

**Summary of Reports Issued and  
Recommended Committee Action**

**December 1, 2012 to August 31, 2013**

Presentation to Joint Audit Committee

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September 10, 2013



## Reports Issued December 1, 2012 to August 31, 2013

### Summary

Total Reports Issued	51
Reports Recommended for Action	4

<u>Agency</u>	<u>Recommended Action</u>
1. Department of Health and Mental Hygiene – Health Regulatory Commissions	JAC Letter of Concern
2. Department of Assessments and Taxation – Homestead Property Tax Credits (Performance)	JAC Letter of Concern
3. Board of Liquor License Commissioners for Baltimore City (Performance)	JAC Hearing
4. Military Department	JAC Letter of Concern

### Summary of Recommended Action

Joint Audit Committee (JAC) Hearing	1
JAC Letter of Concern	<u>3</u>
Total	<u><u>4</u></u>

<p style="text-align: center;"><b>REPORTS ISSUED</b>  <b>DECEMBER 1, 2012 TO AUGUST 31, 2013</b></p>
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<u>Agency</u>	<u>Report Date</u>	<u>Number of Pages</u>
Maryland Economic Development Corporation	12/03/12	7
Department of Public Safety and Correctional Services – Division of Parole and Probation	12/05/12	8
Department of Health and Mental Hygiene – Clifton T. Perkins Hospital Center	12/06/12	10
Worcester County – Office of the Register of Wills	12/17/12	5
Department of Public Safety and Correctional Services – Hagerstown Region	1/07/13	11
Department of Health and Mental Hygiene – Health Regulatory Commissions	1/07/13	23
Worcester County – Office of the Clerk of Circuit Court	1/08/13	5
Office of the State Prosecutor	1/08/13	4
Montgomery County – Office of the Clerk of Circuit Court	1/09/13	7
Department of Labor, Licensing and Regulation – Office of the Commissioner of Financial Regulation	1/09/13	5
Howard County – Office of the Clerk of Circuit Court	1/17/13	5
Statewide Review of Budget Closeout Transactions for Fiscal Year 2012 (Special)	1/22/13	16
Allegany County Public Schools (Financial Management Practices Audit)	1/29/13	40
Howard County – Office of the Register of Wills	1/30/13	6
Anne Arundel County – Office of the Register of Wills	2/05/13	5
Anne Arundel County – Office of the Clerk of Circuit Court	2/12/13	5
University System of Maryland – University of Maryland University College	2/14/13	18
Maryland State Department of Education	2/20/13	20
Department of Assessments and Taxation – Homestead Property Tax Credits (Performance)	2/28/13	33
Department of State Police	3/20/13	13
Board of Liquor License Commissioners for Baltimore City (Performance)	3/28/13	66
Baltimore City Police Department Death Relief Fund	4/01/13	5
University System of Maryland – University of Maryland, Baltimore	4/08/13	18
State Archives	4/16/13	7
Board of Public Works – Interagency Committee on School Construction	4/22/13	11
Department of Agriculture	4/24/13	11
Financial Management Information System – Centralized Operations	4/26/13	5
Maryland Agricultural Land Preservation Fund – Fiscal Year Ended June 30, 2012	4/30/13	7
Maryland State Board of Contract Appeals	5/06/13	4
Maryland Tax Court	5/09/13	5
Kent County Public Schools (Financial Management Practices Audit)	5/13/13	30
Allegany County – Office of the Register of Wills	5/21/13	5
Allegany County – Office of the Clerk of Circuit Court	5/30/13	5
Military Department	5/30/13	20
Washington County Public Schools (Financial Management Practices Audit)	6/10/13	32
Video Lottery Operation Licensees – Minority Business Participation (Performance)	6/18/13	14

**REPORTS ISSUED  
DECEMBER 1, 2012 TO AUGUST 31, 2013  
(Continued)**

<u>Agency</u>	<u>Report Date</u>	<u>Number of Pages</u>
Potomac River Fisheries Commission – Report for the Year Ended June 30, 2012 (Examination)	6/18/13	6
University System of Maryland – Towson University	6/18/13	18
Garrett County – Office of the Register of Wills	6/25/13	5
Crime Scene DNA Collection and Analysis Reporting by Law Enforcement Agencies (Special)	6/25/13	49
Garrett County – Office of the Clerk of Circuit Court	7/02/13	5
Public Service Commission	7/08/13	5
Cecil County – Office of the Register of Wills	7/08/13	5
Historic St. Mary's City Commission	7/11/13	6
Judiciary	7/16/13	8
Talbot County Public Schools (Financial Management Practices Audit)	7/17/13	28
Review of the Judiciary Electronic Attorney Exchange Data in Response to the April 2013 Joint Chairmen's Report (Special)	7/25/13	2
Department of Information Technology	8/01/13	22
Cecil County – Office of the Clerk of Circuit Court	8/14/13	5
University System of Maryland – Frostburg State University	8/21/13	13
Comptroller of Maryland – Revenue Administration Division	8/23/13	26

