

Audit Report

Maryland Department of Health

Medical Care Programs Administration Administrative Service Organization for Behavioral Health Services

January 2020



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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Office of Legislative Audits
301 West Preston Street, Room 1202
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Phone: 410-946-5900 · 301-970-5900 · 1-877-486-9964 (Toll Free in Maryland)
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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Gregory A. Hook, CPA
Legislative Auditor

January 13, 2020

Senator Clarence K. Lam, M.D., Senate Chair, Joint Audit and Evaluation Committee
Delegate Shelly L. Hettleman, 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) - Medical Care Programs Administration's (MCPA) fiscal activities with respect to monitoring the Behavioral Health Administration's (BHA) Administrative Service Organization (ASO) for the period beginning July 1, 2015 and ending December 31, 2018. The ASO is responsible for providing benefit management services for the Public Behavioral Health System operated by BHA. During fiscal year 2018, disbursements for behavioral health claims processed by the ASO totaled approximately \$1.4 billion.

Our audit disclosed that MCPA did not adequately monitor certain activities performed by the ASO. Specifically, MCPA did not ensure that the ASO properly authorized behavioral health services and that the bases for the authorizations were adequately documented. BHA personnel were responsible for periodically auditing these authorized services; however, as of July 2019, the last audit conducted reviewed calendar year 2016 authorizations.

MCPA also did not take sufficient action to ensure that deficiencies noted during provider audits conducted by the ASO were corrected and that related overpayments were recovered. Furthermore, MCPA did not have a process to verify that adjustments to provider payments processed by the ASO were proper. During the audit period, such adjustments totaled approximately \$35.0 million. Finally, our audit disclosed that MCPA did not institute certain security measures and controls over its information systems and did not

ensure that the personally identifiable information of recipients was adequately safeguarded.

Our audit included a review to determine the status of the three findings pertaining to behavioral health services contained in our preceding MCPA audit report. We determined that MCPA satisfactorily addressed two of these findings, with the remaining finding repeated in this report.

MDH's response this audit is included as an appendix to this report. We reviewed the response to our findings and related recommendations, and have concluded that the corrective actions identified are sufficient to address all audit issues.

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

Respectfully submitted,

A handwritten signature in black ink that reads "Gregory A. Hook". The signature is written in a cursive, flowing style.

Gregory A. Hook, CPA
Legislative Auditor

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* Denotes item repeated in full or part from preceding audit report

Background Information

Agency Responsibilities and Audit Scope

The Medical Care Programs Administration (MCPA) of the Maryland Department of Health (MDH) operates under both Title XIX of the federal Social Security Act (Medicaid) and State law. Medicaid is a joint federal and state entitlement program for low-income individuals. The program is administered by the states, which are required to provide healthcare coverage to all applicants who meet the program's eligibility criteria.

MCPA and the Behavioral Health Administration (BHA) of MDH work together to provide behavioral health services to the citizens of Maryland. Specifically, BHA serves as the State's behavioral health authority and operates the Public Behavioral Health System to provide mental health and substance-related disorder services. MCPA contracts with an Administrative Service Organization (ASO) that is responsible for providing benefit management services for the System. MCPA also monitors and accounts for the activities of the ASO.

The scope of this audit included MCPA's monitoring of the ASO contract deliverables, claims processing (including denied claims), provider audits, and information systems security. Separate audits are conducted of MCPA's primary functions (such as recipient eligibility, long-term care, and hospital services), Managed Care Organizations, and pharmacy programs.

Administrative Service Organization

The ASO is responsible for ensuring behavioral health recipient eligibility, authorizing recipient services, paying provider claims, and performing oversight of providers to ensure the propriety and accuracy of claims and related services. The current ASO contract spans three years beginning on January 1, 2015, with two additional one-year options, both of which were exercised. The ASO contract's cumulative value (including option years) totals approximately \$93.2 million. The contract value includes a monthly administrative fee for each recipient who is eligible to receive behavioral health services.

ASO Benefit Services Duties

- Review service requests from providers and authorize services that are medically necessary.
- Receive, adjudicate, and approve behavioral health claims submitted through its electronic claims processing system.
- Pay providers using State-funded bank accounts.
- Process claims eligible for federal reimbursement in the Medicaid Management Information System.
- Conduct provider audits to ensure services billed complied with applicable laws and regulations and recover any improper payments.

