

N00A01
Administration
Department of Human Resources

Operating Budget Data

(\$ in Thousands)

	FY 05	FY 06	FY 07	FY 06-07	% Change
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>	<u>Prior Year</u>
General Fund	\$60,557	\$58,542	\$69,528	\$10,986	18.8%
Special Fund	4,924	3,932	3,996	65	1.6%
Federal Fund	54,984	61,669	69,057	7,387	12.0%
Reimbursable Fund	<u>3,326</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Total Funds	\$123,791	\$124,143	\$142,581	\$18,438	14.9%

- The fiscal 2007 allowance increases by 15%, or \$18.4 million, an \$11 million increase in general funds and a \$7.4 million increase in federal funds.
- Computer costs account for \$10.5 million of the increase. The funds are spread between the Maryland Children's Electronic Social Services Information Exchange (MD CHESSIE) development and implementation; computer systems enhancements and maintenance; and purchase/lease of new computer hardware.
- Personnel expenditures account for \$5.9 million of the increase.

Personnel Data

	FY 05	FY 06	FY 07	FY 06-07
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	941.40	1,017.50	1,021.50	4.00
Contractual FTEs	<u>5.03</u>	<u>1.31</u>	<u>6.81</u>	<u>5.50</u>
Total Personnel	946.43	1,018.81	1,028.31	9.50

Vacancy Data: Regular Positions

Turnover, Excluding New Positions	45.76	4.48%
Positions Vacant as of 12/31/05	64.50	6.34%

Note: Numbers may not sum to total due to rounding.

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N00A01 – DHR – Administration

- The fiscal 2007 allowance contains four new regular positions for the Baltimore City Department of Social Services (DSS). These positions will assist with the everyday support services needed for personnel, information technology, and support operations but will also be utilized for key projects and initiatives such as Strategic and Tactical Planning and Continuous Quality Improvement Projects which are addressing compliance with the consent decree and risk management initiatives.
- The vacancy rate as of January 1, 2006, is 6.34%, which is almost 2% greater than the budgeted turnover. Nine of the 64.5 vacant positions have been vacant for over a year.
- The fiscal 2007 allowance includes 5.5 new contractual positions, to support a variety of administrative activities.

Analysis in Brief

Major Trends

Repeat High Risk Audit Findings: The Department of Human Resources (DHR) programs received 11 high risk repeat audit findings in fiscal 2002 through 2003, and that number jumped to 23 high risk audit findings in fiscal 2004 through fiscal 2005.

Vacancy Rates in Local DSS versus Headquarters: There is a gap between the vacancy rates in the local DSS offices and the headquarters offices. A few years ago, the local DSS offices had a significantly larger vacancy rate than the headquarters, but the situation has reversed and the headquarters now has a higher vacancy rate than the local DSS offices.

Issues

Implementation of MD CHESSIE: As of November 2006, MD CHESSIE is expected to be fully operational, which means in fiscal 2007 some money will still be needed to fund the development of MD CHESSIE. Currently, MD CHESSIE is in the “early release” stage in all 24 jurisdictions, and DHR is working to solve some user problems before the full implementation begins in Hartford County in February 2006.

Recommended Actions

	<u>Funds</u>	<u>Positions</u>
1. Reduce costs for telephone in the Office of Communications.	\$ 221,198	
2. Reduce appropriation for in-state travel.	115,930	
3. Delete funding for 3.5 contractual positions.	105,327	
4. Delete 5 positions in the Division of Budget, Finance and Personnel.	280,398	5.0
5. Reduce funds to upgrade computers at headquarters.	65,000	
6. Delete one position in the Division of Administrative Services.	64,973	1.0
7. Delete one position in General Administration.	48,013	1.0
8. Reduce appropriation for software licenses.	64,000	
9. Reduce appropriation for consulting expenses and legal fees.	242,293	
10. Adopt committee narrative requesting status reports on the implementation of MD CHESSIE.		
Total Reductions	\$ 1,207,132	7.0

N00A01 – DHR – Administration

N00A01
Administration
Department of Human Resources

Operating Budget Analysis

Program Description

The Department of Human Resources (DHR) administers programs through a State-supervised and locally administered system. The DHR Administration provides overall direction through four major units:

- the Office of the Secretary;
- the Operations Office;
- the Office of Technology for Human Services (OTHS); and
- local department operations.

Local departments of social services (LDSS) are situated in each county and Baltimore City; their administrative budgets are combined into the local department operations unit for the purpose of the State budget.

