

Audit Report

**Maryland Department of Health
Office of the Chief Medical Examiner**

April 2018



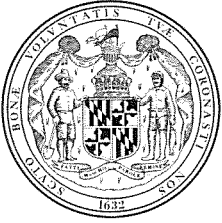
OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Victoria L. Gruber
Executive Director

April 4, 2018

Thomas J. Barnickel III, CPA
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 Office of the Chief Medical Examiner (OCME) of the Maryland Department of Health for the period beginning March 31, 2014 and ending September 6, 2017. OCME investigates violent and suspicious deaths and those deaths unattended by a physician. OCME also keeps reports of all investigated deaths and performs autopsies, when necessary, to determine the cause and manner of death.

Our audit disclosed that, when purchasing medical supplies, OCME did not always obtain competitive bids and did not determine that its frequent use of Intergovernmental Cooperative Purchasing Agreements was in the best interest of the State as required by State procurement laws and regulations. Furthermore, OCME did not have adequate procedures and controls over the approval of body transportation costs which, in fiscal year 2016, totaled \$696,000 relating to transporting 4,342 bodies. Our test of 43 such payments disclosed 17 overpayments totaling \$3,096 because the number of miles recorded in OCME's internal computer system was inaccurate. Finally, OCME did not appropriately restrict employee access to its computer system.

The Department's response to this audit, on behalf of OCME, is included as an appendix to this report. We wish to acknowledge the cooperation extended to us during the course of this audit by OCME.

Respectfully submitted,

Thomas J. Barnickel III, CPA
Legislative Auditor

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

Background Information

Agency Responsibilities

The Office of the Chief Medical Examiner (OCME), which is a budgetary unit within the Maryland Department of Health, investigates violent and suspicious deaths and those deaths unattended by a physician. OCME also keeps reports of all investigated deaths and performs autopsies, when necessary, to determine the cause and manner of death, and makes these records available to the courts, family members, and others. Furthermore, OCME furnishes the State's Attorneys with records relating to deaths for which, in the judgment of the Medical Examiner, further investigation is deemed advisable.

According to OCME's records, during fiscal year 2017, OCME investigated 14,592 deaths and performed 5,613 autopsies; OCME expenditures totaled approximately \$12.9 million.

Status of Finding From Preceding Audit Report

Our audit included a review to determine the status of the finding contained in our preceding audit report dated August 11, 2014. We determined that OCME did not satisfactorily address this finding; therefore, it is repeated in this report.

Findings and Recommendations

Purchases and Disbursements

Finding 1

The Office of the Chief Medical Examiner's (OCME) purchases of certain medical supplies were not made in accordance with State procurement laws and regulations.

Analysis

OCME purchased certain medical supplies without complying with State procurement laws and regulations. According to OCME records, medical supplies expenditures totaled \$1.9 million during the period from May 2014 through June 2017.

- Our review of corporate purchasing card transactions made during the period from May 2014 through June 2017 disclosed repeated purchases of medical supplies from two vendors, totaling \$419,000 (\$252,000 and \$167,000, respectively), for which OCME did not obtain competitive bids and did not have written contracts as required by State regulations. Consequently, there is a lack of assurance that the State obtained these items at the lowest cost. State procurement regulations generally require a formal written competitive procurement and publication of the solicitation and related awards on *eMaryland Marketplace* for procurements exceeding \$15,000 as well as Board of Public Works and/or control agency approval for larger procurements. A similar condition was commented upon in our two preceding audit reports.
- OCME did not determine that it was in the best interest of the State prior to participating in Intergovernmental Cooperative Purchasing Agreements (ICPAs), as required by State law. ICPAs are procured by one or more federal, state, or local government agency and consolidate the procurement of specified goods and services on behalf of multiple users. Our review determined that OCME did not document that it was in the State's best interest to participate in any of the 11 ICPAs in which it participated during fiscal years 2016 and 2017. These ICPAs were used to procure goods, primarily medical supplies, valued at \$238,000. State law defines an ICPA as a contract that is intended to promote efficiency and savings. In order to use an ICPA, State law requires agencies to prepare a written determination that there is evidence that it will provide cost benefits to the State or will promote administrative efficiencies or intergovernmental cooperation.

Recommendation 1

We recommend that OCME

- a. comply with State procurement regulations by soliciting competitive bids and executing written contracts, where applicable (repeat); and**
- b. ensure that written determinations of the benefits of ICPAs are prepared, as required by State law.**

Finding 2

OCME did not independently verify mileage calculations used to compensate vendors transporting deceased individuals, and our tests disclosed overpayments totaling \$3,096.

