

Special Review

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**Maryland Department of Health  
Office of the Secretary and Other Units  
Follow-up Review**

October 2018

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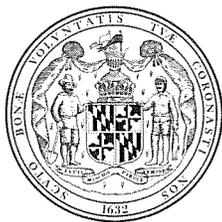
**OFFICE OF LEGISLATIVE AUDITS**  
DEPARTMENT OF LEGISLATIVE SERVICES  
MARYLAND GENERAL ASSEMBLY

**For further information concerning this report contact:**

**Department of Legislative Services**  
**Office of Legislative Audits**  
301 West Preston Street, Room 1202  
Baltimore, Maryland 21201  
Phone: 410-946-5900 · 301-970-5900  
Toll Free in Maryland: 1-877-486-9964  
Maryland Relay: 711  
TTY: 410-946-5401 · 301-970-5401  
E-mail: [OLAWebmaster@ola.state.md.us](mailto:OLAWebmaster@ola.state.md.us)  
Website: [www.ola.state.md.us](http://www.ola.state.md.us)

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DEPARTMENT OF LEGISLATIVE SERVICES  
OFFICE OF LEGISLATIVE AUDITS  
MARYLAND GENERAL ASSEMBLY

Victoria L. Gruber  
Executive Director

Thomas J. Barnickel III, CPA  
Legislative Auditor

October 16, 2018

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 follow-up review of the actions taken by the Office of the Secretary and other units of the Maryland Department of Health (MDH) to address the findings in our August 30, 2017 audit report. In that report, we concluded that MDH's accountability and compliance rating was unsatisfactory.

MDH provided a status report, as of February 28, 2018, indicating the implementation status of each finding as well as its corrective action plan, including timelines and processes to monitor the implementation of the plan. In summary, MDH's status report indicated that 11 findings had been corrected, and additional actions were still required to address the 6 remaining findings.

We performed certain procedures to evaluate the actions taken by MDH for 9 of the 17 report findings. Specifically, we reviewed 6 of the 11 findings which MDH's status report indicated were corrected and 3 of the 6 findings for which MDH's status report indicated that additional actions were needed. Our review, which was performed during the period from March to June 2018, disclosed that MDH had corrected 4 findings and had made progress but had not resolved 5 other findings (including 3 that MDH reported as corrected).

Exhibit 1 identifies MDH's assessed implementation status for all 17 findings, according to its status report, as well as the results of our review for the 9 findings. Exhibit 2 describes, in detail, the 5 findings we determined that MDH had not corrected. MDH's status report is included as Appendix A, and its response to this report is included as Appendix B.

To improve its accountability and compliance rating, MDH should continue to implement its corrective action plan for all findings and ensure that other areas do not deteriorate. We will review the status of all of the audit findings during our next audit of MDH. We wish to acknowledge the cooperation extended to us by MDH during this review.

Respectfully submitted,

  
Thomas J. Barnickel III, CPA  
Legislative Auditor

**Exhibit 1**  
**Implementation Status of Findings in the August 2017**  
**MDH Audit Report**

Prior Finding	Status as Determined by MDH as of February 2018	Status Based on Auditor's Review
<b>Interagency Agreements</b>		
1. MDH did not provide adequate guidance and oversight regarding 304 interagency agreements valued at \$329.5 million that MDH administrations entered into with units of State universities. In addition, certain administrative fees included in the agreements appeared excessive.	Corrected	In Progress <i>(See Exhibit 2)</i>
2. MDH did not establish procedures to help ensure the agencies responsible for administering interagency agreements verified that the appropriate services were provided by the universities at the agreed-upon costs.	Corrected	In Progress <i>(See Exhibit 2)</i>
<b>Procurements</b>		
3. MDH did not always comply with State procurement requirements regarding the award of sole source and emergency contracts.	Corrected	In Progress <i>(See Exhibit 2)</i>
4. MDH did not have a formal monitoring procedure to ensure that it consistently complied with publication requirements for service and information technology contract awards.	Corrected	N/A
5. MDH did not always comply with State procurement regulations with respect to bidding requirements and retention of critical procurement documentation. Additionally, MDH also awarded a contract for an amount substantially higher than could be supported by the related bid.	In Progress	Corrected
Page 1 of 3		

N/A – Not applicable since we did not review the implementation status of this finding.

**Note:** MDH's detailed implementation status for each finding is based upon MDH's status report, as of February 28, 2018. The status based on auditor's review presented by finding in Exhibit 1 was discussed with, and agreed to, by MDH management personnel.

**Exhibit 1**  
**Implementation Status of Findings in the August 2017**  
**MDH Audit Report**

Prior Finding	Status as Determined by MDH as of February 2018	Status Based on Auditor's Review
<p><b>Federal Funds</b></p> <p>6. Supervisory oversight of federal fund reimbursement requests was not always effective.</p>	Corrected	Corrected
<p><b>Office of the Inspector General (OIG)</b></p> <p>7. OIG had not audited certain private providers for more than five years and did not always conduct private provider audits in a comprehensive manner.</p> <p>8. OIG did not have a formal process for oversight and monitoring to ensure corrective actions were taken by both local health departments and private providers.</p>	Corrected	Corrected
<p><b>Information Systems Security and Control</b></p> <p>9. Sensitive personally identifiable information within a database and data file was stored without adequate safeguards.</p> <p>10. Network access to critical MDH internal network devices was not properly restricted, intrusion detection prevention system coverage was not complete or adequate, and certain wireless connections were not configured securely.</p> <p>11. Malware protection for MHD computers was not sufficient to provide the Office of Information Technology with adequate assurance that these computers were properly protected.</p>	Corrected	N/A
	In Progress	In Progress (See Exhibit 2)
	In Progress	In Progress (See Exhibit 2)
Page 2 of 3		

N/A – Not applicable since we did not review the implementation status of this finding.

**Note:** MDH's detailed implementation status for each finding is based upon MDH's status report, as of February 28, 2018. The status based on auditor's review presented by finding in Exhibit 1 was discussed with, and agreed to, by MDH management personnel.

**Exhibit 1**  
**Implementation Status of Findings in the August 2017**  
**MDH Audit Report**

Prior Finding	Status as Determined by MDH as of February 2018	Status Based on Auditor's Review
12. Information technology contractors had unnecessary network-level access to the MDH network.	In Progress	N/A
<b>Cash Receipts</b>		
13. Controls were not established to ensure collections were properly accounted for, deposited, and secured.	Corrected	N/A
<b>Accounts Receivable</b>		
14. MDH did not adequately pursue collection of certain Division of Cost Accounting and Reimbursements delinquent accounts receivable.	Corrected	N/A
<b>Payroll</b>		
15. Overtime earned by certain Secure Evaluation and Therapeutic Treatment Program employees for an extended period appeared questionable and was not investigated.	In Progress	N/A
<b>Corporate Purchasing Cards</b>		
16. MDH did not comply with certain corporate purchasing card requirements relating to the sharing of cards and certain purchasing activities.	Corrected	N/A
<b>Equipment</b>		
17. MDH physical inventory procedures did not comply with certain Department of General Services requirements.	In Progress	N/A

N/A – Not applicable since we did not review the implementation status of this finding.

**Note:** MDH's detailed implementation status for each finding is based upon MDH's status report, as of February 28, 2018. The status based on auditor's review presented by finding in Exhibit 1 was discussed with, and agreed to, by MDH management personnel.

**Exhibit 2**  
**Detailed Comments on the Findings for Which  
the Office of Legislative Audits Deemed the  
Implementation Status to be “In Progress”**

**Interagency Agreements**

**Prior Finding 1**

**MDH did not provide adequate guidance and oversight regarding 304 interagency agreements valued at \$329.5 million that MDH administrations entered into with units of State universities. As a result, assurance was lacking that the services provided under these agreements were appropriate and represented the best value. In addition, certain administrative fees included in the agreements appeared excessive.**

**Prior Report Recommendation 1**

We recommended that MDH

- a. provide oversight of and guidance to its administrations regarding agreements with State institutions of higher education,
- b. evaluate existing interagency agreements with State institutions of higher education to determine whether each arrangement is appropriate and the most cost beneficial option for MDH,
- c. refrain from executing agreements to augment its staff,
- d. establish procedures to perform a documented analysis to determine the most cost beneficial option for MDH to obtain services prior to entering into future interagency agreements, and
- e. ensure that the administrative fees are reasonable when it is determined appropriate to use an interagency agreement.

**Auditor’s Assessment of Status – In Progress**

MDH established procedures to address recommendations d and e but did not fully address recommendations a, b, or c. As related to recommendation a, MDH provided guidance to the administrations but did not provide oversight to ensure the guidance was implemented. For example, we were advised that in October 2017 MDH developed a checklist for administrations to complete prior to entering into an interagency agreement, which included steps to consider to ensure the agreement was appropriate (such as, are the resources available within the MDH and should the services be competitively procured). Our review of one new interagency agreement initiated in February 2018 and totaling \$4.7 million disclosed that checklists were not completed for the agreement. MDH management personnel could not adequately explain why the agreement did not

have a checklist. We believe that the checklist should be used for all new agreements to ensure they are appropriate and in the State's best interest.

