

Special Review

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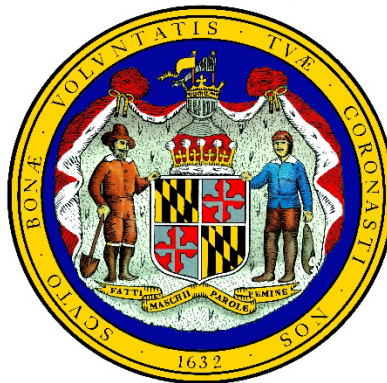
**Maryland Department of Health  
Office of the Secretary and Other Units  
Follow-up Review**

March 2025

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**Public Notice**

**In compliance with the requirements of the State Government Article Section 2-1224(i), of the Annotated Code of Maryland, the Office of Legislative Audits has redacted cybersecurity findings and related auditee responses from this public report.**



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DEPARTMENT OF LEGISLATIVE SERVICES  
MARYLAND GENERAL ASSEMBLY**

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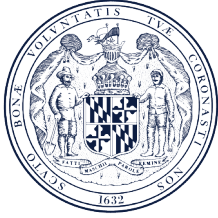
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DEPARTMENT OF LEGISLATIVE SERVICES  
OFFICE OF LEGISLATIVE AUDITS  
MARYLAND GENERAL ASSEMBLY

Victoria L. Gruber  
Executive Director

March 25, 2025

Brian S. Tanen, CPA, CFE  
Legislative Auditor

Senator Shelly L. Hettleman, Senate Chair, Joint Audit and Evaluation Committee  
Delegate Jared Solomon, House Chair, Joint Audit and Evaluation Committee  
Members of Joint Audit and Evaluation Committee  
Annapolis, Maryland

Ladies and Gentlemen:

We have conducted a follow-up review of actions taken by the Maryland Department of Health (MDH) to address the findings in our October 19, 2023 audit report of the MDH – Office of the Secretary and Other Units. In that report, we concluded that MDH's accountability and compliance rating was unsatisfactory.

In March 2024, we requested an implementation status from MDH for the findings included in the report. In response to our request, MDH provided a status report, as of April 18, 2024, which indicated that MDH had made minimal progress in addressing the findings. Accordingly, we determined that we would delay our follow up review and request an updated status report from MDH in August 2024.

MDH provided a status report, as of September 30, 2024, indicating the implementation status of each of the 17 findings as well as its corrective action plan, including timelines and processes to monitor the implementation of the plan. In summary, MDH's status report indicated that, for the 12 non-cybersecurity-related findings, 5 findings had been corrected (all recommendations fully implemented) and additional corrective actions were required to fully implement some or all of the recommendations for the remaining 7 findings in our report.

Based on our assessment of the relative significance of the 17 findings, we performed certain procedures to evaluate the appropriateness of actions taken by MDH for 8 non-cybersecurity-related findings. Our review, which was performed during the period from December 2024 to February 2025, disclosed that MDH had corrected 2 of the 8 non-cybersecurity-related findings and had made progress, but had not resolved some or all of the recommendations in the 6 remaining findings. For the 2 that had been corrected, this outcome was due to

MDH either meeting its established deadline for implementation of its corrective action or implementing actions more timely than planned.

Exhibit 1 identifies MDH's assessed implementation status for the 12 non-cybersecurity-related findings, according to the status report, as well as the results of our review for the 8 non-cybersecurity-related findings. Exhibit 2 describes, in detail, the results of our review of the status of MDH's efforts to implement the recommendations for the 6 non-cybersecurity-related findings that we determined MDH had not resolved (fully corrected). To obtain a thorough understanding of the audit findings, recommendations, and the follow-up status described in Exhibit 2, the original October 19, 2023 audit report should be consulted due to the technical nature of some of these findings.

MDH's status report and its response to this report are included as Appendix A and Appendix B, respectively. Consistent with State law, we have redacted any cybersecurity elements in these appendices. MDH's response, as presented in Appendix B, only addresses the recommendations that we determined to be in progress. We have reviewed MDH's response to our assessment of the status of those recommendations and determined that MDH generally agreed with our assessment.

To improve its accountability and compliance rating, MDH should continue to implement its corrective action plan for all findings and related recommendations, and ensure that other areas do not deteriorate. The status of all of the audit findings will be subject to review during our next audit of the MDH – Office of the Secretary and Other Units. We wish to acknowledge the cooperation extended to us during the review by MDH.

Respectfully submitted,

*Brian S. Tanen*

Brain S. Tanen, CPA, CFE  
Legislative Auditor

**Exhibit 1**  
**Implementation Status of Findings in the October 2023**  
**MDH O/S Audit Report**

Prior Finding	Status as Determined by MDH as of September 2024 <sup>1</sup>	Status Based on Auditor's Review
<b>Federal Funds</b> <ol style="list-style-type: none"> <li>1. The Maryland Department of Health (MDH) did not have procedures to ensure MDH units properly entered all provider payments into MMIS II and resolved any rejected claims to enable timely and complete recovery of the funds.</li> <li>2. MDH did not ensure critical quarterly reconciliations were performed, resulting in the failure to recover \$973.3 million of federal funding timely and lost investment income totaling \$6.4 million.</li> <li>3. MDH did not have procedures to ensure federal funds requested for reimbursement of State payments were subsequently received.</li> <li>4. MDH did not have procedures to ensure all federal fund reimbursements were properly allocated to the appropriate expenditure accounts resulting in a lack of assurance that account balances were accurate and the inability to determine whether all federal funds had been recovered.</li> </ol> <b>Budgetary and Year-End Closing</b> <ol style="list-style-type: none"> <li>5. MDH used an automated script to record year-end revenue entries without verifying that the amounts recorded were valid and collectable.</li> </ol> <b>Procurements and Disbursements</b> <ol style="list-style-type: none"> <li>6. MDH used an emergency contract originally procured for COVID related purposes for unrelated services without sufficient documentation that the services were received and the related payments were proper. As a result, we could not determine services were received or the propriety of MDH payments totaling \$60.4 million</li> </ol>	<p>In Progress</p> <p>Corrected</p> <p>Corrected</p> <p>In Progress</p> <p>In Progress</p> <p>Corrected</p>	<p>N/A</p> <p>In Progress (See Exhibit 2)</p> <p>In Progress (See Exhibit 2)</p> <p>N/A</p> <p>In Progress (See Exhibit 2)</p> <p>In Progress (See Exhibit 2)</p>
Page 1 of 3		

N/A – Not applicable since we did not review the implementation status of this finding.

<sup>1</sup> MDH's implementation status for each finding is based upon MDH's status report, as of September 30, 2024, as shown in Appendix A.

