

Audit Report

**Maryland Department of Health
Behavioral Health Administration**

July 2019



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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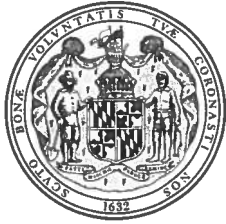
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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Gregory A. Hook, CPA
Legislative Auditor

July 9, 2019

Senator Craig J. Zucker, Senate Chair, Joint Audit and Evaluation Committee
Delegate Shelly L. Hettelman, House Chair, Joint Audit and Evaluation Committee
Members of Joint Audit and Evaluation Committee
Annapolis, Maryland

Ladies and Gentlemen:

We have conducted a fiscal compliance audit of the Maryland Department of Health (MDH) – Behavioral Health Administration (BHA) for the period beginning July 1, 2014 and ending November 12, 2017. BHA was created by law, effective July 1, 2014, by merging the former Mental Hygiene Administration (MHA) and the Alcohol and Drug Abuse Administration (ADAA) within MDH. BHA is responsible for operating the Public Behavioral Health System to provide mental health and substance-related disorder services to the citizens of Maryland.

Our audit identified certain issues related to mental health and substance use disorder grants, including BHA's failure to verify grantee reported performance and not adjusting or recovering grant funds, as permitted, when grantees failed to meet established performance measures. BHA awarded \$205.6 million in such grants during fiscal year 2017. For example, we noted one grantee failed to serve the number of clients included in its grant proposal and BHA did not recover the funds awarded nor document its consideration of this information when approving the subsequent year's grant, which included a similar number of clients to be served.

BHA did not adequately monitor a State university which administered a problem gambling program on its behalf. For example, BHA did not ensure that the university properly operated a certain website that was one of its primary sources of outreach and public access to problem gambling programs. Our review noted that BHA was unaware that the website was not functioning in May 2018 until we brought this matter to its attention.

BHA also did not monitor the vendor responsible for providing care management services to children with intensive needs to ensure the required services were provided, and did not ensure that payments to the vendor were proper. For example, BHA did not monitor the vendor to ensure that it had weekly phone contact with each child, even though the Governor's Office of Children, which previously monitored the contract, had noted similar deficiencies. Additionally, BHA paid the vendor \$2,875,000, the full contract value, without obtaining adequate support for the payments.

In addition, BHA did not ensure that an external third party properly safeguarded sensitive client data, including protected health information and personally identifiable information, collected from pharmacies and healthcare practitioners under its Prescription Drug Monitoring Program. Specifically, BHA did not require the contractor who compiled these data to have comprehensive independent security reviews to ensure that the data were safeguarded.

Finally, the audit report includes two informational comments regarding reports issued by the MDH Office of the Inspector General (OIG) on certain BHA-related activities. The first report addressed certain interagency agreements entered into by BHA, and the second addressed BHA's administration of certain opioid grant funds. Both reports contained matters that the OIG referred to the Office of the Attorney General – Criminal Division. These referrals do not mean that a criminal act has actually occurred or that criminal charges will be filed.

During our audit, we determined the status of one of the five findings contained in our preceding audit report of MHA dated September 18, 2014. We determined that BHA satisfactorily addressed this finding. The remaining four findings from that report related to the activities of the Administrative Service Organization and were reviewed during our recent audit of MDH – Medical Care Programs Administration and commented upon in the related audit report dated August 18, 2017. The preceding audit report of ADAA dated October 7, 2014 did not contain any findings.

MDH's response to this audit, on behalf of BHA, is included as an appendix to this report. We reviewed the response and noted general agreement to our findings and related recommendations, and we will advise the Joint Audit and Evaluation Committee of any outstanding issues that we cannot resolve with MDH.

We wish to acknowledge the cooperation extended to us during the audit by BHA. We also wish to acknowledge MDH's and BHA's willingness to address the audit issues and implement appropriate corrective actions.

Respectfully submitted,

A handwritten signature in black ink, reading "Gregory A. Hook". The signature is written in a cursive style with a large, stylized "G" and "H".

Gregory A. Hook, CPA
Legislative Auditor

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Background Information

Agency Creation and Responsibilities

Chapter 460, Laws of Maryland 2014, effective July 1, 2014, merged the Mental Hygiene Administration (MHA) and the Alcohol and Drug Abuse Administration (ADAA) to create the Behavioral Health Administration (BHA) within the Maryland Department of Health (MDH). In addition, effective January 1, 2015, MDH implemented a new integrated Public Behavioral Health System.

