

Audit Report

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**Maryland Department of Health  
Regulatory Services**

January 2021

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DEPARTMENT OF LEGISLATIVE SERVICES  
MARYLAND GENERAL ASSEMBLY

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DEPARTMENT OF LEGISLATIVE SERVICES  
OFFICE OF LEGISLATIVE AUDITS  
MARYLAND GENERAL ASSEMBLY

Victoria L. Gruber  
Executive Director

Gregory A. Hook, CPA  
Legislative Auditor

January 19, 2021

Senator Clarence K. Lam, M.D., Senate Chair, Joint Audit and Evaluation Committee  
Delegate Carol L. Krimm, House Chair, Joint Audit and Evaluation Committee  
Members of Joint Audit and Evaluation Committee  
Annapolis, Maryland

Ladies and Gentlemen:

We have conducted a fiscal compliance audit of Regulatory Services, a budgetary unit within the Maryland Department of Health (MDH), for the period beginning September 28, 2015 and ending September 24, 2019. Regulatory Services consists of 22 Health Professional Boards and Commissions (HPBCs) and the Office of Health Care Quality (OHCQ). The various HPBCs and OHCQ are responsible for licensing and regulating health professionals (such as physicians, nurses, and pharmacists) and health care facilities in the State.

Our audit disclosed issues with the monitoring of certain licensees. Specifically, the Board of Nursing and Board of Professional Counselors and Therapists did not provide sufficient oversight of complaint investigations against licensees. As a result, numerous complaints received by the Boards were not investigated in a timely manner. For example, the Board of Nursing received 8,238 complaints during our audit period. We noted that 3,272 of these complaints were still under investigation as of March 2020, including 2,790 complaints for which there had been an open investigation for more than one year. The timely investigation and resolution of complaints is critical since licensees continue to practice until investigations are completed and any actions deemed necessary are taken. Additionally, as noted in MDH audit reports dating back to 2004, OHCQ had not performed annual inspections for a number of licensed assisted living facilities and developmental disabilities service providers.

Certain HPBCs had not established adequate controls over cash receipts. For example, for 7 HPBCs, employees who were responsible for handling collections

also had access to the licensing systems, which gave them the capability to issue or renew the related licenses. These functions should be separated to ensure collections are properly controlled. Our audit also disclosed that 21 HPBCs did not ensure user access capabilities in their respective licensing systems were properly restricted. For example, 63 employees at 12 HPBCs could unilaterally issue or renew a license. Our audit also disclosed that certain controls over the licensing systems used by two HPBCs were not sufficient to protect critical licensee data.

Furthermore, we noted that the Board of Dental Examiners did not prepare written justifications to support the sole source procurement of two contracts or obtain Department of Information Technology (DoIT) and BPW approval for the contracts, as required.

Finally, we believe that certain of our findings could be the result of insufficient individual board resources. Consequently, although this may be an area for further study, we noted opportunities for consolidating licensing, procurement, and other fiscal functions of the HPBCs. Although this course of action is not required by any statute or regulation, we believe that consolidating these processes would allow the HPBCs to resolve certain internal control deficiencies commented upon in this report. In addition, consolidation could increase efficiencies and achieve unspecified cost savings. For example, consolidating procurements to leverage the HPBCs collective purchasing power could result in enhanced competition and potential volume discounts.

Our audit included a review to determine the status of the eight findings contained in our preceding Regulatory Services audit report. We determined that Regulatory Services satisfactorily addressed three of these findings. The remaining five findings are repeated in this report, two of which are combined and presented as one finding.

MDH's response to this audit, on behalf of Regulatory Services, is included as an appendix to this report. We reviewed the response to our findings and related recommendations, and have concluded that the corrective actions identified are sufficient to address all audit issues.

We wish to acknowledge the cooperation extended to us during the audit by Regulatory Services. We also wish to acknowledge MDH's and Regulatory

Services' willingness to address the audit issues and implement appropriate corrective actions.

Respectfully submitted,

A handwritten signature in black ink that reads "Gregory A. Hook". The signature is written in a cursive style with a large, stylized 'G' and 'H'.

Gregory A. Hook, CPA  
Legislative Auditor



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## **Background Information**

### **Agency Responsibilities**

Regulatory Services is a separate budgetary unit within the Maryland Department of Health (MDH) which consists of 22 Health Professional Boards and Commissions (HPBCs) and the Office of Health Care Quality (OHCQ). The various HPBCs are responsible for licensing and regulating health professionals, and OHCQ is responsible for regulating health care facilities in the State. According to the State's records, OHCQ and the 22 HPBCs total fiscal year 2019 revenues were approximately \$56.9 million and fiscal year 2019 expenditures totaled approximately \$59.0 million, with the majority coming from special funds (\$37.5 million).

### **Organizational Change**

Chapter 739, Laws of Maryland 2016, effective October 1, 2016, separated the Board of Chiropractic and Massage Therapy Examiners into the Board of Chiropractic Examiners and the Board of Massage Therapy Examiners. This law also eliminated the special, non-lapsing fund previously shared by the two boards by establishing the State Board of Chiropractic Examiners Fund and the State Board of Massage Therapy Examiners Fund.

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

Our audit included a review to determine the status of the eight findings contained in our preceding audit report dated April 26, 2017. As disclosed in Table 1 below, we determined that Regulatory Services satisfactorily addressed three of these findings. The remaining five findings are repeated in this report, two of which were combined and presented as one finding in this report.

**Table 1**  
**Status of Preceding Findings**

<b>Preceding Finding</b>	<b>Finding Description</b>	<b>Implementation Status</b>
Finding 1	The Board of Professional Counselors and Therapists did not properly track complaints against licensees, resulting in complaints not being investigated and submitted to the Office of the Attorney General in a timely manner.	<b>Repeated</b> (Current Finding 1)
Finding 2	The Board of Nursing did not always take timely action to suspend the licenses of delinquent noncustodial parents referred by the Child Support Administration as required by State law.	Not repeated
Finding 3	The Office of Health Care Quality did not conduct annual inspections of certain health care facilities as required.	<b>Repeated</b> (Current Finding 2)
Finding 4	The Maryland Medical Cannabis Commission improperly used interagency agreements with a State university to procure license application evaluation services.	Not repeated
Finding 5	Certain boards did not adequately control and account for collections.	<b>Repeated</b> (Current Finding 3)
Finding 6	Seventeen boards and commissions did not ensure that employees handling collections were denied the capability to issue or renew licenses.	<b>Repeated</b> (Current Finding 3)
Finding 7	The Board of Physicians did not adequately monitor a rehabilitation services vendor and did not always obtain documentation to support amounts invoiced.	Not repeated
Finding 8	Password and account controls for the Boards of Nursing, Physicians, and Pharmacy were not sufficient to properly protect critical data.	<b>Repeated</b> (Current Finding 5)

# Findings and Recommendations

## Complaint Tracking

### **Finding 1**

**The Board of Nursing and the Board of Professional Counselors and Therapists did not provide sufficient oversight to ensure that complaints against licensees were investigated timely. Our review disclosed that numerous complaints were not investigated within one year.**

### **Analysis**

Our review of the complaint tracking procedures for 2 of the 22 Health Professional Boards and Commissions (HPBCs), the Board of Nursing and the Board of Professional Counselors and Therapists, disclosed that neither Board provided sufficient oversight to ensure that complaints against licensees were investigated timely. Our audit disclosed a significant number of complaints received by these Boards that were still under investigation more than one year after the complaints were received.

The Board of Nursing did not periodically review logs to ensure that investigations were conducted timely. In addition, while cases were tracked in separate logs maintained by three Board investigative staff, we noted that each log did not include all critical information. For example, the logs for two of the investigators lacked the date that the Board received the complaint and therefore, the Board could not readily determine the timeliness of the investigation. According to its licensing system, which contained certain information regarding complaints but was not used to track the status of the related investigations, the Board of Nursing received 8,238 complaints during the period from September 2015 to September 2019. As of March 2020, 3,272 of these complaints were still under investigation or not yet investigated. Our review of these 3,272 complaints disclosed that 2,790 had been open for more than one year, including 151 complaints received during calendar year 2015.