**Exhibit 1**  
**Implementation Status of Findings in the October 2023**  
**MDH O/S Audit Report**

Prior Finding	Status as Determined by MDH as of September 2024 <sup>2</sup>	Status Based on Auditor's Review
7. MDH did not always comply with State procurement regulations when procuring goods and services via sole source and emergency contracts and did not always publish contract solicitations and awards as required.	In Progress	In Progress (See Exhibit 2)
<b>Information Systems Security and Control<sup>3</sup></b>		
8. Redacted cybersecurity-related finding.	Status Redacted	Status Redacted
9. Redacted cybersecurity-related finding.	Status Redacted	Status Redacted
10. Redacted cybersecurity-related finding.	Status Redacted	Status Redacted
11. Redacted cybersecurity-related finding.	Status Redacted	Status Redacted
12. Redacted cybersecurity-related finding.	Status Redacted	Status Redacted
<b>Accounts Receivable</b>		
13. MDH was eight months behind on billing for services rendered at MDH inpatient facilities, which based on MDH assertions could total approximately \$45.4 million at the time of our review.	Corrected	Corrected
<b>Payroll</b>		
14. MDH had not established adequate controls to ensure the propriety of biweekly payroll adjustments, leave balances, and timesheets.	Corrected	In Progress (See Exhibit 2)
15. MDH did not have procedures to ensure that employees who were terminated or left State service were promptly removed from the payroll, resulting in improper payments to at least 45 former employees totaling \$151,000.	In Progress	N/A
Page 2 of 3		

N/A – Not applicable since we did not review the implementation status of this finding.

<sup>2</sup> MDH's implementation status for each finding is based upon MDH's status report, as of September 30, 2024, as shown in Appendix A.

<sup>3</sup> Specific information related to cybersecurity-related findings 8 through 12 have been redacted for the publicly available report in accordance with State Government Article, Section 2-1224(i) of the Annotated Code of Maryland.

**Exhibit 1**  
**n Status of Findings in the October 2023**  
**MDH O/S Audit Report**

Prior Finding	Status as Determined by MDH as of September 2024 <sup>4</sup>	Status Based on Auditor's Review
<b>Cash Receipts</b>  16. MDH did not sufficiently control collections, including the untimely endorsement and deposit of collections, a lack of independent verification that collections were deposited, and a failure to require large payments to be submitted electronically.	In Progress	Corrected
<b>Executive Oversight</b>  17. MDH did not ensure that appropriate corrective actions were implemented to address prior findings from our Office's fiscal compliance audits of the other MDH units.	In Progress	N/A

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N/A – Not applicable since we did not review the implementation status of this finding.

<sup>4</sup> MDH's implementation status for each finding is based upon MDH's status report, as of September 30, 2024, as shown in Appendix A.

**Exhibit 2**  
**Detailed Comments on the October 2023 Audit Report Findings**  
**for Which the Office of Legislative Audits Deemed the**  
**Implementation Status to be “In Progress”**

**Federal Funds**

**Prior Finding 2**

**The Maryland Department of Health (MDH) did not ensure critical quarterly reconciliations were performed, resulting in the failure to recover \$973.3 million of federal funding timely and lost investment income totaling \$6.4 million.**

**Prior Report Recommendation 2**

We recommend that MDH establish a formal policy and procedures, including the appropriate procedural safeguards, to ensure that the critical quarterly reconciliations are completed properly and timely, and reviewed and approved by a supervisor independent of the reconciliation process.

**Status as Determined by MDH – Corrected**

**Office of Legislative Audits (OLA) Assessment of Status – In Progress**

MDH did not fully implement the recommendation. While MDH developed written procedures for completing quarterly reconciliations of its federal fund recoveries in March 2024, these procedures did not address the timing of when the reconciliations were to be performed. Furthermore, as of December 2024, MDH had not completed reconciliations for the quarters ending June and September 2024.

MDH advised that the June and September 2024 reconciliations were not performed because it prioritized the fiscal year 2024 closeout process. This response raises questions about MDH’s commitment to ensuring the reconciliations are completed in a timely manner going forward and emphasizes the need for the procedures to include a specific timeframe for completing the reconciliation.

MDH could not provide us with a timeline for when the overdue reconciliations would be completed, nor could it readily determine the amount of federal funds it had not collected due to its failure to perform the reconciliations or the amount of the related lost investment income to the State. In this regard, our October 2023 audit report noted that the failure to perform quarterly reconciliations resulted in



the untimely recovery of federal funds totaling \$973.3 million and lost investment income totaling \$6.4 million.

**Prior Finding 3**

**MDH did not have procedures to ensure federal funds requested for reimbursement of State payments were subsequently received.**

**Prior Report Recommendation 3**

We recommend that MDH establish a documented procedure to ensure that all federal funds requested were received.

**Status as Determined by MDH – Corrected**

**OLA Assessment of Status – In Progress**

MDH did not implement the recommendation. Although MDH advised us that it implemented a review process in December 2024 to ensure drawdown requests were received, MDH did not document these reviews. Accordingly, we could not verify that the reviews were performed.

**Budgetary and Year-End Closing**

**Prior Finding 5**

**MDH used an automated script to record year-end revenue entries without verifying that the amounts recorded were valid and collectable.**

**Prior Report Recommendation 5**

We recommend that MDH

- a. ensure that all year-end revenue transactions are properly supported,
- b. analyze the balances in the federal fund accounts to determine the collectability of any deficit balances and proper disposition of any surplus balances, and
- c. properly report any amounts determined to be uncollectable and work with the Department of Budget and Management (DBM) to resolve any related deficits.

**Status as Determined by MDH – In Progress**

**OLA Assessment of Status – In Progress**

MDH did not implement the recommendations.

In response to recommendation a, MDH advised that it was developing a process to ensure that the year-end balances in its federal fund accounts accurately reflected amounts that were valid and collectable from the federal government, but that this process would not be implemented until June 30, 2025. As noted in our recently issued *Statewide Review of Budget Closeout Transactions for Fiscal Year 2024*, MDH continued to record accrued federal fund revenue entries using an automated script<sup>5</sup> and still could not support the propriety of its accrued federal fund revenue entries. Specifically, our test of 10 positive accrued revenue entries totaling \$2 billion disclosed that MDH could not readily document that 8 of the entries totaling \$1.7 billion accurately reflected amounts collectable from the federal government.

In regard to recommendation b, MDH indicated that it contracted with an independent accounting firm to analyze the balances in its federal accounts but that this analysis would not be completed until June 30, 2025. Our review of MDH's fiscal year 2024 federal fund accrued revenue entries disclosed that a significant number of these entries were recorded to accounts that had no current year expenditures, including numerous entries that were identical to entries recorded in one or more prior fiscal years dating as far back as June 30, 2015.<sup>6</sup>

In regard to recommendation c, MDH had not yet reported any uncollectible amounts to DBM because, as noted above, the independent accounting firm was still analyzing the balances in MDH's federal fund accounts.

