

DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Victoria L. Gruber
Executive Director

April 1, 2019

Gregory A. Hook, CPA
Legislative Auditor

Senator Nancy J. King, 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 King and Delegate McIntosh:

The Office of Legislative Audits (OLA) has reviewed the actions taken by the Maryland Department of Health Office of the Secretary (MDH O/S) to resolve the repeat findings in our August 30, 2017 audit report. This review was conducted in accordance with the requirement specified in the April 2018 *Joint Chairmen's Report* (JCR), Page 74. The JCR required that, prior to the release of \$100,000 of its administrative appropriation for fiscal year 2019, MDH O/S must take corrective action with respect to all repeat audit findings on or before November 1, 2018. 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 August 30, 2017 audit report of MDH O/S contained six repeat audit findings (Findings 6, 7, 10, 11, 14, and 17) that were addressed by seven recommendations. In that report, we concluded that MDH O/S' accountability and compliance rating was unsatisfactory. As a result of that unsatisfactory rating, we subsequently performed a follow-up review, in which we evaluated the status of 9 of the findings (including 4 repeat findings) from the August 30, 2017 audit report. In our resultant special review report, dated October 16, 2018, we concluded that MDH O/S had corrected 4 findings (including repeat Findings 6 and 7) and had made progress, but had not resolved 5 other findings (including repeat Findings 10 and 11).

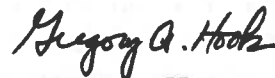
MDH O/S provided a report to OLA, dated November 13, 2018, detailing the corrective actions that it had taken with respect to repeat audit Findings 10, 11, 14 and 17 (**Exhibit 1**). The MDH O/S status report indicated that Findings 6 and 7 had been previously deemed to be corrected and added that corrective actions had been completed to address Finding 10 while corrective actions were ongoing for Findings 11, 14, and 17. MDH O/S' status report also addressed certain recommendations that were not applicable to repeat findings; and consequently we did not assess the corrective actions taken for these recommendations.

We reviewed the MDH O/S status report and related documentation, performed limited tests and analyses of the information, and held discussion with MDH O/S personnel as necessary to assess the implementation status of the related recommendations. As Findings 6 and 7 were determined to be resolved during our aforementioned follow-up review, our current review was limited to determining the status of repeat Findings 10, 11, 14 and 17. Our review did not constitute an audit conducted in accordance with generally accepted government auditing standards. Based on our review, we determined that MDH O/S had resolved Findings 10, 14, and 17, but had not taken sufficient actions to correct Finding 11 (**Exhibit 2**). Our assessment of the one repeat finding that had not been resolved is included in **Exhibit 3**.

After discussing our review results, MDH O/S generally agreed with the accuracy of the information presented. We wish to acknowledge the cooperation extended to us by MDH O/S during this review and its willingness to address the audit issues and implement appropriate corrective actions.

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

Sincerely,



Gregory A. Hook, CPA
Legislative Auditor

cc: Senator Craig J. Zucker, Co-Chair, Joint Audit Committee
Delegate Shelly L. Hettleman, 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
Honorable David R. Brinkley, Secretary Department of Budget and Management
Honorable Robert R. Neall, Secretary Maryland Department of Health
Dennis R. Schrader, Chief Operating Officer, Maryland Department of Health
Frederick D. Doggett, Inspector General, Maryland Department of Health
Sha S. Brown, Assistant Inspector General, Maryland Department of Health
Joan Peacock, Manager, Audit Compliance Unit, Department of Budget and Management
Victoria L. Gruber, Executive Director, Department of Legislative Services
Simon G. Powell, Policy Analyst, Department of Legislative Services

Exhibit 1 to April 1, 2019 Letter to Joint Chairmen



MARYLAND Department of Health

Larry Hogan, Governor · Boyd K. Rutherford, Lt. Governor · Robert R. Neall, Secretary

November 13, 2018

Mr. Thomas J. Barnickel III, CPA
Legislative Auditor
Office of Legislative Audits
301 W. Preston Street
Baltimore, MD 21201

Dear Mr. Barnickel,

The Maryland Department of Health (MDH) Office of the Secretary (OS) has taken corrective action on all the findings from the August 30, 2017 audit report issued by the Office of Legislative Audits (OLA). The Joint Chairmen's Report (JCR) contained language requiring MDH/OS to take corrective action on the six repeat audit findings from this report, with respect to these repeat findings, OLA has deemed findings 6 and 7 as corrected in their follow-up audit report. Please see the attached report which documents MDH/OS corrective actions on the remaining repeat findings (finding 10, 11, 14, and 17).

If you have any questions or require additional information, please do not hesitate to contact me at 410-767-4639 or Frederick D. Doggett, Inspector General, at 410-767-0885.