Office of the Secretary

The Office of the Secretary provides overall direction and coordination for all programs and activities of DHR. The Office of the Secretary includes:

- the Citizens' Review Board for Children;
- the Maryland Commission for Women;
- the Commission on Asian Pacific American Affairs;
- the Commission on Hispanic Affairs; and
- the Commission on Migratory and Seasonal Farm Labor.

Key goals of the Office of the Secretary include:

- increasing the organizational capacity of DHR to achieve its independence and safety goals; and
- resolving critical agencywide issues.

Operations Office

The Operations Office consists of the Division of Budget, Finance, and Personnel, which supports the programs of other departmental units through the management and control of fiscal and personnel systems, and the Division of Administrative Operations (DAO), which provides core administrative services to DHR as well as disaster relief/emergency response. DAO administers the Central Distribution Center; the Emergency Operations; the Fleet and Forms; the Graphics Media Center; the Asset Management and Stockroom; the Mail Operations; the Warehousing; the Real Estate (procurement, construction, remodeling, and lease management); the Records Management; the Risk Management; the DHR Central Facility; and the DHR Central Parking.

Office of Technology for Human Services

OTHS, under the direction of the Chief Information Officer (CIO), is responsible for the overall management and direction of DHR's information systems. This includes responsibility for computer applications and systems, computer and communication equipment, computer peripheral equipment, telephone systems and equipment, ancillary facility and support equipment, and consumables and supplies. In addition, the CIO serves as the principal information technology (IT) advisor to the Secretary, deputy secretaries, and executive staff of the department. OTHS is responsible for development and administration of DHR's IT systems including:

- Client Information System (CIS);
- Office of Home Energy Programs System (OHEP);
- Child Care Administration Tracking System (CCATS);
- Maryland Children's Electronic Social Services Information Exchange (MD CHESSIE); and
- Child Support Enforcement System (CSES).

Local General Administration

The general administration program provides essential support services and staff to operate the 24 LDSS, including the management of staff, finance, statistical reporting, general services, central records, fleet operations, buildings and grounds, equipment, supplies, purchase, and inventory. Its objective is to maintain a perfect record of satisfactory audit results for DHR programs.

Performance Analysis: Managing for Results

Audit Findings

During fiscal 2002 through 2003, the DHR programs audited by the Office of Legislative Services received 11 repeat high risk audit findings. That number more than doubled in fiscal 2004 through 2005, when the department’s programs received 23 repeat high risk findings.

The term “high risk audit finding” is defined by DHR as an audit finding that has the potential for the program to lose money. **Exhibit 1** lists the high risk repeat audit findings for the DHR program audits for fiscal 2004 through 2005.

Exhibit 1 Audit Results

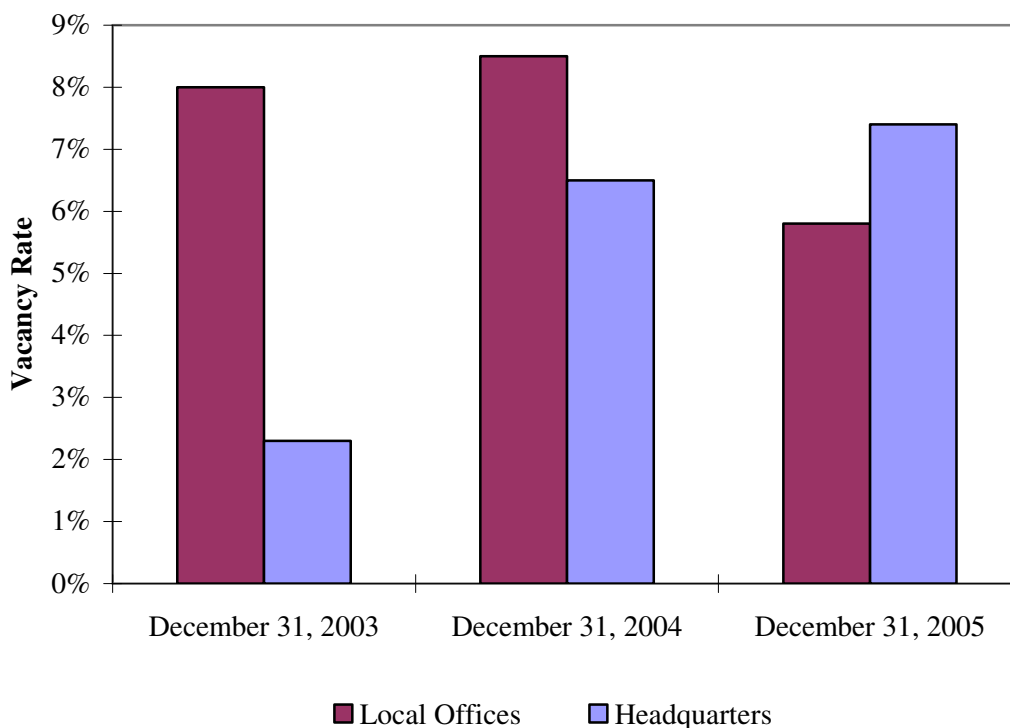
<u>Fiscal Years</u>	<u>Agency</u>	<u>Overall Finding</u>	<u>Number of High Risk Repeat Audit Findings</u>
2005	Child Care Administration	Satisfactory	1
	Child Support Enforcement Administration	Unsatisfactory	7
	Family Investment Administration	Satisfactory	6
	Social Services Administration	Satisfactory	2
2004	Community Services Administration	Satisfactory	0
	Office of the Secretary	Satisfactory	7