## Procurements and Disbursements

### **Prior Finding 6**

**MDH used an emergency contract originally procured for COVID related purposes for unrelated services without sufficient documentation that the services were received and the related payments were proper. As a result, we could not determine services were received or the propriety of MDH payments totaling \$60.4 million.**

### **Prior Report Recommendation 6**

We recommend that MDH

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<sup>5</sup> The automated script recorded year-end revenue entries to offset positive and negative account balances at year-end, resulting in the accounts being zeroed out at year-end.

<sup>6</sup> Specifically, 265 of the 994 fiscal year 2024 accrued revenue entries were recorded to accounts with no fiscal year 2024 expenditures, including 121 entries that were identical to entries recorded in one or more fiscal years.

- a. conduct a review of this contract, which includes obtaining the detailed staffing information required by the contract, determine the extent of the services that were provided in relation to payments made, recover any payments determined to be improper, and disclose this information to the Board of Public Works (BPW); and
- b. ensure that future emergency contracts are procured and documented in accordance with State procurement regulations and are properly monitored to ensure services were received and the related billings are adequately supported.

### **Status as Determined by MDH – Corrected**

#### **OLA Assessment of Status – In Progress**

MDH did not fully implement the recommendations.

In regard to recommendation a, MDH's response indicated that it initiated a review in September 2023 to determine the services received and the propriety of the related payments made under the emergency contract. MDH's review identified certain overpayments resulting from the vendor improperly billing above the contract rates for certain individuals. Our review disclosed that MDH's conclusions appeared to be proper based on the supporting documentation. MDH advised that it was working with legal counsel to pursue recovery of these funds. However, as of February 2025 no funds have been recovered from the vendor.

In regard to recommendation b, our review of the one emergency contract MDH awarded since our audit disclosed that it was not procured in accordance with State procurement regulations. On December 15, 2023, MDH awarded a \$554,000 emergency contract to address a heating system failure at Clifton T. Perkins Hospital Center. Four days later it processed a \$5.1 million contract modification to install a temporary boiler and extend the term until September 30, 2024. MDH could not document that it negotiated the terms of the initial contract and could not justify the \$5.1 million modification made four days after the initial contract.

As of January 2025, MDH had processed a total of six modifications that collectively increased the cost of this contract by \$20.7 million, including a \$12.9 million modification processed 10 months after the initial procurement to extend the contract term through March 2026 (see Figure 1 on the following page). MDH could not justify why it did not competitively procure a contract during the year since the initial emergency contract was procured. Additionally, MDH did not document its justification for these modifications, nor could it explain why

separate procurements were not issued for these services.<sup>7</sup> Furthermore, MDH could not document any negotiations for the modifications and based the modifications on the vendor's price proposals. As a result, there is a lack of assurance that the cost of the modifications was reasonable.

**Figure 1**  
**Emergency Contract Costs as of January 2025**

Description		Amount
Original Contract <i>December 15, 2023</i>	Diagnosis and provide temporary support to ensure continued operation of the heating system for the Clifton T. Perkins Hospital until February 29, 2024.	\$554,000
Modification 1 <i>December 19, 2023</i>	Installation of temporary boiler and extend the term until September 30, 2024.	5,126,400
Modification 2 <i>January 8, 2024</i>	Additional necessary repairs to stabilize the water system and ensure proper system operation.	347,000
Modification 3 <i>April 22, 2024</i>	Heating and cooling assessment.	50,000
Modification 4 <i>April 26, 2024</i>	Rental and installation of two temporary chillers and associated equipment to support the facility.	500,000
Modification 5 <i>May 3, 2024</i>	Rental and installation of an additional temporary chiller and associated equipment; extend all temporary chiller rentals through September 2024 to ensure sufficient time to make the necessary repairs to all three non-functioning chillers.	1,790,340
Modification 6 <i>October 4, 2024</i>	Extension through March 2026 to maintain the heating and cooling capacity of the facility and to support the continuing operations.	12,915,252
<b>Total</b>		<b>\$21,282,992</b>

Source: State records

<sup>7</sup> MDH advised that it has not procured a new heating and cooling system because it was waiting on the Department of General Services to complete an assessment.

**Prior Finding 7**

**MDH did not always comply with State procurement regulations when procuring goods and services via sole source and emergency contracts and did not always publish contract solicitations and awards as required.**

**Prior Report Recommendation 7**

We recommend that MDH ensure that

- a. sufficient documented justifications exist for sole source (repeat) and emergency procurements;
- b. documented price negotiations are conducted as appropriate (repeat);
- c. BPW is notified of emergency procurements, including the one noted above (repeat); and
- d. solicitations and awards are published on *eMaryland Marketplace Advantage* (*eMMA*) as required (repeat), including the ones noted above.

**Status as Determined by MDH – In Progress****OLA Assessment of Status – In Progress**

While MDH implemented recommendation c, it did not fully implement recommendations a, b, and d.

In regard to recommendation a, our test of five sole source contracts awarded between November 2023 and November 2024 totaling \$3.7 million disclosed that the use of the sole source procurement method for one contract was not justified since MDH had identified numerous other vendors that could perform the services (sign language interpretation). In addition, the justifications for two sole source contracts awarded in July and September 2024 were not prepared until after we requested this documentation in December 2024.

In regard to recommendation b, as noted in our assessment of Finding 6 above, MDH did not document price negotiations for the initial award and subsequent modifications to an emergency contract that collectively totaled \$21.3 million. Accordingly, we determined that the recommendation was still in progress.

For recommendation d, our test of seven contracts totaling \$10.2 million disclosed that as of January 2025, MDH had not published three contract awards on *eMMA* that were awarded between 6 to 13 months prior to that date. In addition, the award for one contract awarded in December 2023 was published in August 2024, 7 months beyond the 30-day requirement.

## Payroll

### **Prior Finding 14**

**MDH had not established adequate controls to ensure the propriety of biweekly payroll adjustments, leave balances, and timesheets.**

### **Prior Report Recommendation 14**

We recommend that MDH

- a. independently verify pay and leave balance adjustments to ensure that only authorized adjustments have been processed and take appropriate corrective action when errors are noted (repeat);
- b. retroactively verify that the time recorded on timesheets approved by payroll unit employees were actually worked, including those noted above (repeat); and
- c. reconcile total payroll as reflected in the Central Payroll Bureau (CPB) payroll registers each pay period with SPS payroll summary reports, investigate any differences, and ensure that those reconciliations are documented (repeat).

