

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**PUBLIC SUMMARY REPORT:
COLORADO DID NOT MEET FEDERAL
INFORMATION SYSTEM SECURITY
REQUIREMENTS FOR SAFEGUARDING ITS
MEDICAID
SYSTEMS AND DATA**

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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.

The Colorado Department of Health Care Policy and Financing did not fully comply with Federal information system security requirements for safeguarding its Medicaid eligibility determination and claims processing systems. The vulnerabilities that we identified increased the risk to the confidentiality, integrity, and availability of Colorado's Medicaid data.

This summary report provides an overview of the results of our audit of the information system general controls over the Colorado Medicaid eligibility determination and claims processing systems in accordance with Federal requirements. It does not include specific details of the vulnerabilities that we identified because of the sensitive nature of the information. We have provided more detailed information and recommendations to the Colorado Department of Health Care Policy and Financing (HCPF) so that it can address the issues we identified. The findings listed in this summary report reflect a point in time regarding system security and may have changed since we reviewed these systems.

WHY WE DID THIS REVIEW

The U.S. Department of Health and Human Services (HHS) oversees States' use 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 (45 CFR § 95.621). This review is one of a number of HHS, Office of Inspector General, reviews of States' computer systems used to administer HHS-funded programs.

In Colorado, HCPF is the single State agency designated to administer or supervise the administration of the State Medicaid program. In administering this program, HCPF uses outside contractors to develop and operate the Colorado Medicaid eligibility determination and claims processing systems. Additionally, HCPF relies on the Governor's Office of Information Technology (OIT) to provide or contract for the needed information system resources to support both the eligibility determination and claims processing systems for Colorado's Medicaid program.

Using the information systems managed by OIT, HCPF provided eligibility determinations for approximately 2.3 million Colorado Medicaid recipients and processed approximately 90.5 million claims in State fiscal year (SFY) 2015. Total Medicaid claims in Colorado for SFY 2015 totaled approximately \$6.4 billion.

The objective of our review was to determine whether HCPF had implemented adequate information system general controls over the Colorado Medicaid eligibility determination and claims processing systems in accordance with Federal requirements.

HOW WE CONDUCTED THIS REVIEW

We assessed the effectiveness of the information system general controls over computer operations at HCPF as those controls related to the Colorado Medicaid program eligibility determination and claims processing systems for SFY 2015. To accomplish our objective, we reviewed HCPF's information system general controls over its computer-processed data using selected procedures from the Government Accountability Office's *Federal Information System Controls Audit Manual*, which provides guidance in evaluating general controls over computer-processed data from information systems. We limited our review to HCPF's risk assessment and implementation of certain controls over the security of its Medicaid application databases, Web sites, and universal serial bus (USB) devices. We did not perform penetration testing or review HCPF's overall internal control structure.

We reviewed HCPF's information system general controls in place as of July 2015, which included reviewing applicable policies and procedures and interviewing State and contractor personnel responsible for the implementation of the information security controls.

We conducted the performance audit described here 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. We communicated to HCPF our preliminary findings in advance of issuing our draft report.

WHAT WE FOUND

HCPF had not implemented adequate information system general controls over the Colorado Medicaid eligibility determination and claims processing systems to fully comply with Federal requirements. The vulnerabilities that we identified increased the risk to the confidentiality, integrity, and availability of Colorado's Medicaid data. In evaluating HCPF's risk assessment, database security, Web site security, and USB device security for its Medicaid eligibility determination and claims processing information systems, we identified vulnerabilities related to inadequate risk assessment policies and procedures, improper administration of the Medicaid claims database, inadequate security of Medicaid databases, inadequate Web site security, and improper management of USB ports and devices.

Although we did not identify evidence that the vulnerabilities had been exploited, exploitation could have resulted in unauthorized access to and disclosure of sensitive information, as well as disruption of critical Colorado Medicaid operations. As a result, the vulnerabilities were collectively and, in some cases, individually significant and could potentially compromise the confidentiality, integrity, or availability of Colorado's Medicaid eligibility determination and 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, waste, or abuse or launch attacks against other computer systems and networks.

WHAT WE RECOMMENDED

We recommended that HCPF implement our detailed recommendations to address the vulnerabilities that we identified related to HCPF's risk assessment policies and procedures, database administration and security, Web site security, and USB port and device security for its Medicaid eligibility determination and claims processing information systems.

AUDITEE COMMENTS

In written comments on our draft report, HCPF concurred with our recommendations and described corrective actions that it had taken or planned to take.