



**MHBE BOARD OF TRUSTEES
COMPLIANCE AUDIT STATUS REPORT
FOR PERIOD Q1, FY 2019
OCTOBER 15, 2018**

OLA AUDIT FINDINGS FOR THE PERIOD 7/24/2014 – 6/30/2017	STATUS	COMMENTS
<p>Finding 1: MHBE relied solely on MABS, without using FTI, to verify the income of certain applicants even though MABS excluded many types of applicant income.</p>		<p>MHBE initiated process to obtain unemployment insurance (UI) data from DLLR, which anticipates completion of MABS system changes and validation of code set to include UI in MHBE reports in Q1 FY2020.</p> <p>MHBE initiated analysis of the benefits and operational impact of using monthly income data from third-party vendor through federal data services hub (FDSH) to obtain more current wage information for MA applicants. Concurrently, MHBE will obtain unearned income data from the IRS through the FDSH. Projected: May 31, 2019.</p>
<p>Finding 2: MHBE did not properly restrict or document its review of user access to MHC and did not use available reports to monitor critical changes to applicant eligibility information.</p>		<p>MHBE formed a project team to revamp the access privileging process to meet federal requirements and to create a separate user role that allows workers to access all, but not change critical, application information. Projected: March 31, 2019.</p> <p>MHBE compliance, operations and reporting teams collaborated with MDH audit team to improve current and/or produce new reports that test and validate appropriateness of verification checklist changes made to applications. Mandatory drop down field indicating reason for change to be added to application for auditing purposes. Projected: February 28, 2019.</p>

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  Repeat-Corrected

OLA AUDIT FINDINGS FOR THE PERIOD 7/24/2014 – 6/30/2017	STATUS	COMMENTS
<p>Finding 3: MHBE did not obtain MHBE Board approval for its Information Systems Master Contract and did not adequately document its evaluation of vendor task order proposals nor ensure that all vendors approved under the individual task orders were properly qualified.</p>		<p>In June 2018, the Board approved changes to its permanent procurement policies to address approval of Master Contractors and task orders. Pursuant to the final audit report, MHBE will recommend to the Board inclusion in its PPP a requirement that the executive director inform the Board of the running Not-to-Exceed total for any Master Contractor awarded a Task Order at the next regularly scheduled meeting. Projected: January 1, 2019.</p> <p>MHBE Procurement and PMO are drafting a revised request for resume evaluation procedure which includes technical evaluation and ranking as well as validation of functional areas for which vendors are approved prior to awarding a task order. Projected implementation date: December 31, 2018.</p>
<p>Finding 4: MHBE's procurement policies and procedures did not establish a minimum period for submission of solicitations, and did not provide for adequate control over the bid submission and bid opening processes.</p>		<p>Pursuant to the final audit report, MHBE will recommend to the Board inclusion in its PPP of a guideline to keep competitive solicitations open for 14 – 21 days, based upon agency need. Projected: January 1, 2019.</p> <p>MHBE will revise internal management procedures to include a guideline to keep competitive solicitations open for 14 to 21 days. MHBE procurement created and will implement a new method to enhance security over the bidding process. Projected: December 31, 2018.</p>
<p>Finding 5: MHBE did not sufficiently verify the propriety of billings from its customer support vendor, which totaled \$25.6 million during fiscal year 2017, and ensure that the vendor met certain contract performance measures.</p>		<p>MHBE designed methodologies to validate accuracy of metrics reported by and invoices from its consolidated services center and fulfillment services vendors. Projected: November 30, 2018.</p>
<p>Finding 6: MHBE did not verify the propriety of payroll expenditures reported by one of the seven Connector Program grantees.</p>		<p>The Connector Entity provided accrual versus cash basis documentation. MHBE requested and the Connector Entity provided additional backup documentation to support payroll expenditures claimed on its invoice. Implemented: May 31, 2018.</p>

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OLA AUDIT FINDINGS FOR THE PERIOD 7/24/2014 – 6/30/2017	STATUS	COMMENTS
<p>Finding 7: MHBE did not establish adequate application maintenance controls for documenting, approving, and moving program changes into production and lacked intrusion detection prevention system (IDPS) coverage for encrypted traffic entering the hosted Exchange System network.</p>		<p>MHBE IT enhanced its code review process by implementing workflows within the tracking system to improve documentation of code reviews and denote comments by the reviewers. Implemented: September 28, 2018.</p> <p>MHBE will analyze and implement host intrusion prevention systems, where needed, to improve its alerting and detecting capabilities. Projected: January 31, 2019.</p>
<p>Finding 8: MHBE lacked security assurances over critical data on servers hosted by contractors.</p>		<p>MHBE will obtain SOC 2 Type 2 audit reports from applicable hosting vendors and perform ongoing oversight of any critical operational and/or security corrective actions taken as a result of the audits. Additionally, MHBE will include in future contracts the requirement that the hosting vendor, and any of its subcontractors which perform material services, implement SOC 2 Type 2 or similar independent audits annually. Projected: January 1, 2019.</p>