### **Status as Determined by MDH – Complete**

#### **OLA Assessment of Status – In Progress**

MDH implemented recommendation c but had not fully implemented recommendations a and b. In regard to recommendation a, while MDH advised that it enhanced its review of pay and leave balance adjustments, our test of six payroll adjustments processed between September and November 2024 disclosed that these reviews were not always properly performed. Specifically, the supervisor did not obtain documentation to support four of the adjustments tested, including one adjustment that resulted in the employee being overpaid by \$1,400. MDH advised that it would pursue recovery of this overpayment after we brought the matter to its attention.

For recommendation b, MDH advised that it developed a procedure to retroactively verify that time recorded on timesheets approved by payroll unit employees were actually worked, but had not implemented the procedure as of January 2025.

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

We conducted a follow-up review of the actions taken by the Maryland Department of Health (MDH) – Office of the Secretary and Other Units to address the findings in our October 19, 2023 audit report. In that report, we concluded that MDH’s accountability and compliance rating was unsatisfactory.

The purpose of our review was to determine the status of MDH’s corrective actions to address certain of our audit findings and recommendations. As customary, our review did not include all prior report findings and recommendations, but a number judgmentally selected based on our assessment of significance. This review was conducted under the authority of Section 2-1220(a)(4) of the State Government Article of the Annotated Code of Maryland and was based on our long-standing practice of performing a follow-up review whenever an agency receives an unsatisfactory rating in its fiscal compliance audit report. The rating system was established, in accordance with State Government Article, Section 2-1221, of the Annotated Code of Maryland, for the purpose of determining an overall evaluation of an agency’s fiscal accountability and compliance with State laws and regulations.

Our review consisted of obtaining a status report from MDH as of September 30, 2024, which described the level of implementation of each prior audit report finding, as well as obtaining additional clarifications from MDH of the actions taken to resolve the selected findings. Our review also consisted of performing tests and analyses of certain information and holding discussions with MDH personnel, as we deemed necessary, to determine the status of MDH’s corrective actions to address the selected findings, including the related recommendations, from our October 19, 2023 audit report.

State Government Article Section 2-1224(i) requires that we redact in a manner consistent with auditing best practices any cybersecurity findings before a report is made available to the public. This results in the issuance of two different versions of a report that contains cybersecurity findings – a redacted version for the public and an unredacted version for government officials responsible for acting on our audit recommendations.

The State Finance and Procurement Article, Section 3A-301(b), states that cybersecurity is defined as “processes or capabilities wherein systems, communications, and information are protected and defended against damage, unauthorized use or modification, and exploitation”. Based on that definition, and in our professional judgment, we concluded that findings in this report fall under that definition. Consequently, for the publicly available report all specifics as to

the nature of the cybersecurity findings and required corrective actions have been redacted. We have determined that such aforementioned practices support the redaction of this information from the public report. The specifics of the cybersecurity findings have been communicated to MDH and those parties responsible for acting on our recommendations in an unredacted report.

This review did not constitute an audit conducted in accordance with generally accepted government auditing standards. Had we conducted an audit in accordance with generally accepted government auditing standards, other matters may have come to our attention that would have been reported.

Our review was conducted primarily during the period from December 2024 to February 2025, and our assessment of the status of MDH's corrective actions was performed at the time of our review.

MDH's response to our follow-up review is included as an appendix to this report. Depending on the version of the report, responses to any cybersecurity findings may be redacted in accordance with State law. 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 A

### Maryland Department of Health (MDH) – Office of the Secretary and Other Units – Report Dated October 19, 2023 Status as of September 30, 2024

Finding / Recommendation	Current Status	Actions Taken / To Be Taken to Address the Recommendation	Estimated Completion Date	Primary Contact Information <sup>8</sup>
<b>Federal Funds</b>				
Finding 1 – MDH did not have procedures to ensure MDH units properly entered all provider payments into MMIS II and resolved any rejected claims to enable timely and complete recovery of the funds.				
We recommend that MDH				
a. establish procedures to ensure that MDH units properly recorded all payments in MMIS II and subsequently resolved any rejected claims, and	In progress	<p>Working with the external accounting firm, MDH has developed reconciliations, documented processes and developed a process flow that documents how adjudicated claims are processed through MMIS II, paid through FMIS and how claims are identified as an error.</p> <p>Work is ongoing to enhance existing processes, especially those related to the prompt resolution of rejected claims. It should be noted, however, that such claims represent less than 1% of total claims.</p> <p>Completed deliverables include:</p> <ul style="list-style-type: none"><li>• MMIS II to FMIS Reconciliation</li><li>• Medicaid Fund Split Process Narrative</li><li>• MMIS II Claims Process Flow</li><li>• MMIS II Claims Payments Process Business Narrative</li></ul>	12/31/24	

<sup>8</sup>Auditor's Comment – Contact Information has been removed.

Finding / Recommendation	Current Status	Actions Taken / To Be Taken to Address the Recommendation	Estimated Completion Date	Primary Contact Information <sup>8</sup>
b. report the aforementioned unrecoverable funds to the Department of Budget and Management (DBM) and the budget committees and develop a plan to cover the related unfunded liabilities.	Not Started	Once the reconciliations and other work noted in 1.a. are complete and fully documented, MDH will report any unfunded liabilities as recommended.	12/31/24	
Finding 2 – MDH did not ensure critical quarterly reconciliations were performed, resulting in the failure to recover \$973.3 million of federal funding timely and lost investment income totaling \$6.4 million.				
We recommend that MDH establish a formal policy and procedures, including the appropriate procedural safeguards, to ensure that the critical quarterly reconciliations are completed properly and timely, and reviewed and approved by a supervisor independent of the reconciliation process.	Complete	Working with the external accounting firm, MDH is performing required reconciliations and reviewing all reconciliation findings and corrections with the Deputy Director of Medicaid Office of Finance. Additionally, MDH has documented related procedures:  Reconciliations:  Quarterly Drawdown to CMS-64 Reconciliation and Methodology (Medicaid & DDA)	Complete	

<sup>8</sup>Auditor's Comment – Contact Information has been removed.

Finding / Recommendation	Current Status	Actions Taken / To Be Taken to Address the Recommendation	Estimated Completion Date	Primary Contact Information <sup>8</sup>
		<p>Weekly Drawdown to PMS Reconciliation and Methodology (Medicaid, DDA, BHA)</p> <p>MMIS II and FMIS to CMS-64 Reconciliations and Methodology (Medicaid, DDA, BHA)</p> <p>Procedures:</p> <p>Weekly Drawdown SOP and process flow (Medicaid)</p> <p>Quarterly Drawdown to CMS-64 SOP and Process Flow (Medicaid)</p> <p>DDA Accounts Payable and Invoicing Process SOP (DDA)</p> <p><b>Note:</b> Performance of the reconciliations need to be transitioned back to MDH and supervisory review needs to be formally implemented. MDH is working with the external accounting firm to develop enhanced workbooks to further increase Excel based automation as well as accuracy and completeness of related processes</p>		
Finding 3 – MDH did not have procedures to ensure federal funds requested for reimbursement of State payments were subsequently received.				

