

Special Review

**University of Maryland Medical System Corporation
Board of Directors Activities**

March 2020



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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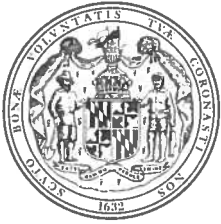
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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Victoria L. Gruber
Executive Director

Gregory A. Hook, CPA
Legislative Auditor

March 13, 2020

Senator Clarence K. Lam, M.D., Senate Chair, Joint Audit and Evaluation Committee
Delegate Carol L. Krimm, House Chair, Joint Audit and Evaluation Committee
Members of Joint Audit and Evaluation Committee

Ladies and Gentlemen:

The Office of Legislative Audits has conducted a review of certain activities of the University of Maryland Medical System Corporation (UMMS) in accordance with Chapters 18 and 19, Laws of Maryland 2019. These laws contained numerous provisions related to the governance of UMMS, but primarily established new requirements over Board of Directors membership, conflicts of interest (including payments from UMMS to a Board member), and certain reporting requirements to State government officials. In addition, the laws included provisions requiring the Office to identify and review related transactions between past Board members and UMMS, and to recommend any necessary improvements in procurement and disbursement processing, which would be of use to the newly appointed Board in its governance of UMMS.

The purpose of our review was to address the requirements of the aforementioned law including identifying the individuals who served on the UMMS' Board of Directors during the period from January 1, 2016 through April 18, 2019, and any payments from UMMS to these Board members or their associated business entities. We also attempted to identify which UMMS employee(s) initiated and/or authorized these transactions, whether the related goods and services were procured in accordance with a formal UMMS policy, and whether the contracts were effectively monitored to ensure the appropriate goods or services were received in consideration of payments made.

During the course of our review, we identified 47 individuals that served on the UMMS Board of Directors during the period under review. We also identified numerous payments made by UMMS to certain Board members and to numerous entities associated with the Board members and their immediate family members. Due to circumstances explained in this report, we could not definitively determine the extent to which the individual Board members (or specific UMMS management officials) were involved in the payments made to them or their associated businesses. In addition, we could not definitively determine the extent to which this activity was disclosed to the UMMS Board of Directors.

Our review of contracts with and disbursements to Board members or associated business entities disclosed that UMMS frequently did not maintain documentation to support the use of a competitive procurement process or justification for awarding a contract without obtaining bids or proposals from potential vendors. We also noted that, for long-standing contracts, UMMS could not document that consideration was given to periodically initiating a new competitive procurement process for the applicable goods or services. UMMS also could not always provide us with sufficient information to ensure the propriety of the related payments. For example, for several disbursements tested, UMMS was unable to provide current contract documents containing the specific terms and conditions (such as prices or quantities of service), and/or evidence that it received all required deliverables. Therefore, we could not always ascertain that the contracts were awarded to the most favorable vendor and could not always verify that all required and/or billed goods and services were provided and related payments were proper.

In addition, as explained in further detail in our report, UMMS did not always readily provide us with the names of, or access to, employees with the knowledge of or responsibility over certain facets of the above transactions. As a result, key issues remained unanswered, including who authorized many of these transactions from both the procurement and disbursement perspective.

We were also not given access to emails involving five key senior management, procurement, and/or accounts payable employees, which we sought for the purpose of identifying useful and relevant information on the nature of the aforementioned transactions. Specifically, UMMS management advised us that

there were approximately 1.6 million emails for these employees, but withheld access because it claimed that the emails could contain confidential correspondence between its employees and its legal counsel, and that UMMS lacked sufficient resources to enable it to review all emails for such information prior to releasing them to us. In September 2019, three months after our initial request, UMMS provided a computer disk with approximately 14,500 emails, some heavily redacted, based on its own search criteria, which we determined did not add value to our review.

We believe that the requested information not provided was integral to our objectives and for us to satisfy the requirements of the aforementioned laws. Had UMMS provided the information in a timely and/or complete manner, we might have obtained insight on, or explanations for, a number of the above issues in general and certain transactions specifically. It is also possible that additional financial transactions involving Board members might have been identified.