In regard to recommendation b, in November 2017 MDH compiled a spreadsheet to evaluate the staffing in the existing agreements. However, certain information reported on this spreadsheet was inaccurate and there was no indication as to what evaluation was performed on the data recorded. For example, one agreement on the spreadsheet indicated there was only one staff position when the agreement actually authorized 86 staff positions. At the time of our review in June 2018, 15 of these positions were being used and there was no indication that MDH evaluated any of these positions to ensure the services provided were appropriate and represented the best value.

In regard to recommendation c, our review disclosed that MDH continues to use the agreements to augment its staff. Specifically, our test of two agreements initiated in September 2017 and February 2018 disclosed that the agreements included 25 staff positions that augmented MDH's staff, but there was no justification that demonstrated the appropriateness of obtaining these services through an interagency agreement.

**Prior Finding 2**

**MDH did not establish procedures to help ensure the agencies responsible for administering interagency agreements verified that the appropriate services were provided by the universities at the agreed-upon costs.**

**Prior Report Recommendation 2**

We recommended that MDH

- a. establish procedures to help ensure the agencies responsible for administering interagency agreements verify that the appropriate services were provided by the universities at the agreed-upon costs;
- b. ensure the Prevention and Health Promotion Administration – Infectious Disease Bureau (PHPA – IDB) immediately develops work assignments for each individual provided under the aforementioned agreement;
- c. ensure that PHPA – IDB performs evaluations of individuals twice annually, and ensure that these evaluations are sufficiently detailed; and
- d. as part of the invoice approval process, ensure that PHPA – IDB verifies rates billed to the individual contracts, and obtains and reviews approved timesheets for each individual invoiced.

### **Auditor's Assessment of Status – In Progress**

MDH established procedures to address recommendations a, b, and d but did not address recommendation c. Specifically, MDH did not ensure that PHPA – IDB performed evaluations of individuals twice annually, and did not ensure that these evaluations were sufficiently detailed. Our review of one agreement entered into during our prior audit with 34 positions that required evaluations disclosed that PHPA – IDB did not perform the two required evaluations for 7 of these positions (there were no evaluations for these 7 positions).

## **Procurements**

### **Prior Finding 3**

**MDH did not always comply with State procurement requirements regarding the award of sole source and emergency contracts.**

### **Prior Report Recommendation 3**

We recommended that MDH

- a. ensure sufficient justifications exist for sole source and emergency procurements, and that those justifications are documented;
- b. ensure sole source and emergency contract awards provide the most favorable prices, and conduct documented price negotiations as appropriate;
- c. ensure that the vendor selection process is handled appropriately; and
- d. provide accurate information to the BPW and notify the BPW of the aforementioned erroneous statement.

### **Auditor's Assessment of Status – In Progress**

MDH satisfactorily completed recommendations c and d but did not completely address recommendations a and b. We tested three sole source procurements totaling \$1.5 million and two emergency procurements totaling \$1.6 million awarded after our report was issued. Our review disclosed that while all the awards tested had a written justification, one award for website design services totaling \$409,584 did not appear to be justified since this service may have been available from multiple vendors. In addition, MDH did not conduct price negotiations for any of the three sole source awards tested to ensure that the awards provided the most favorable prices.

## Information Systems Security and Control

### **Prior Finding 10**

**Network access to critical MDH internal network devices was not properly restricted, intrusion detection prevention system (IDPS) coverage was not complete or adequate, and certain wireless connections were not configured securely.**

### **Prior Report Recommendation 10**

We recommended that MDH

- a. configure its firewalls to properly protect all critical network devices, (repeat)
- b. perform and document periodic reviews of its firewalls' rule bases to ensure that only necessary rules remain active and unnecessary rules are deleted/disabled based on these reviews,
- c. configure its network-based IDPS devices to prevent high-risk malicious traffic from entering the network and to continuously log lower-risk malicious traffic for review and possible investigation,
- d. perform a documented review and assessment of its network security risks and identify how IDPS and/or HIPS coverage should be best applied to its network and implement this coverage for traffic (including encrypted traffic) from all untrusted parties, and
- e. use the strongest possible encryption method available to protect data in transit over MDH wireless connections.

### **Auditor's Assessment of Status – In Progress**

MDH satisfactorily completed recommendations a and e but had not completely addressed recommendation c. We did not perform follow-up work in relation to recommendations b and d. In regard to recommendation c, MDH has made limited progress in correcting the control weakness associated with utilization of an IDPS. The MDH network includes third-party connections at two locations (Headquarters and at the Springfield Hospital Center [SHC]). We determined that MDH installed an Intrusion Prevention System (IPS) appliance at SHC, however, it was only monitoring outbound traffic from most of the MDH's wide area network. Furthermore, the IPS had not yet been implemented at MDH headquarters. Finally, none of MDH's inbound traffic at the two locations (such as incoming web and email traffic) was monitored by IPS. We were advised that MDH plans to replace their existing Intrusion Detection System at MDH headquarters in September of 2018 using fiscal year 2019 funds.

**Prior Finding 11**

**Malware protection for MDH computers was not sufficient to provide the Office of Information Technology (OIT) with adequate assurance that these computers were properly protected.**

**Prior Report Recommendation 11**

We recommended that OIT ensure

- a. that all MDH computers are running current versions of the malware protection software and that malware signatures provided by the malware protection software vendor are installed on these computers immediately upon issuance, document these efforts, and retain the documentation for future reference;
- b. that commonly vulnerable applications on MDH workstations and servers were frequently updated; and
- c. that administrative rights on all MDH workstations and servers are restricted to only system/network administrators or non-IT personnel authorized in writing to have such rights, with documentation supporting these authorizations retained for future reference (repeat).

**Auditor's Assessment of Status – In Progress**

OIT had made minimal progress in implementing recommendation a and no progress in implementing recommendations b and c.

In regard to recommendation a, we were advised that for OIT-maintained computers, OIT personnel started reviewing malware protection console reports to ensure that the computers were running current malware protection software versions and related definition files. However, this review was not being documented. Additionally, for these OIT-maintained computers, OIT configured their protection management server to synchronize with their directory of computers, to ensure that all computers were included and contained the appropriate protection software. Despite this synchronization, OIT had not performed any reconciliation to verify that all computers were covered by this protection software, resulting in a lack of assurance that all OIT-maintained computers are running with malware protection software installed and operable. Finally, OIT has not implemented any procedures to monitor how various MDH administrations (that were non-OIT supported) reviewed the malware protection software status for the computers in those administrations.

In regard to recommendation b, OIT had made no progress in implementing the recommendation for OIT or non-OIT maintained workstations. For OIT maintained workstations, we tested certain commonly vulnerable applications on 10 workstations and found that 5 workstations were not running the most current

versions of all applications. For non-OIT maintained workstations, we were advised that MDH had planned to have a newly hired Information Security Officer handle the responsibility for monitoring reported progress (for updating vulnerable software products) within non-OIT supported MDH units, however, that individual had only been hired as of the beginning of April 2018, and we were advised that the related monitoring had not yet started at the time of our review.

In regard to recommendation c, OIT had made no progress with implementing the recommendation with respect to OIT or non-OIT maintained workstations. Specifically, MDH planned to have a newly hired Information Security Officer, monitor progress on this issue within the non-OIT supported MDH Administrations, however, that individual had only been hired as of the beginning of April 2018, and we were advised that related monitoring had not yet started at the time of our review.

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

We conducted a follow-up review of the actions taken by the Maryland Department of Health (MDH) – Office of the Secretary and Other Units to address the findings in our August 30, 2017 audit report. In that report, we concluded that MDH’s fiscal accountability and compliance rating was unsatisfactory.

The purpose of our review was to determine the status of MDH’s corrective actions to address certain of our audit findings. This review was conducted under the authority of Section 2-1220(a)(4) of the State Government Article and was based on our long-standing practice of performing a follow-up review whenever an agency receives an unsatisfactory rating in its fiscal compliance audit report. The rating system was established, in accordance with State Government Article, Section 2-1221 of the Annotated Code of Maryland, for the purpose of determining an overall evaluation of an agency’s fiscal accountability and compliance with State laws and regulations.

Our review consisted of obtaining a status report from MDH, as of February 28, 2018, which described the level of implementation of each prior audit report finding, as well as obtaining additional clarification from MDH of the actions taken to resolve the findings. Our review also consisted of performing tests and analyses of selected information and holding discussions with MDH personnel as we deemed necessary to determine the status of MDH’s corrective actions to address selected findings from our August 30, 2017 audit report.

This review did not constitute an audit conducted in accordance with generally accepted government auditing standards. Had we conducted an audit in accordance with generally accepted government auditing standards, other matters may have come to our attention that would have been reported.

Our review was conducted primarily during the period from March to June 2018, and our assessment of the status of MDH’s corrective actions was performed at the time of our review.

MDH’s response to our follow-up review 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 MDH regarding the results of our review of its response.