For the Board of Professional Counselors and Therapists, while we were advised that the Board periodically reviewed its complaint log, this review was not effective since the log was not completed for certain investigations. Specifically, our review of the 225 complaints recorded in the log during the period from April 2017 to June 2019 disclosed 44 complaints that had been open for more than one year and for which the log was not updated to reflect the current status of the investigations. For example, the date the case was assigned to an investigator had not been recorded for 30 of these 44 complaints. A similar condition regarding the Board of Professional Counselors and Therapists not properly monitoring

complaints and maintaining a tracking log that did not include all critical information was commented upon in our preceding audit report.

In accordance with State law, the Secretary of MDH had developed guidelines with timeliness goals for complaint resolution by the HPBCs. The guidelines established a goal of 3 to 12 months for the completion of a complaint investigation and a determination to bring charges with the Office of the Attorney General (OAG), with the specific goal for the Board Nursing being 270 days. Adequate tracking and timely resolution of complaints is critical since licensed individuals continue to practice until the OAG takes action.

### **Recommendation 1**

**We recommend that the Board of Nursing and Board of Professional Counselors and Therapists**

- a. properly monitor complaints (such as by periodically reviewing the tracking logs) and develop a strategy to ensure the timely disposition of complaints (repeat); and**
- b. properly maintain the tracking logs and ensure the logs reflect all critical information, including key dates such as initial receipt (repeat).**

## **Inspections**

### **Finding 2**

**The Office of Health Care Quality did not conduct required annual inspections of all assisted living facilities and developmental disabilities service providers.**

### **Analysis**

The Office of Health Care Quality (OHCQ) did not inspect each of the assisted living facilities and developmental disabilities service providers annually as required by State law. Specifically, as noted in Table 2, OHCQ did not complete all of the required annual inspections during fiscal years 2016 through 2019. Similar conditions have been commented upon in MDH audit reports dating back to 2004.

**Table 2**

**OHCQ Annual Inspections Between Fiscal Years 2016 and 2019**

Fiscal Year	Assisted Living Facilities			Developmental Disabilities Providers		
	Facilities	Inspections Conducted	Percentage Conducted	Providers	Inspections Conducted	Percentage Conducted
2016	1,531	1,188	78%	218	53	24%
2017	1,580	755	48%	230	91	40%
2018	1,546	788	51%	241	47	20%
2019	1,563	1,108	71%	253	99	39%

State law requires OHCQ to conduct inspections at least annually to ensure compliance with State and federal regulations regarding patient care and safety. If deficiencies noted during the inspections are not corrected (for example, failure to maintain client records in accordance with State regulations), OHCQ may impose sanctions such as license revocation, fines, or other restrictions on the operating license. Based on OHCQ records, inspections that are conducted frequently disclose deficiencies requiring corrective action.

According to OHCQ’s fiscal year 2019 *Annual Report and Staffing Analysis* submitted to the General Assembly, insufficient staff has impacted its ability to meet the annual inspection requirements. In fiscal year 2018, MDH implemented a seven-year staffing plan to increase the number of OHCQ inspectors. While the *Annual Report* indicated that the plan remained on target through fiscal year 2021, OHCQ advised that it still needed an additional 40 staff to perform the required number of inspections. In addition, uncertainty regarding the State’s budgetary outlook due to the ongoing COVID-19 pandemic may further impact the feasibility of this staffing plan.

**Recommendation 2**

**We recommend that OHCQ, in conjunction with MDH, ensure inspections of the assisted living facilities and developmental disabilities service providers are completed as required by law (repeat).**

**Cash Receipts**

**Background**

According to the State’s records, during fiscal year 2019, collections received by the 22 HPBCs totaled approximately \$49.0 million (see Table 3 on the following page). These collections, which primarily related to licensing fees, were received

by direct mail, in person, by credit card (processed either by HPBC staff or by third-party vendors), or by a lockbox.

**Table 3**  
**Summary of Fiscal Year 2019 Collections**

Board or Commission	Collection Method			Total
	Credit Card	Mail and Walk-in	Lockbox	
Physicians	\$9,895,499	\$0	\$2,929,946	\$12,825,445
Medical Cannabis	4,291,854	6,069,450	0	10,361,304
Nursing	7,736,954	619,807	0	8,356,761
Pharmacy	1,956,964	0	2,525,494	4,482,458
Dental Examiners	1,716,023	619,464	0	2,335,487
Social Work Examiners	1,771,325	246,540	0	2,017,865
Professional Counselors and Therapists	894,294	804,311	0	1,698,605
Chiropractic Examiners*	1,150,625	102,908	0	1,253,533
Physical Therapy Examiners	979,285	89,346	0	1,068,631
Examiners of Psychologists	593,988	271,823	0	865,811
Morticians	183,000	524,555	0	707,555
Occupational Therapy Practice	590,575	22,635	0	613,210
Audiologists, Hearing Aid Dispensers and Speech-Language Pathologists	410,054	97,758	0	507,812
Acupuncture	270,148	87,506	0	357,654
Podiatric Examiners	215,350	116,185	0	331,535
Dietetic Practice	283,354	32,255	0	315,609
Examiners in Optometry	256,864	33,561	0	290,425
Massage Therapy Examiners	0	212,955	0	212,955
Kidney Disease	0	185,370	0	185,370
Environmental Health Specialists	0	113,425	0	113,425
Examiners of Nursing Home Administrators	41,800	17,900	0	59,700
Residential Child Care Administrators	3,350	32,945	0	36,295
<b>Total</b>	<b>\$33,241,306</b>	<b>\$10,300,699</b>	<b>\$5,455,440</b>	<b>\$48,997,445</b>

**Source:** State Accounting Records

\* Credit card collections listed for Chiropractic Examiners also includes collections for Massage Therapy Examiners which could not be broken out.

Collections received through the direct mail and walk-in were deposited using remote deposit, a process that scans the images of checks and electronically transmits those images to the bank for deposit. Collections received at 18 HPBCs were scanned into the remote deposit system by an employee and electronically transmitted to the bank for deposit by MDH's Division of General Accounting (DGA), and collections for the remaining 2 HPBCs that received mail or walk in collections were processed by their own remote deposits systems.

**Finding 3**

**Controls over collections directly received at and the deposits made by the majority of the HPBCs were not adequate, and duties related to cash receipts and licensing were not properly segregated.**

**Analysis**

Controls over collections and deposits received at the HPBCs were not adequate, and duties related to cash receipts and licensing were not properly segregated. As summarized in Table 4, our review of the 22 HPBCs' procedures and controls disclosed deficiencies in the following areas among 19 of the HPBCs:

Credit Card Collections

Fourteen HPBCs lacked procedures to verify that all credit card collections processed by third-party vendors were deposited into the State's bank account, including seven HPBCs that also did not verify that credit card collections were recorded in the State's accounting records. In addition, the Board of Nursing did not completely resolve a discrepancy it identified between the collections processed by its credit card vendor and the amounts recorded in the State's accounting records. Specifically, the fiscal year 2019 collections reported by the vendor (\$8.1 million) exceeded the total amount deposited in the State's bank account by \$386,000. Although the Board had investigated and resolved other discrepancies totaling approximately \$2.5 million, as of February 2020, it had not resolved the remaining discrepancy.

Segregation of Duties

Seven HPBCs had not properly segregated cash handling duties from the licensing duties. Specifically, nine employees with access to collections received at the seven HPBCs had been assigned system user functions that allowed them the capability to issue or renew licenses, certificates, or permits, or adjust the related billing records. As a result, collections could be misappropriated and the related licenses issued without detection. We were advised by HPBC personnel that the problem was due to limited resources and it had considered processing these HPBCs' collections through lockboxes to eliminate the cash handling duties of the employees with the capability to issue

licenses, but determined that it would be cost prohibitive given the amount of collections received by the individual HPBCs. However, no documentation was provided to support this assertion. As noted in Finding 7, if the HPBCs consolidated certain functions, cost efficiencies may be achievable.

