

Audit Report

**Department of Human Resources
Local Department Operations**

July 2015



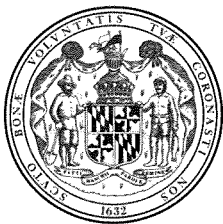
OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Karl S. Aro
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July 24, 2015

Thomas J. Barnickel III, CPA
Legislative Auditor

Senator Guy J. Guzzone, Co-Chair, Joint Audit Committee
Delegate Craig J. Zucker, Co-Chair, Joint Audit Committee
Members of Joint Audit Committee
Annapolis, Maryland

Ladies and Gentlemen:

We have conducted a fiscal compliance audit of the Department of Human Resources (DHR) – Local Department Operations (LDO) for the period beginning July 1, 2011 and ending December 14, 2014. LDO is a separate budgetary unit consisting of the funds appropriated to operate the State's 24 local departments of social services (LDSS) and to support the various assistance activities they administer (including the Supplemental Nutrition Assistance Program and Temporary Cash Assistance). The executive director of each LDSS reports to DHR's Secretary.

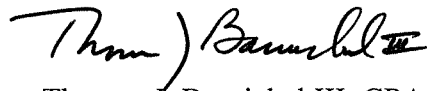
In accordance with State law, DHR's Office of the Inspector General (OIG) performed the required financial and compliance audits of the 24 LDSSs during our audit period. To avoid duplication of work, we relied on the audit work performed by the OIG. Accordingly, the findings in this report are primarily based on the OIG's audit reports.

Our review of the most recent audit reports for the 24 LDSSs prepared by DHR's OIG during our audit period disclosed that the reports collectively included 299 audit findings, including 89 deemed by the OIG to be repeat findings. The OIG audit findings were related to deficiencies in controls over certain critical areas of LDSS operations, such as fiscal management activities. For example, these audits disclosed deficiencies with respect to bank accounts, procurements, and prepaid gift cards. In addition, the OIG reported upon deficiencies in the administration of certain public assistance and foster care activities, such as the supervisory review of public assistance case files and documentation of consistent caseworker contact with children in out-of-home placements.

Our audit disclosed that DHR executive management had not established a formal process to provide oversight and monitoring of LDSS corrective actions pertaining to the audits. Furthermore, the OIG's corrective action monitoring process for the LDSS audit reports was not effectively followed to help ensure that findings were corrected. Our review of the progress reports and related documentation provided by several LDSSs after report issuance disclosed that the OIG determined that certain findings were resolved based on insufficient evidence and, for other findings, the OIG had not performed adequate follow-up. In addition, the OIG did not distribute its LDSS audit reports to all appropriate parties, such as the LDSS local oversight boards and the local governing authorities, to whom the reports are required by State law to be sent.

An executive summary of our findings can be found on page 5. DHR's response to this audit, on behalf of LDO, is included as an appendix to this report. We wish to acknowledge the cooperation extended to us during the course of this audit by LDO.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Thomas J. Barnickel III", with a stylized flourish at the end.

Thomas J. Barnickel III, CPA
Legislative Auditor

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Executive Summary

Legislative Audit Report on the Department of Human Resources (DHR) Local Department Operations July 2015

- **Although the local departments of social services (LDSS) continued to have a significant number of audit deficiencies in critical areas of operations, DHR executive management (which includes management of the relevant DHR administrations) had not established a formal process to provide oversight and monitoring of LDSS corrective actions. As of December 2014, the most recent DHR Office of the Inspector General's (OIG) audit reports for the 24 LDSSs collectively included 299 audit findings, including 89 findings deemed to be repeat conditions from the preceding OIG audits (Finding 1).**

DHR executive management should establish a process to actively monitor corrective actions taken to ensure that the detailed recommendations contained in the OIG audit reports are implemented.

- **The OIG's corrective action monitoring process for the LDSS audit reports was not effectively followed to help ensure that the findings were corrected. Our review of the progress reports and related documentation provided by five LDSSs after report issuance disclosed that the OIG determined certain findings were resolved based on insufficient evidence and, for other findings, the OIG had not performed adequate follow-up (Finding 2).**

DHR should ensure that the OIG consistently and effectively follows its corrective action monitoring process.

- **The OIG did not distribute the LDSS audit reports to all appropriate parties. Although required by law, OIG did not issue the reports to the respective local oversight boards and the local governing authorities. In addition, the LDSS audit reports are not readily available to the general public, which we believe would provide greater transparency and may lead to increased accountability by the LDSSs (Finding 3).**

DHR OIG should distribute the LDSS audit reports to the local boards and governing authorities, as required. DHR should assess the benefits of making OIG audit reports readily available to the general public.

- **The OIG’s most recent audit reports contained findings relating to all of the LDSSs’ major operational responsibilities, such as fiscal management activities, as well as compliance with policies established by the DHR’s Family Investment Administration and Social Services Administration (Findings 4 - 8).**

DHR should ensure that the LDSSs improve accountability and controls over fiscal operations and information systems and comply with applicable DHR administration policies as identified in the audit reports.

Background Information

Agency Responsibilities

Local Department Operations (LDO) is one of seven budgetary units of the Department of Human Resources (DHR). It consists of the funds appropriated for operating the State's 24 local departments of social services (LDSS) and supporting the various assistance activities they administer. These activities primarily involve the various DHR public assistance programs, such as the Supplemental Nutrition Assistance Program (formerly the food stamp program) and Temporary Cash Assistance, that are administered by the LDSSs under policies promulgated by other units within DHR. According to the State's records, the LDO's fiscal year 2014 expenditures totaled approximately \$2.2 billion, which included approximately \$1.7 billion in assistance program expenditures and \$500 million in operating expenditures (primarily employee salaries and benefits).

The remaining six units of DHR (Office of the Secretary, Child Support Enforcement Administration, Family Investment Administration, Social Services Administration, Office of Technology for Human Services, and Operations Office) are audited and reported upon separately by our office. Generally, these six units direct or support the activities (including public assistance programs) that are administered Statewide by the 24 LDSSs. The executive director of each LDSS reports to the DHR Secretary.

Audit Approach

Section 3-602 of the Human Services Article of the Annotated Code of Maryland requires DHR to conduct, or contract for, a financial and compliance audit of each LDSS at least once every three years. During our audit period, all 24 LDSSs were audited by DHR's Office of the Inspector General (OIG). To avoid duplication of work, we performed audit procedures necessary to determine whether we could rely on the audit work of DHR's OIG to accomplish our audit objectives. Our audit procedures were generally limited to obtaining a sufficient basis for that reliance. Specifically, we reviewed the audit reports and the related working papers of certain OIG audits performed during our audit period. Based on this review, we concluded that the OIG's audit coverage of the LDSSs provided a sufficient basis for reliance on its work.

Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of the six findings contained in our preceding audit report dated May 16, 2012. We determined that one of these findings was satisfactorily addressed. Specifically, the conditions identified in our prior report finding pertaining to the LDSSs' lack of compliance with certain Social Services Administration policies were generally not cited as audit deficiencies in the latest OIG audit reports on the LDSSs. The remaining five findings are repeated in this report in that similar conditions still existed with respect to centralized monitoring and oversight of the LDSS audit results and with respect to certain other operations of the LDSS as noted in the OIG audit reports.

Findings and Recommendations

Findings From the Office of the Inspector General Audit Reports

Finding 1

The Office of the Inspector General's audits of the local departments of social services contained a significant number of reportable conditions, including many repeat findings. Department of Human Resources executive management had not established a formal process to provide oversight and monitoring of corrective actions.

Analysis

The audit reports issued by the Department of Human Resources (DHR) Office of the Inspector General (OIG) indicate that the local departments of social services (LDSS) continued to have a significant number of deficiencies in five critical areas of operations, including a large number of repeat findings. Although the OIG has an established corrective action monitoring process for each audit report, DHR executive management (which includes management of the relevant DHR administrations) had not established a formal process to provide oversight and monitoring of LDSS corrective actions. Furthermore, as detailed in Finding 2 of this report, the OIG was not effectively following its corrective action monitoring process. More active oversight could help ensure that audit findings are addressed by the LDSSs and repeat audit findings are minimized.

As previously noted in this report, we placed reliance on the LDSS audits performed during our audit period by the DHR OIG. Our review of the latest OIG audit reports for all 24 LDSSs issued as of December 2014 disclosed that the reports collectively included 299 audit findings, including 89 findings deemed by the OIG to be repeat conditions from the preceding OIG audits.

Exhibit 1 includes a summary of the number of LDSS findings included in the OIG audit reports, by critical area, including the number of repeat findings. Certain of these findings are described in more detail in Findings 4 through 7 of this report. Selected highlights of the information presented in Exhibit 1 are as follows:

- The number of findings resulting from each LDSS audit ranged from 5 (two LDSSs) to 30 (one LDSS). Five LDSS audit reports contained at least 20 findings.

- The greatest number of findings was found in the areas of fiscal management (which includes procurement, disbursements, and receipts processing), and compliance with policies of the Family Investment Administration (which includes the Supplemental Nutrition Assistance Program and Temporary Cash Assistance) and the Social Services Administration (which includes foster care). The number of findings in these areas was 97, 70, and 63, respectively. Not every LDSS report contained a finding in each of these critical areas.
- The total number of findings noted by the OIG has decreased (from 373) since our preceding audit report; however, the number of findings deemed by the OIG to be repeated has increased (from 77). Specifically, in our preceding audit report, we noted that 21 percent of the OIG's findings were considered repeat findings; during our current audit, the percentage of findings deemed by the OIG to be repeated was 30 percent. Nineteen LDSSs had at least one repeat finding.

While DHR executive management had no formal process to oversee LDSS corrective actions, we were advised by DHR executive management and the LDSS directors that occasional discussions occurred regarding the OIG reports, related findings, and corrective actions. DHR executive management advised us that it is planning to form a task force to discuss effective strategies to resolve these audit findings and, in particular, repeat audit findings.

Similar conditions were commented upon in our preceding audit report.

Recommendation 1

We recommend that DHR (that is, the Office of the Secretary and the management of DHR administrations) establish a process to actively monitor corrective actions taken to address OIG audit findings (repeat).

OIG's Corrective Action Monitoring Process

Finding 2

The OIG's corrective action monitoring process for the LDSS audit findings was not effectively followed to help ensure that appropriate corrective actions were taken and that DHR executive management was properly informed of the status of the findings.

Analysis

The OIG was not adequately monitoring LDSS corrective actions taken, as required by its established process, for LDSS audit reports. Accordingly, there

was reduced assurance that DHR executive management was properly informed of the status of the findings, as required by OIG policy, and that each LDSS had properly addressed and resolved the findings. Furthermore, the OIG determined certain findings were resolved based on insufficient evidence and, for other findings there was no documentation indicating that the findings had been followed up on at all. We reviewed the actions taken by five LDSSs to address the 106 findings in the related OIG audit reports. As of February 2015, all five audit reports had been issued for at least eight months. We noted the following conditions:

- For the five audits reviewed, documentation was not provided by the LDSSs to the OIG regarding the corrective actions taken to address 17 of the 106 findings, and the OIG had not adequately followed up with the related LDSSs to obtain this information.
- The OIG determined, based on insufficient evidence, that certain findings were resolved. In this regard, the OIG determined that 63 of the 106 findings had been resolved; however, our review of the LDSS progress reports and related documentation provided by the LDSSs disclosed that 19 of these findings had not been adequately resolved. For example, the OIG audit report for one LDSS noted that the inventory of merchant gift cards was not reconciled to the related records by an employee who was independent of the gift card process. The OIG reported that this finding was resolved because the reconciliations were performed. However, based on the LDSS documentation, the employee who performed the reconciliation was not independent of the gift card process and, therefore, this finding was not actually resolved. We discussed these 19 findings with OIG personnel who generally agreed with our conclusions.
- For four of the five audit reports, which had been issued for more than one year, site visits were not performed to assess the corrective actions taken by the LDSSs, as required. According to the OIG's policy, a site visit is required to be performed approximately one year after the issuance of the audit report.
- Although we were advised by the OIG that periodic LDSS progress reports and its assessments of those reports were provided to DHR executive management as required by OIG policy, the OIG could not provide us with documentation to support this assertion.

After the issuance of each audit report, the OIG's corrective action unit uses the LDSS-prepared corrective action plan as the basis to monitor corrective action. This unit is separate from the unit that performs the initial audits. The OIG's

corrective action monitoring process includes periodic meetings with LDSS personnel and reviews of records provided by the LDSSs. The OIG is responsible for documenting the actions taken by the LDSSs to resolve the findings and periodically reports their progress to DHR executive management. Additionally, the OIG's policy requires it to perform a site visit at each LDSS approximately one year after the issuance of the audit report. State law requires the OIG to conduct the LDSS audits in accordance with the auditing standards issued by the Institute of Internal Auditors. These standards require an audit follow-up process to monitor and ensure that management actions have been effectively implemented.

Recommendation 2

We recommend that DHR ensure that the OIG

- a. follows up with the LDSSs when documentation of corrective action is not provided,**
- b. obtains sufficient evidence as part of the corrective action process and properly reviews the evidence to accurately determine the status of audit findings,**
- c. performs site visits of LDSSs as required by its corrective action monitoring policy, and**
- d. retains documentation of required reports provided to DHR executive management regarding actions taken by the LDSSs to address audit findings.**

LDSS Audit Report Distribution

Finding 3

The DHR OIG did not distribute the LDSS audit reports to all appropriate parties.