According to State records, during fiscal year 2018, behavioral health claims disbursements made by the ASO from two State-funded bank accounts totaled \$1.4 billion. The vast majority of these claims were eligible for federal fund participation (reimbursement) which is normally at least 50 percent of the amount paid.

Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of 3 of the 15 findings contained in our preceding audit report of MCPA dated August 18, 2017. As disclosed in the following table, we determined that MCPA satisfactorily addressed 2 of these 3 findings. The remaining finding is repeated in this report. Our audit did not include a review of 12 findings contained in our preceding MCPA audit report that related to MCPA's primary functions and managed care organizations that are included in our separate MCPA audits.

Status of Preceding Findings

Preceding Finding	Finding Description	Implementation Status
Finding 9	MCPA did not monitor the ASO to ensure that deficiencies noted during provider audits conducted by the ASO were corrected and related overpayments were recovered.	Repeated (Current Finding 2)
Finding 10	MCPA did not ensure the ASO resolved rejected behavioral health claims timely, resulting in the payment of potentially improper claims and the loss of federal fund reimbursements.	Not repeated
Finding 11	Access controls over the ASO's servers hosting the portal and the web-server software were inadequate, intrusion detection prevention system coverage did not exist for encrypted traffic, and sensitive personally identifiable information was stored without adequate safeguards.	Not repeated

Findings and Recommendations

Behavioral Health Service Authorizations

Finding 1

The Medical Care Programs Administration (MCPA) did not ensure that the Administrative Service Organization (ASO) properly authorized behavioral health services and that the bases for the authorizations were adequately documented.

Analysis

MCPA did not ensure that the ASO properly authorized behavioral health services and that the bases for the authorizations were adequately documented. MCPA management advised us that Behavioral Health Administration (BHA) personnel conducted annual audits of the ASO as a means to verify the propriety of its behavioral health services authorizations. However, our review disclosed that these audits were not routinely performed.

Specifically, only one ASO audit was conducted since July 2015. This audit, conducted in April 2017, reviewed authorizations made by the ASO during calendar year 2016. While we were advised that BHA planned to conduct an audit of calendar year 2018 authorizations, the audit had not been initiated as of July 29, 2019, and there was no plan to audit the 2017 authorizations. According to MCPA management, annual audits had not been conducted due to turnover of the BHA personnel responsible for supervising the audits.

This failure to audit the ASO's behavioral health services authorizations is significant because the April 2017 audit identified certain authorized services that were not appropriate for the clients' diagnoses, resulting in clients being placed in inappropriate levels of care. The audit also identified certain authorizations that lacked appropriate documentation, such as that necessary to support client symptoms and the reasons services were authorized. We could not readily determine whether the improper service authorizations resulted in any overpayments to providers.

Recommendation 1

We recommend that MCPA ensure that the ASO properly authorized behavioral health services and that the bases for the authorizations were adequately documented. Specifically, we recommend that MCPA ensure that

a. BHA personnel conduct audits of the ASO at least annually, and

- b. appropriate corrective action is taken to address deficiencies identified by these audits.

Provider Audits

Finding 2

MCPA did not direct the ASO to recover certain provider overpayments identified during audits, did not ensure the ASO recovered overpayments once directed to do so, and did not ensure that deficiencies identified by provider audits were corrected.

Analysis

MCPA did not direct the ASO to recover certain provider overpayments identified during provider audits performed by the ASO, did not ensure that the ASO recovered overpayments once directed to do so, and did not ensure that deficiencies identified by the audits were corrected. In accordance with the contract, the ASO conducted 300 provider audits each year, which is MCPA's primary means of validating the behavioral health claims. Provider audits routinely identified deficiencies in claims submitted and overpayments to providers.

- MCPA failed to follow its procedure to direct the ASO to recover certain overpayments totaling approximately \$35,000 identified during provider audits that we tested. The ASO notified BHA of the results of the audits, including any overpayments identified. BHA was responsible for reviewing the audit results to determine if additional corrective action was warranted, and to inform the providers that overpayments would be recovered by reducing future payments. BHA then notified MCPA, which was responsible for directing the ASO to recover the overpayments. However, our test of 10 provider audits conducted by the ASO disclosed that, for 5 audits completed during the period between February and September 2018, MCPA did not direct the ASO to recover approximately \$35,000 in improper claims. After our inquiries in February 2019, the overpayments were recovered between 4 and 11 months after the related provider audits were completed.
- When MCPA did direct the ASO to recover provider overpayments, it did not obtain sufficient documentation from the ASO to verify that recoveries actually occurred. Specifically, MCPA relied on emails from the ASO confirming that it had processed the recoveries and did not obtain supporting documentation to evidence the actual recovery of the funds.