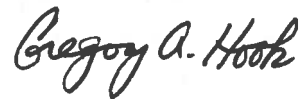
Our review did not specifically address the sufficiency of UMMS' policies and procedures over procurements and payment processing nor of UMMS' conflict of interest and related disclosure policies. These areas were addressed during other reviews required by Chapters 18 and 19, Laws of Maryland 2019, which were conducted by vendors under contract with UMMS. Additional information regarding the results of these reviews, including links to the resultant full reports, are included in Objective 4 of our report.

Although this report contains no recommendations, we provided a draft copy of the report to UMMS for review and comment. UMMS provided a written response, which has been included as Appendix A to this report. In its response, while agreeing generally with our findings of poor past business procurement and contracting processes and the need for implementing new policies and procedures, UMMS disagreed with certain specific findings, conclusions, and the scope of our review. For those disagreements, we reviewed and reassessed our documentation, and reaffirmed the validity of our findings and scope and, accordingly, we have included auditor comments to the response to explain our position, which can be found in Appendix B. In addition, the UMMS response named several individuals and entities, which we have redacted in conformity to our longstanding practice of maintaining the anonymity of parties included in our reports.

Given the aforementioned circumstances, this report represents the best efforts of our Office to meet the requirements of State law. It is my hope that it will be of

some value to the Maryland General Assembly in addressing its concerns with the activities of UMMS and its past Board of Directors.

Respectfully submitted,

A handwritten signature in black ink that reads "Gregory A. Hook". The signature is written in a cursive, flowing style.

Gregory A. Hook, CPA
Legislative Auditor

cc: Senator William C. Ferguson IV, President of the Senate
Delegate Adrienne A. Jones, Speaker of the House of Delegates
Senate Finance Committee Members and Staff
House Health and Government Operations Committee Members and Staff
Governor Lawrence J. Hogan, Jr.

Table of Contents

Background Information	7
University of Maryland Medical System Corporation (UMMS)	7
Responsibilities	
Disclosure of Business Relationships Between UMMS and Certain	7
Members of its Board of Directors	
Emergency Legislation	8
Findings and Recommendations	10
Objective 1 – To identify all of the individuals who served as members of the UMMS Board of Directors during the period from January 1, 2016 through April 18, 2019.	10
Objective and Methodology	10
Conclusion	11
Objective 2 – To identify all contracts with or payments to members of the UMMS Board of Directors and their associated businesses during the period from January 1, 2016 through April 18, 2019.	14
Objective and Methodology	14
Definition of Associated Businesses	14
Identifying Associated Businesses	15
UMMS Procurement and Disbursement Records	16
Data Reliability and Completeness	16
Data Matches	17
Other Activity	17
Conclusion	17
Objective 3 – To assess procurements of contracts with, and payments to, UMMS Board members and their associated businesses.	20
Objective and Methodology	20
UMMS Procurement Policy	20
Test Methodology	21
Conclusion	23
Financial Interests by Board Member	24
Other Associated Business Entities	60
Objective 4 – Recommendations	65
Objective and Methodology	65
Conclusion	66

Scope, Objectives, and Methodology	68
Scope	68
UMMS Imposed Limitations on OLA Access	69
Objectives and Methodology	71
Exhibit 1 – Extension Request Letter	72
Exhibit 2 – Extension Request Approval Letter	74
Exhibit 3 – Board Member Questionnaire	75
Exhibit 4 – Example of Redacted Email Provided by UMMS	80
UMMS Response	Appendix A
Auditor’s Comments on UMMS Response	Appendix B

Background Information

University of Maryland Medical System Corporation Responsibilities

The University of Maryland Medical System Corporation (UMMS) provides inpatient and outpatient medical care, education, community health services, and emergency medical treatment through an integrated network of hospitals and related clinical enterprises. Chapter 288, Laws of Maryland 1984 converted what until then was the University of Maryland Hospital to UMMS, a private, nonprofit corporation. Through that legislation, the General Assembly ensured that the State would continue to play a prominent role in UMMS' governance by requiring that the voting members of the Board of Directors be appointed by the Governor.