As a result, certain functions previously performed by MHA are now performed by MDH – Medical Care Programs Administration (MCPA). Specifically, MCPA now monitors and accounts for activities of the Administrative Service Organization (ASO) that is responsible for the authorization of behavioral health services, data collection, claims submission, and the payment of claims. Accordingly, activities of the ASO since January 1, 2015 were excluded from this audit and are included in our audits of MCPA.

BHA operates the Public Behavioral Health System to provide mental health and substance-related disorder services to the citizens of Maryland. BHA is responsible for developing, regulating, promoting, and monitoring treatment and rehabilitation services for individuals with mental health and substance-related disorders (including drug, alcohol, and gambling addictions). BHA also provides grants, education, training, data collection, and research related to these disorders. These services are delivered through private community-based providers (profit and non-profit), local health department clinics, and State operated facilities. According to the State's records, BHA's expenditures, which were primarily for mental health and substance-related disorder programs and services, totaled approximately \$359 million during fiscal year 2017 (mainly funded by State and federal funds).

Questionable Interagency Agreements

During our audit fieldwork, MDH's Office of Inspector General (OIG) received allegations of questionable activity on interagency agreements between BHA and two Core Service Agencies (CSAs). CSAs are designated county or multi-county authorities, such as a local health department or private contractor, responsible for planning, managing, and monitoring certain publicly funded mental health services. The OIG conducted a review of the allegations and issued a report with its findings on June 29, 2018. We obtained and reviewed a copy of the report. The report disclosed that BHA may have circumvented State personnel and procurement regulations by directing the CSAs to hire specific individuals and to

obtain certain information technology services from a firm, without any competitive procurement.

Specifically, the report disclosed that BHA directed the CSAs to hire as many as 13 individuals as independent consultants at a cost of approximately \$2.6 million in fiscal year 2018. These individuals were former BHA employees (some of whom were retired from State service) or had been previously associated with BHA through other contractual or regulatory relationships. BHA chose the individuals to be hired by the CSAs and specified their compensation. No recognized procurement procedures were followed. In addition, the individuals performed work directly for BHA with no oversight or involvement by CSA management. As such, the role of the CSAs was limited to paying these individuals and recovering the related costs from BHA. BHA also directed both CSAs to procure an information technology and consulting contract from a designated firm without any competitive procurement process. The CSAs awarded this firm \$1.5 million in contracts in fiscal 2018 to provide services directly to BHA.

We also reviewed BHA's formal response to the OIG's report and noted that BHA disagreed with the OIG's findings and conclusions and asserted that the CSAs had the authority to procure services in accordance with their respective policies and procedures. BHA also disagreed that the hiring of former employees or individuals with a relationship with BHA posed a conflict as nothing precluded these individuals from applying to work at the CSAs. Furthermore, the BHA response indicated that it found no issue with these individuals providing services to BHA, because the CSAs function under the Secretary of Health's authority. Finally, BHA disagreed with the characterization of the agreements with the CSAs as being interagency in nature, but contended they were grant agreements. However, the BHA response did not appear to address the key elements of the OIG findings, which were that BHA directed the CSAs to hire these specific individuals (and also established their compensation), who then provided services to BHA and not the CSAs, and that there was no evidence of a competitive procurement process.

Because of the questionable nature of this activity, the OIG referred these matters to the Office of the Attorney General – Criminal Division. A referral to the Division does not mean that a criminal act has actually occurred or that criminal charges will be filed.

BHA subsequently advised us that it will take certain actions to address a number of the findings in the OIG report and implement a related corrective action plan. Furthermore, BHA agreed there was the appearance of impropriety.

Questionable Opioid Operational Command Center Grant Activity

A Governor's Executive Order, effective January 24, 2017 established the Opioid Operational Command Center (OOCC) within the Inter-Agency Heroin and Opioid Coordinating Council. The purpose of OOCC is to bring opioid response partners together to identify challenges, establish system-wide priorities, and capitalize on opportunities for collaboration. MDH was appropriated \$500,000, \$10.5 million, and \$16.2 million during fiscal years 2017, 2018, and 2019, respectively, for the OOCC. The funds were to be used for grants for crisis response services, expansion of alternatives to incarceration, enforcement activities to dismantle drug trafficking organizations, and education and outreach efforts. MDH directed the funds to BHA to administer the grants via the CSAs. During our current audit, certain concerns with the use of OOCC grant funds were brought to the attention of MDH's OIG. The OIG initiated an investigation into these concerns which identified certain questionable activity that has been referred to the Office of Attorney General – Criminal Division. A referral to the Division does not mean that a criminal act has actually occurred or that criminal charges will be filed. As a result of these concerns and the nature of certain activity, we will be conducting an audit of the OOCC and issuing a separate report on the results of our review.