Source: Department of Human Resources

Vacancy Rates

Over the past three years, the departmentwide vacancy rate has remained relatively stable ranging from 6 to 8.2%. However, the vacancy rates at the local offices have decreased over that time, while the vacancy rates at the State headquarters have risen significantly, as seen in **Exhibit 2**. In fiscal 2004, the vacancy rate at the local offices was almost four times greater than the rate at DHR headquarters. Two years later the situation has stabilized, and in fiscal 2006 the vacancy rate of the local offices was 1.6 percentage points lower than that of the DHR headquarters. **The department should comment on how this trend is expected to affect the administrative functioning of the department.**

**Exhibit 2
Managing for Results
Vacancy Rates**

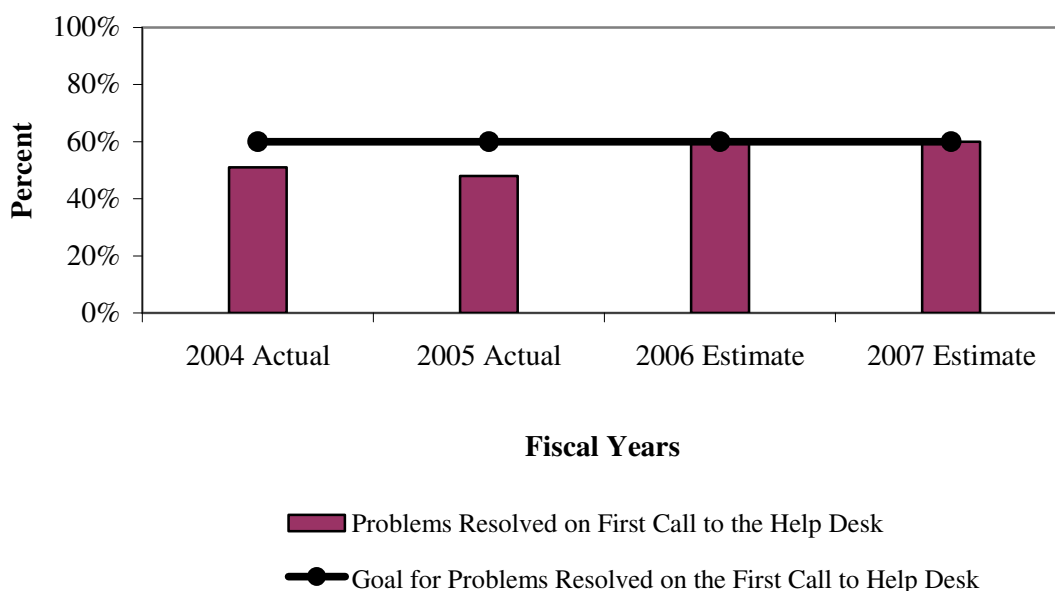


Source: Department of Human Resources

Office of Technology for Human Services

Exhibit 3 shows OTHS has fallen below the MFR goal of resolving problems 60% of the time during the first phone call to the help desk. However, OTHS has surpassed the MFR goal for average length of calls to the help desk. In addition, OTHS has continued to meet the MFR goal of having the mainframe systems available 99% of the scheduled time. None of the OTHS performance data measures whether major IT projects are being developed on schedule and within budget. **The Department of Legislative Services (DLS) recommends that future MFR submissions include measures relating to success in development and maintenance of IT projects.**

Exhibit 3
Managing for Results
Office of Technology for Human Resources



Source: Department of Human Resources

Governor's Proposed Budget

The DHR Administration's fiscal 2007 allowance increases by 15%, or \$18.4 million, from the fiscal 2006 working appropriation with a \$11 million increase in general funds and a \$7.4 million increase in federal funds. Computer costs account for \$10.5 million of the increase. The funds are spread among MD CHESSIE development and implementation; computer systems enhancements and maintenance; and purchase/lease of new computer hardware. Personnel expenditures account for \$5.9 million of the increase, as shown in **Exhibit 4**.