During fiscal years 2016 through 2020, the State provided approximately \$332.8 million in funding to UMMS (see Table 1). In addition to aiding in UMMS operations, these funds were used for a variety of capital projects at UMMS facilities across the State. According to its audited financial statements, UMMS' fiscal year 2019 operating revenue and operating expenses were approximately \$4.24 billion and \$4.16 billion, respectively, and its income from continuing operations for fiscal year 2019 totaled \$78.8 million.

Table 1
State Funding to UMMS
Fiscal Year 2016 through 2020
(Amounts in Millions)

Fiscal Year	Capital Funds	Operating Funds	Totals
2016	\$42.2	\$3.2	\$45.4
2017	37.9	18.2	56.1
2018	24.5	31.2	55.7
2019	63.3	30.3	93.6
2020	63.7	18.3	82.0
Totals	\$231.6	\$101.2	\$332.8

Source: Department of Budget and Management Records

Disclosure of Business Relationships Between UMMS and Certain Members of its Board of Directors

Beginning in March 2019, several articles were published by certain news sources, describing financial relationships between UMMS and 10 members of its Board of Directors. In these news articles, it was reported that UMMS had made significant payments to these Board members and their businesses for goods and services including payments for children's books, employee benefits administration, consulting, pest control, banking, and civil engineering.

Emergency Legislation

During the 2019 Legislative Session, the Maryland General Assembly passed emergency legislation (Chapters 18 and 19, Laws of Maryland 2019) that addressed the financial relationships between UMMS and its Board of Directors. In addition, this legislation required the Office of Legislative Audits to conduct a forensic audit of UMMS for the period from January 1, 2016 through April 18, 2019 (the effective date of the legislation) that

- identifies all of the members of the Board of Directors and each member's associated businesses;
- identifies all contracts with or payments to Board members and their associated businesses;
- evaluates the procurement of each contract and payment identified and assesses how effectively they were monitored to ensure that all deliverables paid for were received; and
- makes recommendations regarding how best to evaluate the procurement and contracting processes and any contracts with and payments to UMMS affiliated hospitals and members of the UMMS Board of Directors or the members of the boards of directors of the affiliated hospitals.

Basically, the laws included provisions requiring the Office of Legislative Audits to identify and review related transactions between past Board members and UMMS, and to recommend any necessary improvements in procurement and disbursement processing, which would be of use to the newly appointed Board in its governance of UMMS. The laws required the Office to report its findings to various State officials identified in the legislation, by December 15, 2019. In October 2019, the Legislative Auditor requested an extension from the Presiding Officers of the Maryland General Assembly for submitting the report due to delays encountered during the review process (see Exhibit 1 for a copy of the extension request letter). In response to the request, the Presiding Officers extended the submission deadline for the report to March 13, 2020 (see Exhibit 2 for a copy of extension request approval letter).

Chapters 18 and 19 also contained numerous provisions related to the governance of UMMS, but primarily established new requirements over Board of Directors membership, conflicts of interest, including payments from UMMS to a Board member, and certain reporting requirements to State government officials. Specifically, the Chapters made changes to State law regarding the composition of the Board, including reducing the number of voting members from 27 to 25, requiring the advice and consent of the Senate for voting members appointed by the Governor, and excluding State and local elected officials from serving on the

Board. UMMS was also required to adopt a conflict of interest policy for the Board, impose certain restrictions on awarding contracts to a Board member or a member's associated business, and requires each Board member to file annual financial disclosures with the Health Services Cost Review Commission¹.

Finally, Chapters 18 and 19 required UMMS to contract with an independent certified public accounting firm to conduct a performance audit of its financial management practices (including procurement and contracting). UMMS was also required to conduct an independent internal review of the Board's policies and procedures for enforcing statutory limits on consecutive terms and continued service after the expiration of the member's term.