Analysis

The DHR OIG did not distribute its LDSS audit reports to all of the appropriate governing authorities and to the local oversight boards, as required by State law. The DHR OIG generally distributed its audit reports to the executive management within DHR, to the applicable LDSS executive directors, and to the applicable county executives (or Baltimore City Mayor). However, the reports were not distributed to the members of the City or county council and to the LDSS oversight boards, as required by State law. The LDSS oversight boards are established to advise the LDSS directors and to communicate with the residents, the DHR Secretary, and the local governing authorities. The boards are also required by State law to review the OIG's audit reports on their respective LDSS

and consult with their LDSS executive director as to the proper implementation of the recommendations.

In addition, although the LDSSs administer programs that provide essential services using considerable public funding (both State and federal), the OIG's audit reports on the LDSSs' operations are not available to the public, such as through DHR's website. We acknowledge that the aforementioned law concerning the distribution of the OIG's reports does not require the public issuance of the reports and that interested parties could request those reports under the Maryland Public Information Act. Furthermore, public disclosure of audit reports is not mandated by the standards issued by the Institute of Internal Auditors, to which the OIG adheres. Nevertheless, publishing these reports is not precluded by State law and would provide greater transparency, potentially resulting in increased accountability by the LDSSs, especially those that have experienced a higher number of repeat audit findings. Also, model legislation issued by the Association of Inspectors General (AIG)¹ includes a provision for public reporting of audit findings, and we were advised by AIG staff that a few offices of inspectors general in other states publicly issue their reports.

We were advised by DHR's executive management that providing public reports would result in the need for additional resources and increased costs, such as to enhance its internal quality assurance process, and is unnecessary given that the OIG's audit findings are included in the audit reports of our office. Although additional refinements to the reports may be needed for public release, that should not be a deterrent. Furthermore, while our office does report the collective results of the OIG's 24 LDSS audit reports once every three years, publishing the individual results of each LDSS report as each one is available would provide more detailed and timely information.

Since DHR's current executive management team has only been in place for the last six months, DHR believes it should be given the opportunity to ensure that the LDSSs implement the most recent OIG's audit recommendations before it considers such a significant change in its reporting procedures. To achieve that goal, we were advised that DHR has recently formed an executive management task force to address the resolution of OIG audit findings.

¹The AIG is a national nonprofit organization with members drawn from the local, state, and federal inspectors general communities. Its mission includes fostering and promoting public accountability and integrity, and standardizing practices, policies, conduct, and ethics.

Recommendation 3

We recommend that the DHR ensure that the OIG distribute the LDSS audit reports to the local boards and governing authorities, as required by State law. We also recommend that the issue of resolving OIG audit findings be addressed by DHR, including an assessment as to whether issuing public reports might be beneficial for improving accountability and transparency.

Local Departments of Social Services Audit Findings

The OIG classifies the findings from its audits of the 24 LDSSs into several functional areas, referred to by the OIG as “critical areas.” These areas generally equate to each LDSS' major operational responsibilities, which include implementing policies established by the Family Investment Administration (FIA) and the Social Services Administration (SSA), and adhering to fiscal and information system regulations and/or controls. Using the results of the OIG's audits of the 24 LDSSs, we summarized some of the more significant findings in five critical areas as they appeared in selected reports. Additional examples of the OIG findings can be found in summary form in Exhibit 2.

Finding 4

Controls were insufficient over bank accounts, procurements, and gift cards.

Analysis

Controls and procedures were insufficient over certain LDSS fiscal management activities. Specifically, 97 findings from the most recent OIG audit reports for 23 LDSSs related to fiscal areas (Exhibits 1 and 2) such as bank accounts, procurements, and gift cards. Our review of various OIG audit reports disclosed the following selected significant and/or prevalent findings related to fiscal operations:

- Bank accounts, which were maintained by the LDSSs to pay for certain administrative and program-related expenditures, were not reconciled timely and had outstanding checks for extended periods. Also, former employees had remained as authorized check signers and physical security over blank check inventories was inadequate. Consequently, there is the potential that unauthorized payments could be processed without prompt detection.
- State procurement regulations were not always followed. For example, payments were made to vendors without written contracts and formal procurement processes were circumvented. Consequently, assurance was lacking that the related procurements were in the best interest of the State.

- Accountability of prepaid gift cards was not established. For example, physical inventories of prepaid gift cards were not documented or were not performed by an independent employee. Gift cards are provided to certain public assistance recipients who are in urgent need of support; for example, these gift cards could be used to cover the cost of a meal at a fast food restaurant. A lack of accountability could result in the misuse of the prepaid cards.

Similar conditions were commented upon in our preceding audit report.

Recommendation 4

We recommend that DHR establish appropriate accountability and control over fiscal operations. Specifically, DHR should ensure that the LDSSs

- establish adequate controls over bank accounts and blank check inventories, including the timely preparation of account reconciliations and resolution of outstanding checks (repeat);**
- comply with State procurement regulations (repeat); and**
- establish proper accountability over prepaid gift cards (repeat).**

Finding 5

Numerous LDSS deficiencies existed related to critical FIA policies, such as ensuring eligibility for public assistance and food benefits.

Analysis

Numerous LDSS deficiencies existed regarding the lack of compliance with critical policies promulgated by FIA. Specifically, 70 findings from the most recent OIG audit reports for 22 LDSSs related to FIA policies for public assistance programs (Exhibits 1 and 2), including the Temporary Cash Assistance (TCA) program and the federal Supplemental Nutrition Assistance Program (SNAP). TCA provides cash assistance to needy families with dependent children when available resources do not fully address the family's needs and while preparing program participants for independence through work, and SNAP helps low-income households purchase food. TCA and SNAP benefits are accessed through the Electronic Benefits Transfer System (EBT); the associated EBT card functions as a debit card. Our review of various OIG audit reports disclosed the following selected significant and/or prevalent findings related to FIA programs:

- Critical duties over EBT cards were not properly segregated. As a result, LDSSs could not ensure that TCA and SNAP benefits were issued to the intended recipients. In addition, the physical inventory counts of EBT cards

disclosed differences between the inventory on hand and the control records. As a result, missing cards could be improperly activated and used.

- The required number of public assistance case files was not subject to supervisory review, in accordance with FIA quality assurance policies. The reviews are to be performed to help ensure the accuracy and propriety of assistance payments and to help reduce and eliminate program errors.
- Potential payment or client eligibility errors indicated by periodic OIG computer matches were not pursued timely. Deficiencies regarding computer match follow-up were also commented upon during the most recent Office of Legislative Audits (OLA) audit of FIA dated April 9, 2015. In that report, OLA stated that FIA lacked documentation that all computer matches were performed and that related system alerts were adequately resolved.

Similar conditions were commented upon in our preceding audit report.

According to the DHR records, during fiscal year 2014, SNAP disbursements, which are entirely federally funded, totaled approximately \$1.2 billion; TCA disbursements, which are generally split between federal and State funding, totaled approximately \$203 million.

Recommendation 5

We recommend that DHR ensure that the LDSSs comply with all FIA program requirements. Specifically, DHR should ensure that the LDSSs

- a. establish appropriate controls over the EBT card inventories (repeat),**
- b. perform supervisory reviews on the required number of case files (repeat), and**
- c. perform timely follow-up on all potential payment or eligibility errors identified by the OIG (repeat).**

Finding 6

Numerous LDSS deficiencies existed related to critical SSA policies, such as for the out-of-home placement program.