**Total Number of Reports Issued: 51**

## **Reports Recommended for Committee Action Significant Audit Findings**

December 1, 2012 to August 31, 2013

### **1) Department of Health and Mental Hygiene – Health Regulatory Commissions (HRC) (1/7/13 – 23 pages – 5 Findings)**

HRC comprises three independent commissions established by law: the Maryland Health Care Commission (MHCC), the Health Services Cost Review Commission (HSCRC), and the Maryland Community Health Resources Commission (MCHRC).

- Control deficiencies were noted that result in a lack of assurance that the billings processed by the 53 hospitals regulated by HSCRC, with combined annual revenues totaling more than \$13 billion, were in accordance with HSCRC's established rates.
  - HSCRC did not have a process to periodically review hospital billing systems to determine if hospitals had implemented adequate controls over the maintenance, updates, and management of the systems to ensure that hospital bills were proper.
  - HSCRC did not fully investigate the impact of hospital billing overcharges identified through annual agreed-upon procedures reviews that it requires be performed. OLA's review of the FY 2009 agreed-upon procedures reviews disclosed that four hospitals charged rates ranging from 67 to 1,880 percent higher than allowed by HSCRC for certain medical procedures. OLA estimated that related past overcharges at those hospitals (dating back to 2001 or 2004) totaled at least \$13.2 million, of which at least \$3.7 million was overcharged to the State's Medicaid program.
  - HSCRC did not periodically review documentation to support the reasonableness of the billing rates established directly by the hospitals. HSCRC estimated that revenue from the related medical procedures accounts for approximately 10 to 20 percent of total hospital revenue.
  - The calculations used by HSCRC to determine the annual hospital rate order agreements were not independently reviewed by supervisory personnel.
- The MHCC did not require its contractor, which processes claims from the Maryland Trauma Physician Services Fund, to confirm that trauma patients on reimbursement claims were listed on the Maryland Trauma Registry, as required by the contract and State law. The MHCC administers this Fund to reimburse trauma physicians for services rendered to uncompensated care patients. OLA's match of the contractor's claims records to the Registry disclosed 1,357 approved claims, totaling \$290,000, for which the patient trauma registry numbers on claims did not exist in the Registry.

### **Recommended Committee Action – Letter of Concern**

## **Reports Recommended for Committee Action Significant Audit Findings**

December 1, 2012 to August 31, 2013

### **2) Department of Assessments and Taxation – Homestead Property Tax Credits (Performance) (2/28/13 – 33 Pages – 7 Findings)**

OLA conducted a performance audit to assess the State Department of Assessments and Taxation's (DAT) procedures for ensuring that Homestead Property Tax Credits (HTC) are only granted for eligible properties. The audit was conducted at the Joint Audit Committee's direction.

OLA evaluated DAT's procedures and controls for initially approving HTCs and for periodically reviewing properties' continuing eligibility for HTCs. OLA estimated that HTCs would reduce property tax revenues for FY 2013 by \$325 million.

- DAT had not developed a documented comprehensive compliance program establishing the responsibilities and related processes to be performed by headquarters and the 24 local assessment offices to help ensure that HTCs are only granted for eligible properties.
- HTC application processing procedures should be improved by routinely comparing owner names on HTC applications with names on real property records, by ensuring that certain approved HTC applications are independently reviewed, and by processing the backlog of applications (totaling 175,000 as of January 17, 2013) as soon as possible.
- Certain system access to automated real property records and HTC applications was not adequately restricted (e.g., 371 employees had the capability to change HTC information) and edits to critical data fields in both systems were not subject to independent supervisory review.
- DAT did not develop a policy regarding the recovery of all improperly granted HTCs.
- DAT did not have a plan to evaluate the propriety of past HTCs on property subsequently removed from eligibility because a current application was not submitted or approved. This could be an indicator of past improperly granted HTCs. As of January 17, 2013 there were 512,283 properties deemed eligible for the HTC, but may not have submitted an application (as noted previously, there was a significant application processing backlog) and will lose HTC eligibility unless an application is submitted by the deadline (currently December 31, 2013).

