

Audit Report

**Department of Health and Mental Hygiene
Infectious Disease and
Environmental Health Administration**

December 2010



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

December 17, 2010

Karl S. Aro
Executive Director

Bruce A. Myers, CPA
Legislative Auditor

Senator Verna L. Jones, Co-Chair, Joint Audit Committee
Delegate Steven J. DeBoy, Sr., Co-Chair, Joint Audit Committee
Members of Joint Audit Committee
Annapolis, Maryland

Ladies and Gentlemen:

We have audited the following administrations of the Department of Health and Mental Hygiene (DHMH) for the periods noted:

Infectious Disease and Environmental Health Administration (IDEHA) –
July 23, 2009 to January 4, 2010
Community Health Administration – November 1, 2007 to July 22, 2009
AIDS Administration – March 21, 2007 to July 22, 2009

Certain organizational changes that occurred within DHMH are explained on page 7 of this audit report.

IDEHA is responsible for improving the health of Marylanders through partnerships with local health departments and public and private sector agencies through efforts focusing on the prevention and control of infectious diseases, investigation of disease outbreaks, protection from food related and environmental health hazards, and helping impacted persons live longer, healthier lives.

Our audit disclosed that IDEHA did not ensure that required health inspections of certain food and milk processing facilities were being conducted, and had not adequately restricted user access to its food protection licensing and inspection information system. In addition, the required program reviews to ensure the consistency of local health departments' food program manuals, procedures, and files for the inspections at regulated facilities (such as restaurants) had not been conducted.

IDEHA had not established adequate procedures to independently verify that pharmacy claims paid by its Maryland AIDS Drug Assistance Program (MADAP) were supported by authorized physician prescriptions. We also noted monitoring and internal control deficiencies relating to grants, bank accounts, and cash receipts.

An executive summary of our findings can be found on page 5. The response from DHMH, on behalf of IDEHA, to our findings and recommendations is included as an appendix to this report. We wish to acknowledge the cooperation extended to us by IDEHA during the course of this audit.

Respectfully submitted,

Bruce A. Myers, CPA
Legislative Auditor

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

Executive Summary

**Legislative Audit Report on
Department of Health and Mental Hygiene
Infectious Disease and Environmental Health Administration (IDEHA)
December 2010**

- **IDEHA did not adequately ensure that the inspectors performed the required inspections, sampling, and equipment tests of certain food and milk processing plants and distribution stations. Specifically, documented supervisory reviews were not performed to ensure that inspections were conducted at the required frequencies and that violations were followed up on in a timely manner.**

IDEHA should adequately monitor food and milk processing plants and distribution stations by periodically performing documented reviews to ensure that the required sampling, inspections, and follow-up inspections were performed.

- **User access to IDEHA's food protection licensing and inspection information system was not adequately restricted. In addition, licenses issued were not properly approved.**

IDEHA should segregate incompatible licensing and inspection processing capabilities and periodically assess user access based on current job responsibilities. IDEHA should also ensure that licenses issued are independently approved.

- **Formal program reviews had not been conducted of each local health department's program manuals, procedures, and files of regulated facility inspections, such as restaurants, as required.**

IDEHA should conduct program reviews of each local health department.

- **IDEHA had not established adequate procedures to independently verify the propriety of pharmacy claims submitted and paid by the Maryland AIDS Drug Assistance Program (MADAP). As a result, a pharmacy could inappropriately bill IDEHA for unauthorized medications without detection. MADAP expenditures totaled \$29.1 million during fiscal year 2009.**

IDEHA should establish procedures to help ensure that only valid pharmacy claims were submitted and paid, such as by performing periodic audits to ensure that pharmacies have physician prescriptions to support claims paid.

- **Internal control deficiencies were noted with respect to grants, bank accounts, and cash receipts.**

IDEHA should take the recommended actions to improve controls in these areas.

Background Information

Agency Responsibilities

The Infectious Disease and Environmental Health Administration (IDEHA) is responsible for improving the health of Marylanders through partnerships with local health departments and public and private sector agencies. IDEHA's efforts focus on the prevention and control of infectious diseases, the investigation of disease outbreaks, protection from food-related and environmental health hazards, and helping impacted persons live longer, healthier lives. IDEHA also funds public health services in local health departments on a matching basis with all 24 local jurisdictions. According to the State's accounting records, during fiscal year 2009, expenditures for IDEHA totaled approximately \$150.1 million.