Analysis

Numerous LDSS deficiencies existed related to the lack of compliance, accountability, and control over critical activities subject to SSA oversight. Specifically, 63 findings from the most recent OIG audit reports for 19 LDSSs related to SSA activities (Exhibits 1 and 2), including the out-of-home placement and adoption programs and adult protective services. The out-of-home placement program is a temporary service that provides short-term care and support to children who are unable to live at home because of child abuse or neglect. Generally, these children are temporarily placed in either kinship care (with a relative) or a foster care setting (a fee-based individual foster home or group care environment). Adoption services are provided to affect a permanent plan for a child in out-of-home placement. Adult protective services exist to assist vulnerable adults who are subject to abuse, neglect, self-neglect, or exploitation. Our review of various OIG audit reports disclosed the following selected findings related to the SSA programs:

- Out-of-home placement case files did not always contain documentation that a caseworker had monthly contact with the child, as required by State regulations. Consequently, there was a lack of assurance that children in out-of-home placements were receiving vital services necessary for their emotional, physical, and educational well-being.
- Foster care trust accounts were not being appropriately maintained. For example, instances were noted in which trust accounts remained open for former foster care children, accounts had negative balances, and accounts were not established when children had the necessary funds. Therefore, there was an increased risk that children may be deprived of funds.
- Adoption expenses were not properly paid. Specifically, expenses were paid without any documented support justifying the expenditure and without obtaining partial reimbursement from federal funding.
- Adult protective services investigations were not always completed and closed within 30 days for reported non-emergency incidents, as required by State regulations. These investigations help protect the welfare of vulnerable adults.

According to DHR records as of June 2014, there were 5,339 children in the out-of-home placement program and 337 adoption cases. The related fiscal year 2014 expenditures totaled \$303 million. Also, in fiscal year 2014, there were 9,139 adult protective service cases.

Recommendation 6

We recommend that DHR ensure that the LDSSs comply with all SSA program requirements. Specifically, DHR should ensure that the LDSSs

- a. document all monthly contacts between the caseworker and the out-of-home placement child;**
- b. adequately maintain foster care trust accounts;**
- c. ensure that adoption expenses are proper and supported, and federal reimbursement is obtained as allowed; and**
- d. perform adult protective services investigations within 30 days of reported non-emergency incidents, as required.**

Finding 7

Users' access to certain key computer systems was not properly restricted and monitored.

Analysis

Numerous LDSS deficiencies existed related to critical information system security controls, including employee access to key systems. Specifically, 40 findings from the most recent OIG audit reports for 21 LDSSs related to computer security (Exhibits 1 and 2). These findings included the lack of adequate security over critical computer applications, such as the mainframe-based Clients' Automated Resource and Eligibility System used to record, authorize, and disburse TCA and SNAP benefits. Our review of various OIG audit reports disclosed the following selected findings related to computer access and controls:

- Controls over the granting of user access to critical systems were inadequate. For example, documents authorizing certain employee access were missing or were not completed, and some employees were granted access capabilities that were not required for their job duties.
- Employees' assigned access capabilities were not properly monitored. For example, the logonids of certain former employees were not deleted and employee access was not periodically reviewed for continued appropriateness.

Based on these conditions, assurance was lacking that employee access was necessary and appropriate. Unnecessary system access could potentially result in unauthorized changes to critical data without detection.

Similar conditions were commented upon in our preceding audit report.

Recommendation 7

We recommend that DHR establish appropriate accountability and control over information system access. Specifically, DHR should ensure that the LDSSs

- a. maintain a properly completed and approved authorization form for all user accesses granted, and assign access capabilities appropriate to each employee's job duties (repeat); and**
- b. perform formal, periodic monitoring of employee system access and promptly delete the access of former employees (repeat).**

Finding 8

Medicaid eligibility determinations for long-term care recipients were not always proper.

Analysis

In addition to its audits of the 24 LDSSs, the OIG conducted a review of the DHR Bureau of Long-Term Care, which performs eligibility determinations for Medicaid long-term care recipients at several large LDSSs (Anne Arundel County, Baltimore City, Baltimore County, and Prince George's County). The objective of this review was to determine if certain larger LDSSs were taking appropriate action to ensure that Medicaid eligibility determinations for long-term care recipients were proper.² In its July 2014 report, the OIG determined that certain case records could not be located, certain eligibility documentation was missing, and real property searches were not conducted to assist in determining if financial resources were within the limit established by State regulation. For example, the OIG's review of 42 long-term care case files disclosed 12 cases in which eligibility determinations or lien documentation were inadequate.

Similar conditions were commented upon in our preceding two audit reports.

²Through an interagency memorandum of understanding between the Department of Human Resources and the Department of Health and Mental Hygiene, the LDSSs perform the eligibility determinations for the majority of Medicaid recipients.

Recommendation 8

We recommend that DHR ensure that the Bureau of Long-Term Care properly performs Medicaid eligibility determinations (repeat).

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the Department of Human Resources (DHR) – Local Department Operations (LDO) for the period beginning July 1, 2011 and ending December 14, 2014. 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 State Government Article, Section 2-1221 of the Annotated Code of Maryland, the objectives of this audit were to examine LDO's financial transactions, records and internal control, and to evaluate its compliance with applicable State laws, rules, and regulations. We also determined the status of the findings contained in our preceding audit report.

Section 3-602 of the Human Services Article of the Annotated Code of Maryland requires DHR to conduct, or contract for, a financial and compliance audit of each LDSS at least once every three years. During our audit period, all 24 LDSSs were audited by DHR's Office of the Inspector General (OIG). To avoid duplication of work, we performed audit procedures necessary to determine whether we could rely on the audit work of DHR's OIG to accomplish our audit objectives pertaining to LDO's major financial-related areas of operations based on significance and risk. These areas addressed by the OIG audits included the LDSS responsibilities to implement various DHR assistance programs as well as their financial processes. Our audit procedures were generally limited to obtaining a sufficient basis for that reliance. Accordingly, we reviewed the audit reports and the related working papers of certain OIG audits performed during our audit period and reviewed certain aspects of OIG's audit operations, including those related to our prior audit report findings. Based on this review, we concluded that the OIG's audit coverage of the LDSSs provided a sufficient basis for reliance on its work. As a result, we did not conduct audits of the LDSSs. Rather, the findings in this report are primarily based on the results reported by the OIG for the 24 LDSSs it audited during our audit period. The reliability of data used in this report for background or informational purposes was not assessed.

Our audit scope did not include certain support services provided to LDO by DHR's Office of the Secretary. These support services (such as payroll, maintenance of certain accounting records, and related fiscal functions) are

included within the scope of our audit of the DHR Office of the Secretary. In addition, our audit did not include an evaluation of internal controls over compliance with federal laws and regulations for federal financial assistance programs (such as the Supplemental Nutrition Assistance Program) and an assessment of LDO's 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 LDO.

