

Summary of Reports Issued and Recommended Committee Action

January 1, 2008 to September 30, 2008

Presentation to Joint Audit Committee

Bruce A. Myers, CPA

October 21, 2008

REPORTS ISSUED JANUARY 1, 2008 TO SEPTEMBER 30, 2008

SUMMARY

Total Reports Issued 50

Reports for Which Committee Action is Recommended 9

<u>Agency</u>	<u>Recommended Committee Action</u>
1. University System of Maryland – Bowie State University	Letter of Concern
2. Department of the Environment	Letter of Concern
3. Morgan State University	Hearing ⁽¹⁾
4. Department of Health and Mental Hygiene – Mental Hygiene Administration	Hearing
5. Maryland Department of Aging	Letter of Concern
6. Department of Health and Mental Hygiene – Family Health Administration	Hearing
7. University System of Maryland – University of Baltimore	Letter of Concern
8. Department of Natural Resources	Letter of Concern
9. Department of State Police – Aviation Command Helicopter Operations (Performance Audit)	Hearing ⁽²⁾

(1) Update on construction issues
(2) Presented to Joint Audit Committee in September 2008

<u>Summary of Recommended Committee Action</u>	
Hearings (Present to Joint Audit Committee)	4
Letters of Concern	<u>5</u>
Total	<u>9</u>

<p style="text-align: center;">REPORTS ISSUED JANUARY 1, 2008 TO SEPTEMBER 30, 2008</p>
--

<u>Agency</u>	<u>Report Date</u>	<u>Number of Pages</u>
Prince George's County – Office of the Register of Wills	1/09/08	4
University System of Maryland – Bowie State University	1/17/08	26
Department of the Environment	1/18/08	28
Maryland Food Center Authority	1/22/08	5
University System of Maryland – University of Maryland Eastern Shore	1/24/08	12
Statewide Review of Budget Closeout Transactions for Fiscal Year 2007 (Special)	1/28/08	17
Maryland Thoroughbred and Harness Horse Racing Tracks (Special)	2/05/08	8
Morgan State University	2/08/08	30
Medical Mutual Liability Insurance Society of Maryland	2/25/08	12
Department of General Services – Possible Conflict of Interest Related to Certain Architectural and Engineering Contracts (Special – Fraud)	2/28/08	8
Maryland Health Care Provider Rate Stabilization Fund – January 1, 2007 to December 31, 2007	3/10/08	9
Department of Public Safety and Correctional Services – Information Technology and Communications Division	3/14/08	16
Baltimore County – Office of the Register of Wills	4/01/08	5
Prince George's County – Office of the Clerk of Circuit Court	4/08/08	10
Baltimore City – Office of the Trust Clerk to the Circuit Court	4/08/08	4
Department of Public Safety and Correctional Services – Division of Pretrial Detention and Services	4/10/08	22
Carroll County – Office of the Register of Wills	4/15/08	4
Department of General Services – Office of the Secretary and Other Units	4/17/08	20
Office of People's Counsel	4/18/08	6
Comptroller of the Treasury – Compliance Division	4/25/08	18
Baltimore County – Office of the Clerk of Circuit Court	5/01/08	6
Department of Health and Mental Hygiene – Community Health Administration	5/02/08	7
Department of Health and Mental Hygiene – John L. Gildner Regional Institute for Children and Adolescents	5/05/08	5
Carroll County – Office of the Clerk of Circuit Court	5/07/08	6
Baltimore City Community College	5/13/08	22
Talbot County – Office of the Clerk of Circuit Court	5/16/08	5
Department of Health and Mental Hygiene – Mental Hygiene Administration	5/21/08	20
Department of Health and Mental Hygiene – Office of the Chief Medical Examiner	5/23/08	4
Comptroller of the Treasury – Information Technology Division (Fiscal Operations)	5/29/08	5
Harford County Public Schools (Financial Management Practices Performance Audit)	5/30/08	68
Frederick County Public Schools (Financial Management Practices Performance Audit)	6/04/08	62
Talbot County – Office of the Register of Wills	6/05/08	5
Maryland Department of Aging	6/17/08	20