**APPENDIX A**

**MARYLAND DEPARTMENT OF HEALTH  
OFFICE OF THE SECRETARY  
REPORT ON THE STATUS OF LEGISLATIVE AUDIT COMMENTS  
As of February 28, 2018**

To: Fred Doggett, Inspector General  
From: Stephen Ayers, Inspector General's Office  
Date: February 28, 2018  
cc:

Completion Percentage

Total Findings 17    Total Findings Completed 11    Percentage 65 %

<b><u>Legislative Audit Finding and Recommendations</u></b>	<b><u>DHMH Response Submitted</u></b>	<b><u>Complete or In-Process</u></b>	<b><u>Current Status of Corrective Action and Projected/Completion Date</u></b>
<b><u>Finding 1</u></b> <b>MDH did not provide adequate guidance and oversight regarding 304 interagency agreements valued at \$329.5 million that MDH administrations entered into with units of State universities. As a result, assurance was lacking that the services provided under these agreements were appropriate and represented the best value. In addition, certain administrative fees included in the agreements appeared excessive.</b>		Complete	In March 2017, a new IA template was put into place with considerable additional required elements, such as a budget and itemization of deliverables. This was the culmination of years of prior efforts to replace the old MOU form that was the subject of audit findings. This change was accompanied and followed by the proliferation of internal policies to curb use of IAs for staffing augmentation and reduce indirect rate costs paid by MDH. .
<b><u>Interagency Agreements Recommendation 1 (a)</u></b> Provide oversight of and guidance to its administrations regarding agreements with State institutions of higher education.	The Department concurs with the recommendation. MDH has provided oversight and guidance to its administrations regarding interagency agreements (IA) with public universities. This has included department-wide training in April 2017 by the Office of Purchasing and Support Services (OPASS) on a new IA template that OPASS developed in March 2017. Among other disciplines, the new IA template requires the definition of deliverables and sets limits on administrative	Complete	The March 2017 template initiative put into place a completely new process of MDH inquiry and monitoring of IAs, previously known as MOUs. It is the subject of continuing training and dialogue to secure implementation as envisioned. The first major training presentation on new IA requirements was delivered by the Director of OPASS on April 4, 2017. The most recent extensive training session occurred on Feb. 27, 2018. OLA will be provided with copies of the PowerPoint presentations delivered to support widespread training on the new IA process throughout MDH.

	overhead (even for IAs that are not with institutions of higher education), as described below. Further, the Secretary and the Chief of Staff have provided information and directives in both MDH leadership staff meetings and the MDH bi-weekly cadence meeting for review and approval of departmental purchases, which meeting now includes all IAs in addition to high-dollar procurements.		
<b>Recommendation 1(b)</b> Evaluate existing interagency agreements with State institutions of higher education to determine whether each arrangement is appropriate and the most cost beneficial option for MDH.	The Department concurs with the recommendation. As of July 2017, MDH has removed authority of offices and units to use IAs unless by explicit approval of the Secretary. For any IA presented to the Secretary, the requesting office must submit a justification that demonstrates compelling value for the State. For all existing IAs (with institutions of higher learning or otherwise), MDH launched, in August 2017, a survey and analysis of the IA scope, costs, duration, and rationale as basis for comprehensive assessment of impact and value. This survey and analysis is by OPASS, the Office of Human Resources (OHR), the Office of Finance and Budget, and the Chief of Staff for delivery to the Secretary in fall 2017.	Complete	Training conducted in July 2017 required program managers to consider the option of competitive procurement to secure services before resorting to IA. This was also the subject of several Memoranda beginning on July 19 through November 27, 2017 as refinements to the new policy were put into place. MDH OHR developed a spreadsheet to identify the extent of MDH use of personnel employed by separate entities under IA. In January 2018, OPASS rolled out a preliminary checklist that must be completed by program personnel before requesting services through IA. That checklist was modified in February 2018 and continues to require inquiry, analysis, and recommendation for approval from 3 separate reviewing agents, concluding with final approval by MDH COO before any IA can be processed.
<b>Recommendation 1 (c)</b> refrain from executing agreements to augment its staff.	The Department concurs with the recommendation. MDH has implemented new policies prohibiting the hiring of new staff by new IAs without the approval of the MDH Secretary. MDH leadership (Deputy Secretaries, Chiefs of Staff, Directors) has been instructed that IAs for staffing augmentation are especially discouraged and are especially required to show compelling value for the State.	Complete	See Response to Recommendation 1(b). Using IA for staff augmentation is now prohibited by new policy barring the filling of open IA positions without senior level authorization based upon determination of necessity of filling the open position and savings by use of IA as compared to direct hire, contract hire, or competitive procurement. The objective of the new policy is to reduce MDH reliance on IA employees through attrition.
<b>Recommendation 1 (d)</b> Establish procedures to perform a documented analysis to determine the most cost beneficial option for	The Department concurs with the recommendation. As of July 2017, MDH (OPASS, the OHR, and the relevant Deputy Secretary) analyzes whether any given IA is	Complete	Beginning in January 2018, OPASS requires a preliminary checklist to be completed as a pre-condition for requesting IA. The analysis required to complete that checklist includes a cost benefit analysis to justify use of IA before it may be approved or even processed for approval.

MDH to obtain services prior to entering into future interagency agreements.	preferable to other methods for securing talent and services. Alternatives include hiring staff on special payroll, obtaining and assigning PINs, conducting a competitive procurement, and even abandoning the position altogether.		
<b>Recommendation 1 (e)</b> Ensure that the administrative fees are reasonable when it is determined appropriate to use an interagency agreement.	The Department concurs with the recommendation. In April 2017, MDH implemented both a standard (i.e., target) rate for administrative fees and a process for assessing fees above that rate to determine whether the rates are fair and reasonable. Fees that are above the standard rate require approval by the Secretary. In addition to making these policy changes, MDH began negotiating fees downward for IAs under negotiation in July and August 2017, achieving cost savings for the State. These standards and procedures encompass both indirect costs (IDC) and costs associated with facilities and administrative overhead (F&A).	Complete	New formal policy establishes a ceiling on the authority of program representatives to accept excessive indirect rate costs, identified as those exceeding 15%, and puts into place a process for review of all IDC rates. In addition, MDH has now successfully renegotiated the F&A rate for one of the primary providers of services under IA and continues to negotiate lower IDC rates with other providers, including, when possible, the transfer of IA opportunity to alternative providers when a prior provider refuses to reduce an excessive IDC rate.
<b>Finding 2</b> <b>MDH did not establish procedures to help ensure the agencies responsible for administering interagency agreements verified that the appropriate services were provided by the universities at the agreed-upon costs.</b>		Complete	New IA template requires itemization of deliverables which must be verified by Contract Monitor before payment approval.
<b>Recommendation 2(a)</b> Establish procedures to help ensure the agencies responsible for administering interagency agreements verify that the appropriate services were provided by the universities at the agreed-upon costs.	The Department concurs with the recommendation. In March 2017, OPASS developed a template for staffing IAs so that entities receiving funds must specify deliverables and report amounts of actual work performed as reflected in timesheets. This documentation is tracked by contract monitors to assure that any work that is paid for is actually being performed and documented by deliverables and effort.	Complete	In addition to including additional requirements in the new form IA put into place in March 2017, contract monitors have been trained to check for receipt of acceptable specified deliverables before approving any payment. The most recent training session that included a segment on the importance of verifying quantity and quality of deliverables occurred Feb. 12, 2018.
<b>Recommendation 2(b)</b> Ensure that PHPA – IDB immediately develops work assignments for each individual provided under the fore mentioned agreement.	The Department concurs with the recommendation. As of August 2017, the Infectious Disease Prevention and Health Services Bureau has detailed job descriptions for MIPAR positions similar to those for State positions.	Complete	Supervisors will continue to update job descriptions for MIPAR positions as necessary. Completed by August 2017.
<b>Recommendation 2 (c)</b>	The Department concurs with the recommendation. As of July 2017, all MIPAR employees are now reviewed twice annually	Complete	Supervisors will continue to provide PEPs for MIPAR employees in conjunction with the current schedule for PIN employees. Completed by July 2017

Ensure that PHPA – IDB performs evaluations of individuals twice annually, and ensure that these evaluations are sufficiently detailed.	using the same process and tools as reviews for State positions.		
<b>Recommendation 2(d)</b> As part of the invoice approval process, ensure that PHPA – IDB verifies rates billed to the individual contracts, and obtains and reviews approved timesheets for each individual invoiced.	The Department concurs with the recommendation. The Bureau implemented a reconciliation process that examines invoices every two weeks to determine if invoices match the approved timesheets and agreed upon pay rates. Also, the process includes an approval for payment signature by the Bureau Director.	Complete	The responsible parties will continue to check invoices prior to payment. Completed by July 2017
<b>Finding 3</b> MDH did not always comply with State procurement requirements regarding the award of sole source and emergency contracts.		Complete	
<b>Recommendation 3(a)</b> Ensure sufficient justifications exist for sole source and emergency procurements, and that those justifications are documented;	The Department concurs with the recommendation. OPASS provides a template to set forth the narrative justifying sole source or emergency procurement. The form is included in and maintained with the procurement file. The Secretary reviews the justification before approving the sole source or emergency procurement.	Complete	In addition to training procurement personnel about the limitations on use of SS and emergency procurements, and refusing to approve of those procurement methods unless they are justified, OPASS has updated its forms documenting that such determinations carry requisite approval by the prescribed chain of authority within MDH, namely, the procurement officer as well as the agency head or designee.
<b>Recommendation 3(b)</b> Ensure sole source and emergency contract awards provide the most favorable prices, and conduct documented price negotiations as appropriate;	The Department concurs with the recommendation. MDH promotes and requires competitive procurements. In the relatively infrequent case that a sole source procurement will provide the State best value, MDH and OPASS will require and oversee the development and documentation of the justification, including analysis of cost reasonableness as required by recent BPW Advisory. For emergency procurements, MDH (through OPASS) will promote multiple solicitations, as practicable in context of the emergency situation. Regardless of the practicality or appropriateness of pursuing multiple solicitations for the emergency, MDH will develop and document the justification. Emergency procurements will be in least-quantity amounts and time.	Complete	Procurement personnel have been trained or counseled on the need for compliance with BPW Advisory 2016-1. In addition, procurements are being cancelled and required to be re-solicited in the absence of an adequate determination of cost reasonableness, and OPASS contract officers have been instructed to require documentation of such determination before a procurement may proceed.

