

DEPARTMENT OF LEGISLATIVE SERVICES  
OFFICE OF LEGISLATIVE AUDITS  
MARYLAND GENERAL ASSEMBLY

Victoria L. Gruber  
Executive Director

March 6, 2018

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 reviewed the actions taken by the Department of Human Services – Office of the Secretary (DHS) 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 2017 *Joint Chairmen's Report* (JCR), page 96. The JCR required that, prior to the release of \$50,000 of its administrative appropriation for fiscal year 2018, DHS must take corrective action on all repeat audit findings on or before November 1, 2017. 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 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 DHS contained four repeat audit findings (findings 2, 3, 4, and 7) that were addressed by eight recommendations. This is the second year that a requirement regarding repeat audit findings in this audit report has been included in the JCR for DHS. In response to the requirement in the April 2015 JCR, we notified the budget committees on April 20, 2016 that DHS had resolved four of the recommendations relating to findings 2, 4, and 7, and that four recommendations relating to findings 2 and 3 remained unresolved.

Subsequently, we issued our latest audit report on DHS, dated September 12, 2017, in which we reviewed the status of all repeat findings from the June 24, 2014 audit report. In our latest report, we noted that DHS had resolved two of the recommendations relating to original finding 3, and that two recommendations relating to findings 2 and 3 remained unresolved (which were renumbered as findings 4 and 5, respectively, in the September 2017 audit report).

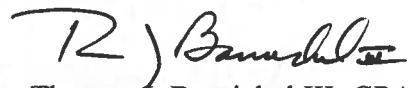
In accordance with the April 2017 JCR requirement, DHS provided a report to OLA, dated October 31, 2017, detailing the corrective actions that it had taken with respect to the two repeat audit findings and recommendations that were unresolved as of the date of our September 12, 2017 audit report. We reviewed this report to assess the implementation status of these two recommendations. Our review did not constitute an audit conducted in accordance with generally accepted government auditing standards.

Exhibit 1 is DHS's October 31, 2017 status report, which indicated corrective actions had been taken to address the recommendations for the two findings. Our review confirmed that actions had been taken to resolve those findings.

A summary of OLA's assessment of the status of the two remaining repeat audit findings and recommendations is included in the attached Exhibit 2. We wish to acknowledge the cooperation extended to us by DHS during this review.

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

Sincerely,



Thomas J. Barnickel III, CPA  
Legislative Auditor

cc: Senator Craig J. Zucker, 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  
Honorable Lourdes R. Padilla, Secretary, Department of Human Services  
Kevin J. Carson, Inspector General  
Marva M. Sutherland, Assistant Inspector General  
Joan Peacock, Manager, Audit Compliance Unit, DBM  
Victoria L. Gruber, Executive Director, Department of Legislative Services  
Anne Wagner, Policy Analyst, Department of Legislative Services

## Exhibit 1 to March 6, 2018 Letter to Joint Chairmen



Larry Hogan, Governor | Boyd K. Rutherford, Lt. Governor | Lourdes R. Padilla, Secretary

October 31, 2017

Mr. 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:

In response to your letter dated August 24, 2017, we are providing the requested corrective action status report update for the Department of Human Services (DHS) – Office of the Secretary report issued June 2014. As noted in your letter, we are reporting on the corrective action implementation status for the four repeat audit recommendations (i.e. 2a, 3a, 3b and 3c). It should be noted that recommendations 3b and 3c were cleared during the most recent OLA audit issued in August 2017. Therefore, we have commented on the status of our corrective actions for recommendations 2a and 3a (in the attached spreadsheet), as we were subsequently advised.

The Department takes audit findings seriously and is committed to resolving the findings identified. If there are any questions, please do not hesitate to contact Terry P. Scates, Acting Inspector General at 443-378-4000 or via email at [terry.scates@maryland.gov](mailto:terry.scates@maryland.gov).

Sincerely,

A handwritten signature in dark ink that reads "Lourdes R. Padilla".

Lourdes R. Padilla  
Secretary

cc: Senator Craig J. Zucker, Co-Chair, Joint Audit Committee  
Delegate C. William Frick, Co-Chair, Joint Audit Committee  
Joint Audit Committee Members and Staff  
Ms. Joan Peacock, Manager Audit Compliance Unit, DBM  
Ms. Tonya D. Zimmerman, Policy Analyst, Department of Legislative Services  
Mr. Stephen M. Ross, Policy Analyst, Department of Legislative Services  
Ms. Hannah E. Dier, Policy Analyst, Department of Legislative Services  
Mr. Warren G. Deschenaux, Executive Director, Department of Legislative Services  
Mr. Gregory James, Deputy Secretary for Programs, DHS  
Mr. Craig F. Eichler, Chief of Staff, DHS  
Ms. Samantha Blizzard, Special Assistant, Office of the Secretary, DHS  
Mr. Terry P. Scates, Acting Inspector General, DHS  
Ms. Marva Sutherland, Assistant Inspector General for Audits, DHS  
Ms. Nicholette Smith-Bligen, Executive Director, FIA, DHS  
Mr. Stafford Chipungu, Chief Financial Officer, DHS



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OLA Note: The actual "most recent OLA audit" report issuance date was September 12, 2017, not August 2017, as mentioned in the above letter from Secretary Padilla.