¹ Prior to this law change, State regulations only required such disclosures for officers and directors who were an employee, partner, director, or beneficial owner of three percent or more of the capital account or stock of a partnership, firm, corporation, or any business entity with which UMMS had engaged in a transaction of \$10,000 or more during the previous fiscal year.

Findings and Recommendations

Objective 1

Identify All Members of the University of Maryland Medical System Board of Directors

Objective and Methodology

Our objective was to identify all of the individuals who served as members of the University of Maryland Medical System (UMMS) Board of Directors during the period from January 1, 2016 through April 18, 2019.

During the period covered by our review, Section 13-304 of the Education Article of the Annotated Code of Maryland provided that the Board shall consist of between 22 and 27 voting members appointed by the Governor and 6 nonvoting *ex-officio* members. As noted in Table 2, the law specified the 6 *ex-officio* members and 7 of the voting members. In addition, the existing law limited voting members to two consecutive five-year terms, but allowed the members to continue serving beyond this term until a successor had been appointed.

Table 2
Board Members Specified by Section 13-304 of the Education Article

Voting Members	Ex-Officio Members
<ul style="list-style-type: none">• 3 members of the University System of Maryland Board of Regents• 2 members of the Maryland General Assembly• 1 member of the Community Advisory Council• 1 member with expertise in the hospital field	<ul style="list-style-type: none">• UMMS President• UMMS Chief Executive Officer• Chancellor of the University System of Maryland• Dean of the University of Maryland School of Medicine• President of the UMMS medical staffing organization• UMMS Associate Director of Nursing Services

Source: State Law

To identify all of the individuals who served on the UMMS Board of Directors between January 1, 2016 and April 18, 2019, we obtained a list of individuals appointed to the Board of Directors and their terms of service from both the Governor's Appointments Office and UMMS. To corroborate this information, we compiled our own list using a variety of sources including Board minutes, Internal Revenue Service Form 990s, UMMS Annual Reports, the UMMS website (as of May 28, 2019), and a questionnaire that we mailed to each Board

member in June 2019². For the purpose of our review, we only considered individuals to be a Board member if they had been appointed by the Governor as of May 28, 2019 or if they served in an *ex-officio* capacity. We did not attempt to identify members of the boards of directors for any of the UMMS affiliated hospitals, nor did we assess whether the terms served by the Board members we identified were in compliance with statutory limits.

Section 4 of Chapter 18, Laws of Maryland 2019, required the UMMS Board of Directors to conduct an internal review of its policies and procedures for enforcing statutory limits on consecutive terms of appointments for Board members and continued service after the expiration of a member's term. On December 13, 2019, the Board of Directors reported the results of its review to the Governor, the General Assembly, and our Office. As required by Section 4 of Chapter 18, we will comment on this report to the Joint Audit and Evaluation, Senate Finance, and House Health and Government Operations Committees in the near future.

Conclusion

We identified 47 individuals who served on the UMMS Board of Directors during the period from January 1, 2016 through April 18, 2019 (see Table 3 below). We believe that these individuals represent the totality of UMMS Board members serving at some point during this period. As noted in Table 3, there were inconsistencies between the terms of service for many Board members reported by the Governor's Appointments Office, UMMS, and the individual members.

While there are plausible explanations for many of these variances, such as UMMS using the date provided in statute for member terms³ and the Governor's Appointments Office using the actual date of appointment, this would not adequately explain certain of the inconsistencies in Table 3. For example, the start date reflected in UMMS records for Mr. Francis X. Kelly, Jr. was June 2016, whereas Mr. Kelly advised us that he has been a Board member since 1984 and, according to the Governor's Appointments Office he had been on the Board since June 1986. In another instance, UMMS records show the term served by Ms. Catherine E. Pugh ended in June 2005, despite the fact that other records indicated she was a Board member until March 2019.

