

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

December 1, 2014 to July 31, 2015

Presentation to Joint Audit Committee

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Legislative Auditor

September 8, 2015

Reports Issued December 1, 2014 to July 31, 2015

Summary

| | |
|--------------------------------|----|
| Total Reports Issued | 63 |
| Reports Recommended for Action | 5 |

| <u>Agency</u> | <u>Recommended Action</u> |
|---|---------------------------|
| 1. Department of Transportation – Maryland Transit Administration – Interagency Agreements with Towson University (Special) | JAC Hearing |
| 2. Department of Transportation – Maryland Transit Administration | JAC Hearing |
| 3. Department of Health and Mental Hygiene – Office of the Secretary and Other Units | JAC Letter of Concern |
| 4. Department of Human Resources – Child Support Enforcement Administration | JAC Letter of Concern |
| 5. Department of Human Resources – Local Department Operations | JAC Hearing ¹ |

| <u>Summary of Recommended Action</u> | |
|--------------------------------------|-----------------|
| Joint Audit Committee (JAC) Hearing | 3 |
| JAC Letter of Concern | <u>2</u> |
| Total | <u><u>5</u></u> |

¹ To be presented to Joint Audit Committee in November 2015

**REPORTS ISSUED
DECEMBER 1, 2014 TO JULY 31, 2015**

| <u>Agency</u> | <u>Report Date</u> | <u>Number of Pages</u> |
|---|--------------------|------------------------|
| Office of Administrative Hearings | 12/03/14 | 5 |
| University System of Maryland – University of Maryland, College Park – Division of Information Technology | 12/04/14 | 15 |
| Board of Trustees of the Maryland Teachers and State Employees Supplemental Retirement Plans | 12/05/14 | 6 |
| Review of the Actions Taken by the Department of General Services – Office of Procurement and Logistics to Resolve Repeat Audit Findings in Response to the April 2014 Joint Chairmen's Report (Special) | 12/08/14 | 3 |
| Board of Trustees of the Maryland Teachers and State Employees Supplemental Retirement Plans | 12/05/14 | 6 |
| Baltimore City Community College | 12/09/14 | 15 |
| Review of the Actions Taken by the State Department of Assessments & Taxation to Resolve Repeat Audit Findings in Response to the April 2014 Joint Chairmen's Report (Special) | 12/17/14 | 11 |
| State Retirement Agency | 12/22/14 | 8 |
| Department of the Environment | 1/06/15 | 20 |
| Office of the Secretary of State | 1/09/15 | 10 |
| Statewide Review of Budget Closeout Transactions for Fiscal Year 2014 (Special) | 1/28/15 | 13 |
| Review of the Actions Taken by the Maryland Department of Agriculture to Resolve Repeat Audit Findings in Response to the April 2014 Joint Chairmen's Report (Special) | 1/28/15 | 12 |
| Review of the Actions Taken by the State Board of Elections to Resolve Repeat Audit Findings in Response to the April 2014 Joint Chairmen's Report (Special) | 1/29/15 | 6 |
| Baltimore City – Office of the Register of Wills | 1/29/15 | 7 |
| Harford County Public Schools (Financial Management Practices Audit) | 1/29/15 | 32 |
| Department of Transportation – Maryland Transit Administration – Interagency Agreements with Towson University (Special) | 2/03/15 | 16 |
| Department of Health and Mental Hygiene – Thomas B. Finan Hospital Center | 2/05/15 | 4 |
| Department of Health and Mental Hygiene – Health Regulatory Commissions | 2/05/15 | 8 |
| Department of Transportation – Maryland Transit Administration | 2/13/15 | 24 |
| Department of Health and Mental Hygiene – Office of the Secretary and Other Units | 2/19/15 | 34 |
| Review of the Actions Taken by the Department of Health and Mental Hygiene – Developmental Disabilities Administration to Resolve Repeat Audit Findings in Response to the April 2014 Joint Chairmen's Report (Special) | 2/26/15 | 14 |
| Department of Labor, Licensing and Regulation – Division of Unemployment Insurance | 2/27/15 | 12 |
| Maryland Institute for Emergency Medical Services Systems | 3/03/15 | 6 |
| Office of the Attorney General | 3/04/15 | 6 |
| Calvert County – Office of the Register of Wills | 3/06/15 | 4 |
| Review of the Actions Taken by the Comptroller of Maryland – Revenue Administration Division to Resolve Repeat Audit Findings in Response to the April 2014 Joint Chairmen's Report (Special) | 3/10/15 | 7 |