Exhibit 4
Governor's Proposed Budget
DHR Administration
(\$ in Thousands)

How Much It Grows:	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Total</u>
2006 Working Appropriation	\$58,542	\$3,932	\$61,669	\$124,143
2007 Governor's Allowance	<u>69,528</u>	<u>3,996</u>	<u>69,057</u>	<u>142,581</u>
Amount Change	\$10,986	\$65	\$7,387	\$18,438
Percent Change	18.8%	1.6%	12.0%	14.9%

Where It Goes:

Personnel Expenses

Increments and other compensation	\$2,229
Health insurance growth	1,424
Budget understates fiscal 2006 health costs	1,270
Other personnel expenses due largely to fiscal 2006 budget understating costs	856
New positions for Baltimore City Department of Social Services (DSS)	139
Turnover adjustments	31

Other Changes

Computer system operation and maintenance	5,716
MD CHESSIE:	
Maintenance and enhancement	4,469
Quality assurance contract	1,196
Development and implementation	-1,164
Hardware replacement and upgrades	1,745
Communications services were underfunded in fiscal 2006	1,480
Utilities, fixed charges, and supplies	411
Local government funds for local projects	373
Consulting expenses and legal fees	242
Tuition assistance for the Bachelor of Social Work Study Program	194
Contractual employee expenses due to 5.5 additional positions	158
CCATS development phase to maintenance phase	-110
Shift motor vehicle costs from DHR Administration to Child Welfare Services	-526
End of project for a new telephone system for Baltimore City DSS	-1,577
Other	-118

Total **\$18,438**

Note: Numbers may not sum to total due to rounding.

Personnel

The fiscal 2007 allowance contains four new regular positions for the Baltimore City DSS. These positions will assist with the everyday support services needed for personnel, information technology, and support operations but will also be utilized for key projects and initiatives such as Strategic and Tactical Planning and Continuous Quality Improvement Projects which are addressing compliance with the consent decree and risk management initiatives.

The fiscal 2007 allowance includes 5.5 new contractual positions, which is a 420% increase in contractual staff. The allowance allocates 1.0 contractual position to the Office of the Attorney General for law clerks, 1.5 contractual positions to assist with MD CHESSIE going “live,” 1.0 contractual position to the Office of the Secretary to answer phones, and the equivalent of 2.0 contractual positions divided among local departments in five counties (Howard, Calvert, Charles, St. Mary’s, and Cecil).

Computer Systems Enhancements

The 2007 allowance moves a significant amount of IT money around. The predominant reason for this is that the department is shifting from the development phase to the maintenance phase of three major computer systems (CHESSIE, CCATS, and CSES). In addition, the department has renegotiated the four-year contract for CIS.

MD CHESSIE is the only computer system that continues to need development funds. For the first half of fiscal 2007, MD CHESSIE will need development funds (\$3.9 million in federal funds in the DHR allowance and \$3.9 million in general funds in the DBM’s Major Information Technology Project Development Fund (MITPDF)) as the system is in the final phases of implementation. Then, for the remainder of the year, MD CHESSIE requires maintenance and enhancement funds (\$4.5 million). In addition, DHR will have a quality assurance contract (\$1.2 million) to ensure that MD CHESSIE is maintained.

Hardware Purchase Program

DHR has been unable to upgrade computers for several fiscal years due to cost containment measures; therefore, the fiscal 2007 allowance includes \$1.7 million to replace and upgrade computer hardware throughout the department. The funds included in the allowance are part of a multi-year initiative. **DHR should provide the committees with the comprehensive investment plan to upgrade computer equipment throughout the department.**

Issues

1. Implementation of MD CHESSIE

Background

In 1995 the U.S. Department of Health and Human Services, Administration on Children and Families changed its reporting requirements for various child welfare, foster care, and adoption services to determine eligibility for federal funding under the Social Security Act. The federal government did not specifically mandate that states develop a new automated information system, but it offered states 50% matching funds to create a State Automated Child Welfare Information System (SACWIS) to comply with the new reporting requirements. DHR contracted with Deloitte Consulting (Deloitte) to develop and implement Maryland's SACWIS, named Maryland Children's Electronic Social Services Information Exchange (MD CHESSIE). The project was approved by the federal government in 1999, and the contract with Deloitte was approved in 2001.