# DHS LDO Quarterly Update 11.1.17 (Finding 2a & 3a)

Finding #	Administration	Contact Person	Recommendation	Response	Actions Taken as of 10/31/17	Implementation Status	Actions to be Taken/Planned Date of Implementation
2a	MLSP	Audre Davis 410-767-7289	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>As of June 30, 2015, the new CINA RFP contains language mandating that the Court Appointment Order shall be submitted electronically along with the invoice so that MLSP may review for propriety, as recommended. Some of the legal services providers have been challenging this new submission. Additionally, this submission has not been applied previously to the Children in Need of Assistance program due to their cases being sealed. In accordance, the new Adult RFP will have the same language mandating that the Court Appointment Order 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 APS vendors.</p> <p>In addition, OTHS and MLSP are in the process of finalizing 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 Prince George's 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 2016, MLSP has received the first case report from Montgomery County. The four metro jurisdictions in aggregate represent a 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. MLSP met with the OLA auditor and received direction that OLA believes that appointment orders and court orders from the date of service must be provided to MLSP for verification prior to the approval of all vendor submitted invoices. The CINA contracts have been updated to include the requirement that the court orders (for some other verification of attendance form) be submitted with the appointment orders at the time of billing. This requirement will require the cooperation of the vendors, the Judiciary and the Clerk of Court to provide the required documents. We are aware that there is an issue with the amount to time that it takes the Judiciary to produce and disseminate both required documents. A delay in the obtaining the documents will delay either the vendor submitting the case for billing or in MLSP's ability to approve the billing for payment. The State is required to pay for services billed within 30 days of receipt, otherwise the State Department could be forced to pay a 6% per annum penalty. In accordance with the State Finance and Procurement Article of the Annotated Code of Maryland, Section 15-403, all invoices received by the State must be paid within 30 days. Section 15-404 of the State Finance and Procurement Article of the Annotated Code provides for the payment of interest by State agencies on late payments. In addition, under COMAR 21.07.01 of the State Procurement Regulations a "Delayed Payment" condition exists when the invoice is received in the General Accounting Division more than 25 days after the date of receipt of invoice or goods, whichever is later. The information about late payments is collected pursuant to Section 3.17.1. Late Payment of Invoices Report, for measures of the agency's performance. Additionally, MLSP staff would have to review the two documents to verify the accuracy of the case billed within 10 days of receipt of the invoice. In FY15 MLSP was billed for an average of 646 CINA cases per month, 146 Adult Guardianship cases per month and 31 CAP cases per month. Prospectively, MLSP will have to review 2 documents for each case billed, each month, within 10 days of receipt of the invoice, in order to meet the standard set by OLA.</p>	<p>The MLSP system is currently operational and all CINA and Adult contractors are using it to submit invoices and supporting documents. The system is designed to identify duplicates, which are not paid for by MLSP, unless eligible for payment (twice, transfer cases from one contractor to another contractor, etc.). Documents are required to be submitted to support the payment of cases. Provisional approval of invoices occurs when all supporting documents are not submitted by the contractors. The system sends a notice every 90 days to remind the contractors that there are provisionally approved invoices and asking them to submit the missing documents. Internal MLSP processing requires MLSP to approve each document that has been submitted prior to approving the case for payment. For example, if both documents have been submitted, the MLSP clerk must open each document and approve or reject it before the system will permit the case to be approved for payment. The system has an audit trail, which identifies who reviewed and approved/rejected each document, and reviewed and approved/rejected each case.</p>	<p>The system is operational. Implemented.</p>	<p>The system is undergoing continuing enhancements to improve the invoice and document submission process, the document review and approval process, as well as contractor contacts and attorney caseload compliance. In the future, additional contract monitoring features will be added to include the development of electronic invoicing for Court Appointed Attorney Program cases.</p>

OLA Note: The title of this document is incorrect. Update is not for Local Department Operations (LDO), but Office of the Secretary audit report.