<sup>8</sup>Auditor's Comment – Contact Information has been removed.

Finding / Recommendation	Current Status	Actions Taken / To Be Taken to Address the Recommendation	Estimated Completion Date	Primary Contact Information <sup>8</sup>
We recommend that MDH establish a documented procedure to ensure that all federal funds requested were received.	Complete	<p>Working with the external accounting firm, MDH is performing and has documented:</p> <p>Weekly Drawdown to PMS Reconciliation</p> <p>Weekly Drawdown SOP and process flow</p> <p>Quarterly Drawdown to CMS-64 SOP and process flow</p>	Complete	
Finding 4 – MDH did not have procedures to ensure all federal fund reimbursements were properly allocated to the appropriate expenditure accounts resulting in a lack of assurance that account balances were accurate and the inability to determine whether all federal funds had been recovered.				
We recommend that MDH				
a. establish procedures and controls to ensure federal funds are allocated properly and timely, and that the related transactions are subject to supervisory review and approval;	In progress	<p><b>Partially Complete</b></p> <p><b>Complete:</b> Working with the external accounting firm, MDH is performing reconciliations and reviewing all reconciliation findings and corrections with the Deputy Director of Medicaid Office of Finance, and documented the following:</p> <p>PMS to Clearing Account to FMIS Reconciliation (includes CMIA Reconciliation) to confirm MMIS II transactions are allocated properly to the correct PCA in FMIS</p>	12/31/24	

<sup>8</sup>Auditor's Comment – Contact Information has been removed.

Finding / Recommendation	Current Status	Actions Taken / To Be Taken to Address the Recommendation	Estimated Completion Date	Primary Contact Information <sup>8</sup>
		<p>Expenditure Review and Federal Matching Workbook</p> <p><b>In progress:</b> Performance of the reconciliations need to be transitioned back to MDH and supervisory review needs to be formally implemented. MDH is working with the external accounting firm to develop enhanced workbooks to further increase Excel based automation as well as accuracy and completeness of related processes.</p>		
b. ensure clearing accounts have either a positive or zero balance;	In progress	<p>Working with the external accounting firm, MDH will perform historical reconciliations to identify discrepancies in previous fiscal years that were not reconciled.</p> <p>Reconciliations mentioned in 4a. do identify clearing accounts with a negative balance so root cause analysis can be performed, and correcting entries can be processed.</p>	6/30/2025	
c. investigate and resolve the aforementioned account balances; and	In progress	This work is ongoing. Note: Complete resolution may require reconciliations going back more than a decade.	6/30/25	
d. given the magnitude of the year-end closing deficiencies noted in this and other findings, consider engaging a qualified third-party consultant to assist in the	Complete	MDH engaged with an outside accounting firm in August 2023.	Complete	

<sup>8</sup>Auditor's Comment – Contact Information has been removed.

Finding / Recommendation	Current Status	Actions Taken / To Be Taken to Address the Recommendation	Estimated Completion Date	Primary Contact Information <sup>8</sup>
development of appropriate corrective procedures and controls.				
<b>Budgetary and Year-End Closing</b>				
Finding 5 – MDH used an automated script to record year-end revenue entries without verifying that the amounts recorded were valid and collectable.				
We recommend that MDH				
a. ensure that all year-end revenue transactions are properly supported,	In progress	<p>The MMIS II to FMIS and PMIS to Clearing Account to FMIS reconciliations will make the ending balances for MDH more accurate on an ongoing basis.</p> <p>Additional work is required to more fully analyze the automated script to determine the accuracy of the accrual.</p>	06/30/2025	
b. analyze the balances in the federal fund accounts to determine the collectability of any deficit balances and proper disposition of any surplus balances, and	In progress	<p><b>In Progress:</b> Working with the external accounting firm, MDH is performing analysis on the DDA deficit balance, including analyzing FY18 - present to determine the appropriate accounting treatment and collectability of any deficit balances. Additionally, they will be performing analysis on the surplus balance related to Medicaid and CHIP to determine the appropriate accounting treatment and disposition of any surplus balances.</p> <p>Documents: PMS to Clearing Account to FMIS Methodology (Medicaid) EST 9/6/24</p>	6/30/25	

<sup>8</sup>Auditor's Comment – Contact Information has been removed.

Finding / Recommendation	Current Status	Actions Taken / To Be Taken to Address the Recommendation	Estimated Completion Date	Primary Contact Information <sup>8</sup>
		<p><b>Completed:</b> Working with the external accounting firm, MDH has completed reconciliations that analyze the balance of the federal fund accounts and will identify variances so that root cause analysis can be performed, and correcting entries processed.</p> <p>Reconciliations: PMS to Clearing Account to FMIS Reconciliation (Medicaid)</p> <p>Quarterly Drawdown to CMS-64 Reconciliation and Methodology (Medicaid &amp; DDA)</p>		
c. properly report any amounts determined to be uncollectable and work with DBM to resolve any related deficits.	Not Started	Once the analysis is completed from step 5.b., MDH will report any uncollectible amounts and work with DBM to resolve any related deficits.	6/30/25	
<b>Procurements and Disbursements</b>				
Finding 6 – MDH used an emergency contract originally procured for COVID related purposes for unrelated services without sufficient documentation that the services were received and the related payments were proper. As a result, we could not determine services were received or the propriety of MDH payments totaling \$60.4 million.				
We recommend that MDH				
a. conduct a review of this contract, which includes obtaining the detailed staffing information required by the contract, determine the extent of the services that were provided in relation to payments made, recover any payments determined to	Complete	<p>MDH conducted an internal review that included recommendations for: enhanced MDH-specific procurement procedures and MDH-specific contract monitoring guidance.</p> <p>See 6b. below.</p>	Complete	

<sup>8</sup>Auditor's Comment – Contact Information has been removed.