Status of Findings from Preceding Audit Report

Our audit included a review to determine the status of one of the five findings contained in our preceding audit report of MHA dated September 18, 2014. We determined that BHA satisfactorily addressed this finding. The remaining four findings from that report related to the activities of the Administrative Service Organization and were reviewed during our most recent audit of MCPA, the status of which was included in our audit report dated August 18, 2017. The preceding audit report of ADAA dated October 7, 2014 did not contain any findings.

Findings and Recommendations

Mental Health and Substance Use Disorder Grants

Background

On an annual basis, the Behavioral Health Administration (BHA) funds Core Service Agencies (CSAs) to provide mental health services and Local Addiction Authorities (LAAs) to provide substance use disorder (SUD) services in each jurisdiction across the State. CSAs are designated county or multi-county authorities, such as local health departments or private contractors, responsible for planning, managing, and monitoring certain publicly funded mental health services. Similarly, LAAs are designated county or multicounty authorities that are responsible for planning, managing, and monitoring publicly funded SUD services. Certain jurisdictions have consolidated the functions of the CSAs and LAAs into Local Behavioral Health Authorities (LBHAs).

The CSAs, LAAs, and LBHAs submit annual grant funding proposals to BHA which include performance measures such as the estimated number of clients to be served. BHA uses these estimated performance measures to determine the grant amount awarded to each entity. According to BHA's records, during fiscal year 2017, BHA awarded approximately \$96.3 million in mental health grants to 26 entities and \$109.3 million in SUD grants to 27 entities.

The BHA grant agreements with the CSAs, LAAs, and LBHAs, as well as BHA policy, permit the subcontracting of certain services to vendors. BHA policy further requires that these entities ensure that any subcontracted services meet all of the conditions of the original grant agreements and that the vendors are monitored (such as via site visits) to ensure they are satisfactorily performing the required services. Consequently, BHA conducts annual reviews of the CSAs, LAAs, and LBHAs, which are designed to ensure compliance with the terms of the grant agreements and related performance measures. In addition, the CSAs, LAAs, and LBHAs are to conduct annual reviews of their subcontractor vendors to ensure compliance with the terms of their contracts.

Finding 1

BHA did not adequately monitor the CSAs, LAAs, and LBHAs to verify actual performance as required by the grant agreements. In addition, BHA's monitoring of the grantees did not ensure that the required mental health and SUD services were provided to clients.

Analysis

BHA did not verify performance measures reported by CSAs, LAAs, and LBHAs, and did not recover or adjust grant funds when grantees failed to meet established performance measures. In addition, BHA did not adequately monitor the grantees and the grantees' monitoring of their subcontractor vendors, to ensure the required services were provided to clients.

- Although grantees were required to submit annual reports of actual performance (such as the number of clients served), BHA could not document that it reviewed these reports or verified the accuracy of the information reported. In addition, BHA did not recover or adjust funds when these entities reported that they did not meet the performance measures established in the annual grant agreements. For example, BHA did not attempt to recover funds from one LBHA that was awarded \$3.4 million in fiscal year 2017 grants, but only served 7,663 of the estimated 12,046 clients (or 64 percent) included in its grant funding proposal. Based on our calculations, BHA could have potentially recovered \$1.2 million of the funds paid to this LBHA. BHA also did not consider this information when approving the \$3.5 million fiscal year 2018 grant to this LBHA which included a similar number of clients to be served. According to MDH's *Local Health Department Funding System Manual*, a grantee's failure to comply with approved performance measures may result in a reduction in funding.
- BHA did not adequately monitor SUD and mental health grantees, and their subcontractor vendors, to ensure that the services specified in their clients' individual treatment plans were provided.

