

**Summary of Reports Issued and
Recommended Committee Action**

December 1, 2017 to December 31, 2018

Presentation to Joint Audit Committee

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January 22, 2019

Reports Issued December 1, 2017 to December 31, 2018

Summary

Total Reports Issued 63

Reports Recommended for Action 8

<u>Agency</u>	<u>Recommended Action</u>
1. Maryland Department of Health (MDH) – Prevention and Health Promotion Administration, et al.	JAC Letter of Concern
2. Maryland Department of the Environment	JAC Letter of Concern
3. Maryland Department of Transportation – Maryland Transit Administration	JAC Letter of Concern
4. Department of Human Services – Baltimore City Department of Social Services – Allegation Related to Possible Violations of State Procurement Regulations and Certain Payments Made to a Nonprofit Organization (Special)	JAC Hearing ¹
5. Department of Information Technology and Selected State Agencies – Telecommunication Resource Sharing Agreements (Performance)	JAC Hearing
Follow-up Reviews (of Unsatisfactory Audit Reports):	JAC Hearing ²
6. MDH – Office of the Secretary and Other Units	
7. Uninsured Employers' Fund	
8. MDH – Medical Care Programs Administration	

¹ OLA's fraud hotline update will include a presentation on this report.
² OLA will present an unsatisfactory audit reports update that includes these follow-up reviews.

Summary of Recommended Action

Joint Audit Committee (JAC) Hearing	5
JAC Letter of Concern	<u>3</u>
Total	<u><u>8</u></u>

**REPORTS ISSUED
DECEMBER 1, 2017 TO DECEMBER 31, 2018**

<u>Agency</u>	<u>Report Date</u>	<u>Number of Pages</u>
Review of Community College Audit Reports – Fiscal Year Ending June 30, 2016 (Special)	12/19/17	7
Uninsured Employers' Fund	1/03/18	23
Maryland Department of Health – Potomac Center	1/03/18	6
Department of Labor, Licensing and Regulation – Division of Racing	1/04/18	6
Department of Transportation – Maryland Port Administration	1/04/18	6
Maryland Department of Health – Regional Institute for Children and Adolescents – Baltimore	1/05/18	12
Maryland-National Capital Park and Planning Commission – Prince George's County – Evaluation of Capital Project Management Practices (Performance)	1/10/18	40
Office of the Public Defender	1/11/18	12
University System of Maryland – University of Baltimore	1/12/18	16
Statewide Review of Budget Closeout Transactions for Fiscal Year 2017 (Special)	1/24/18	14
Baltimore County – Office of the Register of Wills	2/02/18	5
Baltimore County – Office of the Clerk of Circuit Court	2/07/18	5
Review of the Actions Taken by the Department of Juvenile Services to Resolve Repeat Audit Findings in Response to the April 2017 Joint Chairmen's Report (Special)	2/07/18	6
Maryland Department of Health – John L. Gildner Regional Institute for Children And Adolescents	2/14/18	8
State Department of Assessments and Taxation	2/22/18	28
Review of a Certain Payment Made by the Department of Information Technology (Special)	2/27/18	26
Review of the Actions Taken by the Department of Human Services – Office of the Secretary to Resolve Repeat Audit Findings in Response to the April 2017 Joint Chairmen's Report (Special)	3/06/18	6
State Lottery and Gaming Control Agency	3/08/18	16
Washington County – Office of the Clerk of Circuit Court	4/02/18	5
Washington County – Office of the Register of Wills	4/02/18	5
Maryland Department of Health – Prevention and Health Promotion Administration – Office of Population Health Improvement – Office of Preparedness and Response	4/04/18	19
Maryland Department of Health – Office of the Chief Medical Examiner	4/04/18	10
Carroll County – Office of the Clerk of Circuit Court	5/01/18	5
Maryland Department of the Environment	5/14/18	21
Maryland Insurance Administration	5/15/18	17
Carroll County Public Schools (Financial Management Practices Audit)	5/16/18	30
Carroll County – Office of the Register of Wills	5/30/18	6
Office of the Secretary of State	6/04/18	8
State Retirement Agency	6/08/18	17
Potomac River Fisheries Commission – Report for the Year Ended June 30, 2017 (Examination)	6/18/18	11
State Employee Performance Evaluation Program (Performance)	6/27/18	61

REPORTS ISSUED
DECEMBER 1, 2017 TO DECEMBER 31, 2018 (Continued)

