



DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

April 20, 2016

Warren G. Deschenaux
Executive Director

Thomas J. Barnickel III, CPA
Legislative Auditor

Senator Edward J. Kasemeyer, Chair
Senate Budget and Taxation Committee
Miller Senate Office Building, 3 West Wing
11 Bladen Street
Annapolis, Maryland 21401

Delegate Maggie McIntosh, Chair
House Appropriations Committee
House Office Building, Room 121
6 Bladen Street
Annapolis, Maryland 21401

Dear Senator Kasemeyer and Delegate McIntosh:

The Office of Legislative Audits (OLA) has conducted a review of the actions taken by the Department of Human Resources – Office of the Secretary (DHR) to resolve the four repeat findings in our June 24, 2014 audit report. This review was conducted in accordance with a requirement specified in the April 2015 *Joint Chairmen's Report* (JCR), page 81. The JCR required that, prior to the release of \$100,000 of its administrative appropriation for fiscal year 2016, DHR must take corrective action on all repeat audit findings. The JCR language further provided that OLA submit a report to the budget committees listing each repeat audit finding along with a determination that each finding was corrected. The OLA report is required to be submitted within sufficient time to allow 45 days for the budget committees to review and release the funds prior to the end of the fiscal year.

The June 24, 2014 audit report of DHR contained four repeat audit findings (findings 2, 3, 4, and 7) that were addressed by eight recommendations. In accordance with the April 2015 JCR requirement, DHR provided a report to OLA, dated November 18, 2015, detailing the corrective actions that DHR had taken with respect to the repeat audit findings. We reviewed this report and related documentation, performed limited tests and analyses of the information, and held discussions with DHR personnel, as deemed necessary, to assess the implementation status of the related recommendations. Our review did not constitute an audit conducted in accordance with generally accepted government auditing standards.

Exhibit 1 is DHR's November 18, 2015 status report, which indicated that certain corrective actions had been taken to address the recommendations for all four findings, although, for two findings, corrective actions were still in process. Our review determined that DHR had taken the necessary corrective actions to satisfactorily implement four of the eight recommendations. Four recommendations, relating to two findings, remained unresolved.

Senator Edward J. Kasemeyer
Delegate Maggie McIntosh

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April 20, 2016

A summary of OLA's assessment of the status of each of the repeat audit findings is included in the attached Exhibit 2. Exhibit 3 contains OLA's assessments, based on the status report accompanying the November 18, 2015 letter, regarding the two repeat findings that had not been resolved. We wish to acknowledge the cooperation extended to us by DHR during this review.

We trust our response satisfactorily addresses the JCR requirement. Please contact me if you need additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "TJ Barnickel III".

Thomas J. Barnickel III, CPA
Legislative Auditor

cc: Senator Guy J. Guzzone, Co-Chair, Joint Audit Committee
Delegate C. William Frick, Co-Chair, Joint Audit Committee
Joint Audit Committee Members and Staff
Senator Thomas V. Mike Miller, Jr., President of the Senate
Delegate Michael E. Busch, Speaker of the House of Delegates
Governor Lawrence J. Hogan, Jr.
Comptroller Peter V.R. Franchot
Treasurer Nancy K. Kopp
Attorney General Brian E. Frosh
David R. Brinkley, Secretary Department of Budget and Management
Sam Malhotra, Secretary, Department of Human Resources
William Johnson, Jr., Inspector General, Department of Human Resources
Joan Peacock, Manager, Audit Compliance Unit, DBM
Warren G. Deschenaux, Executive Director, Department of Legislative Services
Jared S. Sussman, Fiscal and Policy Analyst, Department of Legislative Services

Exhibit 1 to April 20, 2016 Letter to Joint Chairmen



Maryland's Human Services Agency

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

November 18, 2015

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

Dear Mr. Barnickel:

Enclosed is the Department of Human Resources' (DHR) corrective action status update related to the legislative audit report, dated June 24, 2015, on the Department of Human Resources Office of the Secretary and Related Units for the period covering October 21, 2010 through May 4, 2014.

If there are any questions regarding this update, 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 a horizontal line.