Determining the correct term(s) was not within the scope of this review, and given the occasional significantly divergent dates, we did not attempt to reconcile the

² Two of the Board members were not sent a questionnaire because they were deceased and four other Board members either declined or failed to respond to our request.

³ Section 13-304(d) of the Education Article of the Annotated Code of Maryland provides that the term of a member begins on the first Monday in June of the year of appointment.

differing terms noted for certain Board members. Nevertheless, all payments identified in Objective 2 and 3, to any of the 47 individuals, did occur during the period from January 1, 2016 through April 18, 2019, although not necessarily during a Board member's definitive term of service.

Table 3
UMMS Board Members
January 1, 2016 through April 18, 2019

Appointed Board Members	Governor's Appointments Office		UMMS Records		Board Member Response to our June 2019 Questionnaire	
	Start Date	End Date	Start Date	End Date	Start Date	End Date
Georges C. Benjamin	August 2008	July 2017	June 2007	June 2017	August 2008	September 2017
Stephen A. Burch	October 2004 July 2008	June 2006 Present	June 2008	June 2018	June 2008	July 2019
Michael E. Busch	February 2004	April 2019	June 2001	June 2006	N/A - Deceased at time of review	
R. Alan Butler	January 2015	June 2019	June 2014	June 2019	June 2014	Present
August J. Chiasera	July 2015	June 2020	June 2015	June 2020	June 2015	Present
John P. Coale	August 2008	Present	June 2008	June 2018	No Response	No Response
Gilberto De Jesus	June 2009	September 2016	June 2005	September 2016	June 2010	September 2016
John W. Dillion	October 2006	March 2019	June 2002	June 2017	October 2006	March 2019
James C. Dipaula, Jr.	September 2016	June 2021	June 2016	June 2021	September 2016	Present
George L. Doetsch Jr.	May 2018	June 2022	June 2017	June 2022	June 2018	Present
Alan H. Fleischmann	July 2008	September 2016	June 2006	September 2016	No Response	No Response
Wayne L. Gardner, Sr.	December 2008	June 2019	June 2004	June 2019	June 2008	June 2019
Louise M. Gonzales	May 2010	June 2021	June 2008	June 2021	August 2008 June 2016	March 2016 June 2021
Barry P. Gossett	April 2015	Present	June 2013	June 2018	April 2013	Present
Michelle A. Gourdine	June 2016	December 2017	June 2013	November 2017	June 2016	November 2017
Louis P. Jenkins	July 2016	June 2022	June 2012	June 2022	December 2016	Present
Orlan M. Johnson	August 2008	May 2018	June 2008	June 2017	2009	2018
Edward J. Kasemeyer	December 2012	Present	June 2011	June 2016	January 2010	December 2018
Francis X. Kelly, Jr.	June 1986	June 2021	June 2016	June 2021	1984	Present
Belkis W. Leong-Hong	June 2009	June 2019	June 2009	June 2019	June 2009	July 2019
Sara A. Middleton	December 2012	June 2016	June 2012	June 2016	June 2012	June 2016
Kenneth V. Moreland	September 2015	May 2020	June 2015	May 2020	June 2015	June 2020
Kevin B. O'Connor	June 2009	June 2021	June 2006	June 2021	July 2010	June 2019
Korkut Onal	June 2018	June 2021	June 2016	June 2021	July 2018	Present
Robert L. Pevenstein	September 2008	March 2019	June 2006	June 2019	July 2003 September 2008 June 2009 June 2014	June 2008 May 2009 June 2014 March 2019
D. Bruce Poole	December 2012	Present	June 2008	June 2018	June 2008	July 2019
Louis M. Pope	December 2017	June 2022	June 2017	June 2022	January 2018	Present
Catherine E. Pugh	November 2002	March 2019	June 2000	June 2005	No Response	No Response
Robert D. Rauch	November 2016	June 2022	June 2012	June 2022	No Response	No Response
Scott M. Rifkin	July 2017	June 2022	June 2017	June 2022	June 2017	May 2019
Antonio P. Salazar	September 2016	October 2017	June 2015	August 2017	June 2015	August 2017
Roger E. Schneider	July 2015	May 2020	June 2015	June 2018	Sometime 2016	Present
Richard K. Schwab	September 2015	June 2018	June 2011	June 2018	July 2016	July 2018
James T. Smith, Jr.	December 2012	June 2019	June 2009	June 2019	Spring of 2013	June 2019
James A. Soltesz	May 2018	June 2022	June 2017	June 2022	June 2018	No Response
Leonard S. Stoler	May 2003 July 2015	July 2011 June 2020	June 2000	June 2020	June 2000 June 2015	2008 Present
Walter A. Tilley	June 2009 November 2017	July 2015 June 2022	June 2005	June 2017 June 2022	2010 2017	2015 Present
Joseph D. Tydings	August 2008	May 2018	June 2007	June 2017	N/A - Deceased at time of review	
Alexander Williams, Jr.	September 2015	May 2020	June 2015	May 2020	2015	Present
Ex-Officio Board Members						
Robert L. Caret	The Governor's Appointments Office does not keep records on the terms served by <i>ex-Officio</i> Board members.		September 2015	Present	July 2015	Present
Robert A. Chrencik			October 2008	March 2019	August 2008	April 2019
Steven J. Czinn			July 2016	June 2018	July 2016	June 2018
Elias R. Melham			July 2018	June 2020	July 2018	Present
Jay A. Perman			July 2010	Present	July 2010	Present
Edward A. Reece			September 2006	Present	September 2006	Present
Peter Rock			July 2014	June 2016	July 2014	June 2016
Lisa C. Rowan			May 2007	Present	2007	Present
Note: Excludes Nancy King and James Harkins who were listed on the UMMS website as of May 28, 2019 but had not been appointed by the Governor						