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IRS 1075 SAFEGUARDS AUDIT FOR PERIOD FY17	STATUS	COMMENTS
B.1 The agency does not provide at least two physical barriers to protect Federal Tax Information (FTI) stored at Baltimore Data Center.	✓	Added secondary locking mechanism in equipment security cage. Implemented: April 30, 2018.
B.2 The agency's visitor access logs at the Noridian Data Center do not include all required elements.	✓	MHBE visitor access log revised to include required elements. MHBE information systems security officer analyzes visitor logs for compliance with physical security precautions under IRS Pub 1075 9.3.11.7 and NIST 875. Deputy CIO/CSO reviews logs on a monthly basis. Implemented: May 12, 2018.
C.1 The agency does not label backup tapes that contain federal tax information (FTI).	✓	"FTI/PII" labels attached to all applicable backup tapes. Implemented: January 31, 2018.
C.2 The agency has not published a written background investigation policy and procedure.	●	MHBE obtained the legal authority to utilize MD's Criminal Justice Information System to initiate FBI Background checks for contractors who seek IRS authorization to access FTI. Effective June 1, 2018, COMAR § 31-120 requires FBI, State and local background checks on contractors to determine suitability to access FTI. Internal procedures drafted and ready for approval. Projected: October 18, 2018.
C.3 The agency's contracts that grant access to FTI do not contain IRS 1075 Safeguards language Exhibit 7.	✓	IRS Safeguard Exhibit 7 language appended to Non-Exchange Entity Agreements for vendors who will have FTI access. Implemented: February 1, 2018.
D.1 The agency does not provide/require data storage vendor employees to take annual FTI disclosure awareness training.	✓	The national vendor now provides IRS mandated training to contractors and provides their signed attestations as evidence, thereof. Implemented: February 1, 2018.
D.2 The agency must enhance its disclosure awareness training.	✓	MHBE requires IRS Safeguard training certification for contractors and employees who access FTI. Revised attestation includes penalties and fines associated with unauthorized use or disclosure of FTI, which extend beyond employment/contract with MHBE. Implemented: December 21, 2017.

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STATE OF MD DBM RED (RECRUITMENT & EVALUATION DIVISION) AUDIT FOR PERIOD FY17	STATUS	COMMENTS
MHBE did not send letters to applicants who did not meet minimum qualifications.	✓	In response to the DBM RED Audit of MHBE's FY17 Appointments, MHBE HR staff: 1) Received DBM training in RED recruitment processes; 2) Implemented current DBM forms for recruitment and evaluation functions; and, 3) Revised MHBE's internal recruitment checklists to contain all required elements. MHBE audit compliance manager facilitated and monitored corrective actions taken to improve recruitment and evaluation processes. Implemented: June 2018.
MHBE did use scoring assessments to aid hiring panels that interview potential hires.	✓	
MHBE did not document reasons for appointments made at an above base salary using DBM Form MS-26.	✓	
MHBE failed to properly document evidence of certain minimum education / training requirements.	✓	