For SUD grants, BHA conducted annual site visits of the programs being operated directly by an LAA and LBHA, and the LAAs or LBHAs conducted site visits of programs operated by their vendors. However, the documentation of these various site visits did not include any information about whether services were provided to clients in accordance with the related treatment plans. Rather, the documentation generally addressed grantee/vendor compliance with certain State and federal requirements (such as, compliance with drug-free workplace requirements). As a result, there was a lack of assurance that clients obtained all the required services. In this

regard, our test of 20 clients who received services from 5 vendors under one LBHA during fiscal year 2017 disclosed that, for 3 clients, the LBHA had no documentation to support that required services under the related grant (such as group therapy), valued at \$12,200, were received.

For mental health grants, BHA did not ensure that CSAs and LBHAs conducted the required monitoring of subcontractors to ensure client services were being provided by those vendors. In this regard, our test of the monitoring conducted by one CSA and one LBHA of 10 vendors awarded contracts totaling approximately \$4.5 million during fiscal year 2017, disclosed there was no documentation of any site visits by these two entities to 3 vendors awarded contracts totaling \$986,113. These 3 vendors were to provide a variety of services including conferences and training, and client support visits. A site visit for one of these vendors was subsequently conducted after our review.

Recommendation 1

We recommend that BHA

- a. verify the annual performance reported by grantees and recover or adjust funds when they fail to meet established performance measures, including those noted above; and**
- b. ensure that all site visits of grantees and subcontractor vendors are performed and documented, including ensuring that the grantees and vendors provided the required SUD and mental health services to clients.**

Problem Gambling Program

Finding 2

BHA did not adequately monitor a State university administering a problem gambling program on behalf of BHA to ensure the required public awareness services were provided.

Analysis

BHA did not adequately monitor the State university administering a problem gambling program on behalf of BHA to ensure the required public awareness services were provided. During our audit, we noted that BHA was monitoring the training and treatment programs provided; however, BHA did not adequately monitor the university's public awareness efforts.

Since July 2012, a State university has administered a center on behalf of BHA which, until July 2015, was primarily focused on researching and developing

programs for problem gambling. BHA entered into a three-year memorandum of understanding (MOU) totaling approximately \$6.5 million with the university, effective July 2015, to expand and enhance the center by implementing enhanced problem gambling initiatives. These initiatives included public awareness, training, and treatment programs.

- BHA did not ensure that the center was effectively administering its website, which was one of its primary sources of public outreach and provided access to the center's problem gambling programs. For example, neither BHA nor the center obtained a copy of the website renewal policy and, therefore, neither was aware that the website was due for renewal in May 2018, which allowed the website domain to lapse. In this regard on May 17, 2018, we accessed the center's website and noted that it was populated with information promoting travel and casinos in Las Vegas, Nevada, rather than with information about problem gambling programs and resources. BHA was unaware that the website was not functioning until we brought this to its attention. BHA personnel then contacted the center, which took corrective action to restore the website to its proper form. We subsequently determined that the website was not functioning for a total of 10 days.

According to the center's annual report, the website had approximately 160,000 visits during fiscal year 2017, and callers into the center's helpline reported that the website was one of the main sources of information about problem gambling and resources for getting help and finding treatment.

- BHA reimbursed the center for the cost of a statewide media campaign (including television and radio commercials) as reflected on invoices but did not obtain and review documentation to ensure the media campaigns actually occurred. In December 2017, BHA paid the center \$868,480 for a public awareness campaign, which was to include advertising spots on radio, television, and social media during the period between June 2017 and June 2018. However, neither BHA nor the center could provide us with documentation to identify the actual advertising efforts undertaken or how the funds were spent on advertising (for example, actual commercials placed on specific media outlets).

Recommendation 2

We recommend that BHA monitor the State university administering the problem gambling program to ensure

- a. the website is properly administered in accordance with the MOU, and**
- b. all media services invoiced were provided.**

Care Management Services

Finding 3

BHA did not monitor the State vendor responsible for providing care management services to children with intensive needs and did not ensure payments to the vendor were proper.

Analysis

BHA had not established a process to monitor the State vendor responsible for providing care management services to children with intensive needs and did not ensure payments to the vendor were proper. The vendor was to provide coordination of care services to children Statewide using a network of providers, and to provide assessments and community support services. The contract was procured in 2014 by the Governor's Office for Children (GOC), which administered the contract until September 30, 2015. On October 1, 2015, GOC entered into an agreement with BHA, for BHA to assume responsibility for administering the remaining nine months of the contract ending June 30 2016. BHA was responsible for monitoring and paying the vendor, for which GOC would reimburse BHA up to \$2,875,000, which included \$300,000 for BHA's contract administration costs.