Reconciliations of Licenses to Related Collections

Twelve HPBCs did not periodically reconcile the value of licenses issued with the related collections to ensure that all collections were accounted for and deposited. Nevertheless, our test of licenses issued by the Board of Nursing and the Board of Pharmacy did not disclose any licenses that were issued without a related collection.



**Table 4  
Finding 3 Summary**

Board or Commission	Credit Card Collections		Cash Handling and Licensing Duties Segregated	Licenses Reconciled to Collections
	Verified to Deposit	Verified to State Accounting Records		
Physicians	Yes	Yes	Yes	Yes
Medical Cannabis	Yes	Yes	No	Yes
Nursing	No	No	Yes	No
Pharmacy	No	Yes	Yes	No
Dental Examiners	No	No	No	No
Social Work Examiners	No	Yes	Yes	Yes
Professional Counselors and Therapists	No	Yes	Yes	No
Chiropractic Examiners	No	No	Yes	No
Physical Therapy Examiners	No	Yes	Yes	Yes
Examiners of Psychologists	No	No	Yes	No
Morticians	Yes	Yes	Yes	No
Occupational Therapy Practice	No	Yes	Yes	Yes
Audiologists, Hearing Aid Dispensers and Speech-Language Pathologists	No	No	Yes	No
Acupuncture	Yes	Yes	No	Yes
Podiatric Examiners	Yes	Yes	No	Yes
Dietetic Practice	Yes	Yes	Yes	Yes
Examiners in Optometry	No	Yes	Yes	Yes
Massage Therapy Examiners	No	No	Yes	No
Kidney Disease*	N/A	N/A	Yes	Yes
Environmental Health Specialists*	N/A	N/A	No	No
Examiners of Nursing Home Administrators	No	No	No	No
Residential Child Care Administrators	No	No	No	No
<b>Total Exceptions</b>	<b>14</b>	<b>8</b>	<b>7</b>	<b>12</b>

\*As noted in Table 3, the Board of Environmental Health Specialists and Commission on Kidney Disease did not process collections via credit card. Therefore, these attributes are not applicable.

The failure to verify that credit card collections were deposited and recorded in the State’s accounting records, and the lack of segregation of cash handling and licensing duties for a number of HPBCs were commented upon in our preceding audit report. Furthermore, the lack of reconciliations of licenses issued to the related collections by certain HPBCs has been commented upon in our audit reports dating back to 2006.

The Comptroller of Maryland’s *Accounting Procedures Manual* requires collections to be independently verified to deposit and recorded in the State’s

accounting records. In addition, the *Manual* requires the separation of cash handling duties and licensing duties and reconciling the value of licenses to the related collections.

### **Recommendation 3**

**We recommend that the applicable HPBCs**

- a. perform documented verifications that credit card collections were deposited and properly recorded in the State’s accounting records (repeat);**
- b. continue investigative action to determine whether the aforementioned \$386,000 in unrecorded collections were deposited and properly recorded in the State’s accounting records;**
- c. ensure that employees processing collections are denied the system capability to issue or renew licenses, certificates, or permits, (repeat) or to update the related billing records;**
- d. in conjunction with MDH, perform a documented consideration of the feasibility of using a bank lockbox account to receive collections (repeat); and**
- e. periodically reconcile licensing activity with the related collections (repeat).**

### **Licensing Systems Access**

#### **Finding 4**

**Twenty-one HPBCs did not perform documented system access reviews of their licensing system to ensure that user access capabilities were adequately restricted. As a result, numerous users could unilaterally issue or renew licenses, and current or former employees had unnecessary system access.**

#### **Analysis**

Twenty-one HPBCs did not perform documented system access reviews of their licensing systems. We obtained system-generated reports from the 7 licensing systems used by the 22 HPBCs which identified 147 users with active access. Our review disclosed that during the audit period 21 of the 22 HPBCs had not conducted a review of user access to determine whether the access was properly restricted and necessary for the employee to complete their job. As a result, we noted the following conditions:

- Sixty-four users at 12 HPBCs (see Table 5) had the ability to unilaterally issue or renew licenses without independent review and approval. The licensing system shared and used by 9 HPBCs did not have the ability to establish

online approvals, and no manual approvals of the licenses were performed. The system used by the remaining 3 HPBCs had the capability to create online approvals, but the HPBCs did not consistently use this capability or establish procedures to manually review the related licenses.

- Forty-eight users at 4 HPBCs (see Table 5) could issue or renew licenses even though this capability was not required to perform their job duties. In addition, 3 former employees at 3 HPBCs (see Table 5), including one that could unilaterally issue licenses, had system access even though the employees had terminated their employment 1 to 12 months earlier. As a result, these former employees still had access to Personally Identifiable Information (PII).

**Table 5  
Finding 4 Summary**

<b>Board or Commission</b>	<b>Periodic System Access Review</b>	<b>Employees Able to Unilaterally Issue Licenses</b>	<b>Employees with Unnecessary Capabilities</b>	<b>Former Employees with Access</b>
Physicians	No	-	-	-
Medical Cannabis	No	-	-	-
Nursing	No	38	22	-
Pharmacy	No	6	16	-
Dental Examiners	No	6	9	1
Social Work Examiners	No	-	1	-
Professional Counselors and Therapists	No	6	-	-
Chiropractic Examiners*	No	2	-	-
Physical Therapy Examiners	No	-	-	-
Examiners of Psychologists	No	1	-	-
Morticians	No	1	-	-
Occupational Therapy Practice	No	-	-	-
Audiologists, Hearing Aid Dispensers and Speech-Language Pathologists	No	1	-	-
Acupuncture	No	-	-	-
Podiatric Examiners	No	-	-	-
Dietetic Practice	No	-	-	-
Examiners in Optometry	No	-	-	-
Massage Therapy Examiners*	No	2	-	-
Kidney Disease	Yes	-	-	-
Environmental Health Specialists	No	1	-	1
Examiners of Nursing Home Administrators	No	1	-	-
Residential Child Care Administrators	No	1	-	1
<b>Total Exceptions</b>	<b>21</b>	<b>64</b>	<b>48</b>	<b>3</b>

**Source:** Regulatory Services Records

\*The Board of Massage Therapy Examiners and the Board of Chiropractic Examiners used the same staff to issue licenses. The 2 employees who could unilaterally issue licenses for these boards are only included once in the total (therefore, the total in the Employees Able to Unilaterally Issue Licenses column does not add up).

The State of Maryland *Information Technology Security Manual* requires agencies to perform system access reviews at least annually. The *Manual* also requires agencies to strictly control and audit the access to confidential information to support the concept of “least privilege.”

**Recommendation 4**

**We recommend that the HPBCs**

- a. perform documented periodic access reviews of the licensing systems;**
- b. establish online or manual controls to prevent users from unilaterally issuing or renewing licenses, including those noted above; and**

- c. **ensure that users are assigned only those capabilities needed to perform job duties and to eliminate unnecessary access, including those noted above.**

## **Information Systems Security and Control**

### **Background**

Fifteen boards and one commission (Kidney Disease) have licensing systems maintained by the HPBCs information technology staff on a consolidated licensing application database system. The remaining five boards (including the Boards of Physicians, Nursing, and Pharmacy) maintain licensing systems residing on servers located at each board's office and principally use application security to provide system security. Several boards also provide an online license verification service to the general public and numerous boards offer online license renewals. Additionally, the Maryland Medical Cannabis Commission uses an outside service provider system for licensing and registration processing functions. The Office of Health Care Quality uses a Federal Centers for Medicare and Medicaid Services' system for its information system processing requirements.

Our audit of these systems was primarily limited to the review of select database system controls of the Board of Physicians and the Board of Nursing. Our audit also reviewed critical application account and password controls for the Boards of Pharmacy and Nursing.