<u>Agency</u>	<u>Report Date</u>	<u>Number of Pages</u>
Talbot County – Office of the Register of Wills	6/29/18	6
Talbot County – Office of the Clerk of Circuit Court	7/02/18	6
Department of Human Services – Baltimore City Department of Social Services – Allegation Related to Possible Violations of State Procurement Regulations and Certain Payments Made to a Nonprofit Organization (Special)	7/11/18	14
Calvert County – Office of the Register of Wills	7/11/18	6
Somerset County – Office of the Register of Wills	7/11/18	5
Somerset County – Office of the Clerk of Circuit Court	7/11/18	5
Maryland Teachers and State Employees Supplemental Retirement Plans	7/13/18	10
Charles County – Office of the Register of Wills	7/16/18	5
Baltimore City – Office of the Clerk of Circuit Court	7/24/18	11
Calvert County – Office of the Clerk of Circuit Court	7/24/18	6
Harford County – Office of the Register of Wills	7/30/18	5
Charles County – Office of the Clerk of Circuit Court	7/30/18	5
Queen Anne's County Public Schools (Financial Management Practices Audit)	8/01/18	41
Department of Information Technology and Selected State Agencies – Telecommunication Resource Sharing Agreements (Performance)	8/03/18	70
Harford County – Office of the Clerk of Circuit Court	8/21/18	5
Review of Local Government Audit Reports – Fiscal Year Ending June 30, 2017 (Special)	9/11/18	15
Potomac River Fisheries Commission – Report for the Year Ended June 30, 2018 (Examination)	9/18/18	11
Baltimore City – Office of the Register of Wills	9/19/18	5
Department of Budget and Management's Oversight of Training Offered to Management Employees (Performance)	9/25/18	21
University System of Maryland – University of Maryland, College Park	10/11/18	16
Maryland Department of Health – Office of the Secretary and Other Units – Follow-up Review (Special)	10/16/18	12
Baltimore City Public School System (Financial Management Practices Audit)	10/17/18	51
Review of Community College Audit Reports – Fiscal Year Ending June 30, 2017 (Special)	10/22/18	7
Maryland Health Benefit Exchange	10/30/18	27
Uninsured Employers' Fund – Follow-up Review (Special)	11/02/18	9
Department of Public Safety and Correctional Services – Criminal Injuries Compensation Board	11/02/18	9
Maryland Department of Health – Medical Care Programs Administration – Follow-up Review (Special)	11/08/18	11
Maryland Department of Health – Eastern Shore Hospital Center	11/19/18	6
Maryland Department of Transportation – Maryland Transit Administration	11/20/18	29
Department of Labor, Licensing and Regulation – Division of Labor and Industry	11/28/18	14
Maryland Department of Health – Springfield Hospital Center	12/06/18	6
Maryland Institute for Emergency Medical Services Systems	12/11/18	5

Total Number of Reports Issued: **63**

Reports Recommended for Committee Action

December 1, 2017 to December 31, 2018

1) Maryland Department of Health (MDH) – Prevention and Health Promotion Administration, et al. (PHPA) (4/4/18 – 19 pages – 7 Findings, including 2 Repeats)

The audit identified certain issues related primarily to three programs administered by PHPA: the Maryland AIDS Drug Assistance Program (MADAP), the Maryland AIDS Drug Assistance Program — Plus (MADAP-Plus), and the Breast and Cervical Cancer Diagnosis and Treatment Program (BCCDTP). MADAP (including MADAP-Plus) and BCCDTP had fiscal year 2016 expenditures totaling approximately \$46.3 million and \$13.2 million, respectively.

- PHPA did not ensure that all rebates from approximately 170 prescription drug manufacturers for drugs dispensed to clients under MADAP were received and were accurate. As of March 2017, PHPA had not recognized that one of ten manufacturers we selected for review had not paid rebates for a six-month period ended June 2016. Subsequently, this manufacturer remitted the \$49,300 rebate to PHPA. Furthermore, we estimated that PHPA was underpaid by as much as \$2 million for 20 drugs dispensed to MADAP clients for one quarter in 2016. According to PHPA records, drug rebates received during fiscal year 2016 totaled approximately \$52.4 million.
- PHPA did not have adequate procedures and controls over applicant eligibility for MADAP and BCCDTP. For example, for the majority of our audit period, PHPA did not use an available independent source to help verify applicant income, which is considered when determining an applicant's eligibility for either Program.
- PHPA did not adequately restrict user access to critical information on individuals eligible for MADAP and MADAP-Plus that also was used by pharmacies to check the MADAP eligibility of individuals requesting medications as well as to initiate payment for the related claims. PHPA also did not adequately review system overrides of rejected MADAP pharmacy claims and MADAP-Plus insurance premium payments that were manually processed and entered into the MADAP system, to ensure that only valid payments were made.
- PHPA did not have adequate processes to ensure the propriety of certain manually processed MADAP pharmacy claims, and did not recover pharmacy claim overpayments totaling \$425,000 that were identified during vendor-performed pharmacy audits.
- Numerous PHPA employees had unnecessary access to PHPA's Patient Reporting Investigation and Surveillance Manager (PRISM) system. We identified 46 users who had either not accessed PRISM since its creation or within 6 months of our test. PRISM includes information on all patients diagnosed with Sexually Transmitted Diseases, and includes personally identifiable information (PII) and protected health information (PHI).
- PHPA did not conduct timely inspections of food-processing facilities to ensure the facilities were complying with applicable food safety laws and regulations.

