



**Department of Legislative Services
Office of Legislative Audits**

**Maryland Health Benefit Exchange
(MHBE)**

Report Dated October 30, 2018



Report Overview

The report contained 8 findings, including 3 repeat findings from the prior report. (MHBE satisfactorily addressed 7 of the 10 findings from the prior audit report dated October 2, 2015.)

Audit Scope Limitation

- As detailed on pages 6 and 7 of the audit report, our audit scope was limited with respect to MHBE's Medicaid eligibility determination and redetermination processes due to restrictions imposed by the federal Internal Revenue Code on access to federal tax information (FTI).
- As a result, we could not review a key portion of the MHBE eligibility determination and redetermination processes or the related FTI to assess whether proper Medicaid determinations were being made.



Department of Legislative Services Office of Legislative Audits

Key Findings

- For certain applicants, MHBE did not verify income against available federal tax information.
- MHBE granted 119 individuals access to perform critical functions within the Maryland Health Connection, such as changing eligibility determinations, and did not monitor the related activity for propriety.
- MHBE did not obtain approval of its Board of Trustees for awards made under its multi-year Information Systems Master Contract, and certain procurement policies were not comprehensive.
- MHBE did not sufficiently verify billings, such as from its customer support vendor.
- Security and control deficiencies existed over MHBE's information systems.



Medicaid Eligibility (Finding 1)

For certain applicants, MHBE did not verify applicant income against available federal tax information (FTI).

- MHBE relied solely on the Maryland Automated Benefits System (MABS) maintained by the Department of Labor, Licensing and Regulation to verify the income of certain applicants, even though MABS excluded many types of income. MABS contains employer reported wages for most Maryland workers, but does not include other sources of income such as self employment, rental, and investment income, and excludes wages from non-reporting employers such as federal agencies.
 - MHBE had access to FTI data but only conducted income verifications using FTI if no MABS record was located for the applicant, resulting in a lack of assurance that all applicant income was identified.
 - MHBE's verification of applicant data to MABS excluded unemployment compensation which was available within MABS.
-



Medicaid Eligibility (Finding 2)

MHBE did not properly restrict and document its review of user access to the Maryland Health Connection (MHC) and did not monitor critical changes to applicant eligibility information. As of March 2018, there were 1,221 active MHC users, including employees of other State agencies and contractors.

- MHBE granted 119 individuals the SuperUser role which, among other critical functions, could override enrollees' eligibility status. During fiscal year 2017, there were 5,885 overrides processed affecting 14,294 enrollees.
 - MHBE's annual review of critical MHC user access capabilities was not adequately documented to include who performed the review and the date it was conducted.
 - MHBE did not review changes to the eligibility status of manually verified applicants and did not use available MHC capabilities to identify these changes.
-



Purchases and Disbursements (Finding 3)

- MHBE did not obtain MHBE Board approval for its multi-year Information Systems Master Contract and any of the subsequent task orders we tested. MHBE awarded 21 task orders from the Master Contract in fiscal year 2017 totaling \$6.4 million that were each valued at \$200,000 or more.
- MHBE did not always document vendor technical evaluations and rankings.
- MHBE did not adequately verify vendor technical qualifications and the qualifications of vendor employees and substitute employees.
 - MHBE awarded a \$206,560 contract to a vendor that was not approved for work in the functional area awarded.
 - We identified certain substitute employees who did not meet the minimum qualifications in the related task orders.



Purchases and Disbursements (Findings 4 & 5)

- MHBE's procurement policies and procedures were not comprehensive (**Finding 4**). These policies and procedures did not establish a minimum period for submission of solicitations, and did not provide for adequate control over the bid submission and bid opening processes. We noted that bid solicitation periods were not consistent and, in one instance, the short period may have limited competition. Electronic bid documents were not adequately secured by passwords, and bid openings were not documented.
- MHBE did not sufficiently verify the billings received from its customer support vendor (which was responsible for assisting applicants) and did not ensure the vendor met certain contract performance measures (**Finding 5**). For example, MHBE did not verify the propriety of \$4.9 million of \$5.1 million in charges for two months during fiscal year 2017. A similar condition was noted in our preceding audit report.



Other Fiscal Compliance Findings

Connector Program Grants

- MHBE did not verify the propriety of payroll expenditures reported by one of its seven grantees (Finding 6).

Information Systems Security and Control

- MHBE did not establish adequate application maintenance controls, and lacked intrusion detection prevention system coverage for encrypted traffic entering the hosted Exchange System network (Finding 7).
- MHBE lacked security assurances over critical data on servers hosted by contractors for both the original and replacement Exchange Systems (Finding 8).



Conclusions

MHBE should

- verify all applicant income information using both MABS and FTI data;
 - limit access to the SuperUser role, conduct and document annual security reviews, and review changes to manual verification eligibility status;
 - obtain Board approval for the Information Systems Master Contract and task orders over \$200,000;
 - document vendor technical evaluations, rankings, and qualifications;
 - amend procurement policies to encourage broad competition and control bid documents;
 - perform documented reviews of supporting documentation from its customer support vendor to support charges billed and performance measures; and
 - improve controls over Connector Program Grants and its information system.
-