The current cost estimates are stated in **Exhibit 5**. Throughout the project, there have been problems with management and funding for the new system. However, the use of the Department of Budget Management's Major Information Technology Project Development Fund (MITPDF) has resolved many of the funding issues. Also, management of the project has been less of a problem in recent years, and the project is on schedule to be fully operational in November 2006. The "early release" of MD CHESSIE has not gone without flaws, but DHR seems to be addressing issues as they arise.

Exhibit 5
MD CHESSIE
Cost Estimates
(\$ in Millions)

<u>State Fiscal Year</u>	<u>Total Cost</u>	<u>State Portion of Total Cost</u>	<u>Source of State Funds</u>
1996 – 2003	\$24.8	\$12.4	Development
2004	8.2	4.2	Development
2005	9.9	5.0	Development
2006	10.0	5.0	Development
2007	13.5	6.0	Development, Maintenance, and Quality Assurance Contract
2008	6.0	2.1	Maintenance and Quality Assurance Contract
2009	6.0	2.1	Maintenance and Quality Assurance Contract
2010	6.0	2.1	Maintenance and Quality Assurance Contract
2011	6.0	2.1	Maintenance and Quality Assurance Contract
2012	6.0	2.1	Maintenance and Quality Assurance Contract
Total	\$96.4	\$43.1	

Source: Department of Human Resources

Schedule

According to DHR’s projected schedule, MD CHESSIE will be fully operational in fiscal 2007. Since its inception, the MD CHESSIE project has been subject to numerous schedule revisions. However, the current schedule has the statewide implementation of MD CHESSIE stable for the past year. **Exhibit 6** shows the projected timeline.

Currently, the “early release” version of MD CHESSIE is operational in all 24 jurisdictions. Technically, the “early release” of MD CHESSIE means the Intake/Referral Module is operational. Simply put, “early release” is the first portion of the database when the recording of the initial information is reported. When the system is fully implemented, MD CHESSIE will collect and track more information. So, “early release” is a small scale preview of full implementation.

Exhibit 6
MD CHESSIE
Timeline

<u>Project Phase</u>	<u>Projected Timeline</u>
Complete System Development	January – July 2004
User Acceptance Testing	August 2004 – January 2006
Data Conversion	May 2005 – December 2006
Pilot Training	January 7, 2006
Pilot "Go Live"	February 13, 2006
Phase II Training	April – May 2006
Phase II "Go Live"	June – September 2006
Phase III Training	July – August 2006
Phase III "Go Live"	September – November 2006
Post Implementation/Maintenance	December 2006 – June 2007

Source: Department of Human Resources

Project Phase Projected Timeline

The implementation of MD CHESSIE has been split into three phases as shown in **Exhibit 7**. The first phase is the pilot phase, which begins in February 2006 in Harford County. This will be the first jurisdiction to “go live” with MD CHESSIE, and DHR hopes to work out any kinks with the implementation process. Then, the second phase of implementation will begin in June 2006, and Phase II will make the system “live” in 21 counties. The final phase will be making the system “live” in Baltimore City and Baltimore County starting in September 2006.

Exhibit 7
Three-phase Implementation Plan

<u>February 2006</u>	<u>June 2006 to September 2006</u>	<u>September 2006 to November 2006</u>
Harford	Allegany	Baltimore City
	Anne Arundel	Baltimore County
	Calvert	
	Caroline	
	Carroll	
	Cecil	
	Charles	
	Dorchester	
	Frederick	
	Garrett	
	Howard	
	Kent	
	Montgomery	
	Prince George's	
	Queen Anne's	
	Somerset	
	St. Mary's	
	Talbot	
	Washington	
	Wicomico	
	Worcester	

Source: Department of Human Resources

Implementation Issues

DHR conducted a survey of “early release” in November 2005, asking each of the LDSS, what is their chief complaint with MD CHESSIE “early release.” The number one complaint from each LDSS was the slow response time. In addition to anecdotal information, an audit report has identified some problems with the “early release” of MD CHESSIE.

In September 2005, a report on the Baltimore City Child Protective Services Call Center (the report) was released by DHR and Baltimore City Health Department, and the report included information explaining that MD CHESSIE has various hardware, software, and network limitations which impede screeners’ productivity. Specifically, the report finds that CHESSIE runs extremely slow; recording a full screen of data that should require less than one second often takes more than a minute.