OLA identified automated methods and data sources DAT could use to systematically evaluate properties for continued HTC eligibility.

- Five matches were identified by OLA that, if used, would enhance DAT's ability to identify properties that are no longer HTC eligible. Data sources identified included certain Motor Vehicle Administration records and State Income Tax records.

### **Recommended Committee Action – Letter of Concern**

## **Reports Recommended for Committee Action Significant Audit Findings**

December 1, 2012 to August 31, 2013

### **3) Board of Liquor License Commissioners for Baltimore City (Performance) (3/28/13 – 66 pages – 24 Findings)**

OLA conducted a performance audit to evaluate the effectiveness and efficiency of the management practices of the Board of Liquor License Commissioners for Baltimore City (BLLC) as required by State law, focusing on licensing, inspections, disciplinary procedures, and management oversight. As of December 2011, BLLC had issued 1,360 alcoholic beverage and adult entertainment licenses.

#### Licensing of Entities to Sell Alcoholic Beverages

- BLLC lacked formal written policies to guide the licensing process.
- BLLC frequently issued licenses without receiving all required documentation from licensees or applicants and OLA tests of the BLLC licensing process disclosed that BLLC lacked documentation that certain State law and BLLC licensing requirements were met.
- BLLC could not account for all fees for licenses issued and did not always assess late fees.

#### Inspections of Licensees

- BLLC lacked comprehensive written policies and procedures over the inspection process.
- BLLC lacked an automated method to monitor inspections performed, inspection outcomes, and related enforcement and disciplinary actions taken.
- BLLC did not assess its workload requirements for inspections and related staffing needs. There was a lack of evidence that supervisors regularly monitored inspectors and reviewed the inspection results.

#### Disciplinary Process for Violations

- BLLC used non-approved alternatives to the Board hearing process for violations and infractions and lacked written policies and procedures for the disciplinary process.

#### Management Oversight

- BLLC had not implemented management processes to effectively oversee and determine the efficiency and effectiveness of its operations.
- Financial disclosure forms were not filed as required and BLLC did not document formal evaluations of employee performance on a routine basis.

### **Recommended Committee Action – Hearing**



## **Reports Recommended for Committee Action Significant Audit Findings**

December 1, 2012 to August 31, 2013

### **4) Military Department (5/30/13 – 20 pages – 9 Findings)**

- The Department recorded Federal fund revenues of \$701,318 at the end of FY 2012 to cover expenditures incurred even though the federal grantor agency previously denied requests for these funds. If the Department is unable to recover these federal grant funds, general fund appropriations or deficiency appropriations may be needed to eliminate the resulting deficit. Also, the Department did not recover indirect costs for its work associated with Maryland Emergency Management Agency grants for fiscal years 2010 and 2011, as required.
- State law established the Senator William H. Amoss Fire, Rescue, and Ambulance Fund to increase the financial support for the related fire, rescue, and ambulance companies in local governments. The Department is responsible for disbursing and monitoring the use of the funds by all 24 local jurisdictions, which were awarded grants from the Fund totaling \$10 million annually during FY 2010 - 2012.
  - The Department did not withhold funding from the 11 jurisdictions that did not meet certain minimum expenditure levels during FY 2011, as required by State law. Based on OLA calculations these jurisdictions should have been penalized \$585,000 for failing to meet funding requirements.
  - The Department did not establish progressive actions to be taken when fire departments did not use or maintain Amoss grant funds in accordance with State law and Department policy. The Department did not take certain actions when it found that funds were used for ineligible expenditures, were not maintained in separate bank accounts, and were invested in unsecured stock brokerage accounts.
- The Department did not obtain and review detailed disbursement information from the Maryland State Firemen's Association to ensure that annual grants to the Association were spent as intended.
- Questionable corporate purchasing card purchases made by one employee totaling \$107,493 remained undetected for up to three years because certain available purchasing data was not reviewed. Subsequently, the employee was terminated and pleaded guilty in federal court.
- Internal control and record keeping deficiencies were noted with respect to cash receipts, equipment, and State vehicles.

**Recommended Committee Action – Letter of Concern**

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