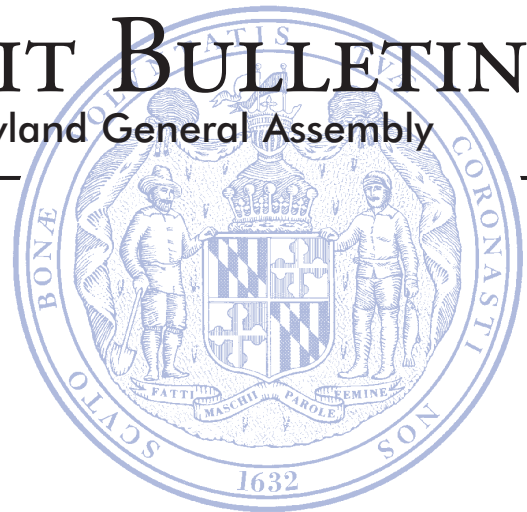


LEGISLATIVE AUDIT BULLETIN

Publication for Members of the Maryland General Assembly



MARYLAND DEPARTMENT OF TRANSPORTATION – STATE HIGHWAY ADMINISTRATION (SHA) – SPECIAL REVIEW OF CERTAIN CONTRACT ACTIVITIES

Based on allegations received on its fraud, waste, and abuse hotline, OLA identified possible conflicts of interest involving certain senior SHA management employees responsible for certain construction-related contracts as well as other apparent violations of State

law and SHA policies.

Consequently, these matters were referred to the Criminal Division of the Office of the Attorney General and the State Ethics Commission.

A senior management employee appeared to have solicited funds for a charity event from firms

doing, or seeking to do, business with SHA potentially violating State Ethics Laws, a Governor's Executive Order, and SHA policies.

This employee may have also attempted to expedite the awarding of two \$16 million construction management and inspection services contracts to two firms (that were charity event sponsors) shortly before the event was held. This employee also facilitated payments to these firms for certain services that were not within the scope of the contracts.

SHA management advised it was unaware of the employee's business relationship but its subsequent inquiries indicated that the employee may have conducted such solicitations for other events in previous years.

Another individual, who was a former SHA senior management employee, was hired by a firm doing

construction management and inspection services for SHA within 12 days of retiring from SHA. After being hired by the firm, this person then worked on an SHA contract totaling \$16 million that, as an employee of SHA, the individual had helped to procure. This relationship appears to violate the State Ethics Law as well as SHA policies concerning the hiring of former State employees.

Because of their association with the hotline allegations, OLA reviewed the bid evaluation process that awarded the aforementioned \$16 million contracts to the two firms. The review found that certain established independent bid evaluation processes were circumvented, significant disparities between technical evaluations were not resolved and certain key components of the rating process were not documented.

SHA also solicited the cooperation of the two firms to redirect contract funds from the two \$16 million contracts for unrelated projects, and/or to conceal overspending on other contracts, thereby circumventing Board of Public Works oversight and approval.

Although records were not available to account for all redirected funds, SHA advised that, as of August 3, 2010,

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*Possible conflicts of
interest involving
certain senior
SHA management
employees were
identified.*

funds totaling \$1.5 million had been diverted from one of these contracts to cover over-expenditures on another inspection contract. During the review, OLA noted that the improper use of contract funds appeared to extend beyond those two firms. Therefore, OLA has expanded its review of these activities and will be issuing a separate report on those results.

DEPARTMENT OF HUMAN RESOURCES – FAMILY INVESTMENT ADMINISTRATION (FIA)

FIA needs to ensure that the local departments of social services (LDSSs) investigate and timely resolve certain computer match results and alerts designed to verify applicant and recipient eligibility for public assistance and medical assistance benefits and to detect potential fraud.

During FY 2010, payments for public assistance programs associated with these matching and verification procedures, such as Temporary Cash Assistance, and medical assistance (Medicaid) totaled \$978 million and \$6.8 billion, respectively.

Alerts of missing or unverified SSNs for public assistance recipients were not being investigated and resolved timely.

For example, as of May 2010, FIA had identified 28,700 unresolved alerts of missing or unverified social security numbers relating to active or pending public assistance cases, including 2,600 alerts that remained unresolved for over a year. FIA estimated

that FY 2010 public assistance benefits paid to individuals to whom these 2,600 alerts applied totaled \$3.4 million.

FIA also needs to ensure that the LDSSs complete required quality assurance reviews of public assistance benefits awarded and effectively address errors that may have occurred. Because Maryland's FY 2008 and 2009 payment error rates for one assistance program exceeded the national performance measures, the federal government imposed a sanction of \$423,563.

FIA needs to institute certain procedures to help ensure applicants are eligible for financial assistance for certain home energy costs. FIA needs to use available computer matching procedures to verify critical information, such as income and social security numbers. During FY 2010, home energy assistance payments totaled \$150 million.

The lack of effective fraud prevention systems in certain states, including Maryland, for certain home energy assistance programs was cited in a June 2010 report issued by the U.S. Government Accountability Office. The report specifically noted that Maryland did not have procedures to validate applicant and household data, check death records, check for incarcerated individuals, and verify reported income. In response to that report, FIA advised that initial steps had been taken to verify eligibility data.