Organizational Change

Certain duties and responsibilities within the Department of Health and Mental Hygiene (DHMH) were reorganized effective July 23, 2009. Specifically, the Community Health Administration was merged with the AIDS Administration to form the newly created IDEHA. The local health departments, which previously reported to the Community Health Administration, now report to the DHMH Deputy Secretary for Public Health Services. Our audit included the former Community Health Administration for the period November 1, 2007 to July 22, 2009 and the former AIDS Administration for the period March 21, 2007 to July 22, 2009.

Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of the four findings contained in our preceding audit report on the DHMH-AIDS Administration, dated October 24, 2007, and the two findings contained in our preceding audit report on the DHMH-Community Health Administration, dated May 2, 2008. We determined that IDEHA satisfactorily addressed five of these findings. The remaining finding is repeated in this report.

Findings and Recommendations

Food Protection

Background Information

The Infectious Disease and Environmental Health Administration's (IDEHA) Office of Food Protection and Consumer Health Services (OFPCHS) is composed of four divisions: the Center for Food Processing, the Center for Food Retail, the Center for Milk Control, and the Center for Community Health Services.

OFPCHS is responsible for protecting and promoting public health and safety through the licensing and regulation of mandated programs. In this regard, it has inspection and enforcement responsibilities over a wide range of facilities (such as food and milk processing plants).

Each Center maintains its own database to record and monitor inspection and enforcement responsibilities and uses the OFPCHS licensing and inspection system to issue new and renewal licenses and permits. During fiscal year 2009, the four Centers issued 3,071 licenses and permits and performed 9,353 field inspections, follow-up reviews, and product sampling reviews.

Finding 1

IDEHA did not adequately ensure that the inspectors performed the required inspections, sampling, and equipment tests at food and milk processing plants and distribution stations.

Analysis

IDEHA did not adequately monitor inspectors to ensure that the inspections, sampling, and equipment tests at food and milk processing plants and distribution stations were being conducted at the required frequencies and whether the follow-up of previously identified violations were being performed, as required by State regulations. Specifically, we noted the following conditions:

- In the Center for Food Processing, there were no supervisory reviews conducted to ensure that each inspector performed the inspections, sampling, and equipment tests of food processing plants at the required frequencies (such as quarterly or semi-annually), and to ensure the proper follow-up of previously identified violations. We were advised by IDEHA that each inspector was responsible to monitor his or her assigned facility inspections and related follow-up requirements. Our test of 10 food processing plants that were licensed during fiscal year 2009 disclosed that the required sampling was not performed at the required intervals at two of the plants. Furthermore, at

one of these plants, test samples did not meet the bacteriological standards established in the Code of Maryland Regulations (COMAR); however, subsequent follow-up was not performed for five months to determine if the noted violations had been corrected. In addition, the violations related to one of these samples had not been recorded in the inspection database. As a result, there is an increased risk of adulterated food not being detected.

- Although we were advised by the Center for Milk Control that supervisors performed a monthly review of its database system to ensure that the required inspections and follow-up of previously identified violations of milk processing plants were completed, these monthly reviews were not documented. Consequently, there is a lack of assurance that the required inspections were completed and violations were addressed. Our test of 10 processing plants for milk, milk-related, and frozen dessert products that had licenses during fiscal year 2009 disclosed that one licensee had not had an annual inspection since 2005 and the facility's license continued to be renewed each year. According to the inspectors, the plant was inactive at the time of the attempted inspections.

COMAR, Title 10, Subtitle 15 outlines many of the specific frequency of inspections and sampling of related product, as well as the related requirements for obtaining each specific license.

Recommendation 1

We recommend that IDEHA

- a. adequately monitor food and milk processing plants and distribution stations by periodically performing supervisory reviews to ensure that the required sampling, inspections, and follow-up inspections were performed;**
- b. document the aforementioned reviews; and**
- c. accurately record all inspection activity in the applicable database systems.**

Finding 2

User access to IDEHA's food protection licensing and inspection information system was not adequately restricted. In addition, licenses issued were not properly approved.

Analysis

User access to IDEHA's licensing and inspection information system used to issue new and renewal facility licenses and permits was not adequately restricted.