Analysis

OCME did not independently verify mileage calculations used as the basis to compensate vendors transporting deceased individuals, and our tests disclosed overpayments totaling \$3,096. According to OCME's records, during fiscal year 2016, these vendors were paid \$696,000 for 4,342 transports. Payments for transports are OCME's single largest operating expense other than its payroll costs.

Local forensic investigators proceed to the scene of the death, prepare a transport permit for the deceased individual, and identify a vendor to transport the deceased individual to OCME's Office. For each transport, OCME investigators determined the distance, in miles, between the location of death and OCME's office and entered this information into OCME's computer system. This information was then used by the system to generate vendor invoices using the rates established by State regulations (\$3.30 per mile, with a minimum of \$100 per transport). However, the transport mileage recorded in OCME's computer system by its investigators was not independently reviewed for accuracy.

Based on auditor judgment, we tested 43 payments totaling \$17,459 for transports between October 2014 and June 2017. Our tests disclosed 17 overpayments totaling \$3,096 that occurred because the number of miles recorded in OCME's computer system was inaccurate. For example, based on our calculations of one transport in March 2017, the vendor traveled 43 miles and should have been paid \$142; however, OCME inaccurately recorded 162 miles for the transport and paid the vendor \$535, resulting in an overpayment of \$393. Our tests also disclosed three underpayments totaling \$23.

Recommendation 2

We recommend that OCME

- a. establish an independent supervisory review of the number of miles calculated and recorded in OCME's computer system;
- b. perform a comprehensive review of payments made to the transport vendors to identify any errors in the mileage calculations; and
- c. pursue any payment discrepancies, including the aforementioned \$3,096.

System Access

Finding 3

OCME did not periodically review employee access capabilities on its computer system, did not appropriately restrict certain administrative capabilities, and did not routinely generate reports of the related activity for review.

Analysis

OCME did not periodically review employee access capabilities on its computer system used to create new investigation cases, authorize local vendors to investigate deaths and transport deceased bodies, and approve related payments. OCME also did not appropriately restrict administrative access to the system or routinely generate reports of related activity for review. According to OCME records, during fiscal year 2016, payments for investigations and transports totaled \$1,145,000.

Specifically, of the 35 employees who had access to critical screens in the system, 4 had administrative capabilities that were not necessary for their job duties which allowed them to initiate cases, assign vendors, and approve related payments. While two of these employees needed access to approve vendor payments as part of their regular job duties, none required access to initiate new cases. In addition, transaction reports were not routinely generated and reviewed by OCME to verify the propriety of these payments, nor did the reports identify the employees who initiated and approved each transaction.

According to the State of Maryland *Information Security Policy*, agencies shall continuously (at least annually) monitor the security controls within their information systems to ensure that the controls are operating as intended.

Recommendation 3

We recommend that OCME

- a. perform documented reviews, at least annually, of employee access capabilities for its internal OCME system;**
- b. ensure that administrative capabilities are only granted when necessary for the employee's job duties; and**
- c. generate and review transaction reports that identify the employees who initiated and approved each transaction to ensure the propriety of payments processed.**

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the Office of the Chief Medical Examiner (OCME), a unit of the Maryland Department of Health, for the period beginning March 31, 2014 and ending September 6, 2017. 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 OCME's financial transactions, records, and internal control, and to evaluate its compliance with applicable State laws, rules, and regulations.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of significance and risk. The areas addressed by the audit included procurements, disbursements, and corporate purchasing cards. We also determined the status of the finding contained in our preceding audit report.

Our audit did not include certain support services provided to OCME by the Department. These support services (such as payroll, maintenance of accounting records, and related fiscal functions) are included within the scope of our audit of the Department's Office of the Secretary and Other Units.

To accomplish our objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, observations of OCME's 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 expenditure data) and 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 OCME's internal computer system for the purpose of testing disbursements. 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.

OCME's management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records, effectiveness and efficiency of operations including safeguarding of assets, and compliance with applicable laws, rules, and regulations are achieved.

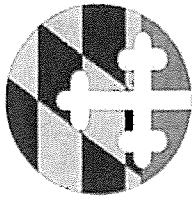
Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

Our reports are designed to assist the Maryland General Assembly in exercising its legislative oversight function and to provide constructive recommendations for improving State operations. As a result, our reports generally do not address activities we reviewed that are functioning properly.

This report includes findings relating to conditions that we consider to be significant deficiencies in the design or operation of internal control that could adversely affect OCME's 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. Another less significant finding was communicated to OCME that that did not warrant inclusion in this report.

The Department's response, on behalf of OCME, 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 the Department regarding the results of our review of its response.

