

Audit Report

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**Department of Juvenile Services**

November 2017

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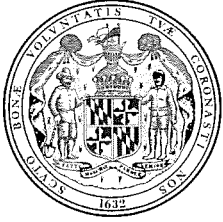
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MARYLAND GENERAL ASSEMBLY

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DEPARTMENT OF LEGISLATIVE SERVICES  
OFFICE OF LEGISLATIVE AUDITS  
MARYLAND GENERAL ASSEMBLY

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November 1, 2017

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Legislative Auditor

Senator Craig J. Zucker, Co-Chair, Joint Audit Committee  
Delegate C. William Frick, Co-Chair, Joint Audit Committee  
Members of Joint Audit Committee  
Annapolis, Maryland

Ladies and Gentlemen:

We have conducted a fiscal compliance audit of the Department of Juvenile Services (DJS) for the period beginning November 5, 2012 and ending December 15, 2015. DJS is the central administrative agency for juvenile intake, detention authorization, probation, protective supervision, and aftercare services. In addition, DJS provides residential care, diagnosis, training, education, and rehabilitation to juveniles in State facilities, and supervises community facilities operated under contractual agreements.

Our audit disclosed certain deficiencies regarding the contracting for youth care services. DJS had entered into intergovernmental agreements with non-private entities to obtain certain youth care services. However, in some cases, all youth care services were subcontracted to other providers, with the non-private entities receiving administrative fees to provide subcontractor oversight. DJS had not determined that obtaining the services under these arrangements was more cost-effective than other options, such as competitively procuring the services directly from the providers. The six agreements we tested were valued at approximately \$7.6 million and included approximately \$523,000 in administrative fee payments to the non-private entities. These agreements also did not require the non-private entities to report to DJS on their subcontractor monitoring efforts, nor had DJS monitored these entities to ensure the oversight services were performed.

Financial examinations of youth care service providers were not properly conducted to ensure funds were spent only on allowable costs and that excess payments were recovered. We noted that certain providers were allowed to retain excess funds without required justifications. During fiscal year 2015, DJS was under contract with 81 providers for services valued at approximately \$63.0 million.

DJS circumvented State procurement regulations, including Board of Public Works and control agency approvals, by artificially dividing procurements to certain vendors so that each was for \$15,000 or less, the threshold under which procurements do not require public solicitation of bids and public notification of the awards. During fiscal years 2014 through 2016, DJS paid 22 vendors \$9 million, of which \$7.5 million was for procurements of \$15,000 or less. For

example, DJS made 204 purchases totaling \$1.5 million from one vendor, of which 202 purchases were for \$15,000 or less. These conditions also allowed certain questionable purchasing activity to occur without detection since DJS employees, under delegated authority, were able to directly solicit, receive, and evaluate bids, and select vendors without extensive involvement of DJS procurement personnel. For example, DJS employees accepted bids for 19 routine service procurements from two companies owned by the same individuals, and these two companies were the only bidders for 18 of these procurements. We referred this matter to the Office of the Attorney General – Criminal Division.

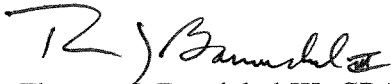
DJS did not maximize recovery of federal funds used to offset the cost of eligible residential rehabilitation and treatment foster care services. Our tests disclosed that certain federal reimbursement requests did not include all potentially eligible expenditures. In addition, as a member of a workgroup formed under the State's Interagency Rates Committee, DJS did not take recommended action prompted by a federal audit that would allow DJS to obtain federal Medicaid reimbursement for allowable residential rehabilitation services and, accordingly, DJS has not recovered any such costs since July 1, 2015.

Confidential personally identifiable information (PII) of juveniles under DJS' supervision was not protected. Certain youth care service providers were allowed to include confidential PII on invoices, and DJS had not established procedures for securing these invoices upon receipt. In addition, we identified approximately 145,000 unique social security numbers for juveniles that were stored in two databases without being encrypted or protected by other mitigating controls. DJS had also not established sufficient controls over its juvenile case management system database, and information systems network and computers were not properly protected.

DJS had not established sufficient controls to ensure that court-ordered restitution was properly recorded, collected, and disbursed to crime victims. DJS admitted that its records of restitution owed by juveniles are unreliable. During fiscal year 2015, restitution collections and disbursements totaled approximately \$528,000 and \$464,000 respectively. Finally, we noted internal control deficiencies with equipment records, closeout transactions, and overtime payments.

DJS' response to this audit is included as an appendix to this report. We wish to acknowledge the cooperation extended to us during the course of this audit by DJS.

Respectfully submitted,

  
Thomas J. Barnickel III, CPA  
Legislative Auditor

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

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## **Background Information**

### **Agency Responsibilities**

The Department of Juvenile Services (DJS) is the central administrative agency for juvenile intake, detention authorization, probation, protective supervision, and aftercare services. In addition, DJS provides residential care, diagnoses, training, education, and rehabilitation to juveniles in State facilities, and supervises community facilities operated under contractual agreements. DJS' responsibilities also include the collection and disbursement of restitution payments on behalf of individuals or organizations that have sustained damages caused by juvenile offenders. According to State records, during fiscal year 2016, DJS had approximately 2,041 permanent and 178 contractual positions and expenditures totaled approximately \$278.6 million.

DJS has a headquarters office located in Baltimore City and 32 field offices located in six regions throughout the State. According to DJS' records, the number of intake cases (including detention programs, committed programs, probation, and aftercare) during fiscal year 2016 totaled 22,429. In addition, the average daily population of youths under its supervision (in both State and contractual facilities) totaled approximately 1,098 for the same period.

### **Status of Findings From Preceding Audit Report**

Our audit included a review to determine the status of the 12 findings contained in our preceding audit report dated May 15, 2014. We determined that DJS satisfactorily addressed 9 of these findings. The remaining 3 findings are repeated in this report.

# Findings and Recommendations

## Youth Care Services

### Background

The Department of Juvenile Services (DJS) enters into numerous contracts with entities to provide services (such as education, mental health, therapy, vocational services, and counseling) to adjudicated juveniles placed in non-residential or residential facilities (such as treatment foster care). These youth care service providers are private entities as well as non-private entities, such as core service agencies (CSAs) and local management boards (LMBs). CSAs are the local mental health authorities responsible for administering the Maryland Public Mental Health System. LMBs are entities established and maintained by each county to ensure the implementation of a local interagency service delivery system for children, youth, and families. DJS executes intergovernmental agreements with these non-private entities, which are not subject to certain State procurement requirements.