In response to the audit findings and the survey results, DHR has worked with the vendor, Deloitte, to add some significant performance enhancements to “early release.” Deloitte was able to conduct data compression on the “early release” version of MD CHESSIE. The enhanced version of the “early release” was put in place on Friday, January 13, 2006. Since that time, all users surveyed report significant improvements in response time. While performing load and stress testing on the

general release of MD CHESSIE, Deloitte was able to implement data compression, which will improve the performance of MD CHESSIE for full implementation. However, in the audit write-up DHR attributes much of the delay to insufficient bandwidth in the communications network, which is not something that could be resolved through data compression. The report states that:

“CHESSIE’s limitations are impeding screeners’ productivity. When the full version of CHESSIE comes up in 2006, it will affect approximately 800 caseworkers in Baltimore City DSS rather than 32 screeners. It will have a similar impact throughout the state. At that point, it will be absolutely imperative that every office is connected to Network Maryland (faster optical communications) or some other very fast communication line and any other hardware bottlenecks be eliminated, or Child Welfare operations will virtually come to a halt.”

Conclusion

The MD CHESSIE project has overcome numerous problems with management and funding of the project. Once fully implemented and operational, MD CHESSIE has the potential to greatly improve the provision of social services in Maryland. To ensure MD CHESSIE is worth the investment, the State needs to maintain MD CHESSIE with as much scrutiny as was provided through the development phases of the program. **DLS recommends the continued involvement of the General Assembly in the rigorous scrutiny of this major IT project. The department should submit a report to the committees after each phase of implementation to provide updates on implementation issues. The department should also comment about whether MD CHESSIE is living up to original expectations and the need to get every office connected to Network Maryland.**

Recommended Actions

	<u>Amount Reduction</u>		<u>Position Reduction</u>
1. Reduce telephone costs in the Office of Communications. With the reduction, the Office of Communications will experience a more than 100% increase from the fiscal 2005 actual expenditure.	\$ 132,719	GF	
	\$ 88,479	FF	
2. Reduce funding for in-state travel. The fiscal 2007 allowance increases the funding for this subobject by 75%. With the reduction to the allowance, the object experiences a 20% increase from the fiscal 2005 actual.	64,390	GF	
	51,540	FF	
3. Delete funding for 3.5 contractual positions in the Division of Administrative Services, the Office of the Secretary, and the Division of Budget, Finance and Personnel. The need for these contractual positions has not been expressed, and there are regular positions that have been vacant for more than 12 months.	64,930	GF	
	40,397	FF	
4. Delete five positions in the Division of Budget, Finance and Personnel. These positions have been vacant for more than 12 months. The position titles and PIN numbers for these positions are Personnel Associate (075675), Personnel Administrator (032028), Family Services Caseworker (078880), Personnel Associate (032285), and Administrative Program Manager (205712).	176,654	GF	5.0
	103,744	FF	
5. Reduce money to upgrade computers at headquarters. The reduction still provides for a 330% increase over the actual fiscal 2005 spending. With the reduction the computer upgrade initiative can be spread over four years, instead of three years.	40,000	GF	
	25,000	FF	
6. Delete Program Manager position (PIN 032212) in the Division of Administrative Services in Facilities Services. This position has been vacant for more than 12 months.	38,982	GF	1.0
	25,991	FF	

N00A01 – DHR – Administration

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| 7. | Delete Income Maintenance Specialist position (PIN 205488) in General Administration. This position has been vacant for more than 12 months. | 24,005 GF
24,008 FF | 1.0 |
| 8. | Reduce appropriation for software licenses. The increased expense for software licenses corresponds with the three-year initiative to upgrade computers. Extending the initiative will reduce the need for software licenses in fiscal 2007. | 36,480 GF
27,520 FF | |
| 9. | Reduce funding for consulting expenses and legal fees to be level funded with the working appropriation for fiscal 2006 and a 40% increase over the actual for fiscal 2005. | 109,032 GF
133,261 FF | |
| 10. | Adopt the following narrative: | | |

Status Reports on the Implementation of the Maryland Children’s Electronic Social Services Information Exchange (MD CHESSIE): The committees would like to monitor the Department of Human Resources’ (DHR) implementation of MD CHESSIE. As such, DHR should submit two status reports to the committees following the implementation of phase I and phase II of MD CHESSIE. DHR should submit the first status report on July 1, 2006, and this report should cover the implementation of MD CHESSIE in Harford County. The second report should cover phase II of MD CHESSIE, and the report should be submitted the earlier of 30 days following the completion of phase II or November 1, 2006.