LDO's 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.

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 LDO's 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.

The response from DHR, on behalf of LDO, 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 DHR regarding the results of our review of its response.

EXHIBIT 1
Summary of All Audit Findings
Reported by DHR's Office of the Inspector General (OIG)
Most Recent Audits of the 24 Local Departments of Social Services as of December 2014

Local Department of Social Services (LDSS)	Number of OIG Reportable Findings by Area (Refer to EXHIBIT 2 for a description of selected findings.)					Total OIG Findings	Number of Repeat OIG Findings	Percentage of Repeat OIG Findings	Fiscal Year 2014 Expenditures
	Social Services Admin.	Family Investment Admin.	Fiscal Management	Computer System Security	Other				
Allegany County	n/a	4	1	2	2	9	1	11%	\$39,378,780
Anne Arundel County	5	4	6	1	n/a	16	5	31%	109,354,808
Baltimore City	9	2	8	5	4	28	14	50%	742,453,073
Baltimore County	3	4	5	2	n/a	14	8	57%	259,858,949
Calvert County	2	5	1	3	1	12	4	33%	24,948,915
Caroline County	2	1	4	1	1	9	1	11%	18,644,502
Carroll County	n/a	1	4	2	n/a	7	1	14%	30,674,390
Cecil County	2	2	3	1	1	9	2	22%	43,579,264
Charles County	4	6	6	2	2	20	6	30%	43,968,551
Dorchester County	1	3	n/a	1	1	6	2	33%	24,547,142
Frederick County	n/a	2	4	n/a	1	7	1	14%	53,436,597
Garrett County	3	n/a	2	2	n/a	7	2	29%	12,973,375
Harford County	2	3	1	2	1	9	1	11%	64,203,087
Howard County	n/a	5	15	2	4	26	8	31%	46,057,777
Kent County	1	1	3	n/a	n/a	5	0	0%	9,366,453
Montgomery County	6	11	7	3	3	30	13	43%	163,316,060
Prince George's County	8	7	6	2	3	26	14	54%	261,985,948
Queen Anne's County	1	1	1	n/a	2	5	1	20%	12,618,447
Somerset County	1	1	6	2	1	11	0	0%	19,412,493
St. Mary's County	4	1	3	1	1	10	4	40%	39,010,840
Talbot County	n/a	2	3	1	n/a	6	0	0%	13,145,597
Washington County	2	2	2	1	n/a	7	0	0%	66,941,605
Wicomico County	6	n/a	3	2	n/a	11	0	0%	50,709,439
Worcester County	1	2	3	2	1	9	1	11%	19,327,203
TOTAL	63	70	97	40	29	299	89	30%	\$2,169,913,296

n/a – Not applicable; no findings reported in this area.

EXHIBIT 2
Selected Audit Findings
Most Recent Audits of the 24 Local Departments of Social Services
Reported by DHR's Office of the Inspector General as of December 2014

Critical Area	Number of Findings	Selected Findings
Social Services Administration <i>Includes programs designed to prevent or remedy abuse, neglect, or exploitation of children and families, including out-of-home placement, adoption services, and adult protective services (Finding 6)</i>	63	<ul style="list-style-type: none"> case files were missing required documentation documentation of monthly contact with children in care was missing controls were inadequate over trust accounts (for example, accounts remained open when children left foster care) adoption expenses were not properly paid adult protective service investigations were not completed and closed timely
Family Investment Administration <i>Includes the Temporary Cash Assistance (TCA) program and the Supplemental Nutrition Assistance Program (SNAP), including the electronic benefits transfer (EBT) cards (Finding 5)</i>	70	<ul style="list-style-type: none"> critical duties over electronic benefits transfer (EBT) cards were not segregated physical count of EBT cards disclosed differences required number of cases were not reviewed by supervisors to help ensure the accuracy and propriety of assistance payments discrepancies in outstanding collection amounts were not reconciled overpayment claims were not established timely welfare avoidance grants case files were missing required documentation OIG computer matches relating to potential payment or eligibility errors were not pursued timely

EXHIBIT 2 (continued)**Selected Audit Findings****Most Recent Audits of the 24 Local Departments of Social Services
Reported by DHR's Office of the Inspector General as of December 2014**

Critical Area	Number of Findings	Selected Findings
Fiscal Management <i>Includes bank accounts maintained by local departments of social services, small procurements, gift cards, cash receipts, and corporate purchasing cards (Finding 4)</i>	97	<ul style="list-style-type: none">• bank reconciliations were not performed timely or were not adequately approved• former employees remained as authorized check signers on bank accounts• physical inventories of pre-paid gift card were not documented or were not performed by an independent employee• procurement processes were circumvented• internal controls over cash receipts were inadequate• security over blank check inventories was inadequate• outstanding checks were not voided after 180 days
Computer System Security <i>Relates to security over critical computer applications, such as the mainframe-based Clients' Automated Resource and Eligibility System, which is used to record and authorize TCA and SNAP benefits (Finding 7)</i>	40	<ul style="list-style-type: none">• users' access capabilities were not periodically reviewed• logonids of former employees were not deleted• authorization documents for employee access were lacking• employees were granted access not required for the employees' duties
Other <i>Includes certain administrative operations and child care subsidy activities overseen by the Maryland State Department of Education</i>	29	<ul style="list-style-type: none">• child care subsidy cases were missing documentation• supervisory reviews of child care subsidy cases were not performed timely
Total	299	

APPENDIX



Maryland's Human Services Agency

Department of Human Resources | Lawrence J. Hogan, Jr., Governor | Boyd K. Rutherford, Lt. Governor | Sam Malhotra, Secretary

July 16, 2015

Mr. Thomas J. Barnickel III
Legislative Auditor
Office of Legislative Audits
301 West Preston Street, Room 1202
Baltimore, Maryland 21201

Dear Mr. Barnickel:

Please find enclosed the Department of Human Resources' (DHR) responses to the draft Legislative Audit Report on the Department of Human Resources – Local Department Operations for the period beginning July 1, 2011 and ending December 14, 2014.

If there are any questions regarding these responses, please contact the Inspector General, William E. Johnson, Jr. of my staff at 443-378-4060 or william.johnson1@maryland.gov.

Sincerely,

A handwritten signature in black ink, appearing to read 'Sam Malhotra', written over the word 'Sincerely,' and the printed name 'Sam Malhotra'.

Sam Malhotra
Secretary

Enclosures:

cc:

Gregory James, Deputy Secretary, Operations
Tracey Paliath, Deputy Secretary, Programs
Samantha Blizzard, Special Assistant, Office of the Secretary
William E. Johnson Jr., Inspector General, DHR
Kenyatta Powers, Chief, Office of Technology for Human Services
Deborah Ramelmeier, Executive Director, SSA
Rosemary Malone, Executive Director, FIA
Sandy Johnson, Executive Director Procurement
Stafford Chipungu, Chief Financial Officer

Equal Opportunity Employer

Findings and Recommendations

Findings From the Office of the Inspector General Audit Reports

Finding 1

The Office of the Inspector General's audits of the local departments of social services contained a significant number of reportable conditions, including many repeat findings. Department of Human Resources executive management had not established a formal process to provide oversight and monitoring of corrective actions.