According to its records, during fiscal year 2015, DJS was under contract with 40 private and 41 non-private youth care service providers, valued at approximately \$48.7 million and \$14.3 million for that year, respectively.

### **Finding 1**

**Certain youth care services were procured in a manner that did not provide assurance that these services were obtained at the best value to the State, and DJS did not ensure that the related services were received.**

### Analysis

Certain youth care services were procured in a manner that did not provide assurance that these services were obtained at the best value to the State, and DJS did not ensure that the related services were received. Under certain intergovernmental agreements, the non-private entities subcontracted all youth care services to other providers. DJS had not provided direction to the non-private entities related to the procurement of these services, determined that these arrangements were cost-effective, nor ensured that non-private entities were fulfilling their contractual requirements to monitor subcontractors.

Our test of 12 of these intergovernmental agreements with non-private entities that were executed during our audit period, valued at approximately \$20.6 million, disclosed the following conditions:



- For 6 of these 12 intergovernmental agreements with two CSAs and three LMBs, valued at approximately \$7.6 million, all youth care services were subcontracted to private or public entities. According to the agreements, certain of these subcontractors had been providing these services for several years, including one that was procured by the LMB in 2009. DJS lacked a formal or documented methodology for determining that these arrangements, which are not subject to State procurement regulations, represented the most cost-effective method to obtain these services. Furthermore, the agreements did not require subcontractor services to be obtained through a competitive procurement process, which is the preferred method under State procurement regulations. In this regard, DJS had obtained similar services from both private and public entities using competitive procurements.
- The six agreements required DJS to pay the CSAs and LMBs administrative fees totaling approximately \$523,000 to monitor the subcontractors to ensure the required services were provided. However, the agreements did not include the specific monitoring steps and requirements for reporting the monitoring results to DJS, nor did DJS exercise oversight to ensure the services were provided. For example, the agreement with one LMB included an administrative fee of \$42,500 (11 percent of the total value) to monitor a subcontractor that was providing psychiatric assessments at DJS facilities. The agreement did not specify how the LMB would ensure the assessments were being appropriately and timely performed and did not require any documentation of the LMB's monitoring efforts. As a result, there is a lack of assurance that the administrative fees were proper and the services were appropriately delivered.

### **Recommendation 1**

#### **We recommend that DJS**

- a. establish a methodology to ensure youth care services are procured in a manner that provides the best value to the State;**
- b. amend the existing intergovernmental agreements to include requirements for competitive procurement of subcontractors and specific subcontractor monitoring efforts to be performed by the CSAs and LMBs, and to require these monitoring efforts be documented and reported to DJS; and**
- c. exercise oversight to ensure youth care services are provided as required.**

**Finding 2**

**Financial examinations of youth care service providers conducted by DJS were not sufficient to ensure funds were spent on allowable costs and excess payments were recovered.**

**Analysis**

Financial examinations of youth care service providers were not conducted by DJS in a manner sufficient to ensure funds were spent only on allowable costs and excess payments were recovered. DJS reimbursed the youth care service providers for allowable costs throughout the year and performed annual financial examinations, consisting of desk reviews, to ensure the amounts paid were proper. Our review of the examinations performed during fiscal year 2016 for 12 youth care services providers (8 private and 4 non-private) that received approximately \$20.7 million in payments during fiscal year 2015 disclosed the following conditions:

- DJS allowed four private providers to retain excess payments totaling approximately \$380,000 without adequate justification. These retained payments were identified during its examinations and represented the amounts by which funds received by the providers exceeded funds spent on agreed-upon services. In three of the four instances, these excess funds represented less than 10 percent of the total payments to the providers, which DJS management advised us it routinely allowed the private providers to retain for use in the following year. State law provides that DJS shall recover excess payments unless doing so would seriously impair the financial condition of the provider. DJS did not have any documentation that the collection of these funds would impair the financial condition of the four providers or to justify the basis for not recovering these excess payments. The other four private providers tested did not receive excess payments during fiscal year 2015.
- In some instances, DJS personnel relied on unaudited financial records when conducting financial examinations of private youth care service providers. The agreements with the private providers required them to obtain an annual certified audit of their financial records, including sufficient schedules to allow DJS to evaluate the results of the services provided directly to DJS separately from the provider's overall operations. We noted that the supplemental schedules of expenditures obtained for four of the eight private providers that received \$8.3 million in payments from DJS were not audited. Consequently, for these providers, DJS lacked assurance that all expenditure activity was accounted for.

DJS also did not reconcile any of the supplemental schedules (audited and unaudited) used in its examinations with the State's accounting records, and our comparison disclosed differences that were not identified by DJS. Specifically, total DJS revenue reported by four private providers was \$240,100 less than the amount reflected in the State's records, and total revenue reported by the remaining four private providers was \$105,700 more than the amount recorded in the State's records. Absent such reconciliations, there is a lack of assurance that all funds have been accounted for in the reporting process.

- DJS did not obtain and review source documents for significant costs when conducting examinations of non-private providers. Under the terms of the related intergovernmental agreements, payments to non-private providers were based on an approved line-item budget which primarily included costs for employee salaries, but also included costs for consultants, pharmaceuticals, and training. Our test of four non-private agreements that received \$5.6 million in payments from DJS during fiscal year 2015 disclosed that DJS did not receive or review any documentation to support the provider expenditures. For example, DJS did not obtain payroll records to substantiate that the payroll costs actually incurred were in accordance with the approved budgets. Rather, DJS compared a schedule of payments based on provider invoices with the approved budget to ensure all the charges did not exceed the budget.

## **Recommendation 2**

### **We recommend that DJS**

- a. recover all excess payments identified from its financial examinations, including those noted above, unless the private providers provide documentation that repayment would seriously impair their financial condition;**
- b. ensure that all private providers obtain annual audits that include audited schedules of the provider's services for DJS that are separate from the provider's overall operations;**
- c. conduct financial examinations of private youth care service providers using audited financial schedules that have been reconciled to the State's records; and**
- d. obtain and review source documents when conducting examinations of non-private providers.**

## Procurements

### **Finding 3**

**DJS artificially divided procurements for goods and services, circumventing State procurement regulations. Certain of these procurements appeared questionable.**

### **Analysis**

DJS circumvented State procurement regulations by artificially dividing procurements to certain vendors so that each was \$15,000 or less. Specifically, during fiscal years 2014 through 2016, DJS made payments to 22 vendors totaling approximately \$9 million, of which approximately \$7.5 million related to procurements of \$15,000 or less. For example, during that period, one vendor received 204 payments totaling approximately \$1.5 million, of which 202 were for \$15,000 or less. Several of these purchases occurred over short periods. For example, 25 purchase orders for \$15,000 or less were issued to this vendor for similar services over a three-day period in July 2014. As a result, DJS did not maximize the State's purchasing power to obtain enhanced pricing for volume discounts and circumvented State procurement regulations, including provisions requiring control agency approvals. DJS employees were able to directly solicit, receive, and evaluate bids, and select a vendor without extensive involvement of DJS procurement personnel in the related procurement process.