Information Request	Author	Due Date
Status reports on implementation of MD CHESSIE	DHR	(1) July 1, 2006; (2) the earlier of 30 days following completion of phase II or November 1, 2006
Total Reductions		\$ 1,207,132
Total General Fund Reductions		\$ 687,192
Total Federal Fund Reductions		\$ 519,940

Current and Prior Year Budgets

Current and Prior Year Budgets DHR – Administration (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2005					
Legislative Appropriation	\$63,037	\$3,593	\$56,301	\$0	\$122,931
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	-2,480	1,913	3,749	3,326	6,508
Reversions and Cancellations	0	-582	-5,066	0	-5,648
Actual Expenditures	\$60,557	\$4,924	\$54,984	\$3,326	\$123,791
Fiscal 2006					
Legislative Appropriation	\$58,164	\$3,932	\$61,669	\$0	\$123,765
Budget Amendments	378	0	0	0	378
Working Appropriation	\$58,542	\$3,932	\$61,669	\$0	\$124,143

Note: Numbers may not sum to total due to rounding.

Fiscal 2005

Actual fiscal year spending of \$123.8 million is \$860,000 above the legislative appropriation. General funds decreased a total of \$2.5 million with \$2.1 million of that attributed to higher than budgeted turnover. The remaining general fund changes included an increase of \$483,775 in funds transferred from DBM to pay for cost-of-living adjustments and a decrease of \$834,696 to cover expenditures related to MD CHESSIE.

Special funds increased \$1.9 million with a majority of the funds (\$1.3 million) going toward MD CHESSIE and the remaining \$620,000 due to higher than budgeted turnover and higher than expected expenditures in the Office of Home Energy Program. Special fund cancellations included \$296,160 from the Electric Universal Services Program and \$286,234 from Child Support Enforcement Administration's reinvestment funds.

Federal funds increased \$3.7 million with \$3 million going toward the development of MD CHESSIE and remaining amount due to lower than budgeted turnover. Most of the federal funds cancelled in fiscal 2005 were attributed to higher than budgeted turnover and lower than expected lease costs.

Reimbursable funds increased \$3.3 million due to a transfer from DBM's Major Information Technology Development Projects to support MD CHESSIE.

Fiscal 2006

The working appropriation for the DHR Administration has increased \$377,778 in general funds transferred from the DBM to pay for cost-of-living adjustments.

Audit Findings

Audit Period for Last Audit:	July 1, 2000 – June 30, 2003
Issue Date:	September 2004
Number of Findings:	22
Number of Repeat Findings:	7
% of Repeat Findings:	27%
Rating: (if applicable)	

- Finding 1:** The federal government disallowed \$7 million in DHR program expenditures. Preliminary federal audit findings indicate that significant additional expenditures have been questioned.
- Finding 2:** The implementation of the MD CHESSIE system development was delayed due to project management issues and funding problems. A recent consultant's report addressed several concerns regarding the project.
- Finding 3:** DHR paid for project deliverables that the project monitor indicated were incomplete, without adequate written explanation.
- Finding 4:** DHR did not verify the propriety of certain project monitoring charges.
- Finding 5:** DHR did not pursue discrepancies identified during a review of a computer consultant's billings. Nor did DHR refer this matter to its Office of the Inspector General or the Office of the Attorney General for further investigation or recovery.
- Finding 6:** **DHR did not review previously paid contractor computer billings to determine if the contractor had improperly billed for corrections made to fix program modification problems covered under contract warranty provisions.**
- Finding 7:** **Proper internal controls were not established over the processing of purchasing and disbursement transactions.**
- Finding 8:** DHR awarded two contracts, totaling \$41.6 million, without maintaining adequate documentation to substantiate the integrity of the evaluation process used to award these contracts.
- Finding 9:** Internal controls were inadequate over foster care payments processed on one local department's payment system.
- Finding 10:** DHR's internal network was not adequately secured from external threats.

N00A01 – DHR – Administration

- Finding 11:** DHR’s computer network monitoring was not adequate and configurations of critical devices were not backed up off-site.
- Finding 12:** DHR’s internal core computer network was not adequately secured.
- Finding 13:** Access to DHR’s critical production data files and databases was not properly restricted.
- Finding 14:** DHR had not established effective menu screen access controls over electronic benefits authorized and payments processed.
- Finding 15:** Security reporting, review processes, and monitoring were inadequate.
- Finding 16:** DHR did not have a complete department-wide information technology disaster recovery plan.
- Finding 17:** Sufficient controls were not established over corporate purchasing cards.
- Finding 18:** Internal controls were inadequate over bank accounts and cash receipts.
- Finding 19:** DHR had not taken any action in two years to resolve a disputed delinquent account totaling \$1.3 million and did not report the account to the Central Collection Unit in accordance with regulations.
- Finding 20:** Accrued federal fund revenues totaling approximately \$22.6 million could not be substantiated.
- Finding 21:** Internal controls over payroll were inadequate.
- Finding 22:** Adequate accountability and control was not established over DHR equipment.