**REPORTS ISSUED
DECEMBER 1, 2014 TO JULY 31, 2015
(Continued)**

| <u>Agency</u> | <u>Report Date</u> | <u>Number of Pages</u> |
|---|--------------------|----------------------------|
| Charles County – Office of the Clerk of Circuit Court | 3/11/15 | 5 |
| Charles County – Office of the Register of Wills | 3/11/15 | 5 |
| Review of the Actions Taken by the Maryland Higher Education Commission to Resolve Repeat Audit Findings in Response to the April 2014 Joint Chairmen's Report (Special) | 3/12/15 | 15 |
| Calvert County – Office of the Clerk of Circuit Court | 3/18/15 | 5 |
| Department of Health and Mental Hygiene – Prevention and Health Promotion Administration – Health Systems and Infrastructure Administration – Office of Preparedness and Response | 3/18/15 | 14 |
| Review of the Actions Taken by the Department of Public Safety and Correctional Services – Central Region Finance Office to Resolve Repeat Audit Findings in Response to the April 2014 Joint Chairmen's Report (Special) | 3/20/15 | 10 |
| Review of the Actions Taken by the University System of Maryland – Coppin State University to Resolve Repeat Audit Findings in Response to the April 2014 Joint Chairmen's Report (Special) | 3/25/15 | 9 |
| Department of Health and Mental Hygiene – Holly Center | 3/30/15 | 6 |
| Comptroller of Maryland – Information Technology Division – Annapolis Data Center Operations | 3/31/15 | 9 |
| Department of Labor, Licensing and Regulation – Division of Labor and Industry | 3/31/15 | 13 |
| Crime Scene DNA Collection and Analysis Reporting By Law Enforcement Agencies (Special) | 4/06/15 | 46 |
| Frederick County Public Schools (Financial Management Practices Audit) | 4/07/15 | 38 |
| Department of Human Resources – Family Investment Administration | 4/09/15 | 18 |
| State Lottery and Gaming Control Agency | 4/14/15 | 14 |
| Department of Budget and Management – Office of the Secretary and Other Units | 4/17/15 | 10 |
| Maryland Agricultural Land Preservation Fund – Fiscal Year Ended June 30, 2014 | 4/27/15 | 7 |
| Department of Public Safety and Correctional Services – Central Region | 5/01/15 | 8 |
| University System of Maryland – University System of Maryland Office | 5/06/15 | 10 |
| University System of Maryland – Salisbury University | 5/06/15 | 10 |
| University System of Maryland – University of Maryland, College Park | 5/11/15 | 15 |
| Department of Budget and Management – Office of Personnel Services and Benefits | 5/19/15 | 14 |
| University System of Maryland – University of Maryland Center for Environmental Science | 5/20/15 | 6 |
| Dorchester County – Office of the Register of Wills | 5/26/15 | 5 |
| Dorchester County – Office of the Clerk of Circuit Court | 5/27/15 | 5 |
| Workers' Compensation Commission | 6/01/15 | 7 |
| Harford County – Office of the Register of Wills | 6/05/15 | 5 |
| University System of Maryland – University of Maryland University College | 6/08/15 | 13 |
| Potomac River Fisheries Commission – Report for the Year Ended June 30, 2014 (Examination) | 6/12/15 | 9 |

**REPORTS ISSUED
DECEMBER 1, 2014 TO JULY 31, 2015
(Continued)**

| <u>Agency</u> | <u>Report Date</u> | <u>Number of Pages</u> |
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| Harford County – Office of the Clerk of Circuit Court | 6/15/15 | 5 |
| Maryland Technology Development Corporation | 6/15/15 | 6 |
| College Savings Plans of Maryland | 6/23/15 | 9 |
| Department of Human Resources – Child Support Enforcement Administration | 6/26/15 | 18 |
| Baltimore County Public Schools (Financial Management Practices Audit) | 7/02/15 | 32 |
| Department of Disabilities | 7/09/15 | 7 |
| St. Mary's County – Office of the Register of Wills | 7/24/15 | 5 |
| Department of Public Safety and Correctional Services – Maryland Correctional Enterprises | 7/24/15 | 10 |
| Department of Human Resources – Local Department Operations | 7/24/15 | 25 |

Total Number of Reports Issued: 63

Reports Recommended for Committee Action
Significant Audit Findings
December 1, 2014 to July 31, 2015

1) Department of Transportation (MDOT) – Maryland Transit Administration (MTA) – Interagency Agreements with Towson University (Special) (2/03/15 – 16 pages – 5 Findings)

We conducted a review of an allegation received through our fraud hotline related to possible violations of State budget and procurement laws and regulations involving certain interagency agreements between MTA and Towson University's Division of Economic and Community Outreach (DECO). DECO serves as a conduit through which the University can collaborate with businesses, non-profit organizations, government agencies, and community members to provide research and technical services that create solutions addressing issues its clients are facing.

Interagency agreements are used by State agencies to obtain services from State institutions of higher education and are exempt from State procurement laws, including the requirements for competitive procurement, publication of solicitations and awards, and Board of Public Works' approval. Our review was limited to 10 interagency agreements between MTA and DECO for fiscal years 2010 through 2013 and payments associated with 8 agreements totaling \$10.6 million.