Certain of these procurements also appeared questionable. For example, our review disclosed that DJS accepted bids for 19 procurements of routine services from two companies; however, the two companies were owned by the same individuals. Payments for these procurements totaled approximately \$264,000 during fiscal years 2014 through 2016. For 18 of these procurements, with related payments totaling approximately \$219,000, these two companies were the only bidders. Furthermore, these companies were awarded contracts to provide services in areas that were a great distance (up to 470 miles roundtrip) from the company's base of operations. Given the routine nature of the services provided, the lack of bids from local vendors is questionable. Since these procurements were not publicly solicited, the DJS employees would have had to directly solicit these procurements and should have been aware of the relationship between these companies.

State procurement regulations generally require a formal written competitive procurement and publication of the solicitation and related awards on *eMaryland Marketplace* for procurements over \$15,000 and Board of Public Works (BPW) and/or control agency approvals for larger procurements. Purchases expected to cost between \$5,000 and \$15,000 require at least two bids, which can be solicited

in writing or orally directly from vendors at the discretion of the agency's purchasing agent. The regulations also prohibit procurements from being artificially divided to circumvent procurement requirements. Similar conditions regarding the artificial dividing of procurements and failure to consolidate procurements to maximize purchasing power were noted in our preceding audit report.

Certain of the aforementioned questionable purchases were reviewed based on referrals from our fraud, waste, and abuse hotline. Based on these questionable procurements, as well as other activity we observed that raised questions about the propriety of certain procurements, we referred this matter to the Office of the Attorney General – Criminal Division. A referral to the Criminal Division does not mean that a criminal act has actually occurred or that criminal charges will be filed.

### **Recommendation 3**

**We recommend that DJS**

- a. discontinue the practice of artificially dividing procurements (repeat);**
- b. obtain BPW and/or control agency approval for any future procurements, as required;**
- c. establish procedures to monitor procurements to identify opportunities for consolidation of similar goods and services to enhance State purchasing power, competition, transparency, and the overall integrity of the procurement process; and**
- d. consult with the Office of the Attorney General – Criminal Division before taking any actions related to the questionable purchases noted.**

### **Budgetary Closeout**

#### **Finding 4**

**DJS improperly retained approximately \$9.7 million in unspent general fund appropriations at the end of fiscal year 2015.**

#### **Analysis**

DJS improperly retained unspent general fund appropriations totaling approximately \$9.7 million. At the end of fiscal year 2015, DJS recorded encumbrances totaling approximately \$13.3 million. Our test of approximately \$10.7 million of these encumbrances disclosed that approximately \$9.7 million could not be supported. Specifically, DJS encumbered these funds for various projects to address safety and security issues at DJS facilities; however, as of June 30, 2015, DJS did not have any obligations, such as approved contracts, to

support the encumbrance of these appropriations. Consequently, the encumbrances should not have been recorded and the related appropriations should have been cancelled to allow the funds to revert to the General Fund.

This practice violated the yearly closing instructions of the Comptroller of Maryland – General Accounting Division since the encumbrances did not represent actual fiscal year-end commitments by the State for goods and services. The aforementioned improper encumbrances were subsequently cancelled in fiscal year 2016 in response to our February 2016 report entitled *Statewide Review of Budget Closeout Transactions for Fiscal Year 2015*.

#### **Recommendation 4**

**We recommend that DJS comply with the aforementioned closing instructions and record encumbrances only when adequately supported by actual commitments for good or services.**

### **Federal Funds**

#### **Finding 5**

**DJS did not maximize the recovery of available federal funds, resulting in the use of State funds to cover the cost of services that were potentially eligible for federal reimbursement.**

#### **Analysis**

DJS did not maximize recovery of available federal funds, resulting in State funds being used to cover the costs of certain residential rehabilitation services and treatment foster care that were potentially eligible for federal reimbursement. According to State records, in fiscal year 2015 DJS received federal fund reimbursements totaling approximately \$3.4 million under Title IV-E of the Social Security Act and approximately \$2.6 million under the Medical Assistance program (Medicaid).

#### Title IV-E of the Social Security Act

Our tests disclosed that DJS did not request federal reimbursement under Title IV-E for all eligible treatment foster care expenditures incurred by juveniles at residential facilities, and certain of these costs may no longer be available for recovery. DJS is allowed to recover 50 percent of all eligible costs (such as food, shelter, clothing, and certain administrative expenses) incurred during a juvenile's stay at these facilities.

Our test of federal recoveries for payments totaling approximately \$453,000 made for 14 juveniles residing in eligible facilities between October 2013 and November 2015 disclosed that, for 3 juveniles, DJS did not request federal reimbursement for approximately \$38,700, representing 50 percent of eligible expenses for 338 days. Since federal regulations require requests to be submitted within two years after the calendar quarter of the date of service, as of July 2016, approximately \$24,500 of these expenses were no longer available for recovery and, therefore, federal revenue will not be received to recover the State funds used for these costs. While DJS procedures included a supervisory review of these federal reimbursement requests, in all 3 instances in which federal reimbursement was not requested, an independent review was not performed.

#### Medical Assistance Program

As a member of the State's Rate Setting Reform Stakeholders Workgroup,<sup>1</sup> DJS did not revise its rates paid for residential rehabilitation services as recommended by a federal audit. This precluded federal reimbursement of those costs under Medicaid, and resulted in the use of State funds for services that are potentially eligible for federal reimbursement.

In its August 2011 audit report on the State's Medicaid claims, the U.S. Department of Health and Human Services (HHS) concluded that the State's use of a flat per diem rate for Medicaid claims for all residential rehabilitation services from October 1, 2005 through September 30, 2007, regardless of the specific services received by each client, made it unclear whether such services were eligible for Medicaid reimbursement. These Medicaid claims were for residential rehabilitation services costs incurred by the Department of Juvenile Services and the Department of Human Services. In response to the HHS audit report recommendations, the Maryland Department of Health (MDH), which administers the State's Medicaid program, agreed to pursue changes to the State's methodology for setting per diem rates for residential rehabilitation services and to ensure claims were properly documented in accordance with that methodology.

