



DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Victoria L. Gruber
Executive Director

Gregory A. Hook, CPA
Legislative Auditor

May 7, 2024

Re: Audit of the Office of Secretary and Other Units
of the Maryland Department of Health
Report Date: October 19, 2023

The Honorable Laura Herrera Scott, M.D., Secretary
Maryland Department of Health
201 West Preston Street
Baltimore, Maryland 21201

Dear Secretary Herrera Scott:

Our October 19, 2023 audit report of the Office of the Secretary and Other Units of the Maryland Department of Health (MDH) determined that MDH's accountability and compliance level was unsatisfactory, based on our rating system. 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. In accordance with a policy approved by the Joint Audit and Evaluation Committee, the Office of Legislative Audits (OLA) performs a follow-up review of the status of the findings contained in any audit report that is rated unsatisfactory.

To that end, in March 2024 we requested an implementation status from MDH for the findings included in the report in conjunction with the aforementioned policy. In response to our request, MDH's Office of Internal Controls, Audit Compliance and Information Security (IAC/S) on behalf of MDH, provided a status report, as of April 18, 2024.

This public letter differs from the confidential letter previously provided to you, as detailed information in MDH's status report deemed to be cybersecurity-related has been redacted in accordance with State Government Article Section 2-1224(i), of the Annotated Code of Maryland.

The status report indicated that MDH estimated that the implementation of the necessary corrective actions for the 12 non-cybersecurity-related findings would occur between June 30,

The Warehouse at Camden Yards
351 West Camden Street · Suite 400 · Baltimore, Maryland 21201
410-946-5900 · Fraud Hotline 877-FRAUD-11
www.ola.state.md.us

May 7, 2024

2024 and December 31, 2024. Consistent with State law, we have redacted the current status of the 5 cybersecurity findings from this public copy of the letter.

Based on the current status reported by MDH's IAC/S, OLA does not believe it would be an effective or efficient use of our resources to conduct a follow up review of the referenced Office of the Secretary and Other Units of the MDH audit report at this time. A copy of the aforementioned status report relating to the non-cybersecurity findings for MDH is attached. OLA will request an updated status report from MDH in August 2024 and, based on the MDH implementation status contained therein, we will assess the practicality of conducting a follow-up at that time.

Sincerely,



Gregory A. Hook, CPA
Legislative Auditor

cc: Senator Clarence K. Lam, M.D., Senate Chair, Joint Audit and Evaluation Committee
 Delegate Jared Solomon, House Chair, Joint Audit and Evaluation Committee
 Joint Audit and Evaluation Committee Members and Staff
 Senator William C. Ferguson IV, President of the Senate
 Delegate Adrienne A. Jones, Speaker of the House of Delegates
 Senator Guy J. Guzzone, Chair, Senate Budget and Taxation Committee
 Delegate Benjamin S. Barnes, Chair, House Appropriations Committee
 Governor Westley W. Moore
 Comptroller Brooke E. Lierman
 Treasurer Dereck E. Davis
 Attorney General Anthony G. Brown
 Secretary Helene T. Grady, Department of Budget and Management
 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, Internal Controls, Audit Compliance &
 Information Security, MDH
 Erin K. McMullen, R.N., Chief of Staff, MDH
 Bryan I. Mroz, Deputy Secretary, Operations, MDH
 Secretary Katie Olson Savage, Department of Information Technology
 Gregory S. Rogers, State Chief Information Security Officer, Department of Information
 Technology
 Victoria L. Gruber, Executive Director, Department of Legislative Services

Maryland Department of Health – Office of the Secretary – Status Report as of April 18, 2024