# DHS LDO Quarterly Update 11.1.17 (Finding 2a & 3a)

Finding #	Administration	Contact Person	Recommendation	Response	Actions Taken as of 10/31/17	Implementation Status	Actions to be Taken/Planned Date of Implementation
3a	FIA	Nichole Smith-Bogen 410-767-7670	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 grant Guidelines which reinforce this requirement.</p> <p>The USDA Emergency Food Assistance Program (TEFAP) FY16 agreements with the Maryland Food Bank (MFB) and Capital Area Food Bank (CAF) are completed and include language that requires that requests for reimbursement be accompanied by supporting documents (i.e. invoice, etc.). FY 16 Maryland Emergency Food Program (MEFP) Guidelines and Award Notification letters specify reporting requirements to include, quarterly submission of receipts, receipt documentation logs and proof of payment. These are verified upon receipt of BSG by a program monitor and late submissions are noted.</p> <p>Update as of June 30, 2016: The Administration continues to carry out the corrective action as noted above. The Bureau of Homeless Services (BHS) has developed standard operating procedures to detail how staff should process invoices and verify expenses. BHS began collecting supporting documentation to verify expenses in December of 2015 and has continued to the present date. BHS continues to work with grantees to ensure complete and timely submissions occur regularly. Details of required documentation have been added to the BHS policy guide and expenses are not approved and processed until sufficient backup documentation is received from Local Administering Agencies and sub-grantees.</p> <p>Similar standard operating procedures, establishing verification protocols, are in development for the Bureau of Special Grants (BSG). By the close of FY 2016, BSG had received supporting documentation for 97% of the grant funds allocated this year and anticipates exceeding this rate for Fiscal Year 2017.</p>	<p><b>Bureau of Homeless Services</b> The Bureau of Homeless Services moved to the Department of Housing and Community Development (DHCD) as of July 1, 2017. Inquiries and audit updates regarding the Emergency Transitional Housing Services should be redirected to DHCD as they are best equipped to provide a thorough and accurate response.</p> <p><b>Bureau of Special Grants</b> The Maryland Food Bank (MFB) and Capital Area Food Bank (CAF) submit their budget requests and budget justifications prior to receiving their approved funding at the beginning of the Federal Fiscal Year (FFY), which begins October 1st. NOTE: For FFY18, MFB and CAF also submitted a Scope of Work with their budgets.</p> <p>The United States Department of Agriculture (USDA) approves the budget, budget justification, and the Maryland State Distribution Plan which details how the Department of Human Services (DHS) and MFB and CAF will administer TEFAP. Once the Agreement is fully executed, MFB and CAF submit invoices for their total fund allocation for the fiscal year. MFB and CAF submit fiscal reports identifying commodities received from the USDA and the amount of commodities distributed in each jurisdiction. All reporting and site visits are in compliance with the USDA regulations. In the Federal Management Audit conducted by the Food and Nutrition Service (FNS) in June 2015, there were no findings from the USDA regarding non-compliance with fiscal and commodity reporting requirements.</p> <p>MEFP Guidelines and reporting requirements include quarterly submission of receipts and activities (individuals and families served and amount of food distributed). These receipts provide "proof of purchase" of eligible food items. All receipts and activity reports are verified by the MEFP Coordinator in the Bureau of Special Grants (BSG). The MEFP Coordinator tracks and monitors the submission of required documentation, evaluates grant balances, and informs grant recipient of ineligible purchases. BSG is finalizing a MEFP Procedural Manual.</p> <p><b>BSG Data Analysis</b></p> <ul style="list-style-type: none"> <li>• In FFY16: 98% of all program recipients submitted Quarterly Activity Reports.</li> <li>• Percentage of Sites Receiving More Than \$5,000 and Completed Site Visit: 100%</li> <li>• Percentage of Sites Receiving Less Than \$5,000 and Completed Site Visit: 97.3%</li> <li>• 100% of programs were in compliance with required funding documentation (i.e. the program either submitted eligible receipts and activities supporting their award amount or returned any balance of unused funds).</li> <li>• In FY 2017, there was 100% compliance with the submission of required proof of purchase (receipts) and individuals and families served and amount of food distributed and no funding was unaccounted for in MEFP.</li> </ul>	Implemented	BSG is finalizing a MEFP Procedural Manual.

OLA Note: The title of this document is incorrect. Update is not for Local Department Operations (LDO), but Office of the Secretary audit report.

## Exhibit 2 to March 6, 2018 Letter to Joint Chairmen

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

Prior Recommendations Pertaining to Repeat Findings	Status Based on OLA Review
<b>Maryland Legal Services Program</b> 2. We recommend that DHS a. verify that payments made to legal firms are only for individuals for whom DHS is responsible to provide legal services (for example, require legal firms to submit copies of the court orders appointing the firm as the representative).	Resolved
<b>Grants Management</b> 3. We recommend that DHS a. independently verify, on a test basis, that grant funds are spent as intended.	Resolved <sup>1</sup>

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<sup>1</sup> The responsibility for administering the specific grant programs that were commented upon in our DHS audit report dated June 24, 2014, which related to emergency food and emergency housing programs, has been transferred from the DHS Office of the Secretary to other units. Specifically, as noted in our DHS audit report dated September 12, 2017, the Office of Grants Management (OGM), which administered the emergency food program was transferred from the DHS Office of the Secretary to the DHS Family Investment Administration, effective July 1, 2015. Subsequently, Chapter 105, 2017 Laws of Maryland (HB 134) transferred the responsibility for administering the emergency housing programs to the Department of Housing and Community Development, effective July 1, 2017. Accordingly, since DHS Office of the Secretary is no longer responsible for the applicable grant programs, for the purpose of this review, we consider this finding resolved.