<p><b>Recommendation 3 (c)</b> Ensure that the vendor selection process is handled appropriately;</p>	<p>The Department concurs with the recommendation. Evaluation committees are counseled on how to conduct a trade-off analysis on low-cost versus high capability, so as to select the proposal that is highest-value to the State per the considerations and priorities as defined in the RFP. Deliberations and assessments are overseen and documented by the Procurement Officer.</p>	<p>Complete</p>	<p>Recommendations for Contract Award made by Evaluation Committees are now rejected unless they include a cost/benefit analysis, unless recommendation for award is made to the most favorable financial proposal.</p>
<p><b>Recommendation 3(d)</b> provide accurate information to the BPW and notify the BPW of the aforementioned erroneous statement.</p>	<p>The Department concurs with the recommendation. MDH commits to provide accurate information to BPW. In the event that MDH finds gaps or errors in previously provided information, MDH commits to timely mitigation of gaps or correction of errors.</p>	<p>Complete</p>	<p>MDH fully understands and appreciates that only accurate information is permitted to be directed to BPW, requiring occasional amendment to originally drafted BPW summaries. By OLA request, on November 27, 2017, the MDH Secretary directed written correspondence to the BPW Secretary correcting the formal BPW record for Item #A1 of the June 24, 2014 BPW Agenda, when BPW was incorrectly informed that competition was secured for certain emergency services required at the Western Maryland Hospital Center. The innocent basis of the information provided to the BPW at that time was confusion about the continuing emergency for those initial services, which were subsequently secured by sole source procurement. A new procurement is currently underway to secure such services on a competitive basis, with proposals in response to the pending RFP due on February 27, 2018.</p>
<p><b>Finding 4</b> MDH did not have a formal monitoring procedure to ensure that it consistently complied with publication requirements for service and information technology contract awards.</p>		<p>Complete</p>	
<p><b>Recommendation</b> We recommend that MDH establish a formal monitoring procedure to ensure that all applicable contract awards are published on eMM not more than 30 days after the execution and approval of the contract as required.</p>	<p>The Department concurs with the recommendation. All MDH procurement personnel have been newly trained about the necessity of publishing contract awards on eMM within 30 days as required by COMAR 21.05.02.16. As a management control point, procurement supervisors making sure that contract officers confirm the 30-day publication as part of the formal close-out procedure for any given procurement. Confirmation is currently via a prompt or check in the form that governs and documents the close-out process. By September 30, 2017, OPASS and the MDH Office of IT will determine whether further automation to enforce the 30-day requirement is practicable for implementation in the MDH Contract Tracking System.</p>	<p>Complete</p>	<p>As a condition of closing the procurement file, a checklist must be included indicating that required publication has been completed which must be approved by the Deputy Director of OPASS as supervisor of contract officers. In addition, a new requirement has now been put into place requiring that an actual copy of the eMM posting is required to be included in the procurement file rather than a mere indication that that requirement has been fulfilled, verified by a supervisor.</p>

<b>Cash Receipts</b>			
<b>Finding 5</b> MDH did not always comply with State procurement regulations with respect to bidding requirements and retention of critical procurement documentation. Additionally, MDH also awarded a contract for an amount substantially higher than could be supported by the related bid.		In progress	
<b>Recommendation 5 (a)</b> Establish procedures to record vendor bids upon receipt and to secure vendor bids prior to opening;	The Department concurs with the recommendation. MDH has implemented procedures to record the receipt of bids and proposals, by date and time stamping them before securing them in a locked location.	Complete	A formal protocol is in place to assure that all bids are opened in public, that the amounts of bids are documented, and that award is made to the low bid or lowest evaluated bid from a responsible bidder submitting a responsive bid. Furthermore, bids are not allowed to be opened except in the presence of at least two OPASS employees in addition to members of the public at large.
<b>Recommendation 5 (b)</b> Ensure that at least two employees witness the bid openings, and maintain documentation of the employees present;	The Department concurs with the recommendation. MDH has implemented a requirement that each contract officer make a note in the bidder's procurement file as to the names of witnesses to bid openings.	Complete	See above
<b>Recommendation 5 (c)</b> Maintain complete procurement documentation, including all bidder financial and technical proposals;	The Department concurs with the recommendation All technical and financial proposals are required to be preserved.	In progress	Training has been conducted to assure that all required documentation is included in the procurement file and in addition, OPASS is currently in the process of attempting to transition to a new document file system, namely, Smart Sheets, so that all documents may be more simply stored electronically in that format. The transition from the historic S-drive to Smart Sheets has been delayed in part because OPASS must first develop appropriate file fields to initiate use of Smart Sheets, which is a substantial change to historic record-keeping practices, requiring the participation and coordination of the MDH OIT to develop the system and thereafter train users for implementation. The most recent contact with OIT by OPASS to accomplish this objective occurred on Feb. 14. 2018.
<b>Recommendation 5 (d)</b> Ensure contract award amounts are consistent with bid documents or that adequate justification is maintained to support contract award amounts that differ from the supporting bids;	The Department concurs with the recommendation. Contract awards are required to be made in the amounts reflected in the successful bid.	Complete	See above. Procurement officers are fully aware that contracts must be entered into using the amounts offered by bids, and that documentation of that basic process is maintained for subsequent audit review. A complete training program was put into place beginning in November 2015 and continuing for an entire year, during which the entirety of COMAR Title 21 was read verbatim out loud in the presence of all OPASS personnel, with each section thereafter explained and discussed by the State's senior procurement practitioner, Joel Lieberknight, working in conjunction with the Director of OPASS beginning in May 2016. Initial training occurred twice a week, later reduced to a single weekly discussion session.
<b>Recommendation 5 (e)</b> In the future, when significant changes are made to the scope of services or goods being procured, either amend the published solicitation or provide a written	The Department concurs with the recommendation. A significant material change in the Scope of Work is not permitted in the absence of a competitive procurement.	Complete	Program representatives are now inquiring of OPASS whether desired mods are within previously stated Scope of Work. Upon critical review, OPASS now makes that determination in conjunction with the appropriate MDH procurement control agency, usually DBM.

justification for why an amendment is not needed.			
<b>Federal Funds</b>			
<b>Finding 6</b>		Complete	<b>Repeat Finding</b>
<b>Supervisory oversight of federal fund reimbursement requests was not always effective.</b>			
<b>Recommendation 6 (a)</b> Ensure that federal fund reimbursement requests are thoroughly reviewed, along with supporting documentation (repeat);	The Department concurs with the recommendation. MDH staff created a weekly draw checklist detailing review steps to ensure weekly draw accuracy. In addition, each quarter, once the Federal auditors have certified that expenditures reported are correct and finalized, MDH compares expenditure data to the federal Payment Management System to ensure that drawn amounts match reported expenditure amounts. This new process was put into place in April 2016.	Complete	MDH staff created a weekly draw checklist detailing review steps to ensure weekly draw accuracy. In addition, each quarter, once the Federal auditors have certified that expenditures reported are correct and finalized, MDH compares expenditure data to the federal Payment Management System to ensure that drawn amounts match reported expenditure amounts. This new process was put into place in April 2016.  Completed 10/2/2017
<b>Recommendation 6(b)</b> Research the aforementioned four reimbursement requests tested and take appropriate corrective actions, as needed.	The Department concurs with the recommendation. The four reimbursement requests were previously corrected and confirmed as corrected on March 1, 2017.	Complete	The four reimbursement requests were previously corrected and confirmed as corrected on March 1, 2017.  Completed 10/2/2017
<b>Finding 7</b>			
<b>OIG had not audited certain private providers for more than five years and did not always conduct private provider audits in a comprehensive manner.</b>		Complete	<b>Repeat Finding</b>
<b>Office of the Inspector General</b>			
<b>Recommendation 7(a)</b> OIG completes its grant audits on a timely basis (repeat)	The Department concurs with the recommendation. As noted in the finding, during the previous OLA audit period the OIG was behind on auditing grant providers. In February 2015, the month the previous audit report was issued, the OIG hired a new Chief of the Audit Division who was tasked with bringing the audits current. As of July 2017, grant audits are up-to-date. To ensure future audits are conducted in a timely manner, the OIG has developed several internal monitoring and tracking schedules.	Completed	As of July 2017, starting as of FY 2017 all grant audits are being completed in a timely manner.
<b>Recommendation 7(b)</b> Future audits are performed in a comprehensive manner.	The Department concurs with the recommendation. Because grant audits had fallen behind, desk audits were performed as a one-time "fix" to eliminate the backlog. Now that the OIG is current on performing grant audits, desk audits will only be used for vendors receiving less than \$250,000 in grants. All other audits conducted in FY 2017 and FY 2018 are more comprehensive in scope.	Completed	As of July 2017, all audits started in FY 2017 are being performed in a comprehensive manner.