- MTA lacked adequate controls over interagency agreements with DECO. Through its use of these agreements, MTA circumvented State procurement regulations which require competitive bidding and allowed MTA to augment its staff beyond its budgetary positions. For example, under its annual agreement with DECO, MTA identified the individuals who were to be employed by DECO to perform work directly for MTA. MTA monitored the work performed by these individuals without any apparent involvement by DECO. During fiscal years 2010 through 2013, DECO was paid \$6.3 million and the number of personnel for MTA included under the agreement ranged from 11 individuals in 2010 to 57 in 2013. The individuals hired included several who had previously been employed by MTA or its contractors and who performed similar duties under the agreement and when previously employed by or for MTA.
- MTA had poor procedures and controls for the administration of the agreements, did not maintain adequate records of the agreements and related task orders, paid invoices without adequate support, and could not document the receipt of certain deliverables.
- One MTA employee had unilateral control over the agreements, including creating, approving, and modifying the agreements. One of the agreements included questionable payments totaling \$200,000 for work performed by a company owned by this employee's spouse. MTA subsequently determined that this employee had violated certain State ethics laws and was terminated in November 2012.

MTA referred certain matters to the State Ethics Commission prior to the start of our review. After we notified MDOT management of our preliminary findings, MDOT referred certain matters to the Criminal Division of the Office of the Attorney General.

Recommended Committee Action – Hearing

Reports Recommended for Committee Action
Significant Audit Findings
December 1, 2014 to July 31, 2015

2) Department of Transportation – Maryland Transit Administration (MTA) (2/13/15 – 24 pages – 9 Findings)

- MTA did not adequately verify the accuracy of contractor-billed direct labor rates paid to the four architectural and engineering contractors developing the Baltimore Red Line and Washington Area Purple Line projects. Each contractor's overhead rate and profit were determined using a formula that included a component based on total billed direct labor rates. The total potential contract costs impacted by these direct labor charges were \$233 million, as of July 2013.
- MTA's error in calculating the billing rates for the three vendors providing Mobility Paratransit Program (MPP) services resulted in vendors being overpaid for fuel costs. The related contracts required MTA to reimburse for fuel costs as a separate billing component, which it did, but annual estimated fuel costs were also included in each vendor's service hour billing rate. When we brought this issue to management's attention, MTA investigated the matter and determined that, during the period from February 2013 to August 2014, it had overpaid the vendors approximately \$10 million. MTA made certain retroactive adjustments for the July and August 2014 bills, which recouped \$1.2 million, and as of November 2014, MTA was in consultation with its legal counsel to assess potential corrective actions to be taken to pursue recovery of the remaining \$8.8 million it overpaid.
- Procedures and controls over the MPP eligibility process were not sufficient to ensure only eligible individuals were enrolled and received identification cards, which also allowed these individuals free access to MTA's fixed route system.
- MTA paid State excise taxes for fuel used in MPP service vehicles, although MTA may be exempt from such taxes, which totaled \$498,000 during fiscal year 2012.
- MTA accepted a \$24 million change order on a MARC commuter rail service contract without preparing an independent cost analysis to determine whether the price was reasonable. In addition, certain billed charges were not adequately verified to supporting documentation.
- MTA did not always comply with State procurement regulations. Specifically, justifications for sole source contract awards were not adequately documented, the receipt of bid documents was not always recorded, and contract awards were not routinely published, as required.
- Certain procedures and/or controls were inadequate over the processing of purchasing and disbursement transactions, transit fare collections, and equipment inventory.

Recommended Committee Action – Hearing

Reports Recommended for Committee Action
Significant Audit Findings
December 1, 2014 to July 31, 2015

3) Department of Health and Mental Hygiene (DHMH) – Office of the Secretary and Other Units (2/19/15 – 34 pages – 15 Findings)