<b>Finding / Recommendation</b>	<b>Current Status</b>	<b>Actions Taken / To Be Taken to Address the Recommendation</b>	<b>Estimated Completion Date</b>	<b>Primary Contact Information<sup>8</sup></b>
be improper, and disclose this information to BPW; and				
b. ensure that future emergency contracts are procured and documented in accordance with State procurement regulations and are properly monitored to ensure services were received and the related billings are adequately supported.	Complete	MDH Office of Contract Management and Procurement (OCMP) hired a Chief of Contracts. OCMP has developed emergency procurement processes and is currently finalizing the contract monitoring standards. In addition, OCMP has held contract monitoring training sessions for MDH to provide overall best practices for contract monitoring.	Complete	
<b>Finding 7 – MDH did not always comply with State procurement regulations when procuring goods and services via sole source and emergency contracts and did not always publish contract solicitations and awards as required.</b>				
We recommend that MDH ensure that				
a. sufficient documented justifications exist for sole source (repeat) and emergency procurements;	Complete	MDH OCMP has developed emergency procurement processes and procurement processing standards that capture the need for sufficient justification.	Complete	
b. documented price negotiations are conducted as appropriate (repeat);	In progress	MDH OCMP Director will develop procurement processing standards that require the pre-approval of sole source contracts. The standards will be updated to incorporate standards regarding price negotiations and documentation of the same.	12/31/24	
c. BPW is notified of emergency procurements, including the one noted above (repeat); and	Complete	MDH OCMP Director has developed emergency procurement procedures that include BPW notification. There was an emergency procurement training occurring in September 2024.	Complete	

<sup>8</sup>Auditor's Comment – Contact Information has been removed.



Finding / Recommendation	Current Status	Actions Taken / To Be Taken to Address the Recommendation	Estimated Completion Date	Primary Contact Information <sup>8</sup>
d. solicitations and awards are published on <i>eMMA</i> as required (repeat), including the ones noted above.	Complete	MDH OCMP Director has developed procurement processing standards and emergency procurement procedures that require OCMP staff to publish solicitations and awards on eMMA as required.	Complete	
<b>Information Systems Security and Control</b> The Office of Legislative Audits (OLA) has determined that the Information Systems Security and Control section, including Findings 8 through 12 related to “cybersecurity,” as defined by the State Finance and Procurement Article, Section 3.5-301(b) of the Annotated Code of Maryland, and therefore are subject to redaction from the publicly available report in accordance with the State Government Article 2-1224(i).				
Finding 8 Redacted cybersecurity-related finding.				
Finding 9 Redacted cybersecurity-related finding.				
Finding 10 Redacted cybersecurity-related finding.				
Finding 11 Redacted cybersecurity-related finding.				
Finding 12 Redacted cybersecurity-related finding.				
<b>Accounts Receivable</b>				
Finding 13 – MDH was eight months behind on billing for services rendered at MDH inpatient facilities, which based on MDH assertions could total approximately \$45.4 million at the time of our review.				
We recommend that MDH take formal action to address the backlog in unbilled services and ensure future services are billed in a timely manner.	Complete	(Pending Testing). MDH has documented that payments are up to date.	Complete	
<b>Payroll</b>				

<sup>8</sup>Auditor’s Comment – Contact Information has been removed.

<b>Finding / Recommendation</b>	<b>Current Status</b>	<b>Actions Taken / To Be Taken to Address the Recommendation</b>	<b>Estimated Completion Date</b>	<b>Primary Contact Information<sup>8</sup></b>
Finding 14 – MDH had not established adequate controls to ensure the propriety of biweekly payroll adjustments, leave balances, and timesheets.				
We recommend that MDH				
a. independently verify pay and leave balance adjustments to ensure that only authorized adjustments have been processed and take appropriate corrective action when errors are noted (repeat);	Complete	MDH Office of Human Resources has developed enhanced procedures for the review and approval of leave balance adjustments.	Complete	
b. retroactively verify that the time recorded on timesheets approved by payroll unit employees were actually worked, including those noted above (repeat); and	Complete	MDH Office of Human Resources has developed enhanced procedures for the review and time approved by Payroll.	Complete	
c. reconcile total payroll as reflected in CPB payroll registers each pay period with SPS payroll summary reports, investigate any differences, and ensure that those reconciliations are documented (repeat).	Complete	MDH Office of Human Resources has developed enhanced procedures for the review and approval of reconciliations.	Complete	
Finding 15 – MDH did not have procedures to ensure that employees who were terminated or left State service were promptly removed from the payroll, resulting in improper payments to at least 45 former employees totaling \$151,000.				
We recommend that MDH				
a. implement procedures to ensure timely posting in SPS of employees who are terminated or leave State service; and	In progress	MDH OHR has developed enhanced procedures regarding timely posting of and recovery payments to employees leaving or terminated from State service. These procedures are being validated.	12/31/24	
b. investigate payments to employees after they left State service, including those noted above, and in consultation with legal	In progress	MDH OHR is developing enhanced procedures regarding timely posting of and recovery payments	12/31/24	

<sup>8</sup>Auditor's Comment – Contact Information has been removed.

<b>Finding / Recommendation</b>	<b>Current Status</b>	<b>Actions Taken / To Be Taken to Address the Recommendation</b>	<b>Estimated Completion Date</b>	<b>Primary Contact Information<sup>8</sup></b>
counsel pursue recovery of any improper payments as deemed appropriate.		to employees leaving or terminated from State service.		
<b>Cash Receipts</b>				
Finding 16 – MDH did not sufficiently control collections, including the untimely endorsement and deposit of collections, a lack of independent verification that collections were deposited, and a failure to require large payments to be submitted electronically.				
We recommend that MDH				
a. restrictively endorse collections immediately upon receipt,	Complete	MDH OHR developed operating procedures and is restrictively endorsing collections immediately upon receipt.	Complete	
b. deposit collections within one business day of receipt,	Complete	MDH is committed to making deposits in good faith by the next business day of receipt.	Complete	
c. ensure that independent deposit verifications are documented for all collections, and	Complete	MDH internal review indicates that the deposit verification process is adequate. Subject to ongoing internal review.	Complete	
d. consider requiring large payments to be made electronically to enhance control over the funds.	In progress	MDH is studying this issue and will prepare a documented analysis. MDH cautions, however, that the use of electronic ACH transfers could create confusion and complicate reconciliation of expenditures to revenues.	12/31/24	
<b>Executive Oversight</b>				
Finding 17 – MDH did not ensure that appropriate corrective actions were implemented to address prior findings from our Office’s fiscal compliance audits of the other MDH units.				
We recommend that MDH ensure that appropriate correction actions are implemented to address Office of Legislative Audits report findings	In progress	MDH has engaged an external accounting firm to help MDH address certain prior audit findings made by OLA. In addition, MDH Office of the Secretary has enhanced its procedures for following up on OLA findings, including earlier	12/31/24	

<sup>8</sup>Auditor’s Comment – Contact Information has been removed.

Finding / Recommendation	Current Status	Actions Taken / To Be Taken to Address the Recommendation	Estimated Completion Date	Primary Contact Information <sup>8</sup>
		and more regular engagement with program offices regarding the development, implementation, and testing of corrective actions.		

<sup>8</sup>Auditor's Comment – Contact Information has been removed.