- MCPA did not verify that deficiencies identified by the ASO during the provider audits were resolved. Providers were required to submit corrective action plans to BHA to address significant deficiencies (for example, failure to maintain client records in accordance with State regulations) noted during the audits. BHA relied on designated county or multi-county authorities, referred to as Core Service Agencies and Local Addiction Authorities (generally local health departments or private contractors), to review the plans and ensure the providers implemented the necessary corrective actions. Neither MCPA nor BHA performed any oversight of this process. As a result, there is a lack of assurance that the deficiencies were properly resolved.

Similar conditions regarding MCPA's failure to ensure provider overpayments were recovered and corrective actions were taken were commented upon in MCPA's preceding audit report.

Recommendation 2

We recommend that MCPA

- timely direct the ASO to recover overpayments identified during audits,**
- obtain documentation to verify that the ASO recovered the provider overpayments (repeat), and**
- develop a process to monitor the implementation of provider corrective action plans to ensure noted deficiencies are properly addressed (repeat).**

Provider Payments

Finding 3

MCPA did not have a process to verify that adjustments to provider payments processed by the ASO were proper.

Analysis

MCPA did not have a process to verify that adjustments to provider payments processed by the ASO were proper. The ASO makes adjustments to provider payments for a variety of reasons, including to recover overpayments identified during the ASO's audits of providers (as previously detailed in Finding 2) and to account for changes in billing rates.

According to the ASO's records, which we tested and found to be reliable in the aggregate, during the period from July 2015 through December 2018, the ASO processed approximately 13,000 adjustments, which resulted in either increasing or decreasing the related provider payments, by approximately \$35.0 million.

Recommendation 3

We recommend that MCPA establish a process to verify, at least on a test basis, that adjustments to provider payments processed by the ASO are valid.

Information Systems Security and Control

Finding 4

Intrusion detection prevention system coverage did not exist for encrypted traffic, and sensitive personally identifiable information was stored without adequate safeguards.

Analysis

Intrusion detection prevention system (IDPS) coverage did not exist for encrypted traffic, and sensitive personally identifiable information (PII) was stored without adequate safeguards.

- IDPS coverage did not exist for almost all untrusted encrypted traffic entering the ASO's network. Specifically, we determined that IDPS coverage did not exist for 71 of 78 internal locations receiving encrypted traffic from untrusted sources such as providers. Strong network security uses a layered approach, relying on various resources structured according to assessed network security risks. Complete IDPS coverage includes, when there is encrypted traffic, the use of a network-based IDPS that is supplemented (where necessary) with host-based intrusion prevention to aid significantly in the detection/prevention of, and response to, potential network security breaches and attacks.
- The ASO stored sensitive PII, related to Medicaid recipients, without adequate safeguards in place. We noted PII related to over 2.7 million and 2.85 million unique individuals, stored in two separate storage areas, was at risk.

The State of Maryland *Information Technology Security Manual* requires that agencies protect against malicious code by implementing solutions including the use of IDPS to monitor system events, detect attacks and identify unauthorized use of information systems and/or confidential information. The *Manual* also requires agencies to protect confidential data using encryption technologies and/or other substantial mitigating controls.

Recommendation 4

We recommend that MCPA require that the ASO

- a. implement necessary IDPS coverage for encrypted traffic entering its network, and**
- b. require that the ASO implement appropriate safeguards over Medicaid recipients' PII.**

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the Maryland Department of Health (MDH) - Medical Care Program Administration's (MCPA) fiscal activities with respect to monitoring the Behavioral Health Administration's Administrative Service Organization (ASO) for the period beginning July 1, 2015 and ending December 31, 2018. 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 MCPA'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 MCPA's monitoring of the ASO contract deliverables, claims processing (including denied claims), provider audits, and information systems security. We also determined the status of 3 of the 15 findings contained in our preceding audit report of MCPA.