Specifically, the system requires new licenses and permits to be approved, but does not require electronic approval for license and permit renewals. Our review disclosed that 12 employees could initiate license and permit renewals and 8 of these employees did not require this capability as part of their job responsibility. In addition, 7 of these 8 employees could both initiate and approve new licenses and permits.

Our review of 20 licenses and permits issued or renewed during fiscal year 2009 disclosed that 7 were issued or renewed without supervisory review and approval, and 5 were initiated and approved by the same employee.

Recommendation 2

We recommend that IDEHA

- a. periodically review employee access capabilities for the licensing and inspection system;**
- b. grant user access only to those employees who require such access to perform their assigned job duties;**
- c. ensure that an independent, supervisory review and approval is required for all licenses issued (new and renewal); and**
- d. investigate the aforementioned 12 licenses and permits to ensure that they were properly approved and issued.**

Finding 3

IDEHA had not performed the required program reviews of local health departments.

Analysis

IDEHA had not conducted program reviews, as required, of the 24 local health departments' (LHD) program manuals, procedures, and files to help ensure that certain regulated facilities were inspected consistently and uniformly. IDEHA has delegated the inspection of certain facilities (such as restaurants) to the LHDs. Although IDEHA developed policies to perform these program reviews, we were advised that these reviews have not been conducted since the 1980s due to a lack of resources. The LHDs are responsible for the ongoing inspection of these regulated facilities, under standards and policies established by IDEHA.

IDEHA's policies require that a program review be conducted of each LHD's program manuals, procedures, and inspection files every three years. The reviews are to be conducted, in part, to help ensure that inspections are performed consistently, inspection reports are prepared properly and completely, and that facility and follow-up inspections are performed timely. A written report

summarizing the results of the program review is also to be prepared by the IDEHA employee performing the review.

Recommendation 3

We recommend that IDEHA conduct formal reviews of each LHD, as required. At a minimum, IDEHA should obtain and review the program manuals, procedures, and inspection files from the LHDs to ensure consistent application of established standards and policies.

Maryland AIDS Drug Assistance Program

Finding 4

IDEHA had not established adequate procedures to independently verify the propriety of pharmacy claims submitted and paid.

Analysis

IDEHA had not established adequate procedures to independently verify the propriety of pharmacy claims submitted and paid by the Maryland AIDS Drug Assistance Program (MADAP). MADAP helps low to moderate income Maryland residents pay for certain drugs prescribed to treat HIV/AIDS. Using a point-of-sale (POS) computer system, participating pharmacies must obtain authorizations from IDEHA prior to dispensing medications to clients and then submit the related claims to IDEHA for reimbursement. However, IDEHA did not match claims that had been authorized through the POS system with valid physician prescriptions that had been filled and provided to clients. As a result, a pharmacy could inappropriately bill IDEHA for unauthorized medications without detection. A similar condition was commented upon in our preceding audit report of the AIDS Administration.

Following our prior audit, we were advised that IDEHA unsuccessfully explored several options to help ensure that only valid pharmacy claims were paid, including participating in the Medical Care Programs Administration periodic pharmacy audits, using contractual staff, and hiring a third-party vendor to conduct pharmacy audits. However, as of April 2010, no procedures were in place to ensure that only valid pharmacy claims were submitted and paid.

According to the State's records, during calendar year 2009, expenditures for medications totaled approximately \$29.1 million, serving an average of 3,100 clients per month.

Recommendation 4

We recommend that IDEHA

- a. establish procedures to help ensure that only valid pharmacy claims were submitted and paid, such as by performing periodic audits to ensure that pharmacies have physicians' prescriptions to support claims paid (repeat); and**
- b. take necessary follow-up actions, in the event the procedures performed disclose instances in which IDEHA had paid inappropriate claims (repeat).**

Core Public Health Services Program

Finding 5

Core Public Health Services grant proposals were not reviewed in a timely manner and did not always contain all required information.