Recommendation 1

We recommend that DHR (that is, the Office of the Secretary and the management of DHR administrations) establish a process to actively monitor corrective actions taken to address OIG audit findings (repeat).

The Department's Response

The Department of Human Resources (hereafter, DHR or the Department) agrees with the recommendation.

The Department takes audit findings seriously and is committed to resolving all audit findings identified in the report. However, for clarification purposes, we are noting that these are not 299 different findings against the department but rather findings that are duplicated among the 24 LDSSs.

DHR will cooperate with our Office of Inspector General as they continue to conduct quality audits, on which OLA can continue to rely while improving our monitoring and corrective action follow-up process.

As indicated by the Legislative Auditors, total findings have decreased; however, we will not be satisfied until there is an even greater decrease in overall findings and complete elimination of repeat findings. To accomplish this goal, DHR has established a Corrective Action Monitoring and Resolution team spearheaded by the Office of the Secretary. The team meets on a regular basis, identifies root causes of findings among the local departments; provides solutions for resolving the findings; as well as keep respective parties more accountable.

The OIG will continue to conduct routine follow-up reviews to determine and track the progress of implementation of the corrective action steps and ongoing compliance. With the effort described above, we are confident that repeat findings will be eliminated, accordingly.

OIG's Corrective Action Monitoring Process

Finding 2

The OIG's corrective action monitoring process for the LDSS audit findings was not effectively followed to help ensure that appropriate corrective actions were taken and that DHR executive management was properly informed of the status of the findings.

Recommendation 2

We recommend that DHR ensure that the OIG

- a. follows up with the LDSSs when documentation of corrective action is not provided,**
- b. obtains sufficient evidence as part of the corrective action process and properly reviews the evidence to accurately determine the status of audit findings,**
- c. performs site visits of LDSSs as required by its corrective action monitoring policy, and**
- d. retains documentation of required reports provided to DHR executive management regarding actions taken by the LDSSs to address audit findings.**

The Department's Response:

The Department agrees with a portion of the recommendation with reservations.

- a. follows up with the LDSSs when documentation of corrective action is not provided – Disagrees.*

OIG followed up with the LDSSs when documentation of corrective action was not provided. Email correspondences of OIG's efforts to obtain documentation were provided to OLA for the occurrences identified.

Auditor's Comment:

Subsequent to the issuance of the draft audit report, adequate documentation of follow-up efforts was provided for certain OIG findings and our report finding has been adjusted accordingly. We continue to believe that substantive follow-up actions were not taken for 17 findings, although DHR disagrees. It should be noted that the OIG intends to eliminate this follow-up process; instead, it will conduct annual onsite reviews, which will result in the issuance of a formal report.

- b. obtains sufficient evidence as part of the corrective action process and properly reviews the evidence to accurately determine the status of audit findings – Agrees.*

Nearing the end of legislative audit period, the OIG made several personnel changes including filling a few key positions in the corrective action follow-up unit that had been vacant for several months. The program supervisory position was a key position filled to provide direct oversight of the corrective action follow-up process. With a direct program supervisor on board, the corrective action follow-up process has been modified to include more in depth supervisory review similar to our internal audit process on which OLA relied. Specifically, supervisory reviews will be performed to ensure adequate documentation exist to support determinations made.

- c. performs site visits of LDSSs as required by its corrective action monitoring policy – Agrees with an explanation.*

In an effort to reduce repeat findings, there was a temporary deviation from our policy to heighten our focus on repeat findings via our corrective action follow-up reviews. This deviation resulted in significantly more follow-up reviews, especially on repeat findings, than the self-imposed requirement that dictates only two annual onsite follow-up reviews. This temporary deviation from our standard procedures did not lend itself to routine site visits because of the numerous follow-up reviews that were being conducted simultaneously with a significant staff limitation (i.e. at the time 50% staff vacancy rate within the corrective action follow-up unit). We had resumed our practice of conducting follow-up reviews via site visits prior to the commencement of this legislative audit.

We continue to respectfully request that that this condition remains a “discussion note only item” as documentation exists to support that follow-up reviews were actually conducted just not always via site visits.

- d. retains documentation of required reports provided to DHR executive management regarding actions taken by the LDSSs to address audit findings – disagrees.*

Progress updates were provided to DHR executive management (the Secretary) approximately every two weeks at a scheduled biweekly meeting between the Inspector General and the Secretary. The Inspector General provided updates verbally and at times, via an audit status update matrix. A formal summary of these discussions would not be prudent as majority of the matters discussed were confidential in nature as it related to various forms of investigations and not audits only. Nonetheless, other correspondences (emails, memos, etc) resulting from the meetings serve as support that executive management (the Secretary) was kept apprised of OIG’s assessment of corrective action implementation among the Local Department of Social Services. Such documentation has been provided to the legislative auditors.

We deemed this method of updating upper management to be sufficient and most efficient to compliment the aforementioned temporary deviation from our policy. The temporary deviation resulted in on-going follow-up reviews being conducted, at times, monthly and weekly. Consequently, formal individual reports for each follow-up review with the LDSS were not the most efficient.

Now that we are no longer conducting multiple on-going follow-up reviews, we have resumed our practice of issuing a formal report to upper management after the completion of each LDSS follow-up review in accordance with our policy. Such report will further serve as documentation that related parties are apprised of the progress of corrective action implementation among the locals.

We continue to respectfully request that this condition remain a “discussion note only item.”

Auditor’s Comment:

DHR disagreed with our statement that it lacked documentation that progress reports were provided to DHR executive management. However, in its response, it acknowledged that these progress reports were verbal and stated that it has resumed its practice of issuing formal reports to management, which should address the audit recommendation.

LDSS Audit Report Distribution

Finding 3

The DHR OIG did not distribute the LDSS audit reports to all appropriate parties.

Recommendation 3

We recommend that the DHR OIG distribute the LDSS audit reports to the local boards and governing authorities, as required by State law. We also recommend that the issue of resolving OIG audit findings be addressed by DHR, including an assessment as to whether issuing public reports might be beneficial for improving accountability and transparency.

The Department’s Response:

The Department agrees with the recommendation with reservations.

OIG will continue to issue the audit report to the DHR’s upper management (including the Secretary), LDSSs Directors, City/County Executive as well as post the report on DHR’s intranet. Majority of the Local Department Directors serve as members of their local boards and share the reports with the boards

accordingly. Nonetheless, OIG will also submit the reports to the respective local boards and city/county council.

Making reports public: As noted by OLA, there are no laws or policies requiring the public issuance of the reports and that interested parties could request those reports under the Maryland Public Information Act. Additionally, public disclosure of audit reports is not mandated by the standards issued by the Institute of Internal Auditors, to which the OIG adheres.