- BHA did not adequately monitor the vendor to ensure that required services were being provided. For example, BHA did not ensure the vendor had the required weekly phone contact with each child which was used to monitor the effectiveness of the services provided and to obtain feedback on the care. In its September 2015 monitoring report, GOC noted that the vendor lacked documentation of the required phone contact for 18 of the 22 records tested; however, BHA did not perform similar monitoring or follow up on GOC's findings. In addition, an independent third-party report for July 2015 noted that only 143 children (68 percent) had a Child and Adolescent Needs and Strengths assessment completed by the vendor within 30 days of their enrollment as required. We found that BHA did not conduct any vendor site visits or otherwise follow up on this finding after assuming administrative responsibility for the contract.
- During its period as contract administrator, BHA paid the vendor without obtaining adequate documentation to support the amounts billed. BHA paid the vendor \$2,875,000, consisting of \$2,022,000 for care coordination and \$853,000 for discretionary payments. Regarding the care coordination, the vendor was to be paid monthly based on an approved rate per child served. However, invoices totaling \$1,147,000 did not include any details to enable BHA to verify the amounts invoiced, such as how many children were served,

the duration of those services, and the names of those served. While the remaining care coordination billings included how many children were served and the duration of those services, the billings did not include the names of those served. In regard to the discretionary payments, BHA did not obtain any documentation to support how the funds were spent. Rather, the invoice included a single charge for this payment with no explanation or details of the services provided.

Finally, BHA paid the vendor \$300,000 more than was stipulated in its GOC agreement. The agreement between GOC and BHA included \$2,575,000 for vendor payments and \$300,000 to compensate BHA for its contract administration costs. However, BHA did not recover any administrative charges from GOC but, rather, paid the entire \$2,875,000 to the vendor. As previously noted, these payments included \$853,000 in unidentified discretionary payments.

Recommendation 3

We recommend that BHA

- a. for the aforementioned contract, obtain sufficient documentation to support amounts invoiced, including those noted above, and recover any improper or unsupported payments;**
- b. for any future contracts, establish procedures to adequately monitor vendors to ensure services and deliverables are provided in accordance with the contract, including periodic site visits and obtaining and reviewing required reports, as applicable; and**
- c. comply with the terms of any future agreements.**

Prescription Drug Monitoring Program

Finding 4

BHA did not ensure that an external third party properly safeguarded sensitive client data including protected health information (PHI) and personally identifiable information (PII).

Analysis

BHA did not ensure that an external third party properly safeguarded sensitive client data including PHI and PII. BHA collects data from pharmacies and healthcare practitioners under the Prescription Drug Monitoring Program (PDMP) including client names, dates of birth, and certain information related to prescribed controlled dangerous substances (CDS) dispensed to patients in Maryland. Access to PDMP data is available to health practitioners, pharmacists,

and others with respect to their patients to promote the safe and effective use of these prescription drugs.

BHA has a memorandum of understanding (MOU) with the National Association of Boards of Pharmacy (NABP) to share PDMP data with other states to help reduce the non-medical use and abuse of CDS. The NABP further contracted with a third party to compile these data to facilitate the exchange of information between the states. Our review disclosed that BHA's MOU with NABP did not require this third-party contractor to obtain independent security reviews to ensure these sensitive data are properly safeguarded.

The American Institute of Certified Public Accountants has issued guidance concerning examinations of service organizations. Based on this guidance, customers, such as BHA, may obtain from service organizations an independent auditor's report referred to as a System and Organization Controls (SOC) for Service Organizations report. There are several types of SOC reports, with varying scopes and levels of review and auditor testing. One type of report, referred to as a SOC 2 Type 2 report, includes the results of the auditor's review of controls placed in operation and tests of operating effectiveness for the period under review and could include an evaluation of system security, availability of data, processing integrity, confidentiality of data, and privacy of data.

In response to our inquiries, BHA was informed that the third-party contractor had obtained a Health Insurance Portability and Accountability Act (HIPAA) Security Rule Compliance Assessment dated December 13, 2017, as well as a SOC 2 Type 2 report. BHA subsequently obtained the HIPPA report which stated that the design and effectiveness of the control environment appropriately maintains the confidentiality, integrity, and availability of PHI data. However, as of August 30, 2018, BHA had not obtained the SOC 2 Type 2 report, which is a more comprehensive review. Consequently, there was a lack of assurance that there were adequate controls to secure sensitive client data.