*Bold denotes item repeated in full or part from preceding audit report.

**Object/Fund Difference Report
DHR – Administration**

<u>Object/Fund</u>	<u>FY05 Actual</u>	<u>FY06 Working Appropriation</u>	<u>FY07 Allowance</u>	<u>FY06 - FY07 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	941.40	1017.50	1021.50	4.00	0.4%
02 Contractual	5.03	1.31	6.81	5.50	419.8%
Total Positions	946.43	1018.81	1028.31	9.50	0.9%
Objects					
01 Salaries and Wages	\$ 57,703,149	\$ 59,030,574	\$ 64,979,987	\$ 5,949,413	10.1%
02 Technical & Spec Fees	473,496	558,913	971,607	412,694	73.8%
03 Communication	7,354,228	8,012,078	7,442,795	-569,283	-7.1%
04 Travel	310,553	409,194	517,594	108,400	26.5%
06 Fuel & Utilities	304,185	301,903	368,510	66,607	22.1%
07 Motor Vehicles	959,087	1,144,255	618,088	-526,167	-46.0%
08 Contractual Services	43,273,728	40,312,685	50,683,553	10,370,868	25.7%
09 Supplies & Materials	1,097,235	1,119,787	1,297,281	177,494	15.9%
10 Equip - Replacement	179,398	149,730	344,147	194,417	129.8%
11 Equip - Additional	3,602,988	1,107,990	2,658,700	1,550,710	140.0%
12 Grants, Subsidies, and Contributions	135,607	2,182,714	2,552,657	369,943	16.9%
13 Fixed Charges	8,396,896	9,813,042	10,146,088	333,046	3.4%
Total Objects	\$ 123,790,550	\$ 124,142,865	\$ 142,581,007	\$ 18,438,142	14.9%
Funds					
01 General Fund	\$ 60,556,686	\$ 58,541,844	\$ 69,527,837	\$ 10,985,993	18.8%
03 Special Fund	4,923,678	3,931,796	3,996,495	64,699	1.6%
05 Federal Fund	54,984,186	61,669,225	69,056,675	7,387,450	12.0%
09 Reimbursable Fund	3,326,000	0	0	0	0.0%
Total Funds	\$ 123,790,550	\$ 124,142,865	\$ 142,581,007	\$ 18,438,142	14.9%

Note: The fiscal 2006 appropriation does not include deficiencies, and the fiscal 2007 allowance does not reflect contingent reductions.

**Fiscal Summary
DHR – Administration**

<u>Program/Unit</u>	<u>FY05 Actual</u>	<u>FY06 Wrk Approp</u>	<u>FY07 Allowance</u>	<u>Change</u>	<u>FY06 - FY07 % Change</u>
01 Office of the Secretary	\$ 9,276,868	\$ 9,138,225	\$ 10,049,262	\$ 911,037	10.0%
02 Citizen's Review Board for Children	1,378,487	1,574,041	1,642,474	68,433	4.3%
03 Maryland Commission for Women	893,918	914,435	973,812	59,377	6.5%
01 Division of Budget, Finance and Personnel	13,114,470	12,026,319	15,144,204	3,117,885	25.9%
02 Division of Administrative Services	8,185,204	7,656,543	8,521,088	864,545	11.3%
02 Major Information Technology Development	13,083,130	8,435,311	3,900,000	-4,535,311	-53.8%
04 General Administration	39,395,995	40,958,262	58,105,499	17,147,237	41.9%
05 General Administration	38,462,478	43,439,729	44,244,668	804,939	1.9%
Total Expenditures	\$ 123,790,550	\$ 124,142,865	\$ 142,581,007	\$ 18,438,142	14.9%
General Fund	\$ 60,556,686	\$ 58,541,844	\$ 69,527,837	\$ 10,985,993	18.8%
Special Fund	4,923,678	3,931,796	3,996,495	64,699	1.6%
Federal Fund	54,984,186	61,669,225	69,056,675	7,387,450	12.0%
Total Appropriations	\$ 120,464,550	\$ 124,142,865	\$ 142,581,007	\$ 18,438,142	14.9%
Reimbursable Fund	\$ 3,326,000	\$ 0	\$ 0	\$ 0	0.0%
Total Funds	\$ 123,790,550	\$ 124,142,865	\$ 142,581,007	\$ 18,438,142	14.9%

Note: The fiscal 2006 appropriation does not include deficiencies, and the fiscal 2007 allowance does not reflect contingent reductions.