<p><b>Finding 8</b> OIG did not have a formal process for oversight and monitoring to ensure corrective actions were taken by both LHDs and private providers.</p>		Complete	
<p><b>Recommendation</b> We recommend that MDH ensure that the OIG establishes a formal process to actively monitor corrective actions taken to address its audit findings.</p>	<p>The Department concurs with the recommendation. This, too, is a by-product of the backlogged audits, as well as the change in management of the OIG and limited audit resources. While there were procedures in place for follow-up audits on providers' corrective action plans, the procedures were not in writing. The OIG has, as of July 2017, formalized the follow-up process in writing. The procedures will be included in the OIG Audit Manual, which is under development and scheduled for completion by December 2017.</p>	Completed	As of July 2017, the OIG has established a formal process to actively monitor the provider's corrective actions taken to address their audit findings.
<p><b>Finding 9</b> MDH did not provide adequate guidance and oversight regarding 304 interagency agreements valued at \$329.5 million that MDH administrations entered into with units of State universities. As a result, assurance was lacking that the services provided under these agreements were appropriate and represented the best value. In addition, certain administrative fees included in the agreements appeared excessive.</p>		Complete	
<p><b>Information Systems Security and Control Recommendation</b> We recommend that MDH properly protect sensitive PII information by encryption or other substantial mitigating controls.</p>	<p>The Department concurs with the recommendation. The encryption of sensitive personally identifiable information within the NEDSS database and HMIS data file is expected to be fully implemented by December 2017. The migration of the legacy system to the new system will include encryption of all PHI data either at rest or in motion.</p>	<p>HMIS Complete</p> <p>NEDSS Complete</p>	<p><b>HMIS – 100%</b> Requesting OIG and/or OLA validate the implemented encryption(s).</p> <p><b>NEDSS – 100%</b> Requesting OIG and/or OLA validate the implemented encryption(s).</p>
<p><b>Finding 10</b> Network access to critical MDH internal network devices was not properly restricted, intrusion detection prevention system coverage was not complete or adequate, and certain wireless connections were not configured securely.</p>		In-process	<b>Repeat Finding</b>
<p><b>Recommendation 10 (a)</b> Configure its firewalls to properly protect all critical network devices,</p>	<p>The Department concurs with the recommendation. The rules specifically referenced have been adjusted as recommended. Completed in May 2017.</p>	Complete	100%

(repeat)			
<p><b>Recommendation 10(b)</b> Perform and document periodic reviews of its firewalls' rule bases to ensure that only necessary rules remain active and unnecessary rules are deleted/disabled based on these reviews,</p>	<p>The Department concurs with the recommendation. OIT is revising current procedures to improve the firewall rule review process. The process will include a requirement for justification to keep "zero hit" rules enabled. A semi-annual documented review will be conducted, and retained centrally. Expected to be completed by December 2017.</p>	In-process	<p>99% Process has been implemented and will be ongoing. First of new rule reviews process is in closeout and will be complete by January 31, 2018.</p> <p>The first of the new review processes has been completed and we are now disabling/deleting unnecessary rules on the firewall.</p>
<p><b>Recommendation 10 (c)</b> Configure its network-based IDPS devices to prevent high-risk malicious traffic from entering the network and to continuously log lower-risk malicious traffic for review and possible investigation.</p>	<p>The Department concurs with the recommendation. OIT will implement intrusion prevention on the network as recommended. Expected to implement by January 2018.</p>	In-process	<p>80% (OIT will need to replace one of its IPS devices in order to comply 100% with this finding. This new hardware will be purchased once the FY19 budget becomes available.)</p> <p><b>Projected completion:</b> September 2018.</p> <p>We are working with Cisco to identify the bill of material for this procurement so that it can be executed once FY19 budgets are available.</p>
<p><b>Recommendation 10(d)</b> Perform a documented review and assessment of its network security risks and identify how IDPS and/or HIPS coverage should be best applied to its network and implement this coverage for traffic (including encrypted traffic) from all untrusted parties,</p>	<p>The Department concurs with the recommendation. OIT will annually review and assess security risks to critical servers and implement IPS where appropriate. Expected to be completed by January 2018.</p>	In-process	<p>75% (Please see response for 10c regarding the IDPS implementation portion of this requirement. OIT is also working to identify what benefit HIPS will provide beyond that of its planned IDPS systems.)</p> <p>Staff members assigned to newly formed Security team are currently being trained on the processes for daily reviews of security risks and will be ready to begin performing these reviews by February 1, 2018.</p> <p><b>Projected completion:</b> September 2018 due to staff training.</p> <p>After reviewing the recommendation provided by OLA and MDH's response, the update regarding daily reviews is not applicable to this finding and should be removed from our status response. As part of the ongoing annual review, MDH has concluded that it is able to phase in IPS functionality. In order to completely implement IPS, MDH will need to purchase new security appliances for its HQ datacenter. IDS have already been implemented prior to this audit based on recommendations provided by OLA on a previous audit. Our office does not have anyone trained on HIPS software functionality to properly assess the risks and benefits that are associated with its implementation at this time. The estimated completion date for the annual review was modified to September to provide ample</p>

			time to familiarize our staff with HIPS to ensure that our review balances security and usability.
<b>Recommendation 10(e)</b> Use the strongest possible encryption method available to protect data in transit over MDH wireless connections.	The Department concurs with the recommendation. As of May 2017, OIT implemented the strongest possible encryption method for wireless connections suitable for our system.	Complete	100% Encryption standards for wireless have been strengthened.
<b>Finding 11</b> Malware protection for MDH computers was not sufficient to provide OIT with adequate assurance that these computers were properly protected.		In-process	<b>Repeat Finding</b>
<b>Recommendation 11(a)</b> That all MDH computers are running current versions of the malware protection software and that malware signatures provided by the malware protection software vendor are installed on these computers immediately upon issuance, document these efforts, and retain the documentation for future reference.	The Department concurs with the recommendation. OIT will perform monthly reviews of antivirus dashboard reports to ensure deployment of the latest versions of the antivirus client and anti-malware signatures. The documentation will be retained for future reference. Expected to be completed by December 2017.	In-process	95% Process has been implemented and will be ongoing. Staff members assigned to newly formed Security team are currently being trained on the processes and will be ready to begin performing these reviews on February 1, 2018.  The first of the new monthly review processes was conducted on 2/8/18. Process will be regularly reviewed to optimize its effectiveness and efficiency.
<b>Recommendation 11 (b)</b> That commonly vulnerable applications on MDH workstations and servers were frequently updated.	The Department concurs with the recommendation. OIT is in the process of upgrading system management servers that are used for this purpose. Software package updates will be created and deployed as necessary. A new software management environment will be operational by September 2017.	Complete	100% System and process has been implemented and will be ongoing.
<b>Recommendation 11 (c)</b> That administrative rights on all MDH workstations and servers are restricted to only system/network administrators or non-IT personnel authorized in writing to have such	The Department concurs with the recommendation. OIT now requires supervisors to sign an authorization form prior to allowing administrative permissions on workstations and servers. The signed authorization form is retained. Expected to be fully implemented by December 2017.	Complete	100% Process has been implemented and will be ongoing.

rights, with documentation supporting these authorizations retained for future reference (repeat).			
<b>Finding 12</b> Information technology contractors had unnecessary network-level access to the MDH network.		In-process	
<b>Recommendation 12 (a)</b> Limit IT contractors' network-level access to only those network devices and ports required for them to perform their duties.	The Department concurs with this recommendation as it relates to remote contractors. Prior to the current audit OIT has been limiting remote contractor VPN access as specified by the requestors of VPN tokens, when the recipient is identified as a contractor. We recognize the concern regarding on-site contractors; however, OIT does not currently have the capability to efficiently limit network level access of on-site contractors. Further, OIT does not manage LANs at all MDH remote locations.	Complete	100% Process has been implemented and will be ongoing.
<b>Recommendation 12 (b)</b> Create and maintain, on a current basis, a centralized schedule of all IT contractor personnel working onsite within MDH and use this schedule to ensure that network-level access for these contractors is appropriately limited as noted in the aforementioned recommendation.	The Department does not concur with the recommendation. A list or log would be cost prohibitive to implement and unreliable in practices given the highly-distributed nature of MDH and the statutory independence of many MDH units in terms of managing their IT teams and assets. MDH believes that such a list might create a false sense of security. OIT does, however, agree with the goal of maximizing network security, toward which goal it provides (amongst other practices) only minimally necessary access for any person on the network whether they are employees or contractors.  <b>Auditor's Comment:</b> During previous discussions with MDH personnel on these issues, MDH stated that their new Chief Information Security Officer would perform a risk assessment for the MDH network relative to contractors' access, which would identify risks, controls and expected benefits of restricting such access, and present this assessment to MDH management for its consideration. In addition, MDH personnel agreed that a list of all contractors was necessary and would be created.	In-process	25% completed. Still need to fill new security officer position.  <b>Projected completion:</b> July 2018  Interviews were conducted. Position was offered to candidate selected by the interview panel on 2/16/18. Applicant declined the position on 2/20/18. Interview panel reviewed other applicants and internal references were checked for various applicants. Decision was made on 2/27/18 to assign a project to an internal candidate on a trial basis to see if the candidate will be a good fit prior to offering the position. If not, the position will be re-posted.
<b>Cash Receipts</b> <b>Finding 13</b>		Complete	