This issue was referred to the State's Rate Setting Reform Stakeholders Workgroup in the fall of 2011. The Workgroup determined that most services included in the per diem rates, such as room and board and recreation, were not Medicaid-covered services. Therefore, the Workgroup concluded that the small portion of Medicaid-covered services (such as mental health counseling by a

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<sup>1</sup> The Workgroup was created under the State's Interagency Rates Committee. The State's Interagency Rates Committee was established to improve the rate-setting process for residential child care and comprises the Maryland Department of Health and the Departments of Human Services, Juvenile Services, Budget and Management, and Education, as well as the Governor's Office of Children.

licensed clinical social worker) should be recovered directly by the providers as fee-for-service claims and a reduced State per diem rate should be established for the non-Medicaid eligible services.

However, as of March 2017, DJS and the Workgroup had made limited progress in determining a new reduced per diem rate for the non-Medicaid eligible services. Effective July 1, 2015, DJS is no longer recovering any federal funds for residential rehabilitation services and continues to pay providers using the original per diem rate methodology. As a result, costs associated with these services that are potentially eligible for Medicaid reimbursement are now being funded solely by the State's General Fund. DJS was unable to provide us with an estimate of the amounts that have not been recovered.

### **Recommendation 5**

**We recommend that DJS**

- a. submit all eligible Title IV-E claims for reimbursement within the required two-year period;**
- b. ensure supervisory reviews are performed to confirm the completeness of all federal reimbursement requests;**
- c. as a member of the Rate Setting Reform Stakeholders Workgroup, ensure that a methodology is established for a per diem residential rehabilitation services rate that includes only non-Medicaid services, and that Medicaid-eligible services are billed separately by the providers as fee-for-service claims; and**
- d. determine the feasibility of identifying and recovering allowable Medicaid-eligible services costs and pursuing retroactive federal reimbursement.**

## **Confidential Juvenile Information**

### **Finding 6**

**DJS did not protect the personally identifiable information (PII) and other confidential information of juveniles under its supervision.**

### **Analysis**

DJS did not protect confidential PII of juveniles, such as names, social security numbers and/or dates of birth, in both hardcopy and electronic formats. PII is commonly sought by criminals for use in identity theft and is required to be safeguarded in accordance with both State law and policy.



Specifically, DJS allowed certain private youth care service providers to include confidential PII on invoices. Based on our review, the PII did not need to be included on the invoices because the providers already included the unique identification number assigned to each juvenile. Since these invoices were routinely submitted via unsecured methods, such as mail and fax, and DJS had no established procedures for securing the invoices upon receipt, the information was susceptible to unauthorized disclosure. In addition, the invoices also disclosed that the named juveniles were detained in a juvenile facility—information that is also considered confidential under State regulation. Approximately 2,100 juveniles received youth care services from private providers in fiscal year 2015.

In addition, PII was stored in clear text within the Automated Statewide System of Information Support Tools (DJS' juvenile case management system) and the Restitution Tracking System databases and was not protected by other substantial mitigating controls. Specifically, we determined that, as of June 2016, these databases contained 145,226 unique social security numbers in clear text along with full names and, in most cases, dates of birth. Furthermore, we were advised that DJS did not have data mitigation policies and procedures in place to periodically determine whether it was necessary to continue storing this PII and to remove any PII determined to be no longer needed.

State law requires all agencies to protect personal information from unauthorized access, use, modification, or disclosure by implementing reasonable security procedures and practices that are appropriate to the nature of the personal information collected and the nature of the agency and its operations. State regulation requires all records about any youth to be maintained and properly secured to preserve their confidentiality. Finally, according to the State of Maryland's *Information Security Policy*, agencies are responsible for protecting all confidential information using encryption technologies and/or other substantial mitigating controls.

#### **Recommendation 6**

**We recommend that DJS properly protect personally identifiable information of juveniles under its supervision. Specifically, we recommend that DJS**

- a. instruct youth care providers to refrain from including confidential information on invoices;**
- b. establish procedures for identifying, securing, and storing any confidential juvenile information from provider invoices currently on hand at DJS;**
- c. perform an inventory of its information systems, identify all sensitive PII, and delete all unnecessary PII; and**

- d. ensure that all necessary PII is properly protected by encryption or other substantial mitigating controls, and use approved encryption methods to encrypt all sensitive PII not otherwise properly protected.

## Restitution

### Finding 7

**DJS had not established sufficient controls over the restitution process to ensure all transactions were properly recorded, disbursements were properly made, and accounts were properly monitored.**

### Analysis

DJS had not established sufficient controls over the restitution recording, collection, and disbursement processes to ensure the propriety of transactions and related records. Furthermore, one headquarters employee performed, or was capable of performing many of these processes, and the related transactions were not subject to independent review by either headquarters or regional personnel. Certain aspects of the restitution process were the responsibility of headquarters personnel, while other aspects were the responsibility of regional personnel. According to State records, during fiscal year 2015, restitution collections and disbursements totaled approximately \$528,000 and \$464,000, respectively.

### Headquarters Responsibilities

- DJS did not ensure that the Restitution Tracking System (RTS) was accurate, and assurance was lacking that all transactions had been properly recorded in the detailed restitution accounts. According to DJS' records, as of February 19, 2016, there were approximately 17,600 open restitution accounts totaling approximately \$10.2 million. However, we were advised by DJS management that the account balance was not accurate. Specifically, we were advised that RTS includes all accounts added into the system since its inception.

Various recordkeeping deficiencies noted in this report and our previous DJS reports have adversely impacted the accuracy of RTS. For example, as commented upon in our four preceding audit reports, DJS had not reconciled its record of unmatched collections on RTS with the corresponding balance on the State Comptrollers' records since January 1997. The unmatched collections balance represents lockbox payments that could not be readily identified to a specific restitution account. As of December 31, 2015, the fund balance of unmatched collections on the Comptroller's records (approximately \$162,400) exceeded the balance on RTS (approximately \$91,500) by \$70,900.

According to RTS, the balance of the unmatched collections comprises 1,012 payments dating back to December 7, 1993. As a result, the accuracy of RTS account balances is questionable, and DJS cannot know for certain if each account is active, delinquent, or has already been paid and should have been closed.