Recommendation 4

We recommend that BHA obtain and review the annual SOC 2 Type 2 report of the third-party contractor to ensure that the related independent review adequately addresses critical security concerns and that the contractor implements all critical report recommendations.

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the Behavioral Health Administration (BHA), a unit of the Maryland Department of Health (MDH), for the period beginning July 1, 2014 and ending November 12, 2017. Chapter 460, Laws of Maryland 2014, effective July 1, 2014, created BHA by merging the former Mental Hygiene Administration (MHA) and the former Alcohol and Drug Abuse Administration (ADAA). Our audit included the activities of MHA from October 8, 2013 through June 30, 2014 covering the period since its preceding audit. The preceding audit of ADAA covered its activities through June 30, 2014.

The audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

As prescribed by the State Government Article, Section 2-1221 of the Annotated Code of Maryland, the objectives of this audit were to examine BHA's financial transactions, records, and internal control, and to evaluate its compliance with applicable State laws, rules, and regulations.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of significance and risk. The areas addressed by the audit included cash receipts, contracts, grants, and the Prescription Drug Monitoring Program. We also determined the status of one finding contained in our preceding audit report of MHA; the remaining findings contained in the MHA report were reviewed during our audit of the Medical Care Programs Administration dated August 18, 2017. The preceding audit report of ADAA did not contain any findings.

Our audit did not include certain support services provided to BHA by MDH. These support services (such as payroll, purchasing, maintenance of accounting records, and related fiscal functions) are included within the scope of our audit of MDH's Office of the Secretary and Other Units.

To accomplish our objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, observations of BHA's operations, and tests of transactions. Generally, transactions were selected for testing based on auditor judgment, which primarily considers risk. Unless otherwise specifically indicated, neither statistical nor non-statistical audit

sampling was used to select the transactions tested. Therefore, the results of the tests cannot be used to project those results to the entire population from which the test items were selected.

We also performed various data extracts of pertinent information from the State's Financial Management Information System (such as expenditure data). The extracts are performed as part of ongoing internal processes established by the Office of Legislative Audits and were subject to various tests to determine data reliability. We determined that the data extracted from this source were sufficiently reliable for the purposes the data were used during this audit. Finally, we performed other auditing procedures that we considered necessary to achieve our objectives. The reliability of data used in this report for background or informational purposes was not assessed.

BHA's management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records; effectiveness and efficiency of operations including safeguarding of assets; and compliance with applicable laws, rules, and regulations are achieved.

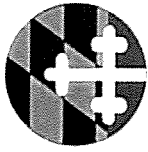
Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

Our reports are designed to assist the Maryland General Assembly in exercising its legislative oversight function and to provide constructive recommendations for improving State operations. As a result, our reports generally do not address activities we reviewed that are functioning properly.

This report includes findings relating to conditions that we consider to be significant deficiencies in the design or operation of internal control that could adversely affect BHA's ability to maintain reliable financial records, operate effectively and efficiently, and/or comply with applicable laws, rules, and regulations. Our report also includes findings regarding significant instances of noncompliance with applicable laws, rules, or regulations. Other less significant findings were communicated to BHA that did not warrant inclusion in this report.

The response from MDH, on behalf of BHA, to our findings and recommendations is included as an appendix to this report. As prescribed in the State Government Article, Section 2-1224 of the Annotated Code of Maryland, we will advise MDH regarding the results of our review of its response.

APPENDIX



MARYLAND
Department of Health

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

July 3, 2019

Mr. Gregory A. Hook, CPA
Legislative Auditor
Office of Legislative Audits
State Office Building, Room 1202
301 West Preston Street
Baltimore, MD 21201

Dear Mr. Hook:

We are providing the attached responses to the draft report from your fiscal compliance audit of the Behavioral Health Administration for the period beginning July 1, 2014 and ending November 12, 2017. If you have any questions, please feel free to contact me or Inspector General Frederick D. Doggett at 410-767-0885.