APPENDIX



MARYLAND
Department of Health

Larry Hogan, Governor · Boyd Rutherford, Lt. Governor · Dennis Schrader, Secretary

March 27, 2018

Mr. Thomas J. Barnickel III, CPA
Legislative Auditor
Office of Legislative Audits
301 W. Preston Street
Baltimore, MD 21201

Dear Mr. Barnickel,

Thank you for your letter regarding the draft audit report on the Office of the Chief Medical Examiner for the period beginning March 31, 2014 and ending September 6, 2017. Enclosed is the Department's response and plan of correction that addresses each audit recommendation. I will work with the appropriate Deputy Secretary to promptly address all audit exceptions. In addition, the OIG's Division of Audits will follow-up on the recommendations and responses to ensure compliance.

If you have any questions or require additional information, please do not hesitate to contact me at 410-767-4639 or Frederick D. Doggett, Inspector General, at 410-767-0885.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert R. Neall", written over a circular stamp or seal.

Robert R. Neall
Secretary

Enclosure

cc: Howard M. Haft, M.D., Deputy Secretary, Public Health Services, MDH
David R. Fowler, M.D., Chief Medical Examiner, OCME
Dennis R. Schrader, Chief Operating Officer

Office of the Chief Medical Examiner

Audit Responses

Findings and Recommendations

Purchases and Disbursements

Finding 1

The Office of the Chief Medical Examiner's (OCME) purchases of certain medical supplies were not made in accordance with State procurement laws and regulations.

Recommendation 1

We recommend that OCME

- a. comply with State procurement regulations by soliciting competitive bids and executing written contracts, where applicable (repeat); and**
- b. ensure that written determinations of the benefits of ICPAs are prepared, as required by State law.**

OCME's Response

- a. The OCME concurs with the finding and recommendation. OCME currently conducts a comprehensive review of items not currently under contract or items that need to be rebid to ensure that OCME complies with State procurement regulations by soliciting competitive bids and executing written contracts, where applicable. We currently have contracts on all known services and obtain 3 bids for commodities and corporate purchasing card purchases.
- b. The OCME concurs with the finding and recommendation. As of February 2018, OCME began implementing a procedure to document and prepare written determinations of the benefits of ICPAs, as required by State law.

Finding 2

OCME did not independently verify mileage calculations used to compensate vendors transporting deceased individuals, and our tests disclosed overpayments totaling \$3,096.

Recommendation 2

We recommend that OCME

- a. establish an independent supervisory review of the number of miles calculated and recorded in OCME's computer system;**
- b. perform a comprehensive review of payments made to the transport vendors to identify any errors in the mileage calculations; and**
- c. pursue any payment discrepancies, including the aforementioned \$3,096.**

OCME's Response

- a. The OCME concurs with the finding and recommendation. As of January 2018, an independent supervisory review of the number of miles calculated and recorded is being performed and documented monthly by the OCME administrator.
- b. The OCME concurs with the finding and recommendation. A comprehensive review was performed in October 2017. As of January 2018, OCME began performing a monthly comprehensive review to identify any errors in the mileage calculations and to ensure accuracy of vendor payments.
- c. The OCME concurs with the finding and recommendation. The process of pursuing payment discrepancies for those vendors noted in this audit report began in December 2017. OCME will continue to work towards recovering overpayments when applicable.

System Access

Finding 3

OCME did not periodically review employee access capabilities on its computer system, did not appropriately restrict certain administrative capabilities, and did not routinely generate reports of the related activity for review.

Recommendation 3

We recommend that OCME

- a. perform documented reviews, at least annually, of employee access capabilities for its internal OCME system;**
- b. ensure that administrative capabilities are only granted when necessary for the employee's job duties; and**
- c. generate and review transaction reports that identify the employees who initiated and approved each transaction to ensure the propriety of payments processed.**

OCME's Response

- a. The OCME concurs with the finding and recommendation. As of January 2018, a quarterly documented review has been established to evaluate employees' access capabilities for the internal OCME system; and access capabilities are adjusted as necessary.
- b. The OCME concurs with the finding and recommendation. As of January 2018, the administrative capabilities have been restricted by employee's necessary job duty. The OCME has currently implemented procedures in which the IT department is notified of all new hires, job changes or separation of employment at which time the administrative capabilities are determined and adjusted accordingly.
- c. The OCME concurs with the finding and recommendation. As of September 2017, OCME has implemented a payment transaction review procedure to track final approve payments. Effective April 2018, a monthly transaction report will be generated and reviewed that identifies the employees who initiate and approve each transaction; and verifies that payments are accurate.

AUDIT TEAM

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