- One headquarters employee had full, unrestricted access to RTS and was primarily responsible for recording changes to restitution orders entered into RTS and processing restitution payments. The employee also had the capability to record new restitution orders, although this was not a normal part of the employee's job duties. This was a significant deficiency because, as further detailed below, these transactions were not subject to independent supervisory review. A similar condition has been commented upon in our four preceding audit reports. DJS management advised us that RTS does not allow user access to be restricted in such a way as to provide an appropriate separation of critical duties. In response to our preceding audit report, DJS implemented procedures to review non-cash adjustments to account balances made by this headquarters employee, but did not implement independent reviews of other transactions made by this employee.
- DJS did not have a process to verify the propriety of disbursements to victims, which were processed by the aforementioned headquarters employee. DJS generated biweekly RTS reports of restitution payments due to victims based on restitution payments posted to the juveniles' accounts. DJS also obtained monthly reports from the State's Central Collection Unit (CCU) of delinquent restitution payments it recovered. This employee initiated the disbursement request based on collection information from RTS and CCU reports and released the related transactions in the State's accounting system to process the disbursements to victims. However, an independent DJS headquarters employee did not review these entries to ensure the amounts and recipients of the payments agreed with RTS and CCU reports.

#### Regional Responsibilities

- Procedures were not in place to ensure that all new restitution orders and court-ordered changes to restitution orders had been properly recorded in RTS. Certain DJS regional personnel recorded new juvenile cases and changes to restitution orders in the DJS juvenile case management system called the Automated Statewide System of Information Support Tools (ASSIST) while other regional employees recorded the restitution information in RTS. However, regional personnel did not use available ASSIST reports to confirm that all orders or changes in orders were promptly and accurately recorded in RTS.

We tested 10 new fiscal year 2015 juvenile cases recorded in ASSIST with restitution orders totaling approximately \$11,000. Our test disclosed that, as of April 7, 2016, the restitution orders for 3 cases totaling approximately \$4,100 had not been recorded in RTS and, for 2 cases, the restitution orders totaling approximately \$1,800 were recorded in RTS more than a year after the restitution had been ordered. DJS subsequently recorded these 3 unrecorded orders into RTS after we notified them of the omissions.

- DJS did not require the regional offices to ensure that restitution payments, which were received through a bank lockbox account, were properly credited to juvenile accounts in RTS. Restitution payments were initially credited to a holding account until they were matched and credited to the applicable juvenile accounts in RTS by regional personnel. Our site visits conducted at two regional offices disclosed that neither region had procedures to ensure the payments were properly credited to the respective juvenile's account by their caseworkers.
- DJS did not require the regional offices to use available output reports of accounts with no payment activity to monitor and identify delinquent restitution accounts. Rather, caseworkers were individually responsible for ensuring that juveniles complied with restitution orders and were referred to CCU if necessary. Our review of procedures at two regions disclosed that one region did not use these available reports to identify accounts that were not being paid timely by the offenders or by the offenders' legal guardians.

According to DJS records, there were 378 accounts statewide created during the audit period, totaling approximately \$200,000 that had no payments for at least five months and were not referred to CCU as of March 24, 2016. CCU regulations generally require that three written demands for payment be made on accounts at 30-day intervals and, if no payments are received, the accounts be considered delinquent and immediately referred to CCU for collection assistance.

#### **Recommendation 7**

**We recommend that DJS**

- a. ensure that RTS reflects the current balance of outstanding restitution accounts;**
- b. ensure that an independent employee conducts reconciliations of unmatched restitution collections on RTS with corresponding State accounting records, and investigates and resolves any differences (repeat);**

- c. **establish independent supervisory review procedures to ensure all new restitution orders and changes to restitution orders were promptly and accurately recorded in RTS, restitution payments were posted to the proper juvenile accounts, and amounts and recipients of victim disbursements agree with supporting reports of restitution payments received (repeat); and**
- d. **ensure that regional offices monitor overdue accounts and refer any delinquent accounts to CCU on a timely basis.**

## **Information Systems Security and Control**

### **Overview**

DJS' Office of Information Technology (OIT) was solely responsible for the Department's information technology support. However, beginning in March 2016, DJS began a conversion to use of the State of Maryland Department of Information Technology's (DoIT) IT support services, which ultimately will include the following functions:

- Network and Information Technology Security Services (including firewall and intrusion detection prevention systems operations and maintenance and malware protection)
- IT Service Desk
- Hardware Support
- Software Support
- Web and Geographic Information Services
- IT Procurement Services

Through the summer of 2016, DJS continued to operate a statewide network that connected DJS' local offices and the DJS headquarters. The statewide network provides DJS users access to various information technology applications and services including ASSIST, CM, RST, network services, email services, and Internet access. However, as of September 30, 2016, DoIT was beginning to maintain and operate this statewide network.

As of September 30, 2016, OIT was operating several critical computer applications and related databases on DJS maintained servers. These applications included the:

- Automated Statewide System of Information Support Tools (ASSIST) which is the DJS juvenile case management system that tracks vital legal, judicial

- and demographic information pertaining to the youth who are under the DJS' jurisdiction
- Cost Management (CM) application which assists with tracking expenditures of funds for youth placements, and
  - Restitution Tracking System (RTS) which tracks restitution payments received from juvenile offenders and payments to victims of their crimes

**Finding 8**

**The ASSIST database was not properly secured and related logging and monitoring controls were not adequate.**

**Analysis**

The ASSIST database was not properly secured and related logging and monitoring controls were not adequate.

- A default user group on the server hosting the production ASSIST database was improperly granted modification access to several critical system and database files. As a result of this condition, in excess of 2,500 active accounts were improperly granted this modification access.
- Sixteen accounts (used by at least 14 separate individuals) were improperly assigned as local administrators on the server hosting the ASSIST database and were unnecessarily given a powerful system privilege. As a result of these conditions, these individuals had full control and modification access over the ASSIST database. Similar conditions were commented upon in our preceding audit report.
- Certain critical database privileges (for example insert any table) and operations were not logged for subsequent review. A similar condition was commented upon in our preceding audit report.

As a result, unauthorized or inappropriate activities affecting the integrity of the production database information could occur and go undetected by management. The State of Maryland *Information Security Policy* states that agencies must ensure that only authorized individuals (employees or agency contractors) have access to confidential information and that such access is strictly controlled, audited, and configured to achieve a “least privilege” security strategy that grants privileges only needed to perform assigned tasks.