Analysis

Core Public Health Services grant proposals were not reviewed in a timely manner and did not always contain all required information. Under the Core Public Health Services Program, State funds are matched with funds from each of Maryland's 24 local jurisdictions, in support of public health services. Public health services provided through this program include infectious disease prevention and treatment services, environmental health services, family planning services, maternal and child health services, wellness promotion services, and adult health and geriatric services. The total amount of these grant funds are annually appropriated and IDEHA allocates these funds to the LHDs based on various factors, such as inflation and population. However, State regulations and Department policy require each LHD to submit a grant proposal to the Department that includes, among other things, a budget plan, goals and objectives, and performance measures. Grant proposals are due prior to the beginning of the fiscal year. According to the State's accounting records, IDEHA's fiscal year 2009 expenditures for this program totaled approximately \$61.9 million. Specifically, we noted the following conditions:

- IDEHA did not review and approve the grant proposals submitted by the LHDs for Core funds in a timely manner. Specifically, the grant proposals were not reviewed by IDEHA until after the related fiscal year had started, and grant funds were distributed to the LHDs without ensuring the adequacy of the grant proposals. Our review of 15 fiscal year 2009 grant proposals, totaling \$28.2 million, submitted by five LHDs, disclosed that 13 of the 15 proposals were not reviewed and approved until four to nine months after the

beginning of the applicable fiscal year. There was no documentation that the other 2 proposals were ever reviewed and approved. Our review also disclosed that 7 of the proposals that IDEHA reviewed, totaling approximately \$18.7 million, were missing critical required information. For example, the grant proposal for one program, totaling \$1.6 million, did not contain any of the required information (such as goals and objectives, budget plan, and performance measures).

- IDEHA did not have adequate procedures in place to determine if the proposed performance measures (such as number of home visits to prenatal clients, infants, and postpartum clients) were met. IDEHA receives the final performance measures reports from the LHDs at fiscal year end and records receipt. However, IDEHA did not compare these reported results with the performance measures included in their original proposals to see if they had been met.

Recommendation 5

We recommend that IDEHA

- a. ensure the LHDs are submitting all required information with the grant proposals;**
- b. review the grant proposals in a timely manner; and**
- c. compare the performance measures reported by the LHDs, at least on a test basis, to the original grant proposals, and take appropriate follow-up action.**

Bank Accounts

Finding 6

IDEHA did not monitor State funds held in bank accounts maintained by a private contractor to ensure that the aggregate monthly balance did not exceed the value of the fidelity bond.

Analysis

IDEHA did not monitor State funds held in bank accounts maintained by a private contractor to ensure that the aggregate monthly balance did not exceed the value of the fidelity bond (\$4 million) and to ensure that funds exceeding the bond value were returned, as required by the contract. IDEHA advances funds to the contractor, who deposits the funds in its bank accounts. At the direction of MADAP and a related program (MADAP Plus), the contractor provides a check-writing service to reimburse pharmacies and insurance carriers for program costs.

The contractor also processes and mails checks, and provides IDEHA with a record of paid invoices.

Our test of the aggregate average daily bank account balances for a six-month period (July through December 2009) disclosed that, for three of the six months tested, the average aggregate monthly balance of the accounts was between approximately \$600,000 and \$1.6 million higher than the value of the fidelity bond. During this period no funds were returned to IDEHA. Due to the constant fluctuations in the monthly account balances, IDEHA is considering an increase in the total value of the fidelity bond.

Recommendation 6

We recommend that IDEHA periodically monitor the bank balances and ensure that funds in excess of the fidelity bond are returned by the contractor, as required by the contract.

Cash Receipts

Finding 7

Controls were not adequate over IDEHA's collections, and deposits were not always made timely.

Analysis

Control had not been established over the vast majority of IDEHA's collections. Specifically, we noted the following conditions related to drug manufacturer's rebates and insurance premium refunds, which totaled approximately \$19.6 million during calendar year 2009:

- Collections received by IDEHA were initially recorded prior to subsequent transfer by interoffice courier to the Department of Health and Mental Hygiene (DHMH) - General Accounting for deposit preparation. However, the transfer of these receipts was not documented to establish accountability over the funds. In this regard, there was no documentation of the transfer of the receipts to the courier or to DHMH-General Accounting.
- Based on the dates of the interoffice memos accompanying deposits to DHMH -General Accounting, cash receipts were not forwarded for deposit in a timely manner. Our test of 15 cash receipts transactions from February 2009 through January 2010, totaling approximately \$14.8 million, disclosed that 12 transactions, totaling approximately \$9.1 million, were not forwarded for deposit for periods ranging from two to four business days after receipt. The

Comptroller of Maryland's *Accounting Procedures Manual* generally requires that cash receipts be deposited no later than the first working day after receipt.

