

DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Victoria L. Gruber
Executive Director

April 1, 2019

Gregory A. Hook, CPA
Legislative Auditor

Senator Nancy J. King, Chair
Senate Budget and Taxation Committee
Miller Senate Office Building, 3 West Wing
11 Bladen Street
Annapolis, Maryland 21401

Delegate Maggie McIntosh, Chair
House Appropriations Committee
House Office Building, Room 121
6 Bladen Street
Annapolis, Maryland 21401

Dear Senator King and Delegate McIntosh:

The Office of Legislative Audits (OLA) has reviewed the actions taken by the Department of Human Services (DHS) Office of the Secretary to resolve the repeat findings in our September 12, 2017 audit report. This review was conducted in accordance with a requirement specified in the April 2018 Joint Chairmen's Report (JCR), page 101. The JCR required that, prior to the release of \$100,000 of its administrative appropriation for fiscal year 2019, DHS must take corrective action on all repeat audit findings on or before November 1, 2018. The JCR language further provided that OLA submit a report to the budget committees listing each repeat audit finding along with a determination that each finding was corrected. The OLA report is required to be submitted to allow 45 days for the budget committees to review and release the funds prior to the end of the fiscal year.

The September 12, 2017 audit report of DHS contained four repeat audit findings (findings 4, 5, 10, and 12) that were addressed by four recommendations. In accordance with the April 2018 requirement, DHS provided a report to OLA, dated November 1, 2018, detailing the corrective actions that it had taken with respect to the repeat audit findings (Exhibit 1). The DHS status report indicated that corrective action had been completed to address all of the recommendations.

We reviewed the DHS status report and related documentation, performed limited tests and analyses of the information, and held discussion with DHS personnel as necessary to assess the implementation status of the related recommendations. In this regard, findings 4 and 5 were previously determined to be resolved during our March 2018 review undertaken in response to the April 2017 JCR, the results of which were communicated in the letter from us dated March 6, 2018. As such, our current review was limited to determining the status of repeat findings 10 and 12. Our review did not constitute an audit conducted in accordance with generally accepted government auditing standards. Based on our current review, we determined that DHS had resolved findings 10 and 12 (**Exhibit 2**).

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

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

Sincerely,



Gregory A. Hook, CPA
Legislative Auditor

cc: Senator Craig J. Zucker, Co-Chair, Joint Audit Committee
Delegate Shelly L. Hettleman, Co-Chair, Joint Audit Committee
Joint Audit Committee Members and Staff
Senator Thomas V. Mike Miller, Jr., President of the Senate
Delegate Michael E. Busch, Speaker of the House of Delegates
Governor Lawrence J. Hogan, Jr.
Comptroller Peter V.R. Franchot
Treasurer Nancy K. Kopp
Attorney General Brian E. Frosh
Honorable David R. Brinkley, Secretary Department of Budget and Management
Honorable Lourdes R. Padilla, Secretary Department of Human Services
Kevin J. Carson, Inspector General, Department of Human Services
Keonna M. Wiley, Assistant Inspector General, Department of Human Services
Victoria L. Gruber, Executive Director, Department of Legislative Services
Anne P. Wagner, Policy Analyst, Department of Legislative Services

Exhibit 1 to April 1, 2019 Letter to Joint Chairmen

Number	Findings	Recommendations	Corrective Actions Taken	Implementation Date
4	DHS did not have adequate procedures to ensure that payments to legal services firms were proper, and did not follow up on deficiencies with the services provided by the legal firms that were noted during annual site visits.	We recommend that DHS a) ensure that all payments made to legal firms are only for individuals for who DHS is responsible to provide legal services.	The Office of Legislative Audits indicated in a March 6, 2018 letter that this finding (Finding 2) had been resolved. The Department of Human Services' Maryland Legal Services Program (MLSP) has developed and implemented a web-based data system that allows for the submission by legal services firms of invoices and supporting materials, and the review and monitoring of these submissions by MLSP staff. MLSP continues to use the system and verify the court orders.	All vendors began using the system as of September 2017.
5	DHS lacked sufficient procedures and accountability over certain grants.	We recommend a) independently verify, at least on a test basis, that grant funds are spent as intended.	For all contracts, FIA developed an invoice and monitoring protocol that standardized invoice documentation requirements and monitoring practices. Invoice documentation requirements include time and effort reports to ensure that billed salaries are consistent with contract budgets. Vendors are also required to submit receipts and/or invoices to support reported expenditures in all other budget categories including, but not limited to rent, supplies, staff travel, utilities, staff training, direct assistance, and more. Invoice supporting documents are reviewed before each invoice can be submitted to accounts payable. We have attached a recently developed Monitoring and Invoice Protocol - invoice verification procedures are outlined on page 5 through 8.	FY 2018

