PUBLIC SUMMARY REPORT: THE STATE OF NORTH CAROLINA DID NOT ENSURE THAT FEDERAL INFORMATION SYSTEM SECURITY REQUIREMENTS WERE MET FOR SAFEGUARDING ITS MEDICAID CLAIMS PROCESSING SYSTEMS AND DATA

Inquiries about his report may be addressed to the Office of Public Affairs at Public.Affairs@oig.hhs.gov.

Gloria L. Jarmon
Deputy Inspector General
for Audit Services

August 2017
A-07-16-00469
The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health and Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

**Office of Audit Services**

The Office of Audit Services (OAS) provides auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS.

**Office of Evaluation and Inspections**

The Office of Evaluation and Inspections (OEI) conducts national evaluations to provide HHS, Congress, and the public with timely, useful, and reliable information on significant issues. These evaluations focus on preventing fraud, waste, or abuse and promoting economy, efficiency, and effectiveness of departmental programs. To promote impact, OEI reports also present practical recommendations for improving program operations.

**Office of Investigations**

The Office of Investigations (OI) conducts criminal, civil, and administrative investigations of fraud and misconduct related to HHS programs, operations, and beneficiaries. With investigators working in all 50 States and the District of Columbia, OI utilizes its resources by actively coordinating with the Department of Justice and other Federal, State, and local law enforcement authorities. The investigative efforts of OI often lead to criminal convictions, administrative sanctions, and/or civil monetary penalties.

**Office of Counsel to the Inspector General**

The Office of Counsel to the Inspector General (OCIG) provides general legal services to OIG, rendering advice and opinions on HHS programs and operations and providing all legal support for OIG’s internal operations. OCIG represents OIG in all civil and administrative fraud and abuse cases involving HHS programs, including False Claims Act, program exclusion, and civil monetary penalty cases. In connection with these cases, OCIG also negotiates and monitors corporate integrity agreements. OCIG renders advisory opinions, issues compliance program guidance, publishes fraud alerts, and provides other guidance to the health care industry concerning the anti-kickback statute and other OIG enforcement authorities.
OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.
Why OIG Did This Review
The U.S. Department of HHS oversees States’ administration of various Federal programs, including Medicaid. State agencies are required to establish appropriate computer system security requirements and conduct biennial reviews of computer system security used in the administration of State plans for Medicaid and other Federal entitlement benefits. This review is one of a number of HHS OIG reviews of States’ computer systems used to administer HHS-funded programs.

Our objective was to determine whether the North Carolina State Medicaid agency (State agency) had implemented adequate information system general controls over the North Carolina Medicaid claims processing systems in accordance with Federal requirements.

How OIG Did This Review
The State agency contracts with CSRA, Inc., to operate North Carolina’s Medicaid claims processing systems. We assessed the effectiveness of the information system general controls over computer operations at CSRA as those controls related to the North Carolina Medicaid program claims processing for State fiscal year 2016. We reviewed CSRA’s information system general controls relating to entity-wide security, access controls, configuration management, network device management, service continuity, mainframe operations, and application change control.


What OIG Found
The State agency had not ensured that CSRA implemented adequate information system general controls over the North Carolina Medicaid claims processing systems in accordance with Federal requirements. The vulnerabilities that we identified increased the risk to the confidentiality, integrity, and availability of North Carolina’s Medicaid data.

Although we did not identify evidence that the vulnerabilities had been exploited, exploitation could result in unauthorized access to and disclosure of sensitive information, as well as disruption of critical North Carolina Medicaid operations. As a result, the vulnerabilities are collectively and, in some cases, individually significant and could potentially compromise the confidentiality, integrity, or availability of North Carolina’s Medicaid claims processing data and systems. In addition, without proper safeguards, systems are not protected from individuals and groups with malicious intent to obtain access in order to commit fraud or abuse or launch attacks against other computer systems and networks.

What OIG Recommends and State Agency Comments
We recommend that the State agency improve the protection of sensitive data on its Medicaid claims processing systems by working with CSRA to address the vulnerabilities identified during our audit to ensure compliance with Federal requirements.

The State agency concurred with our recommendations and described corrective actions that it had taken or planned to take.