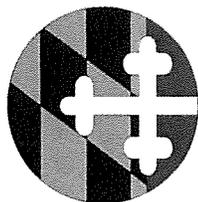
Controls were not established to ensure collections were properly accounted for, deposited, and secured.			
<b>We recommend that MDH comply with the Accounting Procedures Manual and the Policy on the Use of Remote Deposit Services. Specifically, we recommend that MDH ensure that</b>			
<b>Recommendation 13(a)</b> The deposit verification is performed by an employee who does not handle or record collections.	The Department concurs with the recommendation. Fiscal Services will assess staff duties and assign deposit verification responsibilities accordingly.	Completed	Deposit verification is now performed by Chief or Deputy Chief, General Accounting, both of whom do not handle or record collections.
<b>Recommendation 13(b)</b> Collections are verified to deposit using the related initial record.	The Department partially concurs with the recommendation. DGA will ensure that collections per DGA's initial record are verified to a receipt and that total daily collections per our cash receipts records are independently verified to bank deposit(s). As for amounts received from MDH units, it is the responsibility of a unit's employee to ensure the accuracy of the receipt issued before leaving the Cashier. Furthermore, it is the responsibility of a unit's CFO to have procedures in place to ensure that the DGA's receipt agrees with their initial log and the applicable transaction appears on their financial statement. Each MDH CFO will be advised of the above requirement.	Completed	DGA's signed initial record of checks received is independently verified to receipts, deposit tickets, and bank's deposit reports. Verification is performed by Chief or Deputy Chief, General Accounting.
<b>Recommendation 13 (c)</b> Proper segregation of duties are established over cash receipts and accounts receivable functions.	The Department concurs with the recommendation. The cashier no longer has access to DGA's electronic check tally log. Except for referencing an invoice number on a cash receipt, if provided by payee or it is determined that payment applies to an invoice, the cashier has no involvement in the accounts receivable process. DGA cashiers do not generate customer invoices, cannot approve an invoice adjustment/cancellation, cannot add or change customer names and addresses, and are not involved in the monthly review of delinquent accounts receivables or receipt/mailing of statements.	Completed	The Cash Receipts and Data Control Units' staff no longer have the ability in RSTARS to apply action codes to post cash receipts that draw down customer invoices in A/R..
<b>Recommendation 13(d)</b> Access to mail is adequately restricted to authorized personnel only.	The Department concurs with the recommendation. As of March 2017, the Central Services Division has implemented procedures that secure the Department's mail from unauthorized individuals and requires a State identification and a signature on a log sheet to retrieve.	Completed	As of March 2017, the Central Services Division has implemented procedures that secure the Department's mail from unauthorized individuals and requires a State identification and a signature on a log sheet to retrieve.

<p><b>Recommendation 13(e)</b> Remotely deposited checks are destroyed in a timely manner and independently reconciled to the initial check logs.</p>	<p>The Department partially concurs with the recommendation. Starting September 2017, cash receipts information (i.e. cash receipts summary, correspondence accompanying deposit) will be reconciled to the value of checks being destroyed. At least one person on the destruction team will be independent of the cash receipts function, and will perform the aforementioned reconciliation and initial the remote deposit check destruction log. Also, see Response #13B.</p>	<p>Complete</p>	<p>Tricia Young, Executive Assistant, Office of Finance now shreds remotely deposited checks and reconciles the total checks, total deposit tickets, total written on bank bag, total written on remote deposit transmittal log, and total on CICS "Cash Receipts Summary by Agency" sheet.</p>
<p><b>Finding 14</b> MDH did not adequately pursue collection of certain Division of Cost Accounting and Reimbursements delinquent accounts receivable.</p>		<p>Complete</p>	<p><b>Repeat Finding</b></p>
<p><b>Recommendation</b> We recommend that MDH ensure delinquent accounts receivable are adequately pursued for collection and transferred to CCU as required (repeat).</p>	<p>The Department concurs with the recommendation. Effective October 2016 a new process was implemented in which monthly reports are sent to the field office supervisors who review and ensure that the accounts are adequately being followed up on to prevent account delinquency.</p>	<p>Completed</p>	<p>The new process was implemented in October 2016 and being followed to ensure timely review and follow up to avoid any delinquency.</p>
<p><b>Finding 15</b> <b>Overtime earned by certain Secure Evaluation and Therapeutic Treatment Program employees for an extended period appeared questionable and was not investigated.</b></p>		<p>In-process</p>	
<p><b>Payroll Recommendation 15 (a)</b> Investigate the legitimacy of the overtime for the employees cited as having questionable overtime.</p>	<p>The Department concurs with the recommendation. The Department's Office of Human Resources (OHR) will work with local management at SETT to determine whether the employee's hours cited in this report were legitimate, and thereafter determine the appropriate and applicable actions to take. This review will begin in October 2017.</p>	<p>In progress due to on-going in nature</p>	<p>Audit process in place. Report produced quarterly. Continued use of overtime vouchers signed by supervisor to monitor the use of overtime. As a threshold, 20 hours of overtime per pay period is considered to be above the norm.</p> <p>Update 2/5/18: Investigation into cited past overtime use continues. Due to time and attrition the process is slow.</p> <p>Update 2/22/18: SETT Local HR has pulled documentation from the 2014 – 2017 period. Local Management is attempting to contact any of those employees or supervisors who could provide some insight as to whether hours paid were actually worked. Few people who would know these answers are still employed</p>
<p><b>Recommendation 15 (b)</b> Take necessary actions to reduce overtime, consistent with budgetary levels, and ensure that overtime charges are charged against proper agency budgets.</p>	<p>The Department concurs with the recommendation. OHR will begin developing a report that can be used to identify occurrences of potentially excessive overtime usage. This will provide the Department improved oversight of overtime usage. The Department will contact local SETT management and human resources with regard to recruiting positions currently vacant, and to determine whether a change in the process for assigning overtime might result in a</p>	<p>On-going</p>	<p>Report to be produces quarterly for evaluation of overtime. Due to vacancies, illness and injuries there is increased overtime.</p> <p>Update 2/5/18: all overtime, from third and fourth quarter 2017, is being tracked, and is available for review.</p> <p>Overtime exceeding 40 hours, in a given pay period, has been identified (for third and fourth quarter 2017), and SETT has been contacted regarding documentation for the overtime.</p>

	more even distribution of hours worked. These processes will begin in October 2017.		Update 2/22/18: A process has been put in place, where SETT's Fiscal Officer will be reviewing all scheduled overtime, prior to the employee receiving approval for the shift. Additionally, the Fiscal Officer will be reviewing all vouchers for unscheduled overtime, prior to payment. The Fiscal Officer is also investing prior pay periods, to ensure proper documentation was provided for overtime worked. At the present time, Recruitment has advised that there are currently seven vacancies, at SETT (Three Security Officers, one Therapy Associate, two Nursing positions, and one Resident Associate) Trends identified: the vast majority of overtime is being allocated to Security Officers and Resident Associates.
<b>Corporate Purchase Cards</b>			
<b>Finding 16</b> MDH did not comply with certain corporate purchasing card requirements relating to the sharing of cards and certain purchasing activities.		Complete	
<b>We recommend that MDH comply with the Corporate Purchasing Card Policy and Procedures Manual. Specifically, we recommend that MDH ensure that</b>			
<b>Recommendation 16 (a)</b> Purchasing cards are not shared by more than one employee so that individual accountability exists for each purchase,	The Department concurs with the recommendation. Our Division of General Accounting (DGA) will revise the CPC Activity Log statement certified by the cardholder and reviewer, accordingly. The Log will state "...Purchases of gift cards (and other cash-like items), use of card by anyone other than cardholder is forbidden, and split purchases to circumvent procurement regulations and/or single purchase limit are forbidden." The revised Log will be required starting with the CPC cycle ending September 2017. However, we do not view the handling of the Department's Travel card as sharing. MDH has been operating in this same manner, without t audit exception, since the introduction of the Travel CPC which spans numerous audits. After consultation and confirmation with GAD, we will continue our current practice, one Travel card for MDH.	Complete	The CPC Activity Log containing revised verbiage forbidding sharing of CPC cards was emailed out in March, 2017. This was done as discussions with the OLA auditors regarding their findings were still going on. As of OLA's latest recommendations, no further revisions to the Activity Log are needed.  The Department's travel CPC card is now limited to use by only three DGA staff members. Limits are controlled by both DGA, and by the travel agent, Globetrotter.
<b>Recommendation 16 (b)</b> Purchasing card purchases are not artificially split into smaller purchases to circumvent the procurement regulations and individual transaction limits,	The Department concurs with the recommendation. DGA will revise the CPC Activity Log statement certified by the cardholder and reviewer, as stated above.	Complete	As of March 2017, the CPC Activity Log now contains this verbiage, "...no split purchases have occurred to circumvent procurement regulations and/or single purchase limit".