Office of the Secretary Audit ** Audit Period - February 12, 2019 to June 30, 2022 IAC/S Audit Follow-up			
		Findings	17
		Recommendations	40
		Repeats	7
Finding/Recommendation	Responses	Estimated Completion Date as of 4/18/24	IAC/S Comments
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	MDH engaged an external accounting firm to assist the Department in identifying procedural gaps that led to OLA’s findings related to the federal fund accounting process. Through this engagement, MDH will develop documented processes for reconciling claims and accounting develop documented processes for reconciling claims and accounting systems to ensure accurate recording of payments and the timely resolution of rejected claims.	6/30/2024	In progress - MDH has contracted with an external vendor to help with the deliverable on these findings. Meet bi-weekly with the vendor for updates on their progress.
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.	MDH is working to resolve all findings noted in OLA’s October 2022 fiscal compliance audit reports on the Developmental Disabilities Administration (DDA) and the Behavioral Health Administration Administrative Services Organization (BHASO). As this process nears completion, MDH will formally advise DBM and the budget committees of our progress and will develop a plan for covering any unfunded liabilities. MDH also notes that the \$106.7 million in unresolved claims cited in the BHASO report has been reduced to \$67 million as of October 2023. However, complete resolution of unresolved BHASO claims is unlikely to occur until the contract with the incumbent expires on December 31, 2024.	12/31/2024	In progress - MDH has contracted with an external vendor to help with the deliverable on these findings. Meet bi-weekly with the vendor for updates on their progress.
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.	MDH is performing quarterly reconciliations for all programs to ensure that amounts requested from the federal government through weekly drawdowns are agreed to actual expenditures. In response to this finding, MDH undertook a process to fully document the reconciliation process, including review and approval, in a Standard Operating Procedure (SOP). This was completed in January 2023.	7/31/2024	IAC/S is verifying that this recommendation has been completed.

Maryland Department of Health – Office of the Secretary – Status Report as of April 18, 2024

Finding 3 - MDH did not have procedures to ensure federal funds requested for reimbursement of State payments were subsequently received.			
We recommend that MDH establish a documented procedure to ensure that all federal funds requested were received.	MDH has engaged an external accounting firm to assist the Department in identifying procedural gaps that led to OLA’s findings related to the federal fund accounting process. Through this engagement, MDH will develop documented processes to ensure the receipt of requested federal funds.	6/30/2024	In progress - MDH has contracted with an external vendor to help with the deliverable on these findings. Meet bi-weekly with the vendor for updates on their progress.
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;	MDH has engaged an external accounting firm to assist the Department in identifying procedural gaps that led to OLA’s findings related to the federal fund accounting process. Through this engagement, the Department will develop and document reconciliation procedures for proper allocation of federal fund reimbursements to expenditure accounts.	6/30/2024	In progress - MDH has contracted with an external vendor to help with the deliverable on these findings. Meet bi-weekly with the vendor for updates on their progress.
b. ensure clearing accounts have either a positive or zero balance;	MDH has engaged an external accounting firm to assist the Department in identifying procedural gaps that led to OLA’s findings related to the federal fund accounting process. Through this engagement, the Department will develop and document reconciliation procedures for proper allocation of federal fund reimbursements to expenditure accounts.	6/30/2024	In progress - MDH has contracted with an external vendor to help with the deliverable on these findings. Meet bi-weekly with the vendor for updates on their progress.
c. investigate and resolve the aforementioned account balances; and	MDH has engaged an external accounting firm to assist the Department in identifying procedural gaps that led to OLA’s findings related to the federal fund accounting process. Through this engagement, the Department will document reconciliation procedures for the proper allocation of federal fund reimbursements to expenditure accounts. Once that has occurred MDH will investigate and resolve the account balances that OLA mentioned in their report.	6/30/2024	In progress - MDH has contracted with an external vendor to help with the deliverable on these findings. Meet bi-weekly with the vendor for updates on their progress.
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 development of appropriate corrective procedures and controls.	MDH has engaged an external accounting firm to assist the Department in identifying procedural gaps that led to OLA’s findings related to the federal fund accounting process. Through this engagement, the Department will document reconciliation procedures for proper allocation of federal fund reimbursement to expenditure accounts.	6/30/2024	In progress - MDH has contracted with an external vendor to help with the deliverable on these findings. Meet bi-weekly with the vendor for updates on their progress.
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			