Robert R. Neall, Secretary

7/3/2019

Date

cc. Frederick D. Doggett, Inspector General, MDH
Sha S. Brown, Assistant Inspector General – Audits, MDH
Lisa Burgess, MD, Acting Deputy Secretary - Behavioral Health Administration, MDH
Corey Carpenter, Acting Chief of Staff, - Behavioral Health Administration, MDH

**Maryland Department of Health
Behavioral Health Administration**

Agency Response Form

Mental Health and Substance Use Disorder Grants

Finding 1

BHA did not adequately monitor the CSAs, LAAs, and LBHAs to verify actual performance as required by the grant agreements. In addition, BHA's monitoring of the grantees did not ensure that the required mental health and SUD services were provided to clients.

We recommend that BHA

- a. verify the annual performance reported by grantees and recover or adjust funds when they fail to meet established performance measures, including those noted above; and**
- b. ensure that all site visits of grantees and subcontractor vendors are performed and documented, including ensuring that the grantees and vendors provided the required SUD and mental health services to clients.**

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 1a	Agree	Estimated Completion Date:	7/1/2020
Please provide details of corrective action or explain disagreement.	BHA Leadership will ensure that personnel can conduct effective oversight by introducing and training relevant staff, supervisors, and managers on policies and procedures.		
Recommendation 1b	Agree	Estimated Completion Date:	7/1/2020
Please provide details of corrective action or explain disagreement.	BHA Leadership will ensure that personnel have the appropriate training, processes, authority, and resources to conduct effective oversight through site visits.		

**Maryland Department of Health
Behavioral Health Administration**

Agency Response Form

Problem Gambling Program

Finding 2
BHA did not adequately monitor a State university administering a problem gambling program on behalf of BHA to ensure the required public awareness services were provided.

We recommend that BHA monitor the State university administering the problem gambling program to ensure

- a. the website is properly administered in accordance with the MOU, and**
- b. all media services invoiced were provided.**

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 2a	Agree	Estimated Completion Date:	8/30/2019
Please provide details of corrective action or explain disagreement.	BHA will improve monitoring and oversight of contract deliverables by clearing up the reporting structure and role of Department employees in the oversight process.		
Recommendation 2b	Agree	Estimated Completion Date:	8/30/2019
Please provide details of corrective action or explain disagreement.	BHA staff will ensure that media services invoices are provided and reviewed appropriately through supervision and training.		

**Maryland Department of Health
Behavioral Health Administration**

Agency Response Form

Care Management Services

Finding 3

BHA did not monitor the State vendor responsible for providing care management services to children with intensive needs and did not ensure payments to the vendor were proper.

We recommend that BHA

- a. for the aforementioned contract, obtain sufficient documentation to support amounts invoiced, including those noted above, and recover any improper or unsupported payments;**
- b. for any future contracts, establish procedures to adequately monitor vendors to ensure services and deliverables are provided in accordance with the contract, including periodic site visits and obtaining and reviewing required reports, as applicable; and**
- c. comply with the terms of any future agreements.**

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.	BHA respectfully notes, in reference to the administration costs associated with the contract, that the language of one contract involved did not reflect the intent of the parties, and that further changes would have caused loss of services for the target population.		
Recommendation 3a	Agree	Estimated Completion Date:	1/1/2020
Please provide details of corrective action or explain disagreement.	BHA Staff will obtain and review the documentation regarding the invoices and recover payments as appropriate.		
Recommendation 3b	Agree	Estimated Completion Date:	1/1/2020
Please provide details of corrective action or explain disagreement.	BHA Leadership is currently updating process and procedures to ensure that staff maintain adequate controls and monitoring of any agreements with vendors and the required deliverables.		
Recommendation 3c	Agree	Estimated Completion Date:	1/1/2020
Please provide details of corrective action or explain disagreement.	BHA Leadership and staff will ensure that adequate oversight and review of deliverables is reinforced through regular training and supervisor review.		

**Maryland Department of Health
Behavioral Health Administration**

Agency Response Form

Prescription Drug Monitoring Program

Finding 4

BHA did not ensure that an external third party properly safeguarded sensitive client data including protected health information (PHI) and personally identifiable information (PII).

We recommend that BHA obtain and review the annual SOC 2 Type 2 report of the third-party contractor to ensure that the related independent review adequately addresses critical security concerns and that the contractor implements all critical report recommendations.

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 4	Agree	Estimated Completion Date:	10/1/2019
Please provide details of corrective action or explain disagreement.	MDH will annually obtain and review SOC 2 Type 2 reports for the third-party-contractor. For any weaknesses noted in the report, MDH will ensure that the necessary corrective action is taken.		

AUDIT TEAM

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