## **Recommendation 8**

**We recommend that DJS**

- a. restrict access to critical files to only those individuals who need such access to perform their job duties (repeat),**
- b. limit administrator access to critical servers to only those individuals who need such access (repeat), and**
- c. enable logging of the use of all critical database privileges and operations (repeat) and perform a documented review of the logged activities.**

## **Finding 9**

**DoIT maintained appliances that provided firewall and intrusion detection prevention system services for DJS but were not configured to adequately secure the DJS network.**

### **Analysis**

DoIT maintained appliances that provided firewall and intrusion detection prevention system (IDPS) services for DJS but were not configured to adequately secure the DJS network.

- Our November 2016 test of the advanced security appliances used by DoIT to provide network and information technology security services to DJS determined that DoIT did not fully use the expanded capabilities of these appliances to provide enhanced security for the DJS network. Specifically, we noted that four available features (including the ability to allow or deny traffic based on the application traversing the network) that would provide enhanced network security for DJS were not used.
- IDPS was not applied to untrusted traffic entering the DJS internal network. On behalf of DJS, DoIT maintained and operated appliances that included an integrated IDPS which could either block potentially malicious traffic or alert firewall administrators of such traffic. However, the appliances were not configured to apply IDPS protection to any of the 26 firewall rules allowing traffic from untrusted sources to the DJS internal network. Thus, traffic entering the DJS internal network from the Internet, the Statewide Intranet, and other untrusted sources was not covered by IDPS. DoIT personnel advised us that no other network or host-based form of IDPS protection had been implemented. Accordingly, DJS had no IDPS protection relative to untrusted third-party traffic entering its internal network.

The State of Maryland *Information Security Policy* requires that agency systems shall be configured to monitor and control communications at external boundaries.

### **Recommendation 9**

**We recommend that DJS, in conjunction with DoIT**

- a. fully uses the expanded capabilities of the advanced security appliances to properly secure the DJS network,**
- b. applies IDPS coverage to all inbound untrusted traffic, and**
- c. configures its IDPS to block high-risk traffic and continuously log lower-risk traffic for review and possible investigation.**

### **Finding 10**

**Malware protection was not sufficient to provide DJS with adequate assurance that its computers were properly protected.**

### **Analysis**

Malware protection was not sufficient to provide DJS with adequate assurance that its computers were properly protected.

- Assurance was lacking that, on an ongoing basis, malware protection software was installed, up-to-date and operational on all DJS computers. DoIT used an automated malware protection console to manage the malware protection software installed on DJS computers. However, we identified 120 computers (out of 1,362 active DJS computers) that were not listed on the console.
- Our November 2016 test of the aforementioned DoIT automated malware protection console identified 229 DJS computers that did not have current malware signatures. We noted that these malware signatures (which are used to identify malware) were from seven days to at least two months older than the current signatures. The malware protection software vendor updates these signatures every day unless an emergency exists which mandates a quicker release of new signatures. These signature updates should generally be installed immediately but, at a minimum, should be installed within a week of release.
- Numerous DJS workstations had not been updated with the latest releases for software products that are known to have significant security-related vulnerabilities. Although the vendors for these software products frequently provide software patches to address these vulnerabilities, DoIT had not updated the DJS workstations for these patches. Specifically, we identified



over 1,200 workstations that were running older versions of three commonly vulnerable applications.

The State of Maryland *Information Security Policy*, states that agencies, at a minimum, must protect against malicious code (viruses, worms, Trojan horses) by implementing protections (anti-virus, anti-malware) that, to the extent possible, include a capability for automatic updates.

### **Recommendation 10**

**We recommend that DJS, in conjunction with DoIT,**

- a. ensure the computers are running current versions of the malware protection software,**
- b. install malware signatures provided by the malware protection software vendor immediately upon release, and**
- c. promptly install all critical security-related software updates for commonly vulnerable applications on all DJS-managed workstations.**

## **Equipment**

### **Finding 11**

**DJS did not maintain complete and accurate detail records and properly account for its equipment.**

### **Analysis**

DJS did not maintain accurate detail records and properly account for its equipment in accordance with the Department of General Services (DGS) *Inventory Control Manual*. According to DJS records as of June 30, 2015, its equipment was valued at approximately \$18.8 million.

- The detail equipment records were not complete and accurate. Our review of the detail records as of June 30, 2015 disclosed that purchase prices were not recorded for 1,628 computer equipment items and approximately 1,400 inventory tag numbers were assigned to more than one piece of equipment. In addition, our test of 12 surveillance equipment items totaling approximately \$1 million purchased in December 2014 disclosed that none was recorded in the detail records until after our inquiry in April 2016. Finally, our test of 20 equipment items included in the detail records valued at approximately \$216,000 disclosed that one item purchased for approximately \$142,000 had not been removed from the detail records as of June 30, 2015 even though it had been returned to the seller in November 2005.

- DJS did not investigate missing items noted during its fiscal year 2015 physical inventory. Specifically, as of April 2016, the status of approximately 1,000 missing equipment items valued at approximately \$607,000 had not been resolved.
- Three employees had inappropriate access to the equipment database allowing them the capability to add or delete records without approval. Two of these employees conducted the physical inventory of the related equipment; the third employee did not need the access to the equipment database to perform the employee's work duties.

The DGS *Inventory Control Manual* requires that State agencies maintain their equipment records in accordance with prescribed standards, and any missing items be investigated and reported to DGS. The *Manual* also requires that the duties of record keeping and conducting physical inventories be segregated when practical or economically feasible.

#### **Recommendation 11**

**We recommend that DJS comply with the aforementioned requirements of the DGS *Inventory Control Manual*.**

## **Payroll**

### **Finding 12**

**Overtime paid to employees was not always preauthorized and approved.**

#### **Analysis**

Overtime paid to employees was not always preauthorized and approved by supervisory personnel. According to State records during calendar year 2015, DJS paid approximately \$10.8 million in overtime compensation to 1,345 employees. Total compensation for employees who were eligible for overtime compensation was approximately \$46.5 million during this period.

Our test of 74 biweekly overtime payments totaling approximately \$157,900, paid primarily during calendar year 2015, disclosed that 20 payments totaling approximately \$43,900 were made for overtime hours worked that did not have a written justification for the overtime on the employee's timesheet approved by supervisory personnel. Three of these 20 timesheets also had not been signed by supervisory personnel. We also noted 12 additional payments totaling approximately \$28,400 for which some overtime hours worked did not have written justification for the overtime on the employee's timesheet approved by

supervisory personnel. Finally, we also noted that one employee had improperly received overtime compensation totaling approximately \$3,200 during fiscal year 2015. The employee became ineligible to receive overtime in July 2014 because of a change in employment classification but continued receiving overtime through May 2015.