<p><b>Recommendation 16 (c)</b> Purchasing cards are not used to purchase gift cards.</p>	<p>The Department concurs with the recommendation. Currently, both the monthly CPC Certification form submitted by each MDH agency and the CPC Activity Log contain language regarding prohibition of the purchase of gift cards using the CPC. In addition, every six months, MDH will send a mass email reminding employees of certain CPC requirements/restrictions along with other items of concern. The first “bulletin” was sent in March 2017.</p>	<p>Complete</p>	<p>As of March 2017, the CPC Activity Log now contains this verbiage, “Purchases of gift cards (and other cash-like items), use of card by anyone other than cardholder is forbidden . . .”</p> <p>On September 28, 2017, MDH sent a mass email reminding employees of certain CPC requirements/restrictions along with other items of concern.</p>
<p><b>Finding 17</b> <b>MDH physical inventory procedures did not comply with certain DGS requirements.</b></p>		<p>In-process</p>	<p><b>Repeat Finding</b></p>
<p>We recommend that MDH comply with the requirements of the Department of General Services’ Inventory Control Manual. Specifically, we recommend that MDH:</p>			
<p><b>Equipment</b> <b>Recommendation 17 (a)</b> Investigate and resolve missing items identified through physical Inventories.</p>	<p>The Department concurs with the recommendation. Investigations have been conducted and the Department is continuing to investigate to resolve the missing items through physical inventories.</p>	<p>In Process</p>	<p>All MDH units missing items have been investigated and are waiting on two headquarters units’ to do a missing and stolen reports on all missing items. They have been given a deadline of 3/30/2018 to have their inventories completed, and anything not found by 3/30/2018 a Missing and/or Stolen Report will be made for all missing items.</p>
<p><b>Recommendation 17(b)</b> Report missing or stolen items to DGS within 10 days of discovery.</p>	<p>The Department concurs with the recommendation. The Department has informed all units, hospitals and local health departments that Form DGS-950-8 (Report of Missing and Stolen Personal State Property) must be forwarded to DGS within 10 working days of discovery of loss.</p>	<p>Complete</p>	<p>Completed as stated in response submitted 8/25/2017</p>
<p><b>Recommendation 17 (c)</b> Conduct annual physical inventories of sensitive equipment (repeat).</p>	<p>The Department concurs with the recommendation. All units within the Department are conducting annual physical inventories of sensitive equipment. In addition, the MDH RFID Inventory System will be expanded to include the units that have extensive sensitive inventories.</p>	<p>In Process</p>	<p>MDH is waiting in two units’ physical inventory. They have been given a deadline of 3/30/2018 to have their inventories completed. Anything not found by 3/30/2018 a Missing and/or Stolen Report will be made for all missing items and the MDH Inventory will be signed off on 4/2/18</p>

APPENDIX B



**MARYLAND**  
**Department of Health**

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

October 10, 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 Follow-up Review of the Maryland Department of Health – Office of the Secretary to address the findings in your August 30, 2017 audit report. Enclosed is the Department's response and our current progress with addressing 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", with a long horizontal flourish extending to the right.

Robert R. Neall  
Secretary

Enclosure

cc: Dennis R. Schrader, Chief Operating Officer, MDH  
Frederick D. Doggett, Inspector General, MDH

## **Exhibit 2**

### **Detailed Comments on the Findings for Which the Office of Legislative Audits Deemed the Implementation Status to be “In Progress”**

#### **Interagency Agreements**

##### **Prior Finding 1**

**MDH did not provide adequate guidance and oversight regarding 304 interagency agreements valued at \$329.5 million that MDH administrations entered into with units of State universities. As a result, assurance was lacking that the services provided under these agreements were appropriate and represented the best value. In addition, certain administrative fees included in the agreements appeared excessive.**

##### **Prior Report Recommendation 1**

We recommended that MDH

- a. provide oversight of and guidance to its administrations regarding agreements with State institutions of higher education,
- b. evaluate existing interagency agreements with State institutions of higher education to determine whether each arrangement is appropriate and the most cost beneficial option for MDH,
- c. refrain from executing agreements to augment its staff,
- d. establish procedures to perform a documented analysis to determine the most cost beneficial option for MDH to obtain services prior to entering into future interagency agreements, and
- e. ensure that the administrative fees are reasonable when it is determined appropriate to use an interagency agreement.

##### **Auditor’s Assessment of Status – In Progress**

MDH established procedures to address recommendations d and e but did not fully address recommendations a, b, or c. As related to recommendation a, MDH provided guidance to the administrations but did not provide oversight to ensure the guidance was implemented. For example, we were advised that in October 2017 MDH developed a checklist for administrations to complete prior to entering into an interagency agreement, which included steps to consider to ensure the agreement was appropriate (such as, are the resources available within the MDH and should the services be competitively procured). Our review of one new interagency agreement initiated in February 2018 and totaling \$4.7 million disclosed that checklists were not completed for the agreement. MDH

management personnel could not adequately explain why the agreement did not have a checklist. We believe that the checklist should be used for all new agreements to ensure they are appropriate and in the State's best interest.

In regard to recommendation b, in November 2017 MDH compiled a spreadsheet to evaluate the staffing in the existing agreements. However, certain information reported on this spreadsheet was inaccurate and there was no indication as to what evaluation was performed on the data recorded. For example, one agreement on the spreadsheet indicated there was only one staff position when the agreement actually authorized 86 staff positions. At the time of our review in June 2018, 15 of these positions were being used and there was no indication that MDH evaluated any of these positions to ensure the services provided were appropriate and represented the best value.

In regard to recommendation c, our review disclosed that MDH continues to use the agreements to augment its staff. Specifically, our test of two agreements initiated in September 2017 and February 2018 disclosed that the agreements included 25 staff positions that augmented MDH's staff, but there was no justification that demonstrated the appropriateness of obtaining these services through an interagency agreement.

**MDH's Response:**

**a.** MDH concurs with the recommendation and the Auditor's assessment of "in progress". Since the auditor's assessment, MDH IAs and extensions of existing IAs are not permitted to proceed without prior authorization. Currently, even preliminary authorization to pursue an IA is now subject to five (5) rounds of review before IA discussions may be initiated with a prospective public sector provider. Use of the newly developed IA checklist (effective October 2017) is mandatory per MDH Policy and is being verified through inclusion in the five (5) rounds of administrative review.

**b.** MDH concurs with the recommendation and the Auditor's assessment of "in progress". Since the auditor's assessment the MDH Budget Office working with the Office of Human Resources has developed a Smartsheet platform to capture data when IA checklists are submitted for preliminary authorization. It is anticipated that this platform will be put into effect in the fall of 2018, as announced in the bi-monthly newsletter generally published to MDH procurement personnel on August 31, 2018.

**c.** MDH concurs with the recommendation and the Auditor's assessment of "in progress". MDH policy addresses the issue through attrition rather than termination of current employees, prohibiting vacant positions from being filled unless special exception is authorized by the COO, using a newly developed

staffing evaluation form. MDH has in many instances, authorized programs to retain IAs previously in force. However, this authorization is only for an additional year, while competitive procurements are being conducted. Through testing the open market, MDH anticipates that some IAs will be justified by price considerations or otherwise, while others will be converted to contractual agreements with private vendors through competitive procurement. The evaluation form focuses attention on whether MDH supervises the employees hired through the IA and whether the services provided are specialized professional health care activity, or mere generalized staffing needs, the former being generally allowed while the latter are ordinarily disallowed.

d. OLA determined recommendation satisfactorily completed.

e. OLA determined recommendation satisfactorily completed.

### **Prior Finding 2**

**MDH did not establish procedures to help ensure the agencies responsible for administering interagency agreements verified that the appropriate services were provided by the universities at the agreed-upon costs.**

### **Prior Report Recommendation 2**

We recommended that MDH

- a. establish procedures to help ensure the agencies responsible for administering interagency agreements verify that the appropriate services were provided by the universities at the agreed-upon costs;
- b. ensure the Prevention and Health Promotion Administration – Infectious Disease Bureau (PHPA – IDB) immediately develops work assignments for each individual provided under the aforementioned agreement;
- c. ensure that PHPA – IDB performs evaluations of individuals twice annually, and ensure that these evaluations are sufficiently detailed; and
- d. as part of the invoice approval process, ensure that PHPA – IDB verifies rates billed to the individual contracts, and obtains and reviews approved timesheets for each individual invoiced.

### **Auditor’s Assessment of Status – In Progress**

MDH established procedures to address recommendations a, b, and d but did not address recommendation c. Specifically, MDH did not ensure that PHPA – IDB performed evaluations of individuals twice annually, and did not ensure that these evaluations were sufficiently detailed. Our review of one agreement entered into during our prior audit with 34 positions that required evaluations disclosed that

PHPA – IDB did not perform the two required evaluations for 7 of these positions (there were no evaluations for these 7 positions).

**MDH’s Response:**

- a. OLA determined recommendation satisfactorily completed.
- b. OLA determined recommendation satisfactorily completed.
- c. MDH does not concur with the recommendation. The 7 positions referred to in the auditor’s assessment are graduate student assistants. There are no clear guidelines on the requirement for evaluating graduate student assistants, and MDH has not routinely completed these performance evaluations in the past. However, starting Fall semester 2018 MDH will complete performance evaluations for these graduate students at the end of each semester.
- d. OLA determined recommendation satisfactorily completed.