Recommendation 7

We recommend that IDEHA

- a. establish accountability over collections by documenting the transfer of receipts to the courier and to DHMH - General Accounting, and**
- b. timely forward all cash receipts for deposit.**

Audit Scope, Objectives, and Methodology

We have audited the Infectious Disease and Environmental Health Administration (IDEHA) of the Department of Health and Mental Hygiene (DHMH) which was created in July 23, 2009 through the merging of DHMH's AIDS Administration and Community Health Administration (CHA). As a result, we audited the following Administrations of DHMH for the periods noted:

IDEHA – July 23, 2009 to January 4, 2010

CHA – November 1, 2007 to July 22, 2009

AIDS Administration – March 21, 2007 to July 22, 2009

The audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

As prescribed by the State Government Article, Section 2-1221 of the Annotated Code of Maryland, the objectives of this audit were to examine IDEHA's financial transactions, records and internal control, and to evaluate its compliance with applicable State laws, rules, and regulations. We also determined the status of the four findings contained in our preceding audit report of the DHMH-AIDS Administration, dated October 24, 2007 and the status of the two findings contained in our preceding audit report of the DHMH- CHA, dated May 2, 2008.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of materiality and risk. The areas addressed by the audit included contracts and grants, inspections and licensing of regulated facilities (such as food and milk processing plants), pharmacy claims, and cash receipts. Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of IDEHA's operations. We also tested transactions and performed other auditing procedures that we considered necessary to achieve our objectives. Data provided in this report for background or informational purposes were deemed reasonable, but were not independently verified.

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

include an evaluation of internal controls for federal financial assistance programs and an assessment of IDEHA's compliance with federal laws and regulations pertaining to those programs because the State of Maryland engages an independent accounting firm to annually audit such programs administered by State agencies, including IDEHA.

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

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

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

This report includes findings relating to conditions that we consider to be significant deficiencies in the design or operation of internal control that could adversely affect IDEHA's ability to maintain reliable financial records, operate effectively and efficiently, and/or comply with applicable laws, rules, and regulations. Our report also includes findings regarding significant instances of noncompliance with applicable laws, rules, or regulations. Other less significant findings were communicated to IDEHA that did not warrant inclusion in this report.

The Department's response, on behalf of IDEHA, to our findings and recommendations is included as an appendix to this report. As prescribed in the State Government Article, Section 2-1224 of the Annotated Code of Maryland, we will advise the Department regarding the results of our review of its response.

APPENDIX



STATE OF MARYLAND
DHMH

Maryland Department of Health and Mental Hygiene
201 W. Preston Street • Baltimore, Maryland 21201

Martin O'Malley, Governor – Anthony G. Brown, Lt. Governor – John M. Colmers, Secretary

December 16, 2010

Mr. Bruce A. Myers, CPA
Legislative Auditor
Office of Legislative Audits
301 West Preston Street
Baltimore, MD 21201

Dear Mr. Myers:

This is in response to your December 1, 2010 letter that included the draft audit report for the Department of Health and Mental Hygiene – Infectious Disease and Environmental Health Administration for the period beginning March 21, 2007 and ending January 4, 2010. Attached you will find the Administration's response and plan of correction that addresses each audit recommendation. I will work with the Administration to promptly address all audit exceptions. In addition, our Office of the Inspector General will follow-up on the recommendations to ensure compliance.

If you have any questions or require additional information, please do not hesitate to contact me at (410) 767- 4639 or Thomas V. Russell of my staff at (410) 767-5862.

Sincerely,

John M. Colmers
Secretary

cc: Frances Phillips, Deputy Secretary, Public Health Services, DHMH
Renee Scurry, Chief of Staff, Public Health Services, DHMH
Heather Hauck, Director, IDEHA, DHMH
Angela Wakhweya, MD, Deputy Director, IDEHA, DHMH
Richard Stringer, Chief Financial Officer, IDEHA, DHMH
Thomas V. Russell, Inspector General, DHMH
Ellwood L Hall, Jr., Assistant Inspector General, DHMH
Wendy Kronmiller, Chief of Staff, Office of the Secretary, DHMH

Findings and Recommendations

Food Protection

Finding 1

IDEHA did not adequately ensure that the inspectors performed the required inspections, sampling, and equipment tests at food and milk processing plants and distribution stations.

