of Construction (OOC) that were not part of the reported allegations.

The expanded review found that SHA, with the cooperation of the architectural and engineering firms hired to perform inspection services, arranged to use the unspent balances of 10 contracts to pay for work totaling at least \$11.3 million that was outside the scope of those contracts.

These arrangements circumvented the Board of Public Works' (BPW) oversight and approval.

SHA also requested BPW approval for new construction inspection services contracts when there were still unspent funds remaining on existing contracts and could not document the basis for the amounts requested. For example, in November 2009 SHA requested and received BPW approval for a \$10 million contract when \$36.5 million in contract funds remained in other contracts in this district.

SHA did not use task orders to properly monitor the services provided by the firms and/or the related charges nor did SHA obtain BPW approval for certain contract extensions. During the period from September 2008 through August 2009, SHA extended the contract expiration dates, without BPW's approval, for all nine construction inspection services contracts reviewed, allowing SHA to retain approximately \$26 million in unspent contract funding authorizations.

OLA's expanded review focused on 17 contracts totaling \$146 million that were active as of December 2010. Invoices totaling \$70 million, relating to 16 of these contracts, were paid during the period between

Certain inspection services contract funds were used to pay for work outside the scope of those contracts.

January 2008 and April 2011 to 12 architectural and engineering firms.

MARYLAND DEPARTMENT OF THE ENVIRONMENT (MDE)

MDE needs to fully disclose the status of the Enterprise Environmental Management System (EEMS), including the programs implemented, all system functionality deficiencies affecting the usefulness of the system and the full cost. EEMS was originally intended to fully integrate critical permitting, compliance, and enforcement functions for 32 environmental programs.

In its June 2010 report to the General Assembly and the Department of Information Technology, MDE reported that EEMS was successfully implemented for 12 programs. However, we noted that, for many of these programs, MDE continued to use pre-existing databases and systems that EEMS was intended to replace. The State has spent approximately \$7.8 million for the development of the system for which the original contract cost was \$6.4 million.

MDE did not concur with the finding and contended that its reports to the General Assembly are accurate. However, OLA did not question the accuracy of the reported information, but its comprehensiveness. The most recent fiscal year 2011 report included additional information but still lacked details about the anticipated future plans and related costs.

The status of the Enterprise Environmental Management System needs to be fully disclosed.

As authorized by State law, MDE needs to adopt regulations to govern the Bay Restoration Fund programs, and the related Septic System and Wastewater Treatment Programs. While MDE response indicates it is considering whether the development of regulations is needed, OLA believes that establishing regulations would help ensure the legislative intent of the

Bay Restoration Fund law is being followed. Regulations would also strengthen MDE's administration and oversight of the program by clarifying policies, such as the appropriate use of the funds under the Septic System and Wastewater Treatment Programs.

Prior to July 1, 2010, comprehensive reviews of Septic System Program grant applications, paid through the Bay Restoration Fund, were not performed and resulted in the approval of questionable awards totaling \$1.1 million. For example, OLA identified higher than

average grants that were awarded to 51 projects totaling \$1 million that involved the same two installation contractors serving the same geographic area. As a result of OLA's review, this matter was referred to the Office of the Attorney General's Criminal Division.

MDE also needs to establish processes to ensure compliance with certain environmental regulations regarding hazardous waste facilities, construction sites, and lead paint properties.

FINDINGS FROM SELECTED AUDIT REPORTS

Department of Health and Mental Hygiene (DHMH) – Office of the Secretary and Other Units – DHMH needs to ensure adequate procedures and controls are established over vital records and related collections at the DHMH headquarters location, as well as at the local health departments. For example, at certain local health departments, critical vital records and cash receipts duties were not properly segregated and some employees had vital record system capabilities (such as printing birth certificates) that were not necessary to perform their duties.

Department of Labor, Licensing and Regulation (DLLR) – Office of the Secretary, Division of Administration, Division of Workforce Development and Adult Learning – DLLR must resolve a number of information technology deficiencies regarding online services offered on its website that supports the activities of other DLLR divisions. For example, sensitive personal and financial information relating to unemployment insurance claims was not adequately protected, and controls over the credit card service provider accounts used to process occupational and professional license fees were inadequate.

Department of Health and Mental Hygiene – Regulatory Services – Certain boards need to establish sufficient controls over the accounting for professional licenses and related collections. For example, the Board of Nursing did not reconcile the value of licenses issued to the related cash receipts, a longstanding audit finding dating back to 1987. This condition contributed to the failure of the Board to detect in a timely manner the alleged fraudulent sale and distribution of certain certificates. In addition, all required annual inspections of certain health care facilities, including assisted living facilities and facilities for the developmentally disabled, were not conducted. This condition has been commented upon in audit reports dating back to 2004.

REPORTS ISSUED

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The Legislative Audit Bulletin is periodically issued by the Office of Legislative Audits (OLA) to inform the General Assembly of audits or reviews completed and to provide a summary of significant findings from selected reports. Unless specifically noted, the agencies generally agreed with the audit findings and recommendations, although some follow-up of the report response may have been necessary. Copies of reports can be obtained from the web site or by contacting either OLA or the Department of Legislative Services, 90 State Circle, Annapolis, Maryland 21401, 410-946-5400 - 301-970-5400. For further details about any report or finding, please contact OLA at the listed numbers. We welcome your comments and suggestions.

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