### **Finding 5**

**Password and account controls for the Board of Nursing and the Board of Pharmacy were not sufficient to properly protect critical data.**

### **Analysis**

Password and account controls for the Board of Nursing and the Board of Pharmacy were not sufficient to properly protect critical data (such as personally identifiable information). Specifically, we noted that password and account controls over critical applications used by the Boards of Nursing and Pharmacy did not comply with required settings prescribed by either the current State of Maryland *Information Technology Security Manual*, or the preceding *Information Security Policy* with respect to password age, history, and account lockout. A similar condition, for the Boards of Nursing and Pharmacy, was commented upon in our preceding audit report.

Given these results from our review of selected systems and the fact that many of the other boards and commissions maintain sensitive licensee information, we believe MDH should ensure that all boards and commissions have established appropriate password and account controls.

**Recommendation 5**

**We recommend that**

- a. the two Boards implement strong controls over passwords and accounts for critical applications in accordance with the settings prescribed by the *Information Technology Security Manual* (repeat), and**
- b. MDH determine the extent to which additional application password and account controls are needed to protect licensee data for the remaining boards and commissions (repeat).**

**Procurements**

**Finding 6**

**The Board of Dental Examiners did not comply with State procurement regulations when awarding two sole source contracts totaling \$302,000 to a vendor for a new licensing system.**

**Analysis**

The Board of Dental Examiners did not comply with State procurement regulations when awarding two sole source contracts totaling \$302,000 to a vendor for a new licensing system. Specifically, our review of the procurement of licensing systems by four boards from a single vendor which totaled \$1.1 million, disclosed that the Board of Dental Examiners did not prepare written justifications to support the use of the sole source procurement method for its two contracts with the vendor. Additionally, the Board did not obtain Department of Information Technology (DoIT) and Board of Public Works (BPW) approval, when required. We concluded that the propriety of the sole source method used was questionable because MDH’s Office of Procurement and Support Services had previously advised the Board of Dental Examiners that the services could potentially be provided by other vendors.

State procurement regulations provide that sole source procurements should only be used when goods or services are available from only a single vendor, and require that written justifications be prepared and approved prior to the contract award. In addition, State procurement regulations provide that procurements of information technology exceeding \$100,000 require DoIT approval and contracts

over \$200,000 require BPW approval. One of the two Board contracts with this vendor exceeded \$200,000.

### **Recommendation 6**

**We recommend that the Board of Dental Examiners**

- a. ensure sole source procurements are adequately justified and use the sole source procurement method when only a single vendor can meet the requirements; and**
- b. submit contracts to DoIT and BPW for review and approval, as required.**

## **Consolidation of Operations**

### **Finding 7 (Policy Issue)**

**Consolidation of licensing, procurement, and other fiscal operations to enhance internal controls and maximize efficiencies had not been pursued by the HPBCs.**

### **Analysis**

The HPBCs had not pursued the consolidation of licensing, procurement, and other fiscal operations such as collection of cash receipts to enhance internal controls and maximize efficiencies. State law establishes each HPBC as an independent unit and does not require them to consolidate these functions. However, in our opinion, consolidating certain functions could help resolve longstanding internal control deficiencies, including four of the five findings repeated from our preceding audit report. For example, as noted in Finding 3, seven HPBCs had not properly segregated cash handling and licensing duties, which according to the HPBCs was due to limited personnel. We determined that had their collection functions been consolidated, the current personnel assigned to those functions for each HPBC could be used to help ensure the appropriate segregation of duties. Furthermore, we noted that 16 of the HPBCs already have consolidated their information technology support staff into one shared unit, so there appears to be precedent for such actions.

Although an area for further study, we believe that consolidating certain operations could result in efficiencies and cost savings. For example, consolidating procurements could result in potential volume discounts. According to State accounting records, during fiscal years 2016 to 2019 all HPBCs procured services from 62 vendors totaling \$10.6 million. Of those procurements, seven vendors were used by two or more (of five) HPBCs to procure similar services totaling \$1.3 million. Since each of the five HPBCs procured these contracts independently, they would not have taken advantage of

increased competition and potential volume discounts. Additionally, had certain of the procurements been consolidated, based on increased value, they may have been subject to enhanced oversight via control agency and/or Board of Public Works review and approval, which presently is not the case.

A model for such a consolidated organization does exist elsewhere in State government. For example, the Maryland Department of Labor – Division of Occupational and Professional Licensing (DOPL) has consolidated the licensing, collections, and procurement functions of its 25 boards and commissions. In contrast, the HPBCs have individually procured seven separate licensing systems in total while DOPL procured a single licensing system that was used by all of its boards and commissions.

**Recommendation 7**

**We recommend that the HPBCs collectively identify opportunities for consolidating certain operations to enhance internal controls and maximize efficiencies and, if deemed practical, develop a formal plan to accomplish such enhancements.**



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

We have conducted a fiscal compliance audit of Regulatory Services, a unit of the Maryland Department of Health (MDH), for the period beginning September 28, 2015 and ending September 24, 2019. Regulatory Services consists of 22 Health Professional Boards and Commissions and the Office of Health Care Quality (OHCQ). 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 Regulatory Services' financial transactions, records, and internal control, and to evaluate its compliance with applicable State laws, rules, and regulations.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of significance and risk. The areas addressed by the audit included health professional and facilities licensing, cash receipts, contracts, and information systems. We also determined the status of the findings contained in our preceding audit report.

Our assessment of internal controls was based on agency procedures and controls in place at the time of our fieldwork. Our tests of transactions and other auditing procedures were generally focused on the transactions occurring during our audit period of September 28, 2015 to September 24, 2019, but may include transactions before or after this period as we considered necessary to achieve our audit objectives.

Our audit did not include certain support services provided to Regulatory Services by MDH – Office of the Secretary. These support services (such as payroll, purchasing, maintenance of accounting records, and related fiscal functions) are included within the scope of our audit of the Office of the Secretary.

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, tests of transactions and to the extent practicable, observations of Regulatory Services' operations. Generally, transactions were selected for testing based on auditor judgment, which primarily considers risk. Unless otherwise specifically indicated, neither statistical nor non-statistical audit sampling was used to select the transactions

tested. Therefore, the results of the tests cannot be used to project those results to the entire population from which the test items were selected.

We also performed various data extracts of pertinent information from the State's Financial Management Information System (such as revenue and expenditure data) and the State's Central Payroll Bureau (payroll data). The extracts are performed as part of ongoing internal processes established by the Office of Legislative Audits and were subject to various tests to determine data reliability. We determined that the data extracted from these sources were sufficiently reliable for the purposes the data were used during this audit.

We also extracted data from various agency systems, including the licensing systems at various HPBCs and the inspection system at OHCQ, for the purpose of testing whether licenses were properly issued and inspections were performed as required. We performed various tests of the relevant data and determined that the data were sufficiently reliable for the purposes the data were used during the audit. Finally, we performed other auditing procedures that we considered necessary to achieve our audit objectives. The reliability of data used in this report for background or informational purposes was not assessed.

Regulatory Services' 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. As provided in Government Auditing Standards, there are five components of internal control: control environment, risk assessment, control activities, information and communication, and monitoring. Each of the five components, when significant to the audit objectives, and as applicable to Regulatory Services, were considered by us during the course of this audit.

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 Regulatory Services' 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 Regulatory Services' that did not warrant inclusion in this report.

The response from MDH, on behalf of Regulatory Services, 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 MDH regarding the results of our review of its response.



APPENDIX

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

January 9, 2021

Mr. Gregory A. Hook, CPA  
Legislative Auditor  
Office of Legislative Audits  
State Office Building, Room 1202  
301 West Preston Street  
Baltimore, MD 21201

Dear Mr. Hook:

Enclosed, please find the responses to the draft audit report on the Maryland Department of Health – Regulatory Services for the period beginning September 28, 2015 and ending September 24, 2019.

If you have any questions, please contact Frederick D. Doggett at 410-767-0885 or email at [frederick.doggett@maryland.gov](mailto:frederick.doggett@maryland.gov).