In our opinion, it is not reasonable and somewhat misleading to generally compare the federal and other States' Office of Inspectors General (OIG) with the DHR OIG, as the structures of the organizations are completely different. Specifically, the federal and the other States' OIG to which OLA is comparing DHR OIG are completely separate, external entities to their auditees, which make their audits external. As a result, the federal and these other States' OIG follow an external reporting process similar to the Office of the Legislative Audits. We confirmed this via our research and discussion with the chief counsel at one of the Offices referenced by OLA. By contrast, our OIG is a part of the DHR and therefore, should be allowed to follow internal reporting process.

Furthermore, as noted by OLA these findings are already being disclosed to the general public since the Office of Legislative Audits discloses the findings in its report and OLA's reports are made available to the general public. The Department being required to make such disclosure would be a duplication of effort, time, and potential waste of funds.

Specifically, if reports were to be made public, OIG would need to change its reporting process and allocate more time and resources to establish a quality assurance team, similar to the Office of the Legislative Audits, to ensure that the content of the report is adequate for public release. This could result in increased cost to employ additional resources or place undue strain on an already short-staffed audit team, potentially affecting the quality and timeliness of audits.

DHR's new management has established a robust Corrective Action Monitoring and Resolution team and would like to be given the opportunity to resolve these findings before such a significant change of procedures is considered. Nonetheless, the Department will perform additional cost benefit assessment(s) as recommended.

Local Departments of Social Services Audit Findings

Finding 4

Controls were insufficient over bank accounts, procurements, and gift cards.

Recommendation 4

We recommend that DHR establish appropriate accountability and control over fiscal operations. Specifically, DHR should ensure that the LDSSs

- a. establish adequate controls over bank accounts and blank check inventories, including the timely preparation of account reconciliations and resolution of outstanding checks (repeat);**
- b. comply with State procurement regulations (repeat); and**
- c. establish proper accountability over prepaid gift cards (repeat).**

The Department's Response

The Department agrees with the recommendations.

- a. establish adequate controls over bank accounts and blank check inventories, including the timely preparation of account reconciliations and resolution of outstanding checks;*

In response to local department audits, training has been regularly provided at monthly local department finance meetings on various fiscal topics. New finance officers receive training from the Office of Budget and Finance upon appointment, and local directors and finance officers can request training for their staff.

To enforce accountability and control over bank accounts, the Department's Office of Budget and Finance will review all local department bank account and funds control reconciliations on a quarterly basis to ensure compliance with established fiscal policy and procedures.

- b. comply with State procurement regulations;*

To enforce compliance with State Procurement Regulations, the Department has instituted Procurement Training during its bi-monthly Procurement Advisory Committee meetings and will begin to review direct voucher usage on a quarterly basis for compliance with procurement regulations.

- c. establish proper accountability over prepaid gift cards*

The Department is examining our use of gift cards to determine whether these tools are still required to meet our program needs. To the extent that we can identify sufficient alternative methods for issuing benefits and paying for services on an informal, as-needed basis, the Department will discontinue the use of gift cards. If sufficient alternative means cannot be identified (or

until such alternative means can be implemented), the Department will provide Local Departments of Social Services with appropriate guidance and training to apply the necessary accountability over gift cards.

Finding 5

Numerous LDSS deficiencies existed related to critical FIA policies, such as ensuring eligibility for public assistance and food benefits.

Recommendation 5

We recommend that DHR ensure that the LDSSs comply with all FIA program requirements. Specifically, DHR should ensure that the LDSSs

- a. establish appropriate controls over the EBT card inventories (repeat),**
- b. perform supervisory reviews on the required number of case files (repeat), and**
- c. perform timely follow-up on all potential payment or eligibility errors identified by the OIG (repeat).**

The Department's Response

The Department agrees with the recommendations.

DHR has taken the following steps to ensure that all critical FIA policies, such as ensuring eligibility for public assistance and food benefits, are maintained.

- a. establish appropriate controls over the EBT card inventories*

DHR will request a blanket hiring exception for clerical staff that supports FIA's duties so that FIA's Executive Director could begin to approve or redeploy the positions to offices that need to ensure separation of duties for EBT card operations. For a long term solution, the FIA Audit Task Force will examine the use of vault cards, by office, to determine if they are being used appropriately, or if some of the recipients should have been directed to the toll-free number to request a replacement by mail. LDSS EBT custodian will continue to ensure documentation is completed prior to each transaction and separation of duties is strictly followed at the local level. LDSS designee, who does not perform EBT custodian duties, will complete monthly physical inventory and report accordingly.

- b. perform supervisory reviews on the required number of case files*

FIA's Office of Operations now calculates the completion rates for the Pre-reviews, monitors the local offices' month-to-month Pre-reviews and is designing a web-based PIRAMID Pre-review Direct system that will provide immediate reports and calculations to assist local offices in meeting their expected number of reviews. The Director of Program Evaluation will continue to monitor compliance with the 10% new applications and 15% redeterminations in accordance to the approved SOP.

- c. *perform timely follow-up on all potential payment or eligibility errors identified by the OIG*

The Bureau of Program Evaluation (BPE) is working with the Office of the Inspector General to enhance FIA's follow up with local offices that have not addressed matches within the timeline requested by OIG (typically 30 days). BPE's role is to email a letter to the Assistant Director of Family Investment for the office describing the deficiency. After 30 days, if there are matches that have not been dispositioned, another letter is emailed, but to the LDSS Director. An electronic version of the letter is maintained in a file to document this process.

BPE is also working with the Bureau of Information Analysis to create a database that can be shared with BPE, OIG, and the local offices. This database will allow more timely monitoring of the disposition of all cases in addition to tracking of all cases addressed through this process. This new database is scheduled for implementation before 2016.

Finding 6

Numerous LDSS deficiencies existed related to critical SSA policies, such as for the out-of-home placement program.

Recommendation 6

We recommend that DHR ensure that the LDSSs comply with all SSA program requirements. Specifically, DHR should ensure that the LDSSs

- a. document all monthly contacts between the caseworker and the out-of-home placement child;**
- b. adequately maintain foster care trust accounts;**
- c. ensure that adoption expenses are proper and supported, and federal reimbursement is obtained as allowed; and**
- d. perform adult protective services investigations within 30 days of reported non-emergency incidents, as required.**

The Department's Response:

The Department agrees with the recommendations.

- a. document all monthly contacts between the caseworker and the out-of-home placement child*

The audit findings by OIG revealed two separate issues in relation to monthly caseworker contact with children in foster care: failure to have monthly contact with the child and failure to document that contact in MD CHESSIE within 5 days. SSA tracks visitation between the caseworker and children on a monthly basis. We have consistently met the statewide goal of 95% children visited monthly over the past 18 months. Although we strive to visit

every child under a department's custody every month, there are allowable reasons that a visit would not occur, such as if the child is on runaway and their whereabouts are unknown or if they are placed out-of-state.