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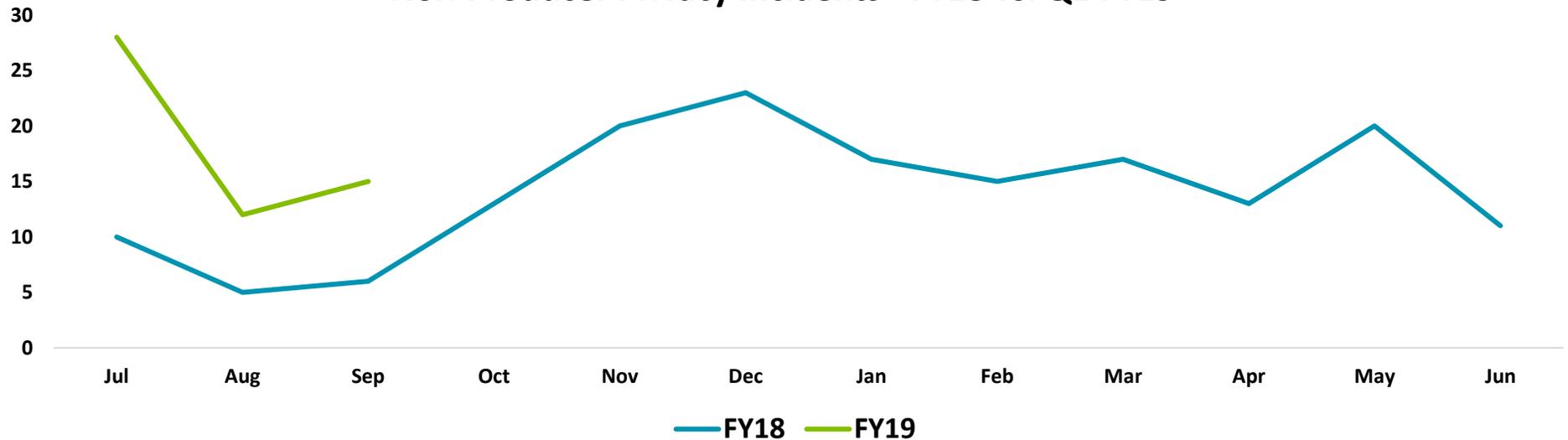
INDEPENDENT EXTERNAL AUDIT FOR PLAN YEAR 2017	STATUS	COMMENTS
MHBE did not accrue Supplemental Maryland Reinsurance Program (SMRP) payments in FY16 and FY17.		Director of Finance developed an accrual procedure which is ready for approval. Compliance audit manager monitored adherence with internal control during FY 2018 closeout. Projected: October 18, 2018.
During eligibility testing, independent auditor identified one case in which applicant met MAGI-based income criteria but was rejected due to “does not meet Medicaid financial criteria.”		The notification letter provided the wrong reason, of several reasons, for denial. Deployment of fix to correct “hierarchy of denial reasons” currently included in HBX Release 25.0. Projected date: February 1, 2019.
Incarceration status for passively renewed Medicaid applicants remained blank for applicants approved prior to incarceration status being changed to mandatory field.		MHBE sought and received CCIO letter allowing incarceration status to remain blank unless/until passively renewed applicants make a different change in status. Allows auditors to close finding. Implemented: September 2018.
In response to PY16 finding, MHBE performed root cause analyses and manually corrected but did not automate a system fix for cases in which HBX indicated consumers did not request but received coverage in a Qualified Health Plan.		Deployed automated fix in HBX Release 24.0. Implemented: September 28, 2018.

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STATE-BASED MARKET ANNUAL REPORTING TOOL (SMART) FOR PLAN YEAR 2017	STATUS	COMMENTS
During OE5, VLP Step 3 was completed manually using a direct connection to Systemic Alien Verification for Entitlements (SAVES) as approved by CMS.	✓	Deployed an automated, rather than manual, VLP Step 3 process in HBX. Implemented: June 22, 2018.
The Exchange does not verify applicant's eligibility to enroll in an affordable employer-sponsored plan using an electronic data source and/or via an alternative verification process.	○	MHBE will perform statically valid random sampling of applicants' employers upon addition of mandatory employer name, address and phone number fields to be included in the MHC application. Projected: March 2019.
The Exchange is not yet compliant with the periodic data matching (PDM) requirements of 45 CFR § 155.330(d).	○	Performed initial PDM for QHP and Medicaid enrollees, respectively, in June and September 2018. PDMs to be run for both populations on a quarterly basis. Projected: January 31, 2019.

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Non-Producer Privacy Incidents - FY18 vs. Q1 FY19