Sam Malhotra
Secretary

cc: Senator Guy J. Guzzone, Co-Chair, Joint Audit Committee
Delegate Craig J. Zucker, Co-Chair, Joint Audit Committee
Joint Audit Committee Members
Joan Peacock, Manager, Audit Compliance Unit, DBM
William E. Johnson, Jr., Inspector General, DHR
Marva M. Sutherland, Assistant Inspector General, DHR
Karl S. Aro, Executive Director, Department of Legislative Services
Tonya Zimmerman, Policy Analyst, Department of Legislative Services
Stephen M. Ross, Policy Analyst, Department of Legislative Services
Hannah E. Dier, Policy Analyst, Department of Legislative Services

Equal Opportunity Employer

The Department of Human Resources
Corrective Action Status Update
Legislative Audit of the Office of the Secretary and related Units
November 1, 2015

Finding Number	Administration /Division	Condition(s)	Recommendation(s)	Detailed Status	Summary Status
Finding #2	Maryland Legal Services Program (MLSP)	DHR Did Not Ensure the Propriety of the Payments to Certain Legal Firms	a) verify that payments made to legal firms are only for individuals for whom DHR is responsible to provide legal services (for example, require legal firms to submit copies of the court orders appointing the firm as the representative) (repeat)	<p>The new Children in Need of Assistance (CINA) RFP contains language mandating that the Court Appointment Order shall be submitted electronically along with the invoice so MLSP may review for propriety, as recommended. Some of the legal services providers have been challenging this new stipulation. Additionally, this stipulation has not been applied previously to the Children in Need of Assistance program due to their cases being sealed in accordance with regulations. The new Adult RFP will have the same language mandating that the Court Appointment Orders be submitted to MLSP. To date, MLSP has received and reviewed appointment orders submitted for the RFP from all CINA incumbent providers. In addition, the MLSP Contract Monitor presently reviews 20% of all court orders for both the CINA and Adult Protective Services (APS) vendors.</p> <p>In addition, OTHS and MLSP are in the process of finding a case management solution. A case management system is essential for proper collection and the process of verification of invoice data provided by the providers. Currently, MLSP is obtaining court records online for Baltimore City and PG County and expects the remaining jurisdictions' court records to be available online in the future. MLSP is also presently working with Baltimore and Montgomery County for alternative methods of confirming invoices. As of October 2015, MLSP has received the first case report from Montgomery County. The four metro jurisdictions in aggregate represent majority of the caseload. Additionally, an effort to gain access to the various court systems for all twenty-four (24) jurisdictions is in effect. The judiciary predicts that the uniform system will be available in 2017; however, MLSP will still need to be approved to access it.</p>	In Process

The Department of Human Resources
Corrective Action Status Update
Legislative Audit of the Office of the Secretary and related Units
November 1, 2015

Finding Number	Administration /Division	Condition(s)	Recommendation(s)	Detailed Status	Summary Status
			b) conduct on-site monitoring to ensure that amounts invoiced were proper and services were provided in accordance with the contract terms (repeat) and maintain adequate documentation of the site visit	An on-site contract monitoring plan has been developed and implemented. The on-site contract monitoring plan requires a minimum of an annual monitoring of the providers files and attorney performance in court. DHR revised the contract monitoring form to be completed by the contract compliance monitors to document the performance of the providers and the sufficiency of the provider's files. The contract monitors produce a contract monitoring report that documents the monitoring information, identifies any deficiencies, and requests corrective action plans. We believe the CAP implemented to date fairly addresses the recommendation. However, in an effort to prevent future finding(s), The Office of Inspector General is working with MLSP to develop a sampling methodology that follows a risk-based approach.	In Process
			c) take appropriate follow-up actions to ensure the legal firms submit annual reports as required.	MLSP has obtained all annual reports for all providers regarding the above referenced finding.	Completed
<div style="border: 1px solid black; padding: 5px; margin: 10px auto; width: fit-content;"> OLA NOTE: Recommendation 2c) was not related to a repeat audit report finding and consequently not subject to the OLA's JCR follow-up review process. </div>					

The Department of Human Resources
Corrective Action Status Update
Legislative Audit of the Office of the Secretary and related Units
November 1, 2015