Our audit did not include certain support services provided to MCPA by MDH. These support services (such as payroll, purchasing, contract procurement, maintenance of accounting records, and related fiscal functions) are included within the scope of our audit of the MDH - Office of the Secretary and Other Units. In addition, our audit did not include an evaluation of internal controls over compliance with federal laws and regulations for federal financial assistance programs and an assessment of MCPA's compliance with those laws and regulations because the State of Maryland engages an independent accounting firm to annually audit such programs administered by State agencies, including MCPA.

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel (including certain ASO employees), inspection of documents and records, observations of MCPA's operations, and tests of transactions. Generally, transactions were selected for testing based on auditor judgement, 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 revenue and 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 performed various tests of the relevant data and determined that the data were sufficiently reliable for the purposes the data were used during the 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.

MCPA'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 MCPA's ability to maintain reliable financial records, operate effectively and efficiently, and/or comply with applicable laws, rules, and regulations. Our report also includes a finding regarding a significant instance of noncompliance with applicable laws, rules, or regulations. Other less significant findings were communicated to MCPA that did not warrant inclusion in this report.

The response from MDH, on behalf of MCPA, 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 our review of its response.

APPENDIX



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

January 6, 2020

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:

Enclosed are the responses to the draft audit report from your Maryland Department of Health – Medical Care Programs Administration – Administrative Service Organization for Behavioral Health Services for the period beginning July 1, 2015 and ending December 31, 2018.

If you have any questions, please contact Frederick D. Doggett at 410-767-0885 or email at Frederick.doggett@maryland.gov

Sincerely,

A handwritten signature in black ink, appearing to read "R. Neall", written over a horizontal line.

Robert R. Neall, Secretary
Maryland Department of Health

cc: Frederick D. Doggett, Inspector General, MDH
Jennifer Forsythe, Assistant Inspector General, Program Integrity, MDH
Sha S. Brown, Assistant Inspector General, Audit and Compliance, MDH
Dennis R. Schrader, Deputy Secretary for Health Care Financing, MDH
Carlean Rhames-Jowers, Audit Liaison, - Medicaid, MDH

Maryland Department of Health

Medical Care Programs Administration
Administrative Service Organization for
Behavioral Health Services

Agency Response Form

Behavioral Health Service Authorizations

Finding 1

The Medical Care Programs Administration (MCPA) did not ensure that the Administrative Service Organization (ASO) properly authorized behavioral health services and that the bases for the authorizations were adequately documented.

We recommend that MCPA ensure that the ASO properly authorized behavioral health services and that the bases for the authorizations were adequately documented.

Specifically, we recommend that MCPA ensure that

- a. BHA personnel conduct audits of the ASO at least annually, and**
- b. appropriate corrective action is taken to address deficiencies identified by these audits.**

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 1a	Agree	Estimated Completion Date:	04/30/20
Please provide details of corrective action or explain disagreement.	<p>MCPA has completed all the annual audits identified as incomplete in OLA's report (CY 2015-2018) and has established written standard operating procedure to improve internal work flows and ensure proper documentation justifying authorizations processed by the ASO. BHA personnel will complete the 2019 ASO audit by April 30, 2020. MCPA has acquired a new ASO beginning services as of January 1, 2020 and will begin conducting annual audits of this new vendor's authorizations by no later than Spring of 2021. Additionally, MCPA will utilize the newly established standard operating procedure to ensure authorizations are adequately justified and appropriately documented moving forward.</p>		
Recommendation 1b	Agree	Estimated Completion Date:	4/30/20
Please provide details of corrective action or explain disagreement.	<p>MCPA's completed annual audit reports (CY 2015 -2018) confirmed the ASO was appropriately authorizing services. In a few instances where medical necessity criteria were in question, MCPA expanded the audit scope and ultimately confirmed that the approval of services was justified. BHA personnel will complete the 2019 ASO</p>		

Maryland Department of Health

**Medical Care Programs Administration
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Agency Response Form

	audit by April 30, 2020 and take any appropriate action to address deficiencies. Moving forward MCPA will complete annual audits as required and take appropriate action when deficiencies are identified.
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Maryland Department of Health
Medical Care Programs Administration
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Agency Response Form

Provider Audits

Finding 2

MCPA did not direct the ASO to recover certain provider overpayments identified during audits, did not ensure the ASO recovered overpayments once directed to do so, and did not ensure that deficiencies identified by provider audits were corrected.