Maryland Department of Health – Office of the Secretary – Status Report as of April 18, 2024

a. ensure that all year-end revenue transactions are properly supported,	MDH has engaged an external accounting firm to assist the Department in identifying procedural gaps that led to OLA’s findings related to the federal fund accounting process. Through this engagement, the Department will document reconciliation procedures for verification of the validity and collectability of year-end automated revenue entries.	6/30/2024	In progress - MDH has contracted with an external vendor to help with the deliverable on these findings. Meet bi-weekly with the vendor for updates on their progress.
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	MDH has engaged an external accounting firm to assist the Department in identifying procedural gaps that led to OLA’s findings related to the federal fund accounting process. Through this engagement, the Department will document reconciliation procedures for verification of the validity and collectability of year-end automated revenue entries.	6/30/2024	In progress - MDH has contracted with an external vendor to help with the deliverable on these findings. Meet bi-weekly with the vendor for updates on their progress.
c. properly report any amounts determined to be uncollectable and work with DBM to resolve any related deficits.	MDH has engaged an external accounting firm to assist the Department in identifying procedural gaps that led to OLA’s findings related to the federal fund accounting process. Through this engagement, the Department will document reconciliation procedures for verification of the validity and collectability of year-end automated revenue entries.	6/30/2024	In progress - MDH has contracted with an external vendor to help with the deliverable on these findings. Meet bi-weekly with the vendor for updates on their progress.
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 be improper, and disclose this information to BPW; and	MDH has initiated a review of this contract, including all modifications. This review includes a detailed examination of selected invoices. For each invoice, the review team will determine whether amounts charged, including time charges for contract staff, were sufficiently documented and can be associated with specific assigned work or deliverables. Members of the review team were not associated with the contract and will report findings directly to the MDH Secretary, who will determine next steps, as appropriate.	6/30/2024	IAC/S will be testing and validating these corrective actions. Expected completion: 6/30/24
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.	In order to ensure compliance with State procurement laws and regulations, MDH has reorganized all procurement officers into a single office - The Office of Contract Management and Procurement (OCMP). This reorganization has facilitated increased oversight over all Department procurement activities. This includes: ensuring all emergency procurement files are full and complete; that we are procuring goods and services in accordance with State procurement regulations; and properly monitoring to ensure services were received and the related billings are adequately supported.	6/30/2024	IAC/S will be testing and validating these corrective actions. Expected completion: 6/30/24

Maryland Department of Health – Office of the Secretary – Status Report as of April 18, 2024

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.			
We recommend that MDH ensure that			
a. sufficient documented justifications exist for sole source (repeat) and emergency procurements;	In order to ensure compliance with State procurement laws and regulations, MDH has reorganized all procurement officers into a single office - OCMP. This reorganization has facilitated increased oversight over all Department procurement activities, including ensuring sufficient documented justifications exist for sole source and emergency procurements. MDH continues to identify areas for improvement in procurement and modify policies and procedures to ensure compliance with State law.	12/31/2024	3/15/24 - IAC/S will review and test as the standards and processes are completed.
b. documented price negotiations are conducted as appropriate (repeat);	To ensure compliance with State procurement laws and regulations, MDH has reorganized all procurement officers into a single office - OCMP. This reorganization has facilitated increased oversight over all Department procurement activities, including ensuring price negotiations occur and are appropriately documented as required. MDH continues to identify areas for improvement in procurement and modify policies and procedures to ensure compliance with State law.	12/31/2024	3/15/24 - IAC/S will review and test as the standards and processes are completed.
c. BPW is notified of emergency procurements, including the one noted above (repeat); and	In order to ensure compliance with State procurement laws and regulations, MDH has reorganized all procurement officers into a single office - OCMP. This reorganization has facilitated increased oversight over all Department procurement activities, including ensuring timely notification to the Board of Public Works for any emergency procurements conducted by the agency. MDH continues to identify areas for improvement in procurement and modify policies and procedures to ensure compliance with State law.	12/31/2024	3/15/24 - IAC/S will review and test as the standards and processes are completed.
d. solicitations and awards are published on eMMA as required (repeat), including the ones noted above.	In order to ensure compliance with State procurement laws and regulations, MDH has reorganized all procurement officers into a single office - OCMP. This reorganization has facilitated increased oversight over all Department procurement activities, including ensuring timely publications of solicitations and awards on eMMA. MDH continues to identify areas for improvement in procurement and modify policies and procedures to ensure compliance with State law.	12/31/2024	3/15/24 - IAC/S will review and test as the standards and processes are completed.
Finding 8 Redacted cybersecurity-related finding.			
Agency corrective actions have been redacted by OLA.			
Finding 9 Redacted cybersecurity-related finding.			
Agency corrective actions have been redacted by OLA.			
Finding 10 Redacted cybersecurity-related finding.			
Agency corrective actions have been redacted by OLA.			