REPORTS ISSUED
JANUARY 1, 2008 TO SEPTEMBER 30, 2008
(continued)

<u>Agency</u>	<u>Report Date</u>	<u>Number of Pages</u>
Maryland Department of Planning	7/02/08	11
Comptroller of the Treasury – Field Enforcement Division	7/02/08	8
Board of Public Works	7/07/08	6
Office of the Attorney General	7/09/08	5
Department of Health and Mental Hygiene – Deer’s Head Center	7/14/08	18
Department of Public Safety and Correctional Services – Criminal Injuries Compensation Board	7/14/08	5
Department of Labor, Licensing and Regulation – Division of Racing	7/17/08	6
Department of Health and Mental Hygiene – Family Health Administration	7/18/08	24
University System of Maryland – University of Baltimore	7/18/08	22
Potomac River Fisheries Commission – Report for the Year Ended June 30, 2007 (Examination)	7/29/08	6
Department of Natural Resources	8/01/08	26
Baltimore City – Office of the Clerk of Circuit Court	8/12/08	8
Department of State Police – Aviation Command Helicopter Operations (Performance Audit)	8/14/08	98
Maryland Energy Administration	8/27/08	10
Maryland Agricultural Land Preservation Fund – Fiscal Year Ended June 30, 2007	9/04/08	17
Review of Local Government Audit Reports – Fiscal Year Ending June 30, 2007 (Special)	9/12/08	13
Department of Health and Mental Hygiene – Rosewood Center	9/23/08	4

Total Number of Reports Issued: 50

REPORTS FOR WHICH COMMITTEE ACTION IS RECOMMENDED
SIGNIFICANT AUDIT FINDINGS
JANUARY 1, 2008 TO SEPTEMBER 30, 2008

1) University System of Maryland – Bowie State University (BSU) (1/17/08 – 26 pages – 15 findings)

- Sufficient access and security controls were not in place over significant computer applications, including academic and financial systems. For example, critical network devices were not adequately secured, computer access to sensitive personal and financial information of students and employees was not sufficiently restricted, critical software supporting significant BSU systems was out of date, and adequate back-up procedures were not in place for critical devices.
- Certain students with outstanding balances were permitted to attend classes in violation of Board of Regents policy.
- BSU did not always transfer delinquent student accounts to the State's Central Collection Unit in accordance with specific regulations established for BSU.
- Adequate procedures and controls were not established over non-cash credit adjustments, student refund payments, and electronic transfers of federal funds.
- BSU did not always comply with the State's corporate purchasing card policy requirements. In addition, BSU lacked adequate documentation to support purchases totaling approximately \$131,000 that were made using corporate purchasing cards.
- BSU did not investigate equipment items totaling \$1.9 million that were not located during a 2006 physical inventory.

Recommended Committee Action – Letter of Concern

REPORTS FOR WHICH COMMITTEE ACTION IS RECOMMENDED
SIGNIFICANT AUDIT FINDINGS
JANUARY 1, 2008 TO SEPTEMBER 30, 2008

2) Department of the Environment (MDE) (1/18/08 – 28 pages – 15 findings)