## APPENDIX B



*Wes Moore, Governor · Aruna Miller, Lt. Governor · Ryan Moran, DrPH, MHSA, Acting Secretary*

March 20, 2025

Mr. Brian S. Tanen, CPA, CFE  
Legislative Auditor  
Office of Legislative Audits  
The Warehouse at Camden Yards  
351 West Camden Street, Suite 400  
Baltimore, MD 21201

Dear Mr. Tanen:

Enclosed, please find the responses to the draft audit report on the Maryland Department of Health – Office of the Secretary Audit Follow-up.

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,

A handwritten signature in blue ink that reads "Ryan B. Moran".

Ryan B. Moran, DrPH, MHSA, Acting Secretary  
Maryland Department of Health

cc: Erin K. McMullen, R.N., Chief of Staff, MDH  
Clint Hackett, Deputy Secretary for Operations  
Emily Berg, JD, MPH, Deputy Chief of Staff  
Frederick D. Doggett, Director, Internal Controls, Audit Compliance & Information Security, MDH  
Deneen Toney, Deputy Director, Internal Controls, Audit Compliance & Information Security, MDH  
Carlean Rhames-Jowers, Chief Auditor Supervisor, Internal Controls, Audit Compliance & Information Security, MDH

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**Federal Funds**

**Prior Finding 2**

**The Maryland Department of Health (MDH) did not ensure critical quarterly reconciliations were performed, resulting in the failure to recover \$973.3 million of federal funding timely and lost investment income totaling \$6.4 million.**

**Prior Report Recommendation 2**

We recommend that MDH establish a formal policy and procedures, including the appropriate procedural safeguards, to ensure that the critical quarterly reconciliations are completed properly and timely, and reviewed and approved by a supervisor independent of the reconciliation process.

**Office of Legislative Audits (OLA) Assessment of Status – In Progress**

<b>Agency Response</b>	
<b>OLA Assessment of Status</b>	<b>Agree</b>
<b>Please provide additional comments as deemed necessary.</b>	MDH continues to work with an outside accounting firm to document the performance, review, and approval of the reconciliations.  Projected completion date: 06/30/2025.

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**Prior Finding 3**

**MDH did not have procedures to ensure federal funds requested for reimbursement of State payments were subsequently received.**

**Prior Report Recommendation 3**

We recommend that MDH establish a documented procedure to ensure that all federal funds requested were received.

**OLA Assessment of Status – In Progress**

Agency Response	
<b>OLA Assessment of Status</b>	<b>Agree</b>
<b>Please provide additional comments as deemed necessary.</b>	As of March 14, 2025, all corrective actions have been completed, as described below.

1. Draw request received from unit
2. V320P Letter of Credit draw worksheet completed by grants team
3. Request for drawdown form completed and signed by preparer
4. Reviewed and signed by supervisor
5. Submitted to State Treasurers Office (STO), signed by STO along with payment request verification
6. Automated Clearing House (ACH) fax sheet showing payments received
7. Journal Entry (JE) prepared after verifying ACH posted to Financial Management Information System (FMIS) (ACH Fax & Screenshot from FMIS) JE signed as verification

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**Budgetary and Year-End Closing**

**Prior Finding 5**

**MDH used an automated script to record year-end revenue entries without verifying that the amounts recorded were valid and collectable.**

**Prior Report Recommendation 5**

We recommend that MDH

- a. ensure that all year-end revenue transactions are properly supported,
- b. analyze the balances in the federal fund accounts to determine the collectability of any deficit balances and proper disposition of any surplus balances, and
- c. properly report any amounts determined to be uncollectable and work with the Department of Budget and Management (DBM) to resolve any related deficits.

**OLA Assessment of Status – In Progress**

<b>Agency Response</b>	
<b>OLA Assessment of Status</b>	<b>Agree</b>
<b>Please provide additional comments as deemed necessary.</b>	<ul style="list-style-type: none"> <li>a. MDH continues to work with an outside accounting firm, developing processes to ensure that year-end entries are properly supported.</li> <li>b. As this work is completed, MDH will be better able to determine whether there are uncollectable amounts.</li> <li>c. If any amounts are determined to be uncollectable, MDH will work with DBM to resolve.</li> </ul> <p><b>Projected completion date: 06/30/2025.</b></p>



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**Procurements and Disbursements**

**Prior Finding 6**

**MDH used an emergency contract originally procured for COVID related purposes for unrelated services without sufficient documentation that the services were received and the related payments were proper. As a result, we could not determine services were received or the propriety of MDH payments totaling \$60.4 million.**

**Prior Report Recommendation 6**

We recommend that MDH

- a. conduct a review of this contract, which includes obtaining the detailed staffing information required by the contract, determine the extent of the services that were provided in relation to payments made, recover any payments determined to be improper, and disclose this information to the Board of Public Works (BPW); and
- b. ensure that future emergency contracts are procured and documented in accordance with State procurement regulations and are properly monitored to ensure services were received and the related billings are adequately supported.

**OLA Assessment of Status – In Progress**

<b>Agency Response</b>	
<b>OLA Assessment of Status</b>	<b>Agree</b>
<b>Please provide additional comments as deemed necessary.</b>	<p><b>6a:</b> MDH is finalizing the review of the contract. Projected completion date: 06/30/2025</p> <p><b>6b:</b> Clifton T. Perkins Hospital Center (Perkins) is Maryland's only maximum-security psychiatric facility. It supports 289 patients, with a waitlist for admissions. MDH's top priority is always ensuring the health, safety, and well-being of the patients and staff. Additionally, there is no other available capacity within the state designed to address the needs of the patients.</p> <p>If the HVAC system at Perkins fails, the facility becomes uninhabitable within thirty-six (36) hours and would require the</p>