Sincerely,

Dennis R. Schrader  
Acting Secretary

Enclosure

cc: Frederick D. Doggett, Inspector General, MDH  
Webster Ye, Assistant Secretary, Health Policy, MDH  
Kimberly Link, J.D., Associate Director, Health Workforce, Health Occupations Board and Commissions  
Deneen Toney Acting Assistant Inspector General, MDH  
Patricia T. Nay, M.D., Executive Director, Office of Health Care Quality, MDH  
Karen E. B. Evans, R.N., Executive Director, State Board of Nursing, MDH  
Penny K. Heisler, Executive Director, State Acupuncture Board, MDH  
Candace G. Robinson, Executive Director, State Board of Examiners for Audiologists, Hearing Aid Dispensers, & Speech-Language Pathologists, MDH

Darlene V. Ham, Executive Director, State Board for Certification of Residential Child-Care Program Professionals, MDH  
Christy Collins, Executive Director, State Board of Morticians & Funeral Directors, MDH  
Danielle M. Vallone, Acting Executive Director, State Board of Professional Counselors & Therapists, MDH  
Francis X. McLaughlin, Jr., Executive Director, State Board of Dental Examiners, MDH  
Marie M. Savage, Administrator, State Board of Dietetic Practice, MDH  
James T. Merrow, Executive Director, State Board of Environmental Health Specialists, MDH  
Eva H. Schwartz, Executive Director, State Commission on Kidney Disease and State Board of Podiatric Medical Examiners, MDH  
Sharon J. Oliver, Executive Director, State Board of Massage Therapy Examiners and State Board of Chiropractic Examiners, MDH  
Ronda Butler Bell, Executive Director, State Board of Examiners of Nursing Home Administrators, MDH  
Lauren C. Murray Honeycutt, Executive Director, State Board of Occupational Therapy Practice, MDH  
Patricia G. Bennett, Executive Director, State Board of Examiners in Optometry, MDH  
Deena N. Speights-Napata, Executive Director, State Board of Pharmacy, MDH  
Laurie Kendall-Ellis, Executive Director, State Board of Physical Therapy Examiners, MDH  
Christine A. Farrelly, Executive Director, State Board of Physicians, MDH  
Lorraine W. Smith, Executive Director, State Board of Examiners of Psychologists, MDH  
Stanley E. Weinstein, Ph.D., Executive Director, State Board of Social Work Examiners, MDH  
William C. Tilburg, J.D., M.P.H., Executive Director, Maryland Medical Cannabis Commission, MDH

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**Complaint Tracking**

**Finding 1**  
**The Board of Nursing and the Board of Professional Counselors and Therapists did not provide sufficient oversight to ensure that complaints against licensees were investigated timely. Our review disclosed that numerous complaints were not investigated within one year.**

**We recommend that the Board of Nursing and Board of Professional Counselors and Therapists**

- a. properly monitor complaints (such as by periodically reviewing the tracking logs) and develop a strategy to ensure the timely disposition of complaints (repeat); and**
- b. properly maintain the tracking logs and ensure the logs reflect all critical information, including key dates such as initial receipt (repeat).**

Agency Response			
<b>Analysis</b>	<b>Factually Accurate</b>		
Please provide additional comments as deemed necessary.			
<b>Recommendation 1a</b>	Agree	<b>Estimated Completion Date:</b>	12/20/2020
Please provide details of corrective action or explain disagreement.	<p><b>Maryland Board of Nursing:</b></p> <p>The MBON -properly monitors complaints and has developed a strategy to ensure the timely disposition of complaints. The incoming complaints tracking log was piloted in September 2019 to ensure that initial review of complaints were forwarded to the triage committee in a timely manner. The Complaints Manager tracks the complaints tracking log monthly and addresses any concerns at that time. The Complaints Manager monitors the complaints and ensures the timely disposition of complaints. The triage log is dated from the day the Board receives the complaint to the date of disposition. This will be documented on the Compliance Audit tool and documents in policy and procedures.</p>		
	<p><b>Maryland Board of Counselors:</b></p>		

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	<p>Agree: <b>Board of Professional Counselors:</b> Estimated Completion Date: 4/1/2021</p> <p>Board of Professional Counselors concurs and will properly monitor complaints (such as by periodically reviewing the tracking logs) and has developed a strategy to ensure the timely disposition of complaints. In 2017, the Board created a tracking log for all complaints and continues to update this log daily. The tracking log will soon be replaced with a new automated tracking system. The Board anticipates to have the new tracking system fully operational by spring of 2021. The Compliance Manager monitors the complaints.</p>		
<b>Recommendation 1b</b>	Agree	<b>Estimated Completion Date:</b>	12/31/2020
<b>Please provide details of corrective action or explain disagreement.</b>	<p><b>Maryland Board of Nursing:</b></p> <p>MBON has properly maintained the tracking logs and ensured the logs reflect all critical information, including key dates such as initial receipts. A triage tracking tool was developed in March of 2019. The Investigators assignment tracking tool and the triage tracking tool were revised July 23, 2020 to include critical information. The Assistant Director of Enforcement will monitor the Investigators tracking tool monthly. The Assistant Director of Enforcement monitors for key dates and other critical information is not left blank monthly. Each Investigator is responsible for completing the tracking tool as needed (will be updated daily). The Assistant Director of Enforcement will address any concerns noted at the time of the audit and documented on the Investigation compliant audit log as explained in policy and procedure.</p> <p><b>Maryland Board of Professional Counselors:</b></p> <p>Agree: <b>Board of Professional Counselors:</b> Estimated Completion Date: 4/1/2021</p> <p>The Board of Professional Counselors concurs. In 2017, the Board created a tracking log for all complaints and continues to update this log daily. The tracking log will soon be replaced with automated tracking system. The Board anticipates that the new tracking system will be fully operational by Spring 2021. The Compliance Manger will properly maintain the tracking logs and ensure the logs reflect all critical information, including key dates such as initial receipts.</p>		

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**Inspections**

**Finding 2**  
**The Office of Health Care Quality did not conduct required annual inspections of all assisted living facilities and developmental disabilities service providers.**

**We recommend that OHCQ, in conjunction with MDH, ensure inspections of the assisted living facilities and developmental disabilities service providers are completed as required by law (repeat).**

Agency Response			
<b>Analysis</b>			
<b>Please provide additional comments as deemed necessary.</b>			
<b>Recommendation 2</b>	Agree	<b>Estimated Completion Date:</b>	June 30, 2025
<b>Please provide details of corrective action or explain disagreement.</b>	The Office of Health Care Quality concurs with the OLA recommendation. On July 1, 2018, SB386 was approved. We are in the 4 <sup>th</sup> year of the 7-year staffing plan to adequately staff OHCQ. The additional staff will allow us to complete more of the mandated survey activities. The 7-year staffing plan ends with FY24. A completion date of June 30, 2025, was given to account for the hiring and training of new staff which can take up to a year.		