- MDE did not fully disclose to the General Assembly's budget committees significant computer system development and implementation issues, the existence of three additional contracts, and significant project cost overruns related to the Enterprise Environmental Management System contract that could ultimately reduce the system's functionality. In addition, project scope modifications were not referred to the Board of Public Works.
- MDE, in conjunction with the Maryland Environmental Trust, deposited funds in a bank that loaned funds to a private foundation for the purchase of land without obtaining two property appraisals. The loan agreement did not require the foundation to immediately record a conservation easement and did not provide appropriate legal remedies if the easement was not eventually recorded.
- Certain special fund programs were not adequately monitored to ensure compliance with applicable State laws and regulations. For example, MDE had not established procedures to periodically reevaluate exemptions granted to wastewater facilities under State law pertaining to the Bay Restoration Fund and did not update its database with revisions to property and owner information for lead paint properties.
- Security standards for hazardous material facilities had not been established timely, as required by State law. Due to the untimely adoption of these standards, MDE incurred delays in obtaining and reviewing security audits of the facilities.
- MDE did not ensure that a strategic plan to enhance protection of the State's public drinking water systems was developed timely.
- Numerous computer security weaknesses were identified. For example, MDE's internal network was not adequately secured and controls on its firewall need improvement.

Recommended Committee Action – Letter of Concern

REPORTS FOR WHICH COMMITTEE ACTION IS RECOMMENDED
SIGNIFICANT AUDIT FINDINGS
JANUARY 1, 2008 TO SEPTEMBER 30, 2008

3) Morgan State University (MSU) (2/9/08 – 30 pages – 17 findings)

- MSU did not disclose to the Board of Public Works that \$3.1 million of its \$4.3 million telecommunications hub relocation project contract represented undefined allowance funds that lacked specific deliverables and were not subject to competitive bidding. MSU primarily used these funds to pay for work on other unrelated construction projects awarded to the same contractor.
- Procedures for reviewing telecommunications hub relocation project invoices were inadequate. As a result, questionable payments of up to \$2.4 million were made for charges that were not verified or supported. These payments require further investigation and resolution.
- Rather than initiate a new procurement, MSU processed \$2.3 million in change orders to the hub relocation project to purchase upgraded equipment and services, which was outside the scope of the original project.
- Change orders totaling \$4.1 million, relating to three MSU construction projects, were often approved after the related work had been completed and paid for.
- Liquidated damages totaling \$3.1 million were not assessed for three construction projects that were significantly past their scheduled completion dates.
- MSU did not always meet its minority business enterprise goals, and did not document that all construction project inspections were completed.
- Adequate payroll processing procedures were not established, resulting in improper salary overpayments totaling \$121,400. MSU also did not report these instances to the appropriate State authorities, as required.

Recommended Committee Action – Hearing – Update on Construction Issues

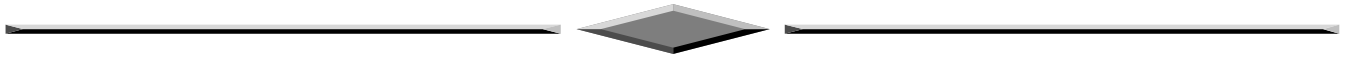
REPORTS FOR WHICH COMMITTEE ACTION IS RECOMMENDED
SIGNIFICANT AUDIT FINDINGS
JANUARY 1, 2008 TO SEPTEMBER 30, 2008

4) Department of Health and Mental Hygiene – Mental Hygiene Administration (MHA)
(5/21/08 – 20 pages – 11 findings)

- MHA did not ensure that federal reimbursement rates for certain services corresponded to the related rates paid to providers. As a result, federal funds totaling \$1.15 million in federal reimbursement were not requested for claims paid in calendar year 2006.
- Eligible provider claims were not always submitted for federal reimbursement within the timeframe required by federal regulations.
- MHA lacked adequate procedures for systematically reviewing, as required by State regulations, authorization decisions made by the administrative service organization (ASO), which provided benefit management services for MHA.
- MHA did not ensure that the ASO performed the number of inpatient facility claim audits required by its contract.
- Interest income totaling \$1.8 million earned on funds used by the ASO to pay provider claims was not transferred to the State's General Fund as required.
- Independent reviews of provider claims paid by the ASO did not include certain critical verification procedures, such as determining whether claims paid entirely by State funds were eligible for federal reimbursement.
- Sufficient action was not taken to recover provider advances totaling approximately \$737,000 that had been outstanding for a number of years.