The majority of the findings in this area stemmed from the failure of local department staff to document the contact within 5 days of the visit. Most of the locals have already put standard operating procedures (SOP's) in place aimed at ensuring prompt record keeping. SSA provides a monthly exception report detailing the contacts that have not been put into the system by the 5th day of the month following the contact date. SSA plans to provide further technical assistance to the local departments to ensure compliance with this requirement.

b. adequately maintain foster care trust accounts

The local departments cited for this deficiency have put in place procedures to ensure that trust accounts are properly maintained throughout the time that a youth is in foster care. Improved coordination between casework staff and finance staff is recommended in order to ensure that accounts are disbursed in a timely manner when youth leave the system.

c. ensure that adoption expenses are proper and supported, and federal reimbursement is obtained as allowed

SSA agrees with the recommendation that SSA ensure that adoption expenses are supported by proper documentation. The findings were in the following areas: improper coding of service log entries, direct payment to vendors vs reimbursement, and failure to obtain required documentation. We will address each in turn.

1. Improper coding of service log entries

The improper coding was due to an issue within the MD CHESSIE system that did not allow local departments to select the federal code for IV-E eligible cases. This has since been corrected so we anticipate correct coding of service log entries moving forward.

2. Direct payments to attorneys for adoption finalization

Local departments have ensured that staff are aware of the requirements relating to reimbursement of attorneys fees. During this audit period (FY13), SSA developed policy and provided training to every local department on adoption subsidy procedures. The procedures relating to the reimbursement for adoption finalization expenses were reviewed.

3. Lack of documentation to support expenditures

In February 2009, MD CHESSIE started issuing the financial payments for adoption subsidies. The subsidy rate is put into the system by the user with an end date within 12 months. A new rate must be established each year for payments to continue. During FY11, we connected the requirement for completing a yearly redetermination check list to the payment of subsidy, thereby

preventing a payment where no yearly redetermination has been done. The checklist was updated to ensure that local staff obtain required documentation before entering the new rate. During this audit period (FY13), SSA developed policy and provided training to every local department on adoption subsidy procedures. The policies and procedures relating to required documentation were covered in that training.

- d) *perform adult protective services investigations within 30 days of reported non-emergency incidents*

SSA agrees that APS investigations should be closed within 30 days, as required by state law. The local departments have put in place standard operating procedures to track that investigations are completed timely. It should be noted that service delivery to the vulnerable adult begins at the point of initial contact and is not delayed by the failure to meet the 30 day closure timeframe. Additionally, the inclusion of financial exploitation as a form of maltreatment in 2012 has negatively impacted the local's ability to complete investigations within the required timeframe as these investigations require collaboration with financial institutions as well as the gathering of documentation. SSA will continue to provide technical assistance to the local departments to address this issue.

Finding 7

Users' access to certain key computer systems was not properly restricted and monitored.

Recommendation 7

We recommend that DHR establish appropriate accountability and control over information system access. Specifically, DHR should ensure that the LDSSs

- a. maintain a properly completed and approved authorization form for all user accesses granted, and assign access capabilities appropriate to each employee's job duties (repeat); and**
- b. perform formal, periodic monitoring of employee system access and promptly delete the access of former employees (repeat).**

The Department's Response:

DHR has procedures that can be found in the DHR Information Systems Security Handbook that provides guidelines in establishing appropriate accountability and control over information access. OTHS currently provides annual Security Monitor Training for new and existing Security Monitors that provides the procedures on how to request and revoke information access for users to DHR systems. Security Monitor Training will be a mandatory training that will be

provided every six months. In addition, OTHS will perform periodic reminders to Directors, Supervisors and Security Monitors of the responsibilities in the handbook regarding the below recommendations. DHR is also developing a process to periodically review the timeliness of access request and to ensure proper access has been updated for change of duties and deleted for separation or termination.

a. Assign access capabilities appropriate to an employee's job duties and maintain properly completed and approved authorization forms for all user access granted

Supervisors of the employees should complete and forward the appropriate security transaction form(s) to the Security Monitor when an employee needs to be added to or deleted from a system; have his/her system access level modified; or have a name changed. All forms need to be sent to the Security Monitor in a timely manner. This is in-line with the guidelines of the Information System Security Handbook.

b. Perform formal, periodic monitoring of employee system access and promptly delete the access of former employees.

Supervisors of the employees are required to review at least annually (usually at the employee's annual performance review or when an employee's job responsibilities changes) the employees' current job duties and compare them to the employee's current security access level to determine if any modification(s) is (are) needed. This information should be available from the Security Monitor. If it is not and a report of security access is deemed necessary, a Work Request should be submitted to the OTHS. This is in-line with the guidelines of the Information System Security Handbook.

Furthermore, in order to ensure that the security access of employees who separate from the Department (as a result of termination, transfer, resignation/retirement, or death) is promptly revoked from key computer systems, HRDT has completed preliminary development of a new business process designed to eliminate delays in notification to OTHS that an employee is leaving DHR. We anticipate socializing this process to the Local Departments and implementing this new procedure by June 1, 2015.

As currently conceived, the process requires the supervisor or personnel officer to immediately complete an off-boarding form as soon as they receive notice of the departure of an employee. Once submitted, OTHS as well as the security monitor will receive the form submission so that the necessary actions can be taken for each submission. The security monitors will continue to submit the access request forms for add, update, and delete. The Off-Boarding form will serve as a notification to submit the deletion requests. OTHS will follow up on any requests that were not received.

Finding 8

Medicaid eligibility determinations for long-term care recipients were not always proper.

Recommendation 8

We recommend that DHR ensure that the Bureau of Long-Term Care properly performs Medicaid eligibility determinations (repeat).

The Department's Response

The Department agrees with the recommendations.

We recommend that DHR ensure that the Bureau of Long-Term Care properly performs Medicaid eligibility determinations

FIA has guidance and training in place, instructing case managers to use several different electronic tools (CARES, SOLQ, SDX, Document Imaging/Scanning) to capture and maintain eligibility verification documents for LTC Cases. We reinforce these policy requirements in basic case manager training as well as "refreshers."

- 1. Refresher Training on the 5 Year look-back was completed June 2014. This training will be conducted once per year.*
- 2. Utilization of all online resources. BLTC staff were introduced to the newly identified sources.*
- 3. BLTC staff were trained on initiating Liens in July 2014. This training will be conducted once per year.*
- 4. System Screen Prints will be uploaded to ECMS for all cases. Supervisory/Pre-Review process will include this review.*
- 5. Documents regarding cases completed by the BLTC out-stationed staff are uploaded to ECMS upon completion. Currently there is a process in place to have the records uploaded. This process will continue as long as there are Co-pay case managers working at off-site locations.*
- 6. BLTC is tracking the 6-month lifecycle of the MA application using a newly created database (LTC PIRAMID). CARES does not track any actions taken on the application after an eligibility decision is made.*

Automated "Requests for Outstanding Information" generated in the LTC PIRAMID are sent to the applicant/authorized representative in the 4th and 5th month of the 6-month consideration period.

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