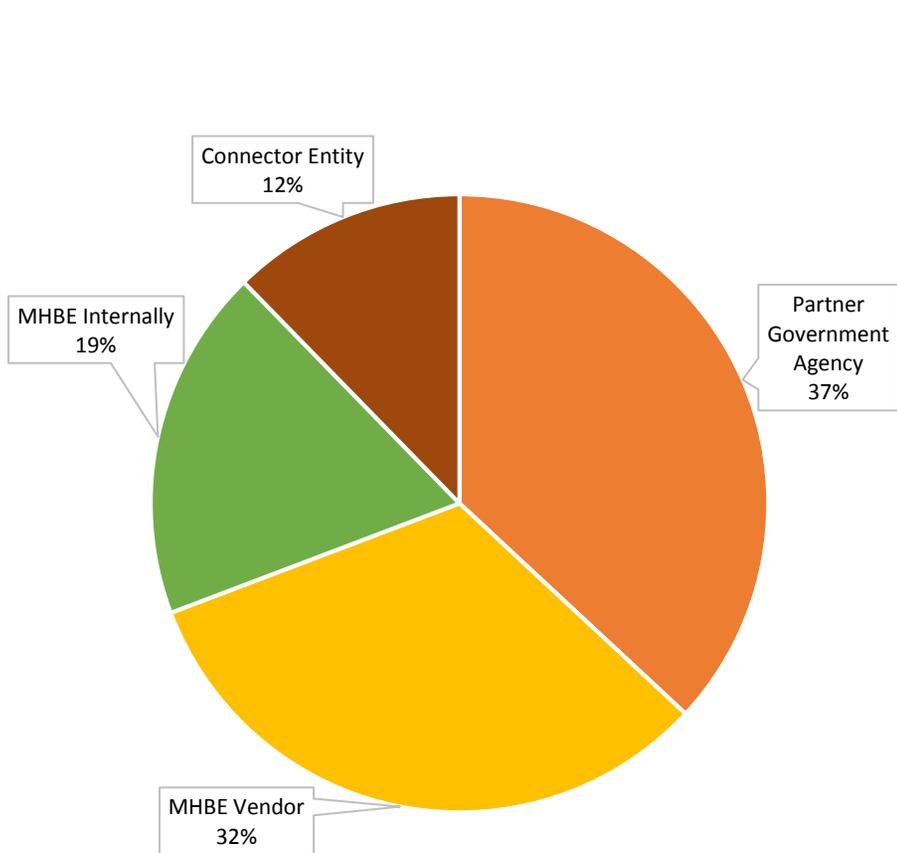
Privacy Incidents Q1 FY19

- 65 Reported incidents; 8 Breach notifications
- Increase in reported incidents - from 21 to 65
- 32% Increase of Misloaded documents
1.91 to 2.52 per 10,000 uploads (**32 in 127k uploads**)
- Misloaded VCLs account for 49% of Incidents
- 3% Increase in rate of CSR phone incidents
1.51 to 1.55 per 100,000 calls (**4 in 257k calls**)
- 81% Reduction in avg. days from Misload to report – 16 to 3
- 75% Misloads fully resolved within 36 hours of notification

Mitigation Strategies FY19

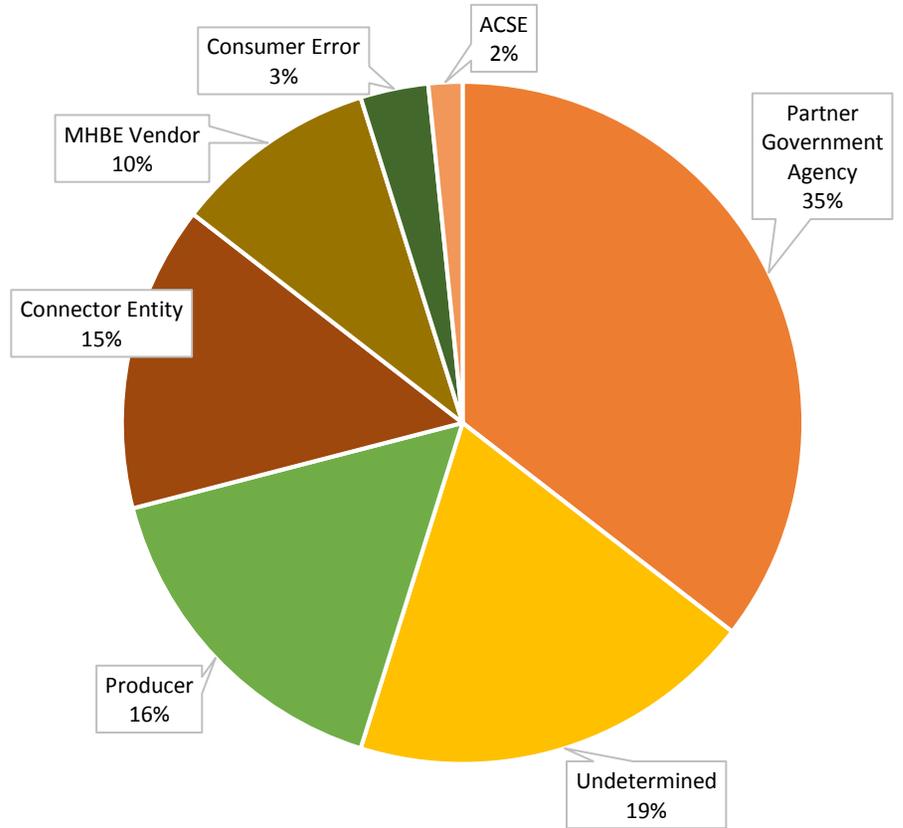
- ✓ Drafted Data Use Agreements for upcoming PERM audit
- ✓ Hired Privacy Compliance Analyst
- ✓ Revised and Enforced Internal and External stakeholders' Privacy training and attestation
- ✓ Call Center provided initial SOC 2 Type 2 Audit and CAP
- ✓ MDH & DHS CAWs currently taking FY19 Compliance training and Attestation
- ✓ Drafted IT Security Acceptable Use Policy
- ✓ Consistently met internally established notification requirements
TAT = 10 Days, 70% Reduction from 33 Days