Number	Findings	Recommendations	Corrective Actions Taken	Implementation Date
10	Monitoring controls over the CARES, CSES, and CHESIE databases were not sufficient to properly protect these databases.	We recommend that DHS b) log all critical CHESIE database security and audit events, generate reports of these events, review these reports on a timely basis, and document these reviews and any investigations with the documentation retained for future reference.	DHS turned on the DB2 Native logging per auditor suggestion (Phase One), and tested to see that requested events are being logged (Phase Two). The test was successful and the logging works. Native logging generates enormous logs that affect performance. In order to compensate, we adjusted the configuration for the logging to focus only on desired events. (Phase Three). All three phases have been completed. The report is currently manually generated and reviewed on a daily basis. Additionally, any incidents noted are also reported daily. A user story has been created to automate the report.	CY2017Q4
12	DHS lacked assurance that the EBTS service provider was properly secured against operational and security risks.	We recommend that DHS b) review copies of these SOC 2 Type 2 reports and determine if the related independent reviews adequately address the aforementioned security concerns over DHS' use of EBTS services, ensure that the service provider implements all critical recommendations made in the reports, document these efforts, and retain the documentation for future reference.	DHS has received a SOC2 report from our service provider. The service provider has provided a management response stating that all deviations have been addressed along with an outline of how those deviations were addressed. The service provider is also evaluating their internal processes and policies to ensure that the found deviations are not repeated.	CY2017Q4

Exhibit 1 to April 1, 2019 Letter to Joint Chairmen



Larry Hogan, Governor | Boyd K. Rutherford, Lt. Governor | Lourdes R. Padilla, Secretary

November 1, 2018

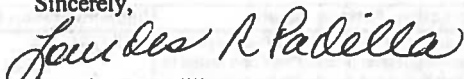
Thomas J. Barnickel III, CPA
Legislative Auditor
State of Maryland
Office of Legislative Audits
State Office Building, Room 1202
301 West Preston Street
Baltimore, Maryland 21201

Dear Mr. Barnickel:

In response to your letter dated June 26, 2018, we are providing the enclosed status report detailing the corrective actions that have been taken with respect to the four repeat findings (4, 5, 10 and 12) noted in the September 12, 2017 Department of Human Services Office of the Secretary (OS) audit report.

The Department takes audit findings seriously and is committed to resolving the findings identified in the audit report. If there are any questions, please do not hesitate to contact Kevin J. Carson, Inspector General at 443-378-4060 or via email at Kevin.carson@maryland.gov.

Sincerely,


Lourdes R. Padilla
Secretary

cc: Senator Craig J. Zucker, Co-Chair, Joint Audit Committee
Delegate C. William Frick, Co-Chair, Joint Audit Committee
Joint Audit Committee Members
Ms. Joan Peacock, Manager, Audit Compliance Unit, DBM
Ms. Victoria L. Gruber, Executive Director, Department of Legislative Services
Ms. Anne P. Wagner, Policy Analyst, Department of Legislative Services
Mr. Stephen M. Ross, Policy Analyst, Department of Legislative Services
Ms. Hannah E. Dier, Policy Analyst, Department of Legislative Services
Mr. Craig F. Eichler, Chief of Staff, DHS
Mr. Gregory James, Deputy Secretary for Operations, DHS
Ms. Randi Walters, Deputy Secretary for Programs, DHS
Ms. Samantha Blizzard, Special Assistant, Office of the Secretary, DHS
Mr. Kevin J. Carson, Inspector General, DHS
Ms. Keonna Wiley, Assistant Inspector General, DHS
Mr. Stafford Chipungu, Chief Financial Officer, DHS



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Note: The DHS status report included excerpts of certain DHS policies and procedures which are not included in this Exhibit

Exhibit 2 to April 1, 2019 Letter to Joint Chairmen

Status of Repeat Findings in OLA's September 12, 2017 Audit Report on the Department of Human Services – Office of the Secretary

Prior Recommendations Pertaining to Repeat Findings Not Previously Resolved	Status Based on Current OLA Review
Information Systems Security and Control 10. We recommend that DHS b. log all critical CHESSIE database security and audit events, generate reports of these events, review these reports on a timely basis, and document these reviews and any investigations with the documentation retained for future reference.	Resolved
Electronic Benefits Transfer System 12. We recommend that DHS b. review copies of these SOC 2 Type 2 reports and determine if the related independent reviews adequately address the aforementioned security concerns over DHS' use of EBTS services, ensure that the service provider implements all critical recommendations made in the reports, document these efforts, and retain the documentation for future reference.	Resolved

