



Department of Legislative Services
Office of Legislative Audits

Maryland Department of Health (MDH) – Office of the Secretary and Other Units

Report Dated July 14, 2020



Audit Overview

- This audit report includes six Maryland Department of Health (MDH) budgetary units associated with the Secretary and five Deputy Secretaries that provide administrative infrastructure and oversight to MDH and health providers throughout the State. During fiscal year 2019, expenditures for these units totaled approximately \$72.7 million.
- The report included six findings of which four findings were repeated from the preceding audit report and appear in the current report as three findings.
- Our prior audit reported that MDH's accountability and compliance level was unsatisfactory in accordance with the rating system we established in conformity with State law. Based on the results of the current audit, we have concluded that MDH has made improvements in its fiscal and compliance operations and its compliance level is no longer deemed unsatisfactory.



Key Findings

- MDH did not provide adequate oversight of its administrations' use of interagency agreements with State universities.
 - MDH did not always comply with certain State procurement regulations.
 - MDH's Office of the Inspector General audits of local health departments did not always include an adequate review of contracts, payroll, and user access to automated systems.
 - MDH had not established adequate controls to ensure the propriety of its payroll.
 - MDH did not institute certain security measures and controls over its information systems.
-



Interagency Agreements (Finding 1) Repeat Finding

- MDH did not provide adequate oversight over 192 interagency agreements (IAs) valued at \$210.2 million that MDH administrations entered into with State agencies of which the majority were State institutions of higher education.
- Our review of 20 IAs totaling \$41.6 million disclosed:
 - MDH administrations used 11 IAs to inappropriately augment staff beyond budgeted positions. These IAs included 62 positions which were for non-health specific duties, such as, policy analysts.
 - Two IAs totaling \$2.8 million had administrative rates which exceeded the maximum allowed under MDH policy and appeared excessive. For example, one of these IAs had an administrative rate of 55 percent.
 - Three IAs with a State university totaling \$1.3 million appeared to have been artificially divided, circumventing the Department of Budget and Management approval process.
 - MDH could not support five payments on five IAs totaling \$1.2 million.



Procurement (Finding 2) Repeat Finding

MDH did not always comply with State procurement requirements related to sole source and emergency procurements and publishing contract awards.

- MDH could not adequately justify the use of the sole source procurement method for two sole source contracts tested totaling \$3.2 million that were awarded to the incumbent vendors.
- MDH did not negotiate pricing or notify the Board of Public Works for one emergency procurement totaling \$561,560.
- Five contract awards totaling \$235.5 million that were awarded between May 2016 and March 2019 were not published on *eMaryland Marketplace* (*eMM*) as of June 2019. State law and regulations require contract awards to be published on *eMM* not more than 30 days after the execution and approval of the contract.



Office of the Inspector General (Finding 3)

The Office of the Inspector General (OIG) did not always conduct comprehensive reviews during its audits of local health departments (LHDs). During fiscal year 2018, payments to the 24 LHDs subject to audit totaled approximately \$294.9 million, of which \$120.7 million was for contractual services and \$174.2 million was for payroll.

Our test of five OIG audits during fiscal year 2018 disclosed the following conditions:

- OIG audits of LHDs did not always include a comprehensive review of contracts and related expenditures. For four of the audits tested, the OIG did not verify that the LHDs properly procured the contracts and did not verify the propriety of the related expenditures.
- Two of the OIG audits did not review certain LHD payroll activity to support the related expenditures and five audits did not include a review of user access to MDH's automated systems.



Payroll (Finding 4)

MDH had not established adequate controls to ensure the propriety of its payroll payments, leave balances, and timesheets. MDH's payroll expenditures totaled \$521.7 million in calendar year 2018.

- Adjustments to employee pay and leave balances were not adequately reviewed for propriety and to ensure proper processing.
- MDH's Central Payroll Unit approved timesheets for employees without verifying that the employees worked the recorded time.
- Biweekly payroll payments from the State's Central Payroll Bureau were not reconciled, in the aggregate, to the payroll payments reflected in reports generated by the State's Statewide Personnel System.



Information Systems (Findings 5 and 6)

Finding 5

- MDH's network intrusion detection prevention system was not configured to prevent identified malicious traffic from entering the network from untrusted sources.

Finding 6 Repeat Finding

- Information technology (IT) contractors had unnecessary network-level access to numerous critical MDH network devices because their network traffic was not subject to traffic filtering.
- We were advised by MDH personnel that it did not maintain a centralized schedule of all IT contractors and therefore, MDH was unaware of details concerning the presence of these contractors and the extent of unnecessary network-level access.



Conclusion

MDH should:

- provide oversight of interagency agreements executed by its administrations,
- ensure that State procurement laws and regulations are complied with,
- ensure that all appropriate contract awards are published not more than 30 days after the execution and approval of the contract,
- ensure the scope of future local health department audits includes comprehensive reviews over critical areas,
- implement adequate controls over payroll functions, and
- configure the network's intrusion detection prevention system to prevent malicious traffic and limit information contractors' network-level access.