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**Cash Receipts**

**Finding 3**  
**Controls over collections directly received at and the deposits made by the majority of the HPBCs were not adequate, and duties related to cash receipts and licensing were not properly segregated.**

**We recommend that the applicable HPBCs**

- a. perform documented verifications that credit card collections were deposited and properly recorded in the State’s accounting records (repeat);**
- b. continue investigative action to determine whether the aforementioned \$386,000 in unrecorded collections were deposited and properly recorded in the State’s accounting records;**
- c. ensure that employees processing collections are denied the system capability to issue or renew licenses, certificates, or permits, (repeat) or to update the related billing records;**
- d. in conjunction with MDH, perform a documented consideration of the feasibility of using a bank lockbox account to receive collections (repeat); and**
- e. periodically reconcile licensing activity with the related collections (repeat).**

Agency Response			
<b>Analysis</b>	<b>Factually Accurate</b>		
<b>Please provide additional comments as deemed necessary.</b>			
<b>Recommendation 3a</b>	Agree	<b>Estimated Completion Date:</b>	02/28/2021
<b>Please provide details of corrective action or explain disagreement.</b>	<p><b>Maryland Board of Nursing:</b></p> <p>MBON concurs with this finding and recommendation and will perform documented verifications that ensures credit card collections are deposited and properly recorded in the State’s accounting records. The Board has created policy and procedures to comply with this finding.</p>		
	<p><b>Maryland Board of Physical Therapy Examiners:</b></p> <p>Agree: <b>Maryland Board of Physical Therapy Examiners:</b> Estimated Completion Date: 7/1/2020</p>		

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	<p>MDBPTE has implemented a procedure to reconcile the credit card merchant daily transactional statement with the State Treasurer's daily deposit report, the monthly bank statement and the State monthly statement of account.</p> <p>Reconciliation of above-mentioned accounts will ensure that all credit card payment collections have been accurately accounted for and documentation of this procedure maintained.</p> <hr/> <p><b>Board of Dental Examiners:</b></p> <p><b>Agree: Board of Dental Examiners:</b> Estimated Completion Date: 12/31/2020</p> <p>The Dental Board agrees and has made sure that adequate controls are in place for depositing and that all receipts are properly accounted for. The Dental board now uses a state approved vendor as the credit card merchant and routinely reconciles all deposit activities.</p>
	<p><b>Maryland Board of Occupational Therapy Practice:</b></p> <p><b>Agree: Maryland Board of Occupational Therapy Practice:</b> Estimate Completion Date: 1/30/2021</p> <p>The Maryland Board of Occupational Therapy will perform documented verifications to ensure credit card collections are deposited and properly recorded in the State's accounting records. In addition, the Maryland Board of OT will continue to download transaction reports from vendor (and soon the new payment processing gateway). The Board will keep these reports in a binder in the office and will reconcile them against the deposit fax and the Revenue Report.</p>
	<p><b>Board of Pharmacy:</b></p> <p><b>Agree: Maryland Pharmacy:</b> Estimate Completion Date: 2/28/21</p> <p>Maryland Board of Pharmacy will perform documented verifications that credit card collections were deposited and properly recorded in the State's accounting records.</p> <p><b>Boards and Commissions:</b></p>

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	<p>Agree: <b>Boards and Commissions:</b> Estimated Completion Date: 08/24/2020</p> <p>Each Board has established adequate control procedures to ensure that all credit card transactions are deposited into the State Treasury and credited to the respective Board.</p>		
<b>Recommendation 3b</b>	Agree	<b>Estimated Completion Date:</b>	3/31/2021
<b>Please provide details of corrective action or explain disagreement.</b>	<p><b>Maryland Board of Nursing:</b></p> <p><b>MBON</b> concurs with this finding and recommendation. This issue arose from a change in merchant id numbers (MID) between the Board and the state Treasurer’s office. Although the MIDs were mixed-up, the funds were still deposited into the state’s merchant account. As per your recommendation, the Board will communicate with the treasurer’s office to investigate further. The Director of Operations will monitor this concern on a quarterly basis.</p>		
<b>Recommendation 3c</b>	Agree	<b>Estimated Completion Date:</b>	2/15/2020
<b>Please provide details of corrective action or explain disagreement.</b>	<p><b>Maryland Medical Cannabis Commission:</b></p> <p><b>MMCC</b> - While this is identified as a “repeat” audit failure, the MMCC only began receiving and processing payments, and licensing entities during the audit period in question. The MMCC did not receive a previous audit failure on this issue.</p> <p>The MMCC clarified its fee collection duties must be segregated from licensing duties. Beginning February 15, 2020, no employee who receives or processes checks or money orders has access to licensing software. In addition, the MMCC will perform quarterly audits to confirm (1) which employees have access to the licensing software, (2) whether this access is necessary for their job, and (3) that they do not receive or process payments.</p> <p>The employee(s) who accept/process mail, including checks, do not have access to the licensing software. Likewise, the employees who may print licenses, which require a physical signature by the Executive Director, do not accept/process mail, including checks.</p>		

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	<p>The MMCC has also requested and received a check scanner, which will reduce the number of employees required to accept/process payments.</p>		
	<p><b>Board of Dental Examiners:</b></p> <p>Agree: <b>Board of Dental Examiners:</b> Estimated Completion Date: 10/30/2020</p> <p>MSBDE agrees with the findings and has put best practices in place to assure that no staff members who accept/process mail, including checks, do not have access to the licensing software and vice versa. Staff who may print licenses, which require a physical signature by the Board President, do not accept/process mail, including checks.</p>		
	<p><b>Boards and Commissions:</b></p> <p>Agree: <b>Boards and Commissions:</b> Estimated Completion Date: 8/24/2020</p> <p>The Boards will regularly monitor staff access accessibility to ensure that only authorized staff has access to information that is pertinent to their duties.</p>		
<b>Recommendation 3d</b>	Agree	<b>Estimated Completion Date:</b>	9/15/2020
<b>Please provide details of corrective action or explain disagreement.</b>	<p><b>Maryland Medical Cannabis Commission:</b></p> <p>In conjunction with MDH, the MMCC will consider the feasibility of using a bank lockbox account to receive collections. One issue which must be assessed is whether this would jeopardize federal funds received by other boards and commissions or units at MDH. The MMCC regulates medical cannabis, which remains a Schedule I drug under federal law. This means it is illegal to manufacture, distribute, or possess the drug under federal law. The federal government has stripped state agencies of grant funding and other sources of federal funds due to connection with the State’s lawful medical cannabis program. Therefore, the MMCC is cautious not to coordinate services with other agencies and units.</p>		
	<p><b>Maryland Board of Nursing:</b></p> <p>Agree: <b>Maryland Board of Nursing:</b> Estimated Completion Date:</p>		

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	<p>3/31/2021</p> <p>MBON concurs with this finding and recommendation. The Board has considered the feasibility of procuring lockbox services on several occasions – most recently October 2019. It was determined that lockbox service was not feasible at that time. However, the Board will re-evaluate the feasibility of lockbox service, per this recommendation. The Board has emails concerning this matter with our fiscal manager. Fiscally the lockbox will cause a financial burden to the Board.</p>
	<p><b>Board of Dental Examiners:</b></p> <p>Agree: <b>Board of Dental Examiners:</b> Estimated Completion Date: 10/30/2020</p> <p>MSBDE is currently utilizing the lock box.</p>
	<p><b>Maryland Board of Physical Therapy Examiners:</b></p> <p>Agree: <b>Maryland Board of Physical Therapy Examiners:</b> Estimate Completion Date: 8/1/2020</p> <p>MBPTE has looked into lockbox services and finds it is not fiscally responsible to pursue with over 92% of MDBPTE revenue transaction payments are made with a credit card. Inquiries into the cost of a bank lockbox found that the setup fee will be over \$10,000.00 plus yearly bank charges which will increase current expenses by over 300%. Plus, there would be courier service costs to pick up checks mistakenly mailed to MDBPTE. Fiscally a bank lockbox will cause a financial burden. Additionally, a bank lockbox will delay the timely processing of licensing payments which would adversely impact our efficiency and customer service satisfaction.</p> <p>In consideration of the fact that MDBPTE is self-funded, the majority of transactions are through credit cards, and customer service would be adversely impacted, it is not feasible for MDBPTE to have a bank lockbox.</p>
	<p><b>Boards and Commissions:</b></p> <p>Agree: <b>Boards and Commissions:</b> Estimate Completion Date: 8/24/2020</p>