Finding Number	Administration /Division	Condition(s)	Recommendation(s)	Detailed Status	Summary Status
Finding #3	Grants Management	Finding 3 – DHR Lacked Sufficient Procedures and Accountability Over Certain Grants	a) independently verify, on a test basis, that grant funds are spent as intended (repeat);	<p>FIA included language in all FY16 agreements with Local Administering Agencies (LAA) that original receipts for client services (such as motel stays) be retained by the LAA. All agreements will require grantees to operate according to the guidance provided to Homeless Services Grants which detail the updated documentation, reporting, and sub-grantee monitoring requirements.</p> <p>The Bureau of Homeless Services (BHS) and Special Grants (BSG) also developed grantee guidelines which reinforce this requirement. In the event that LAA's use funds for administrative expenses, the BHS will review documentation such as reports from the agencies' financial management system and timesheets to verify the expenses. This requirement has been included in the grantee guidelines.</p> <p>The USDA Emergency Food Assistance Program (TEFAP) FY16 agreements with Maryland Food Bank (MFB) and Capital Area Food Bank (CAFB) are completed and include language that requires that requests for reimbursement be accompanied by supporting documents (i.e. invoice, etc). FY 16 MIEFP Guidelines and award notification letters contain documentation requirements to include timely submission of eligible receipts on a quarterly basis. These are verified upon receipt at DHR by a program monitor.</p>	Completed

The Department of Human Resources
Corrective Action Status Update
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Finding Number	Administration /Division	Condition(s)	Recommendation(s)	Detailed Status	Summary Status
			c) ensure that annual site visits are performed (repeat).	Office of Special Projects has developed site visit Smartsheet tracking tools for Bureaus Special Grants (BSG) to schedule, summarize, and store monitoring site visits. BHS utilizes a Google sheet to track visits. BSG is working with OIG to define those grantees that are "material" and to refine self-reported monitoring tools for non-material grantees.	In Process
			b) ensure that all required reports are submitted, including the missing reports noted above (repeat)	Office of Special Projects has developed report tracking tools for BHS to highlight any missing or incomplete reports related to Homeless Services programs.	Completed
Finding # 4	OTHS	Finding 4 – DHR Had Not Established Sufficient Monitoring Controls Over Certain Users' Access	a) critical actions taken on CARES by users with unrestricted access be subject to independent supervisory review and approval, at least on a test basis (repeat); and	The recommended reviews are now being performed. Specifically, a compliance officer reviews a daily log analyzer report that reports changes to DB2 tables (tables that CARES pulls info. from). From these reports, the compliance officer identifies anything involving changes with dollar figures, SSNs, or banking information changes, and requests justification from the supervisor of the user who made the change. A summary of requests and responses is kept in a spreadsheet.	Completed

The Department of Human Resources
 Corrective Action Status Update
 Legislative Audit of the Office of the Secretary and related Units
 November 1, 2015

Finding Number	Administration /Division	Condition(s)	Recommendation(s)	Detailed Status	Summary Status
Finding #7	OTHS	Finding 7 – Certain DHR Networks Were Not Adequately Secured	a) configure its firewalls and virtual private networks to achieve a “least privilege” security strategy giving individuals and devices only those privileges needed to perform assigned tasks (repeat); and	The Department has implemented OLAs’ recommendation to configure its firewalls and virtual private networks to achieve a “least privilege” security strategy giving individuals and devices only those privileges needed to perform assigned tasks.	Completed
			b) require the vendor that hosts CARES, CSES, and CHESSIE to configure the aforementioned firewall to properly protect the critical devices on the network hosting these systems (repeat).	The Department has implemented numerous changes to accomplish OLA’s recommendation that required the vendor that hosts CARES, CSES, and CHESSIE to configure the aforementioned firewall to properly protect the critical devices on the network hosting these systems.	Completed

Exhibit 2 to April 20, 2016 Letter to Joint Chairmen

Status of Repeat Findings in OLA's June 24, 2014 Audit Report on the Department of Human Resources – Office of the Secretary