Maryland Department of Health – Office of the Secretary – Status Report as of April 18, 2024

Finding 11 Redacted cybersecurity-related finding.			
Agency corrective actions have been redacted by OLA.			
Finding 12 Redacted cybersecurity-related finding.			
Agency corrective actions have been redacted by OLA.			
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.	MDH took action to address the backlog in unbilled services as a result of the network security incident, as soon as HMIS was restored to the network. Unfortunately, HMIS was not available or operational for the 8 months cited in OLA’s finding due to the network security incident. The recovery team regularly maintained procedures to work with the billings team to create back billings as soon as HMIS was restored and operational.	6/30/2024	IAC/S review in progress 03/06/24 – Initial email sent with requests for information and data. 03/07/24 – IAC/S and DBM met with Management to discuss the findings and information received. Follow-up questions will be planned after discussions of the documentation provided for review to determine completeness. In Progress - 6/30/24
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);	MDH has implemented a comprehensive verification process for employee pay and leave balance adjustments, which is documented in SOPs/guidelines governing the review process. Pay Adjustments: Managers within OHR’s Payroll and Timekeeping Unit review pay adjustments (inputs) 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. As required by DBM, payroll adjustments are submitted by the payroll manager through an Input Request form. Input Files are one-time fixed amounts that add to or reduce an employee's gross payroll amount initiated by authorized time entry and compensation change events in Workday. If pay adjustment errors are noted during processing, the appropriate corrective actions are taken, to include manual review of input forms, coordination of error resolution with the assigned Payroll personnel, and final submission of inputs to DBM. Leave Balance Adjustments: 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 10% of records to ensure compliance with leave adjustment standards.	6/30/2024	3/16/24 - Interviewed and had a walkthrough of OHR new process. OHR has an SOP in place and IAC/S is reviewing and testing in progress. 4/16/24 - Met with OHR and will begin testing soon. In Progress - 6/30/24

Maryland Department of Health – Office of the Secretary – Status Report as of April 18, 2024

b. retroactively verify that the time recorded on timesheets approved by payroll unit employees were actually worked, including those noted above (repeat); and	MDH has revised its timesheet certification process in response to this audit finding. The revised process outlines the review and verification procedures for merit and contractual timesheets that are approved by OHR’s timekeepers. After the identification of timesheets submitted by MDH’s timekeepers (due to missing initial entries), OHR obtains email confirmation from supervisors of missing timesheet information. This process is completed weekly on Thursdays by assigned Payroll personnel at the conclusion of the Office’s weekly standard payroll activities. Two weeks after the initial email, the assigned payroll personnel reports to the Chief of payroll those supervisors who have yet to confirm entries approved by OHR timekeepers. The Chief sends out follow-up emails to each supervisor to complete the certification process.	6/30/2024	3/16/24 - Interviewed and had a walkthrough of OHR new process. OHR has an SOP in place and IAC/S is reviewing and testing in progress. 4/16/24 - Met with OHR and will begin testing soon. In Progress - 6/30/24
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).	MDH has revised its processes in response to this finding. The biweekly payroll reconciliation process instituted by OHR requires the comparison of SPMS Payroll Summary Reports in Workday to the Central Payroll Bureau (CPB) Payroll Register. The assigned Payroll personnel completes a review for discrepancies between the reports to identify incorrect data. Upon the completion of the initial review, discrepancies are addressed by reviewing internal reports, Workday transactions, timesheets, and the Payroll Online Service Center (POSC) to identify dissimilar data. Once the erroneous result is correctly identified, the necessary corrections are made by the assigned Payroll personnel. The results and corrections are documented on the SPS Payroll Summary and CPB Payroll Register that is maintained in the OHR Payroll Manager shared files.	6/30/2024	3/16/24 - Interviewed and had a walkthrough of OHR new process. OHR has an SOP in place and IAC/S is reviewing and testing in progress. 4/16/24 - Met with OHR and will begin testing soon. In Progress - 6/30/24
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	MDH has identified areas of opportunity for additional knowledge transfer for supervisory and managerial employees as it relates to timely and efficient notification of impending employee terminations and resignations. This includes additional information on protocol and procedure, as well as the centralization of HR resources for ease of access and usage for those who need it. Further, MDH will optimize report usage to create an alternative means of finding instances of employees no longer working with the agency. This includes more effective and proactive usage of various available reporting tools (SPMS No Time Entered and Less the 80 Report) to proactively identify and address potential areas of concern. This should create a significant reduction in instances of the need for backdated or processing delayed termination in SPS Workday.	6/30/2024	3/16/24 - Interviewed and had a walkthrough of OHR new process. OHR has an SOP in place and IAC/S is reviewing and testing in progress. 4/16/24 - Met with OHR and will begin testing soon. In Progress - 6/30/24