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	<p>patients and staff to evacuate. However, if MDH was able to find capacity to evacuate the facility, that evacuation would have to start well before the thirty-six (36) hour mark.</p> <p>Furthermore, with a failed HVAC system the facility's infrastructure would be in jeopardy, risking the potential of burst pipes, flooding, mold, and resulting property damage. If those resulting damages occurred, the State would not have a facility in which to house these patients until repairs were made.</p> <p>Given this context and ensuring the health, safety, and well-being of the patients and staff, MDH acted accordingly.</p> <p>In making the determination as to engage in contract modifications, MDH consulted the Maryland Board of Public Works (BPW) Advisory 1995-1. This advisory provides guidance to Maryland agencies, allowing modifications of existing contracts, even when a new contract is under development or already underway. This is often done to address unforeseen changes, ensure continuity of services, or adapt to evolving needs without needing to cancel or reissue a contract. The BPW Advisory 1995-1 states that contract extensions must be for valid reasons, such as ensuring service continuity. If a new procurement or solution is already in progress, the existing contract should end when the new one is ready and not be extended for an indefinite reason. Extensions can only occur in specific situations and must be approved by the Board of Public Works (BPW).</p> <p>On January 31, 2024, MDH issued a Using Agency Request to DGS to retain AE services in support of the development of a Part I and Part II Program of Requirements for a comprehensive buildings' systems replacement. The development of the POR would form the basis of an MDH Capital Improvement Project (CIP) submission to the Department of Budget and Management Capital Budgeting Office and petition for CIP funding.</p>
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	<p>On April 3, 2024, MDH issued a second Using Agency Request to DGS for support for project management, bidding, and construction administration for a project to replace HVAC Component Replacement at Perkins. This project would eventually form the basis of the Expedited Non-Competitive Procurement for HVAC Component Replacement approved by the BPW on December 4, 2024.</p> <p>From April through October 2024, MDH and DGS worked to retain AE services, assess building systems, develop a scope of work and cost projections, identify funding, and develop a project schedule. Concurrent with this work MDH, with DGS support, developed and submitted a Part I &amp; II Program of Requirements (titled Clifton T. Perkins Hospital Center Heating, Cooling, and Distribution Infrastructure Component Replacement) to the DBM Capital Budget Office for review and approval, and also submitted a Capital Improvement Program funding request for FY 2026 funding in the amount of \$12.5M.</p> <p>On October 11, 2024, MDH received DBM approval of the Program of Requirements for the CIP funded project.</p> <p>Per the BPW Advisory, contract modifications are permitted even when a new contract is under development. Modifications must be for valid reasons, such as ensuring service continuity. Modification #6, approved by BPW on September 11, 2024, was a modification to ensure continuity of service operations until the HVAC Component Replacement project can be completed.</p> <p>MDH acted with the knowledge available at the time within the context of the situation, moving forward, MDH will consider competitive procurements and sole source contracts for continuity of services.</p> <p>Projected completion date: 06/30/2025</p>
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**Prior Finding 7**

**MDH did not always comply with State procurement regulations when procuring goods and services via sole source and emergency contracts and did not always publish contract solicitations and awards as required.**

**Prior Report Recommendation 7**

We recommend that MDH ensure that

- a. sufficient documented justifications exist for sole source (repeat) and emergency procurements;
- b. documented price negotiations are conducted as appropriate (repeat);
- c. BPW is notified of emergency procurements, including the one noted above (repeat); and
- d. solicitations and awards are published on *eMaryland Marketplace Advantage (eMMA)* as required (repeat), including the ones noted above.

**OLA Assessment of Status – In Progress**

<b>Agency Response</b>	
<b>OLA Assessment of Status</b>	<b>Agree</b>
<b>Please provide additional comments as deemed necessary.</b>	<p>a-c MDH incorporates its response from Finding 6 into this response.</p> <p>d. MDH's Laboratory Administration engages in the majority of MDH's sole sources due to the proprietary nature of the equipment it requires to do its work. In Fall 2023, the Laboratory Administration's designated procurement officer resigned and MDH has had difficulties recruiting for the position. Several offers were extended and declined. MDH successfully extended an offer in early 2025 and the designated procurement officer is scheduled to start in March 2025.</p> <p>MDH anticipates that once the employee is onboarded and fully trained that this finding will be resolved. Projected completion date: 06/30/2025.</p>

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**Payroll**

**Prior Finding 14**

**MDH had not established adequate controls to ensure the propriety of biweekly payroll adjustments, leave balances, and timesheets.**

**Prior Report Recommendation 14**

We recommend that MDH

- a. independently verify pay and leave balance adjustments to ensure that only authorized adjustments have been processed and take appropriate corrective action when errors are noted (repeat);
- b. retroactively verify that the time recorded on timesheets approved by payroll unit employees were actually worked, including those noted above (repeat); and
- c. reconcile total payroll as reflected in the Central Payroll Bureau (CPB) payroll registers each pay period with SPS payroll summary reports, investigate any differences, and ensure that those reconciliations are documented (repeat).

**OLA Assessment of Status – In Progress**

<b>Agency Response</b>	
<b>OLA Assessment of Status</b>	<b>Agree</b>
<b>Please provide additional comments as deemed necessary.</b>	<p>OHR has implemented a comprehensive verification process for employee pay and leave balance adjustments, as detailed in OHR's SOPs/guidelines governing the review process.</p> <p><b>PayAdjustments:</b> Managers within OHR's Payroll and Timekeeping Unit review pay adjustments (inputs) and supporting documentation submitted by MDH payroll coordinators each week to ensure that they are accurately reviewed, verified, and recorded and confirm that only authorized adjustments are processed and paid. Pay adjustments will not be processed without the supporting documentation. If pay adjustment errors are noted during processing, the appropriate corrective actions are taken by the payroll manager, including manual review of input forms and supporting documentation, coordination of error resolution with the assigned Payroll personnel, and final submission of inputs to DBM.</p>

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	<p><b>Leave Balance Adjustments:</b> OHR's Payroll and Timekeeping Unit instituted a leave adjustment review process to confirm the accuracy and proper recording of leave adjustments to prevent and/or correct the processing of unauthorized adjustments. If errors are noted upon review, appropriate corrective actions are taken. OHR's corrective and preventative measures include an internal review and audit of a randomized selection of 35% of records to ensure compliance with leave adjustment standards.</p> <p><b>Timesheet Certification:</b> OHR has implemented a revised timesheet certification process to ensure the accurate review and verification of merit and contractual timesheets that were approved by OHR timekeepers. When timesheets with missing initial entries are identified, email-based outreach is initiated to obtain confirmation from the respective supervisors regarding the missing information. This outreach is conducted weekly on Thursdays by assigned Payroll personnel, following the conclusion of the Office's standard weekly payroll activities.</p> <p>If supervisors fail to confirm the missing entries within two weeks of the initial outreach, the assigned Payroll personnel escalate the matter to the Chief of Payroll. The Chief then sends follow-up email communications to the supervisors, urging them to complete the certification process. Additionally, a quarterly report is generated and sent to management, listing subordinate staff with uncertified timesheets for that quarter.</p> <p>To strengthen accountability, Payroll will collaborate with the Employment Services Division to notify the manager of any delinquent supervisors. This notification will prompt discussions and implementation of corrective actions to address negligence in fulfilling supervisory responsibilities.</p> <p>All corrective actions are complete as of 03/14/2025.</p>
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AUDIT TEAM

**Robert J. Smith, CPA**  
Audit Manager

**R. Brendan Coffey, CPA, CISA**  
Information Systems Audit Manager

**Anthony V. Calcagno**  
Senior Auditor

**Michael K. Bliss, CISA**  
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Staff Auditors