Recommendation 1

We recommend that IDEHA

- a. adequately monitor food and milk processing plants and distribution stations by periodically performing supervisory reviews to ensure that the required sampling, inspections, and follow-up inspections were performed;**
- b. document the aforementioned reviews; and**
- c. accurately record all inspection activity in the applicable database systems.**

Administration's Response

- a. The Administration concurs. The procedure for conducting supervisory reviews is undergoing revision at this time. The revised procedure will be implemented in the first quarter of 2011 in conjunction with implementation of the new inspections module database. Meeting all required inspection frequencies will be an ongoing challenge given the staff and budget reductions for these functions.
- b. The Administration concurs. The revised procedure for conducting supervisory reviews will require documentation of each review performed.
- c. The Administration concurs. The Administration and the U.S. Food and Drug Administration identified the need for an improved data system to manage the Office of Food Protection and Consumer Health Service's licensing and permitting, inspection, and enforcement activities several years ago. The DHMH Office of Information Technology has been developing a new electronic data management system to address these needs, and the completion and implementation of this new data system is a top priority of the Infectious Disease and Environmental Health Administration. Currently, the licensing and permitting database module is operational (although undergoing additional modifications). Also, the inspections module is in development with a tentative completion date in the first quarter of 2011. The final plan review module will be developed after the

Food Protection (cont.)

inspections module has been completed and successfully implemented. Initially, data will be entered manually into the electronic inspections module database until funding is made available to purchase data collection equipment to enable electronic recording of inspection data in the field.

Food Protection (cont.)

Finding 2

User access to IDEHA's food protection licensing and inspection information system was not adequately restricted. In addition, licenses issued were not properly approved.

Recommendation 2

We recommend that IDEHA

- a. periodically review employee access capabilities for the licensing and inspection system;**
- b. grant user access only to those employees who require such access to perform their assigned job duties;**
- c. ensure that an independent, supervisory review and approval is required for all licenses issued (new and renewal); and**
- d. investigate the aforementioned 12 licenses and permits to ensure that they were properly approved and issued.**

Administration's Response

- a. The Administration concurs and has received its initial quarterly report from the DHMH Office of Information Technology (OIT), developer and manager of the new electronic data management system, listing Administration personnel with database permissions and authorizations. Management will review each quarterly report to ensure that employee access capabilities are consistent with assigned job duties.
- b. The Administration concurs. Within 30 days following receipt of a quarterly report, the Administration will send a request to OIT to update database permissions and authorizations as necessary to ensure access to the electronic data management system is limited to employees who require access to perform their assigned job duties.
- c. The Administration concurs and working with OIT, has put appropriate controls in place to ensure that supervisory review and approval is obtained before issuance of all licenses and permits (new and renewal).
- d. The Administration concurs and has verified that all 12 licenses and permits in question were appropriately issued as each regulated entity was in compliance at time of renewal.

Food Protection (cont.)

Finding 3

IDEHA had not performed the required program reviews of local health departments.

Recommendation 3

We recommend that IDEHA conduct formal reviews of each LHD, as required. At a minimum, IDEHA should obtain and review the program manuals, procedures, and inspection files from the LHDs to ensure consistent application of established standards and policies.

Administration's Response

The Administration concurs, although formal reviews of LHD food programs are not mandated by State statute or COMAR regulations. The program review process referenced above is contained in an internal procedures manual developed by the Administration's Office of Food Protection and Consumer Health Services in 1998. This manual is currently under revision. Recently, the Administration initiated "standardization" of LHD food program staff consistent with the U. S. Food and Drug Administration's *Voluntary National Retail Food Regulatory Program Standards*. This process will continue on an ongoing basis. In addition, the Administration is developing a LHD program review process which will be implemented by the last quarter of 2011 once the initial "standardization" of LHD staff has been completed and revisions to the Administration's internal procedures manual are finalized. The Administration plans to review 4 to 6 LHDs annually to assure that LHDs' regulatory activities are carried out consistent with the Administration's internal procedures manual and are not in conflict with applicable State COMAR regulations.