Recommended Committee Action – Hearing

REPORTS FOR WHICH COMMITTEE ACTION IS RECOMMENDED
SIGNIFICANT AUDIT FINDINGS
JANUARY 1, 2008 TO SEPTEMBER 30, 2008



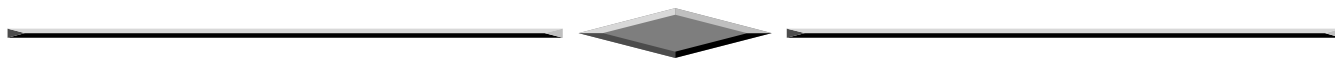
5) Maryland Department of Aging (MDOA) (6/17/08 – 20 pages – 10 findings)

- MDOA did not adequately monitor certain Waiver for Older Adults Program responsibilities delegated to the local Area Agencies on Aging (AAAs). Fiscal year 2007 payments under the Program totaled \$72.9 million for 3,513 participants. As a result, MDOA lacked assurance that services provided to participants remained cost neutral, that services received were authorized, and that participant eligibility determinations and redeterminations were performed timely.
- Audits of AAAs were not always performed timely and audits of AAAs and providers were not always adequately documented.
- MDOA did not request reimbursement of federal fund expenditures in a timely manner, resulting in a loss of interest income to the State of approximately \$811,000.
- Annual financial reviews of grants awarded to the AAAs were not completed timely for fiscal years 2005 through 2007.
- MDOA did not adequately review the program monitoring activities delegated to the AAAs for certain State grants.

Recommended Committee Action – Letter of Concern



REPORTS FOR WHICH COMMITTEE ACTION IS RECOMMENDED
SIGNIFICANT AUDIT FINDINGS
JANUARY 1, 2008 TO SEPTEMBER 30, 2008



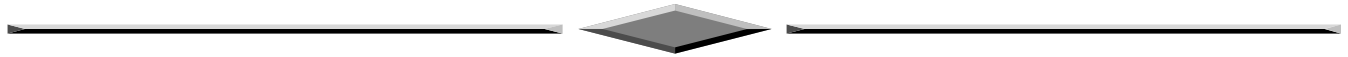
6) Department of Health and Mental Hygiene – Family Health Administration (FHA)
(7/18/08 – 24 pages – 8 findings)

- FHA did not take any substantive action when a vendor failed to attain a national certification for Maryland's Cancer Registry, as required by the contract. In addition, certain registry data under the control of the vendor was determined to be deliberately altered to indicate that numerous individuals had cancer when they did not.
- Grants awarded to certain local public health departments and academic institutions from the Cigarette Restitution Fund (CRF) were not adequately monitored by FHA. FHA did not conduct annual site visits to verify that grantees had complied with program goals and fiscal requirements nor take action when grantees did not meet performance requirements. FHA's grant expenditures from the CRF totaled \$38.4 million in fiscal year 2007.
- FHA did not submit the required reports to the Governor and General Assembly detailing, in part, the effectiveness of the CFR programs in a timely manner.
- Several deficiencies were noted regarding the processing of Breast and Cervical Cancer Diagnosis and Treatment Program claims, which totaled \$12.6 million in fiscal year 2007. For example, claims processed for payment using system overrides did not receive supervisory review.
- FHA did not properly monitor and account for grant funds awarded to Prince George's Hospital Center, in accordance with State law.

Recommended Committee Action – Hearing



REPORTS FOR WHICH COMMITTEE ACTION IS RECOMMENDED
SIGNIFICANT AUDIT FINDINGS
JANUARY 1, 2008 TO SEPTEMBER 30, 2008



7) University System of Maryland – University of Baltimore (UB) (7/18/08 – 22 pages – 11 findings)

- UB did not properly reconcile its automated accounting records with the related records of the State Comptroller.
- UB did not adequately monitor and control access to critical transactions on its automated system, resulting in numerous individuals being improperly granted the ability to process such transactions.
- Appropriate action was not always taken by UB to pursue collection of outstanding student accounts. In addition, UB did not always maintain accurate student account balances.
- Independent verifications were not performed of student residency status determinations and financial aid awards, residency status determinations were not adequately supported, and student refund checks were not adequately secured.
- UB did not establish sufficient access and security controls over its significant computer applications, including the student administration and financial systems.
- Contractual services payments were not always made in accordance with the related agreements, resulting in overpayments to the vendors.