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	<p>The Board &amp; Commissions has investigated into looking into using a lockbox and the results are as follow. It is not cost effective for these Boards to use a lockbox for the following reasons.</p> <ul style="list-style-type: none"> <li>• An analysis of lockboxes revealed that lockboxes are extremely costly (setup fees, monthly fees for each lockbox, and service/transaction for initial applications, and those that do for each payment processed). I.e. in FY 19 the Pharmacy Board’s cost was \$70,474 and \$61,271 in FY 20. The cost to install and maintain a lockbox can be more than some boards collect.</li> <li>• Many Boards currently have an online credit card payment system for initial applications, and those that do not are scheduled to implement this system. Currently, all Boards have online renewal payment systems.</li> <li>• Lockboxes don’t account for other forms of payment received. Therefore, multiple financial systems would need to be maintained.</li> </ul>		
<b>Recommendation 3e</b>	Agree	<b>Estimated Completion Date:</b>	12/31/2021
<b>Please provide details of corrective action or explain disagreement.</b>	<p><b>Maryland Board of Nursing:</b></p> <p><b>MBON</b> concurs with this finding and recommendation. However, the limitations of the Board’s licensing system prevent the establishment of a relationship between licensing activity and revenue. Additionally, the receipt of payment does not necessarily result in any licensing activity (i.e. a person who pays for a license does not necessarily receive one). The Board planned to begin utilizing its licensing system to account for collections – which would hopefully assist with reconciliations – however, to date, that plan hasn’t bore any fruit. In the interim, Board staff began performing quarterly audits, to ensure that payments were received for every license that was issued or renewed. The Board plans to automate this process in the future once a determination is made/settled with our current licensing system.</p>		
	<p><b>Board of Dental Examiners:</b></p> <p>Agree: <b>Board of Dental Examiners:</b> Estimated Completion Date: 10/30/2020</p> <p>MSBDE concurs with recommendation therefore has implemented a process to ensure periodically licensing activity is reconciled to related collections. The licensing manager reconciles and ensures all fees collected are accounted for before authorizing the printing of a license.</p>		

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	<p><b>Board of Morticians and Funeral:</b></p> <p>Agree: <b>Board of Morticians and Funeral:</b> Estimated Completion Date: 7/1/2020</p> <p>The Board has established a process to ensure periodically the Board is reconciling licensing activity with the related collections. Licensing Coordinator reconciles money received before printing a license. The Executive Director will ensure an audit is conducted regularly to validate monthly deposits and refunds are properly reflected in monthly DAFR Reports from Fiscal Officer.</p>
	<p><b>Board of Pharmacy:</b></p> <p>Agree: Board of Pharmacy: Estimate Completion Date: 2/28/21</p> <p>Maryland Board of Pharmacy will periodically reconcile licensing activity with the related collections.</p>
	<p><b>Boards and Commissions:</b></p> <p>Agree: <b>Boards and Commissions:</b> Estimated Completion Date: 8/24/2020</p> <p>Effective immediately, routine reconciliations are performed between licensing activities and monetary collections. Also, the Boards I regularly monitor these procedures to ensure they continue to provide the oversight that is needed, and only authorized staff have access to information that is pertinent to their duties.</p>

**Licensing Systems Access**

**Finding 4**

**Twenty-one HPBCs did not perform documented system access reviews of their licensing system to ensure that user access capabilities were adequately restricted. As a result, numerous users could unilaterally issue or renew licenses, and current or former employees had unnecessary system access.**

**We recommend that the HPBCs**

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- a. perform documented periodic access reviews of the licensing systems;
- b. establish online or manual controls to prevent users from unilaterally issuing or renewing licenses, including those noted above; and
- c. ensure that users are assigned only those capabilities needed to perform job duties and to eliminate unnecessary access, including those noted above.

Agency Response			
<b>Analysis</b>	<b>Factually Accurate</b>		
Please provide additional comments as deemed necessary.			
<b>Recommendation 4a</b>	Agree	<b>Estimated Completion Date:</b>	12/31/2020
Please provide details of corrective action or explain disagreement.	<p><b>Maryland Board of Nursing:</b></p> <p>MBON periodically conducts an access review with the information technology staff to ensure that access and restrictions are applied to the appropriate person. The Director of IT performs an audit on IT access and restrictions on a quarterly basis per policy and procedure.</p>		
	<p><b>Maryland Medical Cannabis Commission:</b></p> <p>Agree: MMCC - Estimated Completion Date: 7/1/2020</p> <p>The MMCC has adopted an organizational policy requiring the Department of Laboratories and Compliance, which oversees licensing and registration of medical cannabis businesses, to conduct a quarterly review of the licensing systems to determine whether (1) access to the licensing system was properly restricted and (2) licensing access was necessary for the employee to complete their job.</p> <p>The MMCC has integrated its licensing system with One Stop, the central hub for Maryland licenses, forms, certificates, permits, applications, and registrations. The buildout of the MMCC platform on One Stop will be completed by October 2020. The One Stop portal allows system managers to review user access. At the MMCC, the Executive Director, Deputy Director, and IT Director have appropriate access to changer user permissions. These permissions will be reviewed by the Department of Laboratories and Compliance every quarter in</p>		



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	<p>order for the Department to make recommendations to the Executive Director and Deputy Director.</p> <hr/>
	<p><b>Board of Dental Examiners:</b></p> <p>Agree: <b>Board of Dental Examiners:</b> Estimated Completion Date: 12/31/2020</p> <p>MSBDE has acquired a new licensing system and prior to it coming online, licensing staff revisited the protocols of accessibility and who performed what function. The new licensing system came online in the fall and we performed the first periodic review at the end of CY2020. Policy and procedures will be established to ensure this process is performed routinely going forward.</p>
	<p><b>Board of Physicians</b></p> <p>Agree: <b>Board of Physicians:</b> Estimated Completion Date: 2019</p> <p>The Board of Physicians performs documented access reviews of its licensing system.</p>
	<p><b>Maryland Board of Physical Therapy Examiners:</b></p> <p>Agree: <b>Maryland Board of Physical Therapy Examiners:</b> Estimated Completion Date: 7/30/2020</p> <p>MBPTE conducts documented periodic access reviews of the licensing system.</p>
	<p><b>Maryland Board of Occupational Therapy Practice:</b></p> <p>Agree: <b>Maryland Board of Occupational Therapy Practice:</b> Estimated Completion Date: 12/31/2020</p> <p>The Maryland Board of OT continues to restrict issuance and renewal of licenses and conducts periodic review of the system access as recommended. The Board of OT has created policy and procedures.</p>

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	<p><b>Boards and Commissions:</b></p> <p>Agree: <b>Boards and Commissions:</b> Estimated Completion Date: 8/24/2020</p> <p>The Boards conducts access reviews with the information technology staff to ensure that access and restrictions are applied to the appropriate person. Policy and procedures will be established to ensure compliance at all times.</p>		
<b>Recommendation 4b</b>	Agree	<b>Estimated Completion Date:</b>	12/31/2020
<p><b>Please provide details of corrective action or explain disagreement.</b></p>	<p><b>Maryland Board of Nursing:</b></p> <p>MBON has established controls to prevent users from unilaterally issuing or renewing licenses, including those noted above. MBON conducts routine access reviews to ensure that access and restrictions are appropriately applied. The Director of IT performs an audit on IT access and restrictions on a quarterly basis per policy and procedures.</p>		
	<p><b>Board of Dental Examiners:</b></p> <p>Agree: <b>Board of Dental Examiners:</b> Estimated Completion Date: 10/30/2020</p> <p>The Board of Dental Examiners has established controls to prevent users from unilaterally issuing or renewing licenses, including those noted above. Each member of the licensing unit has a specific duty in the licensing process and never independently issues licenses without all members doing their respective portion of the transaction. This is monitored closely by the IT department to assure that no improprieties take place.</p>		
	<p><b>Maryland Board of Physical Therapy Examiners:</b></p> <p>Agree: <b>Maryland Board of Physical Therapy Examiners:</b> Estimated Completion Date: 7/30/2020</p> <p>MBPTE has established controls to prevent users from unilaterally issuing or renewing licenses, including those noted above. Only MBPTE staff with the correct licensing system permissions can edit licensee information or issue/renew a license. There are designated</p>		