Sincerely,

Robert R. Neall
Secretary

Enclosure

cc: Dennis R. Schrader, Chief Operating Officer, MDH
Frederick D. Doggett, Inspector General, MDH

Exhibit 1 to April 1, 2019 Letter to Joint Chairmen

Maryland Department of Health

Office of the Secretary

(August 2017 - Audit Report)

Corrective Actions taken to address OLA Findings and Recommendations

November 13, 2018

Finding 6

Federal Funds - Supervisory oversight of federal fund reimbursement was not always effective.

Finding 6 Final Status: The status of MDH's corrective actions were reviewed by OLA auditors during their follow-up review (September 2018) and this finding has been deemed corrected.

Finding 7

Office of the Inspector General- (OIG) had not audited certain private providers for more than five years and did not always conduct private provider audits in a comprehensive manner.

Finding 7 Final Status: The status of MDH's corrective actions were reviewed by OLA auditors during their follow-up review (September 2018) and this finding has been deemed corrected.

Finding 10

Information Systems Security and Control – Network access to critical MDH internal network devices was not properly restricted, intrusion detection prevention system coverage was not complete or adequate, and certain wireless connections were not

Finding 10 Final Status: The status of MDH's corrective actions were reviewed by OLA auditors during their follow-up review (September 2018) and the auditors identified 2 of the 5 recommendations as being resolved (recommendations A and E). Additionally, OLA auditors completed a review of the status of MDH corrective actions for recommendation C and determined that the corrective actions were still in progress. Regarding the remaining recommendations (recommendations B and D), the OIG completed a follow-up review (September 2018) and determined the corrective actions were still in progress. MDH anticipates full implementation and resolution of all the recommendations by December 31,

Exhibit 1 to April 1, 2019 Letter to Joint Chairmen

2018. The below listed corrective actions will be provided to the auditors and assist MDH's effort to avoid a repeat finding.

MDH's Corrective Actions (since August 2017 audit report)

MDH has configured its firewalls to properly protect all critical network devices, implemented use of the strongest possible encryption method available to protect data in transit over MDH wireless connections, and completed reviews of its firewalls to ensure that only necessary rules remain active and unnecessary rules are deleted/disabled. MDH has confirmed that all traffic (both inbound/outbound) is currently being monitored at Headquarters and Springfield Hospital Center. Additionally, MDH received new IPS hardware that is currently being setup to configure the upgraded [REDACTED] IDPS at Headquarters and implemented a monthly information security group meeting to review low risk malicious traffic for possible investigation.

Finding 11

Malware protection for MDH computers was not sufficient to provide the Office of Information Technology (OIT) with adequate assurance that these computers were properly protected.

Finding 11 Final Status: The status of MDH's corrective actions were reviewed by OLA auditors during their follow-up review (September 2018) and OLA determined that the corrective actions were still in progress. MDH has assigned an acting Information Security Officer tasked with overseeing implementation of MDH's corrective actions. The below listed corrective actions will be provided to the auditors and assist MDH's effort to avoid a repeat finding.

MDH's Corrective Actions (since August 2017 audit report)

The acting Information Security Officer (ISO) is now tasked to oversee and document that OIT-maintained computers are running current malware protection software and implementing automated procedures for verification signatures. This includes reconciliations to verify which OIT computers have current clients and signatures. MDH currently conducts reviews that identify computers whose patches are outdated. Procedures will be established to monitor non-OIT managed workstations documenting activity in these environments. MDH plans to work with non-OIT sites to report workstation patch monitoring and control. Non-OIT reporting is scheduled for the end of November 2018.

OIT managed computers vulnerable software products are being periodically patched with exceptions. Workstations with certain applications and environments are exempt because conflicts arise with the latest versions. MDH has built specialized patch packages for non-exempt computers that are currently being delivered bi-monthly. MDH has planned to request that non-OIT managed administrations execute "vulnerable application" patching by the end of November 2018. MDH will monitor the reporting process and ensure non-exempt OIT and non-OIT workstations are running current versions of all applications. Additionally, the ISO is monitoring and reporting on administrative rights access within MDH. MDH is actively documenting users who have administrative rights to their machines.

Exhibit 1 to April 1, 2019 Letter to Joint Chairmen

Finding 14

Accounts Receivable – MDH did not adequately pursue collection of certain Division of Cost Accounting and Reimbursements delinquent accounts receivable.

Finding 14 Final Status: The status of MDH's corrective actions were reviewed by OIG's auditors during their follow-up review (September 2018) and the OIG determined that the corrective actions were still in progress. Effective October 2016, MDH has implemented a new process which monthly reports are sent to field office supervisors who review and ensure that the accounts are adequately being followed-up on to prevent account delinquency. The below listed corrective actions will be provided to the auditors and assist MDH's effort to avoid a repeat finding.