- Certain aspects of the Medicaid Enterprise Redevelopment Project (MERP) procurement process, including the potential risks regarding the award decision, were not formally communicated by DHMH to the Board of Public Works (BPW) when it sought approval of the \$171 million contract. For example, evidence was lacking that DHMH apprised the BPW that the successful bidder had past performance issues, such as significant cost overruns and project implementation delays, on similar projects in other states. The MERP contract was awarded in January 2012 to replace the current system used to process Medicaid payments. After a number of development issues, the Department of Information Technology (DoIT) and DHMH suspended work on MERP in August 2014. Payments totaling \$27.4 million had been made to the contractor as of September 2014.
- DHMH did not adequately plan the development of the Long Term Supports and Services (LTSS) tracking system project nor seek DoIT's approval when the project was initiated. Additionally, the use of an arrangement with a State university resulted in the project not being subject to a competitive procurement as would normally be required by State procurement regulations had the services of the information technology contractor used on the project been obtained directly by DHMH. Over a three-year period, the cost of the project increased to more than \$20 million.
- Local health department (LHD) and certain non-profit provider grant audits conducted by DHMH were not completed timely and in accordance with professional standards. We noted that 9 of the 24 LHDs and 36 of the 68 private non-profit providers that received grant awards had not been audited for at least five years. These 45 entities received grant awards totaling over \$300 million during fiscal years 2008 and 2009. The grant audits performed by DHMH's Office of Inspector General are the primary mechanism for ensuring the propriety of the use of these funds and recovering unallowable expenditures.
- Sufficient controls were not established over the reimbursements for the cost of care provided to patients admitted to State hospitals. Specifically, related records were not properly maintained, delinquent accounts were not properly pursued, and collections were not adequately controlled. During fiscal year 2012, 1,923 patients were admitted to the State's mental health, intellectual disability, and chronic disease facilities.
- Corporate purchasing cards transactions were not always thoroughly reviewed and supported.
- DHMH had not established sufficient security and controls over its information systems and network.

Recommended Committee Action – Letter of Concern

Reports Recommended for Committee Action
Significant Audit Findings
December 1, 2014 to July 31, 2015

4) Department of Human Resources – Child Support Enforcement Administration (CSEA)
(6/26/15 – 18 pages – 6 Findings)

- CSEA did not ensure that local child support offices initiated timely required follow-up action when employers failed to remit wage withholding payments. Although CSEA's automated system (CSES) prompted local offices to follow up with the related employers, our tests identified instances in which the local offices failed to take such action for extended periods. Withholding of wages from obligors accounts totaled \$395 million in federal fiscal year 2014 and accounted for 71 percent of total child support collections.
- At one local child support office reviewed, our tests found that certain obligors, who had entered into a payment plan, were improperly excluded from the driver's license suspension process based on improper coding in CSES. At this office, as of October 2014, we identified 682 obligors with unpaid child support totaling approximately \$10.5 million who had entered into a payment plan, and would not automatically be subject to the driver's license suspension process. Consequently, these obligors would not be automatically subject to driver's license suspension if they did not keep current on their payment plans. CSEA advised that this condition was unique to this one local office, although we did not confirm this assertion.
- Certain obligors, with inactive or suspended and subsequently reinstated professional licenses, were not subject to the occupational license suspension enforcement process. There were 487 obligors as of September 2014 with unpaid child support totaling \$11.2 million who would not be subject to the license suspension process, due to CSES coding issues, if their licensing circumstances change.
- CSEA did not ensure State licensing authorities took action to suspend obligors' occupational licenses when requested. We identified two licensing authorities where no suspensions were being performed. There were 165 obligors who were referred to these two authorities and owed child support totaling \$2.6 million. Although there is no statutory requirement for CSEA to determine if action was taken, there is no impediment or prohibition to CSEA following up with such authorities, when the authorities do not respond to CSEA's suspension requests.
- Monitoring of the vendors responsible for providing child support services at one local child support office and for maintaining the new hire registry needs to be enhanced.

Recommended Committee Action – Letter of Concern

Reports Recommended for Committee Action
Significant Audit Findings
December 1, 2014 to July 31, 2015

5) Department of Human Resources – Local Department Operations (LDO) (7/24/15 – 25 pages – 8 Findings)

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). During fiscal year 2014, the LDO expenditures totaled approximately \$2.2 billion, which included \$1.7 billion in assistance payments and \$500 million in operating expenditures. 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, we based our findings primarily on the OIG's most recent audit report for each of the 24 LDSSs.

- DHR executive management, including management of the relevant DHR administrations, such as Family Investment Administration (FIA) and Social Services Administration (SSA), had not established a formal process to provide oversight and monitoring of LDSS corrective actions pertaining to the audits. The most recent DHR OIG audit reports for the 24 LDSSs collectively included 299 audit findings, including 89 findings deemed to be repeat conditions.
- 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 certain findings were resolved based on insufficient evidence and, for other findings, the OIG had not performed adequate follow-up.
- The OIG did not distribute its LDSS audit reports to all appropriate parties. OIG did not issue the reports to the respective local oversight boards and the local governing authorities as required by State law. 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.
- The OIG audit reports contained findings relating to all of the LDSSs' major operational responsibilities, such as fiscal management activities. For example, these audits disclosed deficiencies with respect to bank accounts, procurements, and prepaid gift cards. The OIG also identified a number of instances in which LDSSs did not comply with policies established by FIA and SSA when administering certain public assistance and foster care activities. For example, certain LDSSs were not ensuring client eligibility for public assistance and food benefits and were not maintaining documentation of consistent caseworker contact with foster care children.

Recommended Committee Action – Hearing (to be presented at the Committee's November 2015 meeting)