We recommend that MCPA

- a. timely direct the ASO to recover overpayments identified during audits,**
- b. obtain documentation to verify that the ASO recovered the provider overpayments (repeat), and**
- c. develop a process to monitor the implementation of provider corrective action plans to ensure noted deficiencies are properly addressed (repeat).**

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 2a	Agree	Estimated Completion Date:	3/31/20
Please provide details of corrective action or explain disagreement.	<p>Since the conclusion of OLA's audit, MCPA has issued letters of determination to all providers identified with audit findings and overpayments; and directed the ASO to retract paid claims from these providers. MCPA has also made significant staff enhancements to monitor the ASO, including hiring a Compliance Director specifically responsible for ensuring timely direction to the ASO related to the recovery of overpayments. MCPA has confirmed collection of all overpayments identified through CY2018 and will do the same for CY2019.</p>		
Recommendation 2b	Agree	Estimated Completion Date:	3/31/2020
Please provide details of corrective action or explain disagreement.	<p>MCPA has confirmed collection of all overpayments identified through CY2018 and will do the same for CY2019. Based on the information provided during this audit, MDH is also implementing a monthly review to confirm the ASO has performed the requested retraction. The review includes obtaining payment</p>		

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	records and testing 5 retractions per month to verify provider overpayments have been recovered.		
Recommendation 2c	Agree	Estimated Completion Date:	03/31/20
Please provide details of corrective action or explain disagreement.	MCPA has modified their audit tracker to include investigation status updates, authorizations for overpayment recovery from the MDH/OIG and MFCU, retraction request, and status of provider appeals. The tracker is monitored and reviewed monthly by MCPA and the ASO to provide updates and confirm accuracy. Additionally, MCPA issues Performance Improvement Plans (PIPs) through Local Behavioral Health Authorities (LBHAs) who have direct responsibility for monitoring providers within their jurisdictions. MCPA will provide training to LBHAs local systems managers on PIPs and audit follow-up processes. The PIPs are included in the audit tracker and reviewed monthly by MCPA and the ASO. These PIPs include steps to increased audit scope for repeated instances of non-compliance and criteria for referrals for fraud investigation to the MDH/OIG and/or MFCU.		

Provider Payments

Finding 3

MCPA did not have a process to verify that adjustments to provider payments processed by the ASO were proper.

We recommend that MCPA establish a process to verify, at least on a test basis, that adjustments to provider payments processed by the ASO are valid.

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 3	Agree	Estimated Completion Date:	03/31/20

Maryland Department of Health

**Medical Care Programs Administration
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<p>Please provide details of corrective action or explain disagreement.</p>	<p>MCPA will develop a written standard operating procedure to verify and validate that adjustments to provider payments processed by the ASO are proper.</p>
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Maryland Department of Health
Medical Care Programs Administration
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Agency Response Form

Information Systems Security and Control

Finding 4

Intrusion detection prevention system coverage did not exist for encrypted traffic, and sensitive personally identifiable information was stored without adequate safeguards.

We recommend that MCPA require that the ASO

- a. implement necessary IDPS coverage for encrypted traffic entering its network, and**
- b. require that the ASO implement appropriate safeguards over Medicaid recipients' PII.**

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 4a	Agree	Estimated Completion Date:	03/31/20
Please provide details of corrective action or explain disagreement.	MCPA has selected a new ASO to begin services effective January 1, 2020. MCPA has required the new ASO to have IDPS coverage for encrypted traffic entering its network. Additionally, the prior ASO's system was upgraded to follow the level of security required through CY 2019 until the new ASO begins.		
Recommendation 4b	Agree	Estimated Completion Date:	03/31/20
Please provide details of corrective action or explain disagreement.	The new ASO is contractually obligated to ensure appropriate safeguards are in place over Medicaid recipients PII, including ensuring data encryption levels meet requirements. MCPA will conduct a review of the new vendor's PII safeguards in the first 90 days of the new contract.		

AUDIT TEAM

Edward A. Rubenstein, CPA
Audit Manager

R. Brendan Coffey, CPA, CISA
Information Systems Audit Manager

James M. Fowler
Senior Auditor

Eric Alexander, CPA, CISA
J. Gregory Busch, CISA
Information Systems Senior Auditors

Stephen R. Alexander
Jordan T. Duke
Staff Auditors