Recommended Committee Action – Letter of Concern



REPORTS FOR WHICH COMMITTEE ACTION IS RECOMMENDED
SIGNIFICANT AUDIT FINDINGS
JANUARY 1, 2008 TO SEPTEMBER 30, 2008

8) Department of Natural Resources (DNR) (8/1/08 – 26 pages – 13 findings)

- DNR did not adequately account for its special funds to ensure that they were used in accordance with statutory requirements. DNR allocated expenditures for its special funds primarily based on amounts budgeted. As a result, there was a lack of documentation that expenditures charged to various special funds conformed to the purposes of enabling legislation. Special funds expenditures totaled \$386.8 million during fiscal year 2007.
- DNR improperly retained certain security interest filing fees totaling \$244,117 that should have been reverted to the State's General Fund.
- Certain Program Open Space grants were awarded to local jurisdictions for indoor recreation projects that did not appear to be consistent with statutory restrictions.
- DNR loaned \$400,000 from the Land Trust Grant Fund to a private foundation which appears to be in violation of State law, and did not obtain required assurances that the land purchased with the loan would be used as intended.
- DNR improperly created purchase orders to avoid reverting unspent appropriations, in violation of State policies and procedures.
- Numerous internal control deficiencies were noted with respect to DNR's operations, including public land leases, federal funds, cash receipts, payroll and equipment.

Recommended Committee Action – Letter of Concern

REPORTS FOR WHICH COMMITTEE ACTION IS RECOMMENDED
SIGNIFICANT AUDIT FINDINGS
JANUARY 1, 2008 TO SEPTEMBER 30, 2008

9) Department of State Police (DSP) – Aviation Command Helicopter Operations (Performance Audit) (8/14/08 – 98 pages – 27 findings)

At the request of the Joint Audit Committee, we conducted a performance audit of certain aspects of the DSP's Aviation Command helicopter operations. The Command operates 12 helicopters primarily to provide emergency medical transport (medevac) and certain law enforcement operations. The Command has 161 authorized positions and FY 2007 expenditures totaled \$22.3 million. Key findings are as follows:

- Over a five-year period, helicopters were used almost exclusively for critical missions and other uses did not appear to impact use and availability. The average number of missions flown over that period totaled approximately 8,000 per year.
- Management's ability to make informed decisions pertaining to helicopter availability and maintenance was severely hindered by the lack of reliable and extensive data systems. Based on our analysis, on 51 days during FY 2007, fewer than 8 of the 12 helicopters were available on those days due to maintenance issues.
- The Command was not able to identify the cost per flight hour, including the maintenance costs for each repair, and the cumulative repair costs per helicopter. Without this information, the Command is unable to reliably assess the efficiency of its maintenance operations, including determining the optimal number of staff and when the use of contractors for repairs is most beneficial.
- The Command did not adequately use automated inventory system features to ensure that parts are pre-ordered and stocked to minimize downtime.
- Given the Command's comprehensive mission profile and current staffing, the organizational structure appears reasonable.
- Certain staffing issues have impacted the Command's operations, the most significant of which was turnover in key positions, including pilots and technicians. Turnover in these positions appears to have been primarily the result of low salaries compared to other entities.
- As a result of certain data control issues, we were unable to conclude with respect to the reliability of the "Golden Hour" measure that indicated that for FYs 2005 and 2006, 94.81% and 94.36% of the missions were completed within the "Golden Hour" for the respective years.

Recommended Committee Action – Hearing – Report was presented at the Committee's September 2008 meeting.