Recommended Committee Action – Letter of Concern

Reports Recommended for Committee Action

December 1, 2017 to December 31, 2018

2) Maryland Department of the Environment (MDE) (5/14/18 – 21 pages – 7 Findings, including 2 Repeats)

- MDE used interagency agreements with a college to augment its staff, rather than using a competitive procurement process for required services or using budgeted positions. For example, at various times between June 2014 and October 2017, one MDE unit obtained and directed the services of 40 college employees through interagency agreements for which expenditures totaled approximately \$3.1 million during the period between July 2013 and February 2018, including an estimated \$996,000 in administrative fees.
- MDE lacked an adequate process to ensure that independent inspections had been performed, when required, of affected properties under its Lead Poisoning Prevention Program. Although MDE implemented a process during fiscal year 2014 in an effort to ensure, on a test basis, that required properties were registered and had a valid inspection certificate; the process was generally ineffective. We identified 10,832 registered rental units without inspection certificates on file, which MDE had not investigated.
- MDE had not performed inspections of certain construction sites for compliance with approved erosion and sediment control plans as required by State regulations, and MDE's determinations of any monetary penalties resulting from inspections that were performed were not always documented or approved.
- There were a number of deficiencies with MDE's security and control over its information systems and network.
 - We identified 11 contractors working for IT vendors, who were provided remote access to the MDE network to perform various IT project support activities. However, this access was not properly restricted to the network resources related to their respective responsibilities. These 11 contractors had improper network-level access to the entire MDE internal network, including access to servers holding various applications' information, employee workstations, and other network resources.
 - Malware protection was not sufficient to provide MDE with adequate assurance that its computers were properly protected. For example, 1,152 MDE computers were found to not be operating a current malware protection software version, and we identified over 1,000 workstations that had not been updated with the latest releases for two software products that are known to have significant security-related vulnerabilities.
 - A critical database and numerous servers were running on software versions that had been out-of-date for many years.

Recommended Committee Action – Letter of Concern

Reports Recommended for Committee Action

December 1, 2017 to December 31, 2018

3) Maryland Department of Transportation – Maryland Transit Administration (MTA) (11/20/18 – 29 pages – 11 Findings, including 4 Repeats)

- MTA did not adhere to State procurement regulations in a number of areas and circumvented State procurement regulations for certain procurements that required competitive bidding.
 - Based on referrals through our fraud, waste, and abuse hotline, we identified instances where MTA used existing contracts to obtain unrelated services. For example, \$319,000 was paid for an individual to perform accounting-related services under two existing architectural and engineering contracts. These payments included administrative fees paid to the subcontractors that procured the services at MTA's direction. Additional contract procurement and monitoring deficiencies and certain questionable activities were identified as a result of other hotline referrals (a separate report on the results of our special review of these allegations was issued on January 7, 2019).
 - MTA used interagency agreements with institutions of higher education to circumvent State procurement regulations that require competitive bidding. MTA directed two institutions to enter into agreements with a private vendor to provide services that were outside the scope of the agreements. Related expenditures, which dated back to 2012, totaled \$1.8 million and included \$529,000 in administrative fees paid to the institutions. Associated task orders were not sufficiently detailed to allow MTA to ensure the required work was performed. MTA also did not pursue recovery of approximately \$725,000 in questionable payments made under one agreement identified by its Office of Audits.
 - MTA lacked sufficient evidence to support certain sole source procurements, required bid documentation was not maintained for two large procurements, and MTA repeatedly procured services from two vendors using the corporate purchasing card without soliciting competitive bids.
 - MTA paid \$6.1 million to a vendor to clean its light rail vehicles without ensuring the required work was performed.
- Examples of findings in other functional areas included:
 - Malware protection for MTA's computers was not sufficient to provide adequate assurance that the computers were properly protected.
 - Adequate controls had not been established over payroll and pension processes for union employees.
 - Controls over the Mobility Paratransit Program were not sufficient to ensure that only eligible individuals received benefits, and internal control deficiencies were identified relating to cash receipts and equipment.

Recommended Committee Action – Letter of Concern

Reports Recommended for Committee Action

December 1, 2017 to December 31, 2018

- 4) Department of Human Services – Baltimore City Department of Social Services – Allegation Related to Possible Violations of State Procurement Regulations and Certain Payments Made to a Nonprofit Organization (Fraud, Waste, and Abuse Special) (July 11, 2018 – 14 pages – 3 Findings)**
- 5) Department of Information Technology and Selected State Agencies – Telecommunication Resource Sharing Agreements (Performance Audit) (August 3, 2018 – 70 pages - 12 Findings)**
- 6) MDH – Office of the Secretary and Other Units – Follow-up Review (of Unsatisfactory Audit Report) (Special Reports and Letters) (October 16, 2018)**
- 7) Uninsured Employers' Fund – Follow-up Review (of Unsatisfactory Audit Report) (Special Reports and Letters) (November 2, 2018)**
- 8) MDH – Medical Care Programs Administration – Follow-up Review (of Unsatisfactory Audit Report) (Special Reports and Letters) (November 8, 2018)**

Recommended Committee Action – JAC Hearing