Maryland Department of Health – Office of the Secretary – Status Report as of April 18, 2024

b. investigate payments to employees after they left State service, including those noted above, and in consultation with legal counsel pursue recovery of any improper payments as deemed appropriate.	MDH is modifying its processes to address this finding. OHR will utilize termination reports to audit the same time period assessed by the audit team (beginning February 2019) and extend it to the end of fiscal year 2023 to identify those employees, both during the audited time frame and beyond, who may have been terminated with a backdated effective date. Using this list, all identified employees’ records will be further audited to identify any potential improper payments and undergo what corrective action can be taken to resolve the issue. Moving forward from 7/1/2023, the above-noted measures will be implemented to mitigate any further potential occurrences of this issue.	6/30/2024	3/16/24 - Interviewed and had a walkthrough of OHR new process. OHR has an SOP in place and IAC/S is reviewing and testing in progress. 4/16/24 - Met with OHR and will begin testing soon. In Progress - 6/30/24
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.			03/06/24 – Initial email sent with requests for information and data. 03/07/24 – IAC/S and DBM met with Management to discuss the findings and information received. Follow-up questions will be planned after discussions of the documentation provided for review to determine completeness. Will also request a walkthrough to observe the collections process. In Progress - 6/30/24.
We recommend that MDH			
a. restrictively endorse collections immediately upon receipt,	MDH has implemented a procedure for restrictively endorsing collections immediately upon receipt. MDH has updated written procedures accordingly.	6/30/2024	In Progress - 6/30/24
b. deposit collections within one business day of receipt,	MDH has implemented this recommendation and has updated written procedures accordingly.	6/30/2024	In Progress - 6/30/24
c. ensure that independent deposit verifications are documented for all collections, and	MDH resumed independent deposit verifications in July 2022 by having a staff member review and attach the Previous Day Composite Report to the daily deposit.	6/30/2024	In Progress - 6/30/24
d. consider requiring large payments to be made electronically to enhance control over the funds.	MDH will study this issue and prepare a documented analysis. We caution, however, that the use of electronic ACH transfers could create confusion and complicate reconciliation of expenditures to revenues.	6/30/2024	IAC/S will be testing and validating these corrective actions. Expected completion: 6/30/24
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.	MDH has engaged an outside accounting firm to help MDH address prior audit findings made by OLA, including those identified in this report, and recent reports on Medicaid, DDA, and the 2022 closeout audit. MDH is also actively recruiting and filling vacancies. The additional resources will assist with reconciliation of the data between FMIS, MMIS, PCIS2, any other related external systems. MDH is also exploring hiring recent retirees to support our fiscal staff with training and best practices. In addition, MDH meets regularly with DBM to review and evaluate ongoing corrective actions addressing prior OLA findings. These meetings will continue until all identified actions are deemed complete.	12/31/2024	12/31/24 - In Progress

**IAC/S works cooperatively with DBM's Audit & Finance Compliance Unit