Maryland AIDS Drug Assistance Program

Finding 4

IDEHA had not established adequate procedures to independently verify the propriety of pharmacy claims submitted and paid.

Recommendation 4

We recommend that IDEHA

- a. establish procedures to help ensure that only valid pharmacy claims were submitted and paid, such as by performing periodic audits to ensure that pharmacies have physicians' prescriptions to support claims paid (repeat); and**
- b. take necessary follow-up actions, in the event the procedures performed disclose instances in which IDEHA had paid inappropriate claims (repeat).**

Administration's Response

- a. The Administration concurs. As noted by the auditor, the Administration explored a number of options following the previous audit to address this finding, without success. Recently, with the approval of the Board of Public Works, a private contractor has been hired to perform audits of pharmacies participating in the MADAP program.
- b. The Administration concurs and will follow-up on any audit findings that indicate inappropriate claims were paid and will consult with the Office of the Attorney General before seeking recovery of any payments.

Core Public Health Services Program

Finding 5

Core Public Health Services grant proposals were not reviewed in a timely manner and did not always contain all required information.

Recommendation 5

We recommend that IDEHA

- a. ensure the LHDs are submitting all required information with the grant proposals;**
- b. review the grant proposals in a timely manner; and**
- c. compare the performance measures reported by the LHDs, at least on a test basis, to the original grant proposals, and take appropriate follow-up action.**

Administration's Response

- a. The Administration concurs with the finding and partially concurs with the recommendation. LHDs receive written instructions annually from DHMH that specify the format, content and due date for submission of proposed expenditures. Submissions are typically due 50 days prior to the start of each fiscal year, and are transmitted electronically to the CORE Public Health Services program administrator who records the date each submission is received. The Administration will follow-up with the LHDs as necessary and make every effort to obtain full compliance with the written instructions. Our partial concurrence is based on the fact that the Administration is not empowered to enforce consequences in the event of non-compliance.
- b. The Administration concurs. The Administration will work through the Office of the Deputy Secretary for Public Health Services to assure that grant proposals are reviewed in a timely manner. Currently, LHD grant proposals are separated by program area by the program administrator and distributed to the subject matter expert for a detailed review prior to the beginning of the fiscal year. In an effort to improve the timeliness of these reviews, a "due date" will be added to the existing review form used by each subject matter expert to record comments and provide feedback to the LHDs. "Due dates" will be closely monitored by the program administrator.
- c. The Administration concurs with the finding but not the recommendation. Core Funds represent a small percentage of total funding for LHD programs. It has been DHMH practice for DHMH subject matter experts to monitor LHD achievement of performance measures overall, as it is impractical to isolate performance measures directly attributable to Core Funds since performance measures relate to activities to be accomplished utilizing all available LHD funding sources. DHMH will be working on an overall Continuous Quality Improvement project funded through the federal Patient Protection and Affordable Care Act, and will be reviewing the administrative aspects of the Core Public Health Services program as part of that project.

Bank Accounts

Finding 6

IDEHA did not monitor State funds held in bank accounts maintained by a private contractor to ensure that the aggregate monthly balance did not exceed the value of the fidelity bond.

Recommendation 6

We recommend that IDEHA periodically monitor the bank balances and ensure that funds in excess of the fidelity bond are returned by the contractor, as required by the contract.

Administration's Response

The Administration concurs with the finding and partially concurs with the recommendation. The current agreement with the private contractor has been modified to increase the fidelity bond to \$7million. In addition, the Administration will review bank account balances on a quarterly basis and will adjust the amount of the fidelity bond, as necessary, to protect the State's financial interests.

Cash Receipts

Finding 7

Controls were not adequate over IDEHA's collections, and deposits were not always made timely.

Recommendation 7

We recommend that IDEHA

- a. establish accountability over collections by documenting the transfer of receipts to the courier and to DHMH - General Accounting, and**
- b. timely forward all cash receipts for deposit.**

Administration's Response

- a. The Administration concurs with the finding but chose another approach to resolve the control weakness. To address this situation, the Administration initiated the direct deposit of collections in August 2010 following approval by DHMH – General Accounting. Consequently, the transfer of receipts to the courier and DHMH – General Accounting is no longer necessary.
- b. The Administration concurs and is now timely depositing all cash receipts in accordance with State guidelines.

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