Q1 FY19 Breach Reporting Entities



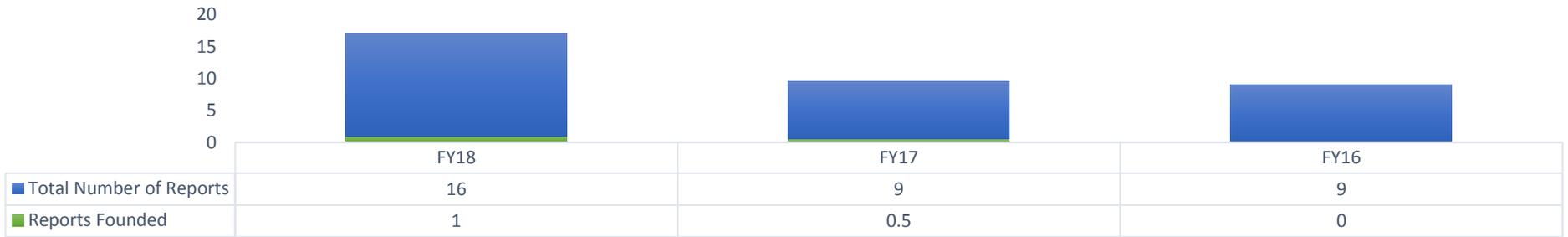
- Partner Government Agency
- MHBE Vendor
- MHBE Internally
- Connector Entity

Q1 FY19 Parties Causing Breaches



- Partner Government Agency
- Undetermined
- Producer
- Connector Entity
- MHBE Vendor
- Consumer Error
- ACSE

FWA Allegations FY16-FY18



MHBE Compliance received 16 allegations of fraud, waste or abuse in FY 18, with only one case being founded.

- MHBE referred five Medicaid Fraud allegation directly to the OIG Medicaid Fraud Unit for followup, with each referral containing pertinent information regarding subject's application information. One case involved a consumer who alleged he was enrolled in Medicaid without his knowledge and is still under investigation.
- Five cases related to privacy, none of which involved breach of Personally Identifiable Information. Two complaints involved internet scams, one in which a person provided information to a clearly labeled Non-State-based Exchange website and the other, a phishing attempt. Two involved requests to delete applicant information from the HBX, which runs counter to the ACA requirement to maintain information used to determine eligibility and enrollment for a ten year period. A primary concern from both complainants regarded the security of their data to which the Chief Privacy Officer explained MHBE's security and privacy requirements. The final privacy related complaint involved a Call Center representative's variation from the Authorized Representative process flow which resulted in the complainant's concern over the privacy of her data. Once issue was understood, the complainant was satisfied.
- The Chief Compliance Officer attempted to contact two complainants to follow up on their telephone messages but was not successful and closed cases due to not enough information to investigate.
- The one founded case related to accurate timekeeping by MHBE IT Consultants. Investigation found process variation in the tracking of any time over 8 hours in a day was tracked. Corrective action included development of a comprehensive IT consultant timekeeping procedure and a memo from the CIO reiterating the requirement that any hours worked over 8 per workday must be approved in advance by the CIO.
- Two procurement complaints alleged "steering" of IT resources to different vendors. Investigation of the first allegation found that the IT resource provided letters of commitment to two vendors and feely did not chose her previous vendor without any persuasion on MHBE's part. The second allegation was similar to the first with the exception that three IT resources were involved. Each resource indicated personal and professional reasons to choose different vendors, again with absolutely no belief or feeling of persuasion by MHBE.
- The State Board of Elections reported a case in which a "deceased" person, who was already on the voter roles, attempted to register to vote. Investigation found a process error when a case worker attempted to cancel deceased person's account and reopen an application for his surviving children.