State regulations requires authorization for any overtime to be in writing. Although not formalized, we were advised that DJS policy required that justification for overtime be documented on the employee's timesheet and be approved by supervisory personnel.

### **Recommendation 12**

**We recommend that DJS**

- a. formalize its policy requiring justification for overtime,**
- b. ensure that the overtime justification is documented on the timesheet and approved by supervisory personnel,**
- c. ensure that overtime compensation is paid only to eligible employees, and**
- d. recoup the overtime compensation paid in error to the aforementioned employee.**

## **Audit Scope, Objectives, and Methodology**

We have conducted a fiscal compliance audit of the Department of Juvenile Services (DJS) for the period beginning November 5, 2012 and ending December 15, 2015. 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 DJS' 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 procurements and disbursements, payroll, equipment, federal fund reimbursements, human services contracts, restitution accounts, and critical information systems. Beginning in March 2016, the Department of Information Technology began taking responsibility for providing certain information technology support services to DJS. We have included functions performed by DoIT within the scope of our audit due to their significance to DJS' operations. We conducted our review at DJS' headquarters location and the field offices located in the central and metro regions. We also determined the status of the findings included in our preceding audit report.

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 DJS' 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 DJS.

To accomplish our objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, observations of DJS' operations, and tests of transactions. Generally, transactions were selected for testing based on auditor judgment, 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) and the State's Central Payroll Bureau (payroll data), as well as from the contractor administering the State's Corporate Purchasing Card Program (credit card activity). 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 determined that the data extracted from these various sources were sufficiently reliable for the purposes the data were used during this audit. We also extracted data from DJS' case management system and restitution tracking system for the purpose of testing disbursements related to youth care and restitution payments. 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.

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

DJS' response 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 DJS regarding the results of our review of its response.



Boyd K. Rutherford  
Lt. Governor

Larry Hogan  
Governor

Sam Abed  
Secretary

October 26, 2017

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

Dear Mr. Barnickel:

In accordance with the Joint Audit Committee's *Policy on Agency Responses to Reports Issued by the Office of Legislative Audits*, the Department of Juvenile Services' response to the draft audit report for the period beginning November 5, 2012 and ending December 15, 2015 is attached.

As requested, we are sending both a paper copy and an electronic copy of our response. If you have any questions, or require additional information, please do not hesitate to call me at 410-230-3101.

Sincerely,

Sam Abed  
Secretary

Attachment



## **Recommendation 1**

**We recommend that DJS**

- a. establish a methodology to ensure youth care services are procured in a manner that provides the best value to the State;**
- b. amend the existing intergovernmental agreements to include requirements for competitive procurement of subcontractors and specific subcontractor monitoring efforts to be performed by the CSAs and LMBs, and to require these monitoring efforts be documented and reported to DJS; and**
- c. exercise oversight to ensure youth care services are provided as required.**

The Department agrees with the recommendations.

- a) Inter-governmental agreements will be reviewed and evaluated for an opportunity for alternative procurement methodology that may provide additional value to the State.
- b) Inter-governmental agreements will be modified to clarify requirements for competitive procurement of sub-contracting and to establish guidelines for documentation of monitoring sub-contractors that provide services to youth.
- c) All DJS agreements have reporting requirements related to the scope of work to be performed. DJS will review the process for vendor reporting and ensure that there is adequate oversight of the services provided.

## **Recommendation 2**

**We recommend that DJS**

- a) recover all excess payments identified from its financial examinations, including those noted above, unless the private providers provide documentation that repayment would seriously impair their financial condition;**
- b) ensure that all private providers obtain annual audits that include audited schedules of the provider's services for DJS that are separate from the provider's overall operations;**
- c) conduct financial examinations of private youth care service providers using audited financial schedules that have been reconciled to the State's records; and**
- d) obtain and review source documents when conducting examinations of non-private providers.**

The Department agrees with the recommendations.

- a) DJS will review our current practice of allowing providers to retain a percentage of the difference between their revenue and expenses (overpayments). Since this practice is also being followed by another State agency, we will discuss any potential changes with that agency. We will also discuss the issue with the Department's Office of the Attorney General to determine whether it is feasible to attempt to have COMAR amended to allow for a retainage amount by the providers.



- b) On February 22, 2017, a letter was sent to all youth care providers who provide services to DJS notifying them that we will not accept any schedules that contain financial information pertaining to DJS unless they are audited along with the financial statements, beginning with the current fiscal year.
- c) We will ensure that financial examinations are performed using audited financial schedules that have been reconciled to the State's records.
- d) Where feasible, DJS will obtain and do a sampling review of the source documents when conducting examinations of non-private provider invoices.

### **Recommendation 3**

#### **We recommend that DJS**

- a. discontinue the practice of artificially dividing procurements (repeat);**
- b. obtain BPW and/or control agency approval for any future procurements, as required;**
- c. establish procedures to monitor procurements to identify opportunities for consolidation of similar goods and services to enhance State purchasing power, competition, transparency, and the overall integrity of the procurement process; and**
- d. consult with the Office of the Attorney General – Criminal Division before taking any actions related to the questionable purchases noted.**

The Department agrees with the recommendations.

- a) The Department will establish a methodology for addressing facility issues that have a quick turnaround time, especially where safety is a concern, which will ensure compliance with procurement regulations.
- b) All Procurements above the agency's delegation will be submitted to BPW and/or control agency for approval.
- c) Procedures will be established to monitor procurements to identify opportunities for consolidation of similar goods and services. However, DJS is committed to using vendors designated as "Small Business" and where practical will unbundle goods/ services to increase small business participation.
- d) DJS has consulted with the Office of the Attorney General in this matter.

### **Recommendation 4**

**We recommend that DJS comply with the aforementioned closing instructions and record encumbrances only when adequately supported by actual commitments for good or services.**

The Department agrees with the recommendation. As noted, the aforementioned encumbrances were closed and the related general funds were reverted.

## **Recommendation 5**

**We recommend that DJS**

- a. submit all eligible Title IV-E claims for reimbursement within the required two-year period;**
- b. ensure supervisory reviews are performed to confirm the completeness of all federal reimbursement requests;**
- c. as a member of the Rate Setting Reform Stakeholders Workgroup, ensure that a methodology is established for a per diem residential rehabilitation services rate that includes only non-Medicaid services, and that Medicaid-eligible services are billed separately by the providers as fee-for-service claims; and**
- d. determine the feasibility of identifying and recovering allowable Medicaid-eligible services costs and pursuing retroactive federal reimbursement.**

The Department agrees with the recommendations.