**Procurements**

**Prior Finding 3**  
**MDH did not always comply with State procurement requirements regarding the award of sole source and emergency contracts.**

**Prior Report Recommendation 3**

We recommended that MDH

- a. ensure sufficient justifications exist for sole source and emergency procurements, and that those justifications are documented;
- b. ensure sole source and emergency contract awards provide the most favorable prices, and conduct documented price negotiations as appropriate;
- c. ensure that the vendor selection process is handled appropriately; and
- d. provide accurate information to the BPW and notify the BPW of the aforementioned erroneous statement.

**Auditor’s Assessment of Status – In Progress**

MDH satisfactorily completed recommendations c and d but did not completely address recommendations a and b. We tested three sole source procurements totaling \$1.5 million and two emergency procurements totaling \$1.6 million awarded after our report was issued. Our review disclosed that while all the awards tested had a written justification, one award for website design services totaling \$409,584 did not appear to be justified since this service may have been available from multiple vendors. In addition, MDH did not conduct price

negotiations for any of the three sole source awards tested to ensure that the awards provided the most favorable prices.

**MDH's Response:**

- a. MDH concurs with the recommendation and the Auditor's assessment of "in progress". With respect to the sole source contract at a total cost of \$409,584 over a 5-year service period, MDH concurs that this procurement should have been subject to competitive procurement to test the market and demonstrate the propriety of offering this five-year contract to the vendor. The contract was entered into for maintenance support for the MD Behavioral Risk Factor Surveillance System (BRFSS), which has been in force for some time and was previously maintained under a sole source contract. The vendor is already providing the same service for the BRFSS in 10 other states, which share the cost of system upgrades and maintenance, and was believed to be the only provider with experience and expertise in maintaining this software. MDH requires sufficient justification for sole source and emergency procurements, and that such justifications be documented by forms that are retained in the procurement file. Since the auditor's assessment, MDH initiated a new training class on this subject, which was conducted on a departmental wide basis on May 22, 2018. Instruction has since been repeated on an on-going basis throughout MDH to address sufficient justification needed for sole source and emergency procurements.
- b. MDH concurs with the recommendation and the Auditor's assessment of "in progress". Since the auditor's assessment, MDH has initiated new training courses which highlight the necessity of conducting price negotiations for sole source procurements and including documentation of negotiations in the procurement file. This training was conducted on a departmental wide basis on May 22, 2018, and instruction has since been repeated on an on-going basis throughout MDH.
- c. OLA determined recommendation satisfactorily completed.
- d. OLA determined recommendation satisfactorily completed.

## Information Systems Security and Control

### **Prior Finding 10**

**Network access to critical MDH internal network devices was not properly restricted, intrusion detection prevention system (IDPS) coverage was not complete or adequate, and certain wireless connections were not configured securely.**

### **Prior Report Recommendation 10**

We recommended that MDH

- a. configure its firewalls to properly protect all critical network devices, (repeat)
- b. perform and document periodic reviews of its firewalls' rule bases to ensure that only necessary rules remain active and unnecessary rules are deleted/disabled based on these reviews,
- c. configure its network-based IDPS devices to prevent high-risk malicious traffic from entering the network and to continuously log lower-risk malicious traffic for review and possible investigation,
- d. perform a documented review and assessment of its network security risks and identify how IDPS and/or HIPS coverage should be best applied to its network and implement this coverage for traffic (including encrypted traffic) from all untrusted parties, and
- e. use the strongest possible encryption method available to protect data in transit over MDH wireless connections.

### **Auditor's Assessment of Status – In Progress**

MDH satisfactorily completed recommendations a and e but had not completely addressed recommendation c. We did not perform follow-up work in relation to recommendations b and d. In regard to recommendation c, MDH has made limited progress in correcting the control weakness associated with utilization of an IDPS. The MDH network includes third-party connections at two locations (Headquarters and at the Springfield Hospital Center [SHC]). We determined that MDH installed an Intrusion Prevention System (IPS) appliance at SHC, however, it was only monitoring outbound traffic from most of the MDH's wide area network. Furthermore, the IPS had not yet been implemented at MDH headquarters. Finally, none of MDH's inbound traffic at the two locations (such as incoming web and email traffic) was monitored by IPS. We were advised that

MDH plans to replace their existing Intrusion Detection System at MDH headquarters in September of 2018 using fiscal year 2019 funds.

**MDH's Response:**

- a. OLA determined recommendation satisfactorily completed.
- b. OLA did not complete follow-up work related to this recommendation.
- c. MDH concurs with the recommendation and the Auditor's assessment of "in progress". MDH has confirmed that all traffic (both inbound/outbound) is currently being monitored at Headquarters and SHC. New IPS hardware was ordered and scheduled to be received in October 2018. It will take about 2 weeks to setup and configure the upgraded new IDPS at Headquarters. MDH has implemented a monthly information security group meeting to review low risk malicious traffic for possible investigation.
- d. OLA did not complete follow-up work related to this recommendation.
- e. OLA determined recommendation satisfactorily completed.

**Prior Finding 11**

**Malware protection for MDH computers was not sufficient to provide the Office of Information Technology (OIT) with adequate assurance that these computers were properly protected.**

**Prior Report Recommendation 11**

We recommended that OIT ensure

- a. that all MDH computers are running current versions of the malware protection software and that malware signatures provided by the malware protection software vendor are installed on these computers immediately upon issuance, document these efforts, and retain the documentation for future reference;
- b. that commonly vulnerable applications on MDH workstations and servers were frequently updated; and
- c. that administrative rights on all MDH workstations and servers are restricted to only system/network administrators or non-IT personnel authorized in writing to have such rights, with documentation supporting these authorizations retained for future reference (repeat).

**Auditor's Assessment of Status – In Progress**

OIT had made minimal progress in implementing recommendation a and no progress in implementing recommendations b and c.

In regard to recommendation a, we were advised that for OIT-maintained computers, OIT personnel started reviewing malware protection console reports to ensure that the computers were running current malware protection software versions and related definition files. However, this review was not being documented. Additionally, for these OIT-maintained computers, OIT configured their protection management server to synchronize with their directory of computers, to ensure that all computers were included and contained the appropriate protection software. Despite this synchronization, OIT had not performed any reconciliation to verify that all computers were covered by this protection software, resulting in a lack of assurance that all OIT-maintained computers are running with malware protection software installed and operable. Finally, OIT has not implemented any procedures to monitor how various MDH administrations (that were non-OIT supported) reviewed the malware protection software status for the computers in those administrations.

In regard to recommendation b, OIT had made no progress in implementing the recommendation for OIT or non-OIT maintained workstations. For OIT maintained workstations, we tested certain commonly vulnerable applications on 10 workstations and found that 5 workstations were not running the most current versions of all applications. For non-OIT maintained workstations, we were advised that MDH had planned to have a newly hired Information Security Officer handle the responsibility for monitoring reported progress (for updating vulnerable software products) within non-OIT supported MDH units, however, that individual had only been hired as of the beginning of April 2018, and we were advised that the related monitoring had not yet started at the time of our review.

In regard to recommendation c, OIT had made no progress with implementing the recommendation with respect to OIT or non-OIT maintained workstations. Specifically, MDH planned to have a newly hired Information Security Officer, monitor progress on this issue within the non-OIT supported MDH Administrations, however, that individual had only been hired as of the beginning of April 2018, and we were advised that related monitoring had not yet started at the time of our review.

**MDH's Response:**

a. MDH concurs with the recommendation and the Auditor's assessment of "in progress". The interim Information Security Officer is now tasked to oversee and document that OIT-maintained computers are running current malware protection software and implementing automated procedures for verification signatures. This

includes reconciliations to verify all OIT computers have operational malware protection software. MDH currently conducts reviews that identify computers whose patches are outdated. Procedures will be established to monitor non-OIT managed workstations documenting activity in these environments. MDH plans to work with non-OIT sites to report workstation patch monitoring and control. Non-OIT reporting is scheduled for the end of November 2018.

b. MDH concurs with the recommendation and the Auditor's assessment of "in progress". The newly appointed, interim Information Security Officer is now in place and tasked with ensuring MDH workstations are running current versions of all applications. OIT managed computers vulnerable software products are being periodically patched with exceptions. Workstations with certain applications and environments are exempt because conflicts arise with the latest versions. MDH has built specialized patch packages for non-exempt computers that are currently being delivered bi-monthly. MDH has planned to request that non-OIT managed administrations execute "vulnerable application" patching by the end of November 2018. MDH will monitor the reporting process and ensure OIT and non-OIT workstations are running current versions of all applications.

c. MDH concurs with the recommendation and the Auditor's assessment of "in progress". The newly appointed, interim Information Security Officer is currently in place and will be monitoring and reporting on administrative rights access within MDH. MDH is actively documenting users who have administrative rights to their machines.

AUDIT TEAM

**Joshua S. Adler, CPA, CFE**  
Audit Manager

**R. Brendan Coffey, CPA, CISA**  
Information Systems Audit Manager

**Karen J. Howes**  
Senior Auditor

**J. Gregory Busch**  
Information Systems Senior Auditor

**Ian T. Pontius**  
Staff Auditor