DEPARTMENT OF HUMAN RESOURCES – SOCIAL SERVICES ADMINISTRATION (SSA)

SSA needs to ensure that data in its statewide child welfare information system (CHESSIE) are reliable so that the system can be effectively used to record and monitor child welfare, foster care and adoption case activity.

For certain types of data, significant differences existed between the information recorded in CHESSIE and the records of the local departments of social services (LDSSs), which are responsible for the related activity. For example, as of June 2009, there were 1,270 cases from LDSSs records related to resolved child abuse or neglect allegations that had not been entered into CHESSIE. As a result, SSA was unable to sufficiently monitor LDSSs' investigation efforts or provide reliable reports to the federal government, which could lead to financial penalties.

Certain CHESSIE data regarding allegations of child abuse and neglect were not reliable.

SSA needs to establish procedures to ensure that children are not placed with certain providers where there was credible evidence of abuse or neglect. Based on our request, SSA used CHESSIE data to determine that, from April 2008 to June 2010, there were 6 providers who had cared for 32 foster or kinship care children even though there was credible evidence of abuse or neglect against the providers prior to, or during, these placements.

SSA confirmed these results; however, due to data reliability problems with CHESSIE, there may be additional cases that were not identified. As of June 2010, there were 5,894 children in foster care or kinship care.

SSA needs to ensure that the LDSSs comply with foster care service requirements established by certain State and federal regulations. The requirements are intended to

ensure that all children in foster care are receiving the vital services necessary for their emotional, physical, and educational well-being in a safe environment.

With respect to federal requirements, SSA did not achieve the required 90 percent success rate for any of the seven outcome measures in a federal review dated January 2010 for the period of April 2008 through June 2009. The performance for each of the seven outcomes (for example, the percentage of children that are safe from abuse and neglect) had declined since the previous May 2007 review.

DEPARTMENT OF HEALTH AND MENTAL HYGIENE – MENTAL HYGIENE ADMINISTRATION (MHA)

MHA needs to strengthen procedures to ensure that required documentation supporting patient eligibility for mental health services funded entirely by State monies was obtained and verified. Individuals are eligible for State-funded services if they do not qualify for Medicaid but meet other criteria and conditions. Payments for services rendered to these individuals by providers totaled \$20 million between September 2009 and June 2010.

OLA's tests of patient eligibility identified a number of cases for which required documentation was not on file. For 10 of 16 patients selected for testing, documentation of a verifiable social security number, one of the six eligibility criteria, was not available. The State paid \$48,000 to providers for services rendered to these 16 individuals during the period of September 2009 through October 2010.

MHA also needs to resume performing verifications of mental health service claims that were paid on its behalf by a contractor. These verifications were discontinued in March 2009 because the contract with the private firm hired under a statewide procurement to perform independent review services had lapsed. The reviews served as a primary means

for independently testing the accuracy and propriety of paid claims, which totaled \$472 million between September 2009 and June 2010.

To provide additional assurance regarding the propriety of claims,

MHA should work with other units of DHMH to perform data matches to detect claim payments for individuals who were deceased. A data match OLA

performed between the Social Security Administration's death records and MHA's claim payment records for a 14-month period identified 106 potential instances in which social security numbers of individuals had matched. Claims totaling \$207,000 had been paid for services rendered after those individuals' dates of death as indicated on SSA's records.

At OLA's request, MHA investigated five of these cases with claims payments totaling \$44,000. MHA determined that for two cases involving payments totaling \$5,500, the claims should not have been paid because the individuals were deceased. For the other three cases, there were errors in the matched records and the payments were proper. MHA agreed to pursue recovery of the funds for the improper claims and to investigate the other 101 instances.

FINDINGS FROM SELECTED AUDIT REPORTS

DEPARTMENT OF HUMAN RESOURCES (DHR) – OFFICE OF THE SECRETARY AND RELATED UNITS needs to take corrective actions to avoid future federal grant disallowances. In fiscal year 2009, DHR had \$9.6 million in grant expenditures disallowed by the United States Department of Health and Human Services because its cost allocation plan did not contain provisions allowing DHR to claim certain Title IV-E foster care pre-placement costs.

DEPARTMENT OF NATURAL RESOURCES (DNR) must ensure that supervisors thoroughly review corporate purchasing card activity and purchases through the invoice payment transmittal process. OLA identified more than \$71,000 in questionable purchases made by one employee. For example, although this individual's monthly logs of corporate card purchases were approved, the logs did not include all purchases made. In some cases, invoices for purchases were missing. DNR referred this matter to the Criminal Division of the Office of the Attorney General.

BALTIMORE CITY – OFFICE OF THE CLERK OF CIRCUIT COURT needs to develop a formal agreement with the Baltimore City Sheriff's Office, which had been delegated certain responsibilities for collecting and distributing criminal court fees assessed by the Court. In addition to defining each party's responsibilities, the agreement should contain provisions that provide for appropriate oversight by the Clerk's Office. There were a number of internal control deficiencies with the related procedures as performed by both offices.

MHA needs to resume performing verifications of mental health service claim payments.

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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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