MDH's Corrective Actions (since August 2017 audit report)

MDH is ensuring accounts receivable are adequately pursued for collection by mailing billing statements on a monthly bases and requiring field office supervisor review of the "aging report". The report consists of accounts over 120 days past due that had not been transferred to CCU as required. MDH's new process requires financial agents to code all accounts accurately on this report as "CCU referral" or "Non-CCU referral, ensuring accounts are appropriately identified. Field Office Supervisors are required to complete an attestation confirming receipt, review, and disposition of accounts appearing on the aging report by initialing and dating the report.

Finding 17

MDH physical inventory procedures did not comply with certain DGS requirements.

Finding 17 Final Status: The status of MDH's corrective actions were reviewed by OIG's auditors during their follow-up review (September 2018) and the OIG determined that the corrective actions were still in progress. In October 2018, the OIG completed a review of MDH Inventory Management. The OLA findings and recommendations in combination with the OIG's independent review and recommendations, provided MDH with significant information to create a plan for corrective actions. The below listed corrective actions will be provided to OLA's auditors and assist MDH's effort to avoid a repeat finding.

Exhibit 1 to April 1, 2019 Letter to Joint Chairmen

MDH's Corrective Actions (since August 2017 audit report)

In response to the audit recommendations, MDH completed a comprehensive physical inventory and adopted new procedures for monitoring inventory controls and investigating missing/stolen items. After MDH units complete their physical inventory, MDH Central Services Division will review a judgmental sample of the disclosed inventory items, and appropriately investigate any item that cannot be located. MDH will complete a missing/stolen report for any items that cannot be located and submit the missing/stolen report to DGS within 10 days. To address the missing/stolen report backlog, MDH has collected all unsubmitted reports and forwarded them to DGS.

Regarding process improvements, MDH has supplied its units with Radio-frequency Identification (RFID) scanners to efficiently conduct physical inventories, report, and identify missing items expeditiously. MDH has organized training for all Property Officers to be completed annually including information on inventory control, policy, and best practices. Additionally, MDH Property Officers are being provided excel spreadsheets of all inventoried items along with a separate spreadsheet identifying any missing items. MDH Property Officers are investigating the cause for the missing/stolen item and reporting any missing/stolen item to DGS as appropriate.

Exhibit 2 to April 1, 2019 Letter to Joint Chairmen

Status of Repeat Findings in OLA's August 30, 2017 Audit Report on the Maryland Department of Health – Office of the Secretary

Prior Recommendations Pertaining to Repeat Findings	Status Based on OLA Review
Federal Funds 6. We recommend that MDH a. ensure that federal fund reimbursement requests are thoroughly reviewed, along with supporting documentation.	Resolved
Office of the Inspector General 7. We recommend that MCPA a. OIG completes its grant audits on a timely basis.	Resolved
Information System Security and Control 10. We recommend that MCPA a. configure its firewalls to properly protect all critical network devices.	Resolved
11. We recommend that MDH OIT ensure a. that all MDH computers are running current versions of the malware protection software and that malware signatures provided by the malware protection software vendor are installed on these computers immediately upon issuance, document these efforts, and retain the documentation for future reference. c. that administrative rights on all MDH workstations and servers are restricted to only system/network administrators or non-IT personnel authorized in writing to have such rights, with documentation supporting these authorizations retained for future reference.	Not Resolved
Accounts Receivable 14. We recommend that MDH ensure delinquent accounts receivable are adequately pursued for collection and transferred to CCU as required.	Resolved
Equipment 17. We recommend that MDH comply with the requirements of the Department of General Services' <i>Inventory Control Manual</i> . Specifically, we recommend that MDH c. conduct annual physical inventories of sensitive equipment.	Resolved

Exhibit 3 to April 1, 2019 Letter to Joint Chairmen

Detailed Comments for Findings for Which Office of Legislative Audits Status is Deemed to be “Not Resolved”

Prior Report Recommendation 11

We recommend that the Office of Information Technology (OIT) ensure

- a. that all MDH computers are running current versions of the malware protection software and that malware signatures provided by the malware protection software vendor are installed on these computers immediately upon issuance, document these efforts and retain the documentation for future reference.
- b. that administrative rights on all MDH workstations and servers are restricted to only system/network administrators or non-IT personnel authorized in writing to have such rights, with documentation supporting these authorizations retained for future reference (repeat).

Status – Not Resolved

We determined that as of March 18, 2019, the OIT maintained computers were not running the most current version of malware protection. Furthermore, as of February 2019, we were informed that only 30 to 40 percent of the non-OIT supported MDH units have submitted administrative rights reporting documentation needed to properly monitor local administrative rights within these MDH units.