- a) DJS will review all placements in the current eligibility window to identify and resolve any missed placements. The items referenced above are the result of timing differences between the actual placement event and recording of that event in ASSIST. DJS has made several changes to our process for identifying youth placements that are to be reviewed for IVE eligibility. Additional enhancements have recently been made to eliminate future issues.
- b) DJS has made changes to the review process and will be adding another level of Supervisory review to confirm the completeness of all federal reimbursement requests.
- c) DJS agrees to work with the Rate Setting Reform Stakeholders Workgroup and ensure that a methodology is established. DJS is not the lead agency in the rate reform effort. While we are a part of the workgroup, this is a complex issue that must be scrutinized thoroughly for compliance and acceptance by the related federal oversight entity. We will continue to work on this effort.
- d) To the extent possible, DJS agrees to look at the feasibility of identifying and recovering allowable Medicaid-eligible services costs and pursuing retroactive federal reimbursement.

## **Recommendation 6**

**We recommend that DJS properly protect personally identifiable information of juveniles under its supervision. Specifically, we recommend that DJS**

- a) instruct youth care providers to refrain from including confidential information on invoices;**
- b) establish procedures for identifying, securing, and storing any confidential juvenile information from provider invoices currently on hand at DJS;**
- c) perform an inventory of its information systems, identify all sensitive PII, and delete all unnecessary PII; and**
- d) ensure that all necessary PII is properly protected by encryption or other substantial mitigating controls, and use approved encryption methods to encrypt all sensitive PII not otherwise properly protected.**

The Department agrees with the recommendations.

- a) DJS will review all DJS invoices generated for use by providers to eliminate unnecessary PII. We will also notify providers who include PII on internally generated information to cease doing so immediately
- b) DJS will review our current practice and, where necessary, develop procedures to address confidential juvenile information.
- c) Information systems will be reviewed and, where feasible, PII will be deleted.
- d) All PII will be encrypted and/or protected by substantial mitigating controls. DJS will consult with the IT unit to identify and use the approved encryption methodology.

#### **Recommendation 7**

**We recommend that DJS**

- a) ensure that RTS reflects the current balance of outstanding restitution accounts;**
- b) ensure that an independent employee conducts reconciliations of unmatched restitution collections on RTS with corresponding State accounting records, and investigates and resolves any differences (repeat);**
- c) establish independent supervisory review procedures to ensure all new restitution orders and changes to restitution orders were promptly and accurately recorded in RTS, restitution payments were posted to the proper juvenile accounts, and amounts and recipients of victim disbursements agree with supporting reports of restitution payments received (repeat); and**
- d) ensure that regional offices monitor overdue accounts and refer any delinquent accounts to CCU on a timely basis.**

The Department agrees with the recommendations and will perform a comprehensive review of the Restitution Tracking System and the related processes to identify alternatives to address the identified deficiencies.

#### **Recommendation 8**

**We recommend that DJS**

- a. restrict access to critical files to only those individuals who need such access to perform their job duties (repeat),**
- b. limit administrator access to critical servers to only those individuals who need such access (repeat), and**
- c. enable logging of the use of all critical database privileges and operations (repeat) and perform a documented review of the logged activities.**

The Department agrees with the recommendations and has proactively addressed these matters as follows:

- a) DJS IT has reviewed the accounts and corrected the accesses. A customized group was created, and only users that need that access were joined into that group. Currently, DoIT has

control over this, so a review procedure will need to be incorporated into the MOU that is currently being drafted between DoIT and DJS.

- b) DJS IT has reviewed the accounts and corrected the accesses. Currently, DoIT has control over this, so a review procedure will need to be incorporated into the MOU that is currently being drafted between DoIT and DJS.
- c) DJS IT developed a new report that is based on logging activities for improved security, as was recommended previously. This report does include documenting all critical database privileges. It was in production when the auditors were on site; however, it was not in use during the time period they were auditing. With DoIT returning IT staff to the Department, including the Data Security Officer, DJS will once again conduct complete reviews on a weekly basis.

### **Recommendation 9**

**We recommend that DJS, in conjunction with DoIT**

- a. fully uses the expanded capabilities of the advanced security appliances to properly secure the DJS network,**
- b. applies IDPS coverage to all inbound untrusted traffic, and**
- c. configures its IDPS to block high-risk traffic and continuously log lower-risk traffic for review and possible investigation.**

The Department agrees with the recommendations and has proactively addressed these matters as follows:

DJS has consulted with DoIT, and these are responsibilities that will remain with DoIT. DoIT has also agreed with these findings and will execute the recommendations. There is currently a draft MOU between DoIT and the Department that outlines the responsibilities and processes for maintaining enterprise technology. The two agencies will include a process in the MOU that provides DJS with the information to review to ensure these standards are being met.

### **Recommendation 10**

**We recommend that DJS, in conjunction with DoIT,**

- a. ensure the computers are running current versions of the malware protection software,**
- b. install malware signatures provided by the malware protection software vendor immediately upon release, and**
- c. promptly install all critical security-related software updates for commonly vulnerable applications on all DJS-managed workstations.**

The Department agrees with the recommendations. Currently, DoIT has control of all software updates, so a review procedure will need to be incorporated into the MOU that is currently being drafted between DoIT and the Department. DJS will request that DoIT provide validation on a routine basis that all machines are current for malware protection, malware signatures, and security-related software updates. Additionally, DJS will conduct sample size audits to ensure the accuracy of the provided documentation.

**Recommendation 11**

**We recommend that DJS comply with the aforementioned requirements of the DGS *Inventory Control Manual*.**

The Department agrees with the recommendation to comply with the DGS Inventory Control Manual. The Department implemented a new inventory management system in 2017. The system was reviewed and approved by DGS and it was determined that it meets the requirements designated in the Inventory Control Manual.

**Recommendation 12**

**We recommend that DJS**

- a. formalize its policy requiring justification for overtime,**
- b. ensure that the overtime justification is documented on the timesheet and approved by supervisory personnel,**
- c. ensure that overtime compensation is paid only to eligible employees, and**
- d. recoup the overtime compensation paid in error to the aforementioned employee.**

The Department agrees with the recommendations and will work on formalizing policy requiring justification for overtime and documentation of overtime justification. The implementation of SPS has now strengthened the controls over payment of cash overtime to non-cash eligible employees.

DJS has investigated the three payments referenced in the discussion note. Prior to SPS, overtime was paid one pay period in arrears. Based on that, one payment in question, while paid after the effective date of a reclass, was earned while the employee was still cash overtime eligible. The remaining two payments have been recouped.

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