Prior Recommendations Pertaining to Repeat Findings	Status Based on OLA Review
Maryland Legal Services Program 2. We recommend that DHR <ul style="list-style-type: none"> a. verify that payments made to legal firms are only for individuals for whom DHR is responsible to provide legal services (for example, require legal firms to submit copies of the court orders appointing the firm as the representative). 	Not Resolved
<ul style="list-style-type: none"> b. conduct on-site monitoring to ensure that amounts invoiced were proper and services were provided in accordance with the contract terms. 	Corrected
Grants Management 3. We recommend that DHR <ul style="list-style-type: none"> a. independently verify, on a test basis, that grant funds are spent as intended. 	Not Resolved
<ul style="list-style-type: none"> b. ensure that all required reports are submitted, including the missing reports noted in the audit report. 	Not Resolved
<ul style="list-style-type: none"> c. ensure that annual site visits are performed. 	Not Resolved
Information Systems Security and Control 4. We recommend that <ul style="list-style-type: none"> a. critical actions taken on CARES by users with unrestricted access be subject to independent supervisory review and approval, at least on a test basis. 	Corrected
7. We recommend that DHR <ul style="list-style-type: none"> a. configure its firewalls and virtual private networks to achieve a “least privilege” security strategy giving individuals and devices only those privileges needed to perform assigned tasks. 	Corrected
<ul style="list-style-type: none"> b. require the vendor that hosts CARES, CSES, and CHESSIE to configure the firewall to properly protect the critical devices on the network hosting these systems. 	Corrected

Shaded recommendations are more fully described in Exhibit 3.

Exhibit 3 to April 20, 2016 Letter to Joint Chairmen

OLA's Assessments Regarding Repeat Findings That Had Not Been Resolved

Maryland Legal Services Program

Prior Report Recommendation – Finding 2

We recommend that DHR

- a. verify that payments made to legal firms are only for individuals for whom DHR is responsible to provide legal services (for example, require legal firms to submit copies of the court orders appointing the firm as the representative) (repeat).**

Status: Not Resolved

DHR's response to this finding that was included in the audit report, indicated that legal firms were to submit copies of court orders with each invoice, and those invoices would be subject to a formal auditing process to verify propriety. However, DHR noted in its status report that certain legal firms are challenging this requirement (and not complying). In an effort to identify an alternate solution, DHR obtained, from three larger jurisdictions (Baltimore City, Montgomery County, and Prince George's County), information directly from the courts that identifies individuals for whom DHR is responsible to pay the legal fees, and used this information to verify the propriety of the related invoices. However, DHR was unable to get similar information for the remaining 21 jurisdictions. DHR did advise that a Judiciary case management system to allow court order information to be directly accessed for all jurisdictions is predicted to be available beginning in 2017, although DHR will need to obtain permission to access such a system. Presently, for individuals invoiced by the legal firms in these 21 jurisdictions, DHR relied on a verification of the propriety of only selected individuals invoiced by reviewing the court orders at the law firms during site visits.

Grants Management

Prior Report Recommendation – Finding 3

We recommend that DHR

- a. independently verify, on a test basis, that grant funds are spent as intended (repeat);**
- b. ensure that all required reports are submitted, including the missing reports noted in the audit report (repeat); and**
- c. ensure that annual site visits are performed (repeat).**

Status: Not Resolved

DHR was not independently verifying that grant funds were spent as intended. Although DHR management advised us that DHR started these verifications for all grants in fiscal year 2016, our

review of five fiscal year 2016 Homeless Services Grants found no documentation that independent verifications had been performed.

Our review of activity reporting for one grant mentioned in the prior report found that DHR was not ensuring that all required reports were submitted. Specifically, for the Maryland Emergency Food Program (MEFP) fiscal year 2016 grants, DHR had not received 102 of the 155 required activity reports as of February 2016. DHR could not provide us with a status of these reports for fiscal year 2015 grants because DHR did not monitor the receipt of the required reports. In addition, as of February 2016, DHR had not obtained 86 of the 113 missing reports from several other grant programs that were identified in our audit report. According to the State's records, during fiscal 2015, MEFP expenditures totaled approximately \$4 million.

Finally, for the MEFP grant, DHR was not ensuring that annual site visits were performed as required by State regulation. As of February 2016, sites visits were only performed for 3 of the 155 fiscal year 2016 grantees to ensure that services were provided in accordance with the terms of the grant agreements. Site visits were also not performed for 21 of the 164 fiscal year 2015 grantees.