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	<p>levels of access (read-only, full access, no access) which enables independent review of the system (i.e. read-only). IT will be providing a quarterly system permission review report.</p> <p>Pre-audit MDBPTE and IT communicated via email on changes related to staff access and restrictions. These changes were routinely checked by MDBPTE and IT but not verified through an IT quarterly system permission review report.</p>		
	<p><b>Boards and Commissions:</b></p> <p>Agree: <b>Boards and Commissions:</b> Estimated Completion Date: 8/24/2020</p> <p>Boards and Commissions has established controls to prevent users from unilaterally issuing or renewing licenses, including those noted above. Policy and procedures will be established to ensure compliance at all times.</p>		
<b>Recommendation 4c</b>	Agree	<b>Estimated Completion Date:</b>	12/31/2020
<p><b>Please provide details of corrective action or explain disagreement.</b></p>	<p><b>Maryland Board of Nursing:</b></p> <p>MBON ensures that users are assigned only those capabilities needed to perform job duties and has eliminated all unnecessary access. MBON has developed procedures and delineating requirements that must exist to be granted access.</p> <hr/> <p><b>Board of Dental Examiners:</b></p> <p>Agree: <b>Board of Dental Examiners:</b> Estimated Completion Date: 12/31/2020</p> <p>MSBDE ensures that users are assigned only those capabilities needed to perform job duties and has eliminated all unnecessary access. The SOP was finalized CY20 identifying who has what accesses and capabilities in the licensing process.</p> <hr/> <p><b>Maryland Board of Physical Therapy Examiners:</b></p> <p>Agree: <b>Maryland Board of Physical Therapy Examiners:</b> Estimated Completion Date: 7/30/2020</p>		

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	<p>MDBPTE ensures that users are assigned only those capabilities needed to perform job duties and has eliminated all unnecessary access. MDBPTE Deputy Directors reviews the IT quarterly system permission review report and informs the IT department in writing of any changes required to users' permissions.</p> <p>MDBPTE maintains a record of communications with IT when requesting a change in user's access and acknowledge receipt of IT quarterly system permission review reports.</p>
	<p><b>Boards and Commissions:</b></p> <p>Agree: <b>Boards and Commissions:</b> Estimated Completion Date: 8/24/2020</p> <p>Boards and Commissions ensures that users are assigned only those capabilities needed to perform job duties and has eliminated all unnecessary access. Written procedures have been developed delineating requirements that must be met to be granted access.</p>

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**Information Systems Security and Control**

**Finding 5**  
**Password and account controls for the Board of Nursing and the Board of Pharmacy were not sufficient to properly protect critical data.**

**We recommend that**

- a. the two Boards implement strong controls over passwords and accounts for critical applications in accordance with the settings prescribed by the *Information Technology Security Manual* (repeat), and**
- b. MDH determine the extent to which additional application password and account controls are needed to protect licensee data for the remaining boards and commissions (repeat).**

Agency Response			
Analysis	Factually Accurate		
Please provide additional comments as deemed necessary.			
<b>Recommendation 5a</b>	Agree	<b>Estimated Completion Date:</b>	12/31/2021
Please provide details of corrective action or explain disagreement.	<p><b>Board of Nursing:</b></p> <p>MBON has implemented enhanced password requirements to its licensing application as outlined by the June 2019 release of DoIT’s Information Technology Security Manual, effective 12-March-2020. However further updates will be completed by year end to ensure full compliance.</p> <p>Compliance will require additional software upgrade and extensive testing to ensure the proper operation of the licensing application.</p> <p>While Governor Hogan’s Executive Order is in effect we will <u>NOT</u> make any changes to the licensing system to avoid any significant down time during COVID-19 pandemic.</p>		

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	<b>Board of Pharmacy:</b> Estimated Completion Date: 12/8/2019		
	The Maryland Board of Pharmacy has implemented the password requirements outlined by the current IT manual.		
<b>Recommendation 5b</b>	Agree	<b>Estimated Completion Date:</b>	07/01/2022
<b>Please provide details of corrective action or explain disagreement.</b>	MDH will determine the extent to which additional application password and account controls are needed to protect licensee data for the remaining boards and commissions		

**Procurements**

**Finding 6**  
The Board of Dental Examiners did not comply with State procurement regulations when awarding two sole source contracts totaling \$302,000 to a vendor for a new licensing system.

**We recommend that the Board of Dental Examiners**

- a. ensure sole source procurements are adequately justified and use the sole source procurement method when only a single vendor can meet the requirements; and
- b. submit contracts to DoIT and BPW for review and approval, as required.

<b>Agency Response</b>			
<b>Analysis</b>	<b>Factually Accurate</b>		
<b>Please provide additional comments as deemed necessary.</b>			
<b>Recommendation 6a</b>	Agree	<b>Estimated Completion Date:</b>	6/30/2021
<b>Please provide details of corrective action or explain disagreement.</b>	The Board Dental agrees and will ensure sole source procurements are adequately justified and use the sole source procurement method when only a single vendor can meet the requirements. Will put together a policy and procedure to provide guidance for use in the future.		
<b>Recommendation 6b</b>	Agree	<b>Estimated Completion Date:</b>	6/30/2021

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<b>Please provide details of corrective action or explain disagreement.</b>	The Board of Dental Examiners will submit contracts to DoIT and BPW for review and approval, as required. The Board will develop a policy and procedure and look into training the Board and staff.
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**Consolidation of Operations**

**Finding 7 (Policy Issue)**  
**Consolidation of licensing, procurement, and other fiscal operations to enhance internal controls and maximize efficiencies had not been pursued by the HPBCs.**

**We recommend that the HPBCs collectively identify opportunities for consolidating certain operations to enhance internal controls and maximize efficiencies and, if deemed practical, develop a formal plan to accomplish such enhancements.**

<b>Agency Response</b>			
<b>Analysis</b>	Factually Accurate		
<b>Please provide additional comments as deemed necessary.</b>			
<b>Recommendation 7</b>	Agree	<b>Estimated Completion Date:</b>	10/1/2020

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<b>Please provide details of corrective action or explain disagreement.</b>	<b>Maryland Medical Cannabis Commission:</b>  The MMCC is consolidating licensing operations by migrating its licensing and registration operations to Maryland OneStop, which houses licensing services for more than one dozen state agencies and commissions.
	<b>Board of Physicians:</b>  Agree: Board of Physicians: Estimated Completion Date: 1/31/2022  During the audit period, the Boards collaborated on an enterprise licensing system and met monthly to discuss common issues. Additionally, the Boards share numerous services and consolidate whenever possible. The Board of Physicians continuously works toward enhancing internal controls and maximizing efficiencies. The Board uses State-approved vendors when possible, but it does have unique needs such as physician peer review. The Board of Physicians has concerns about a “consolidated” approach because it already pays a larger, disproportionate, and inequitable amount of shared costs and costs related to other Boards. This in turn results in higher licensure fees for its licensees.  The Board of Physicians has its own IT and Fiscal Units. The Board owns its IT system outright. The Board’s IT system was created to meet the needs of the Board and continues to be modified in response to operational changes. Further, the Board of Physicians already pays a larger, inequitable amount of shared costs and costs related to other Boards which results in higher fees for our licensees.
	<b>Boards and Commissions:</b>  Agree: <b>Boards and Commissions:</b> Estimated Completion Date: 1/31/2022  The Boards (Board of Nursing, Dental Board, Board of Pharmacy and Board of Occupational Therapy) will continue to investigate the practicality and cost-effectiveness of centralizing certain fiscal functions. Additionally, the Boards will reexamine their already uniform fiscal guidelines and policies and look at feasible ways to refine them. As it relates to licensing functions since the last audit, eight of the



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	<p>boards have merged onto the same automatic licensing system, and the remaining boards are scheduled to join. The Boards follow the state's policies relating to procurement procedures and will continue to do so.</p>
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AUDIT TEAM

**Edward A. Rubenstein, CPA**  
Audit Manager

**Richard L. Carter, CISA**  
**Edwin L. Paul, CPA, CISA**  
Information Systems Audit Managers

**Menachem Katz, CPA**  
Senior Auditor

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

**Ashley M. Darby**  
**Paul A. McGrew**  
**Daniel P. Nuccio, CPA, CFE**  
**Dianne P. Ramirez**  
Staff Auditors