Sources: Governor's Appointment Office records, UMMS records, and responses to Board member questionnaires.

Objective 2

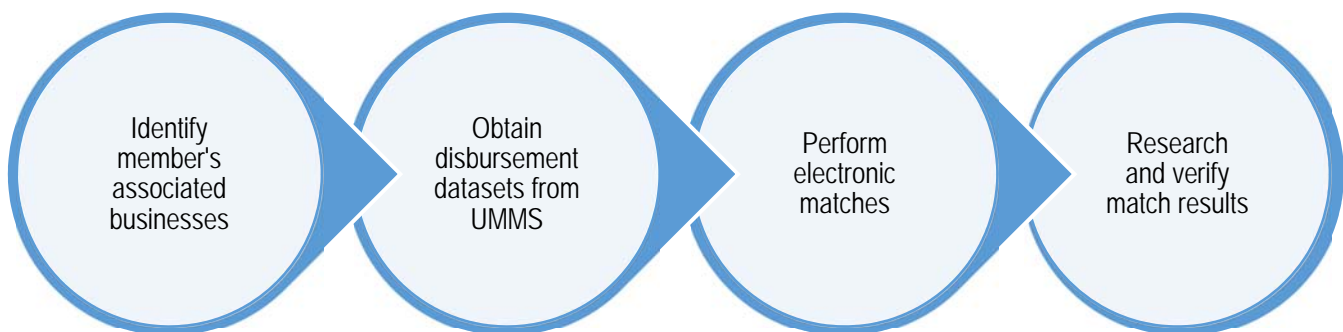
Identify All Contracts With or Payments to UMMS Board Members and their Associated Businesses

Objective and Methodology

Our objective was to identify all contracts with or payments to members of the UMMS Board of Directors and their associated businesses during the period from January 1, 2016 through April 18, 2019.

To accomplish this objective, we performed a four-step process, as depicted in Figure 1. Specifically, we researched the 47 UMMS Board members we identified in Objective 1 to identify each member's associated businesses. We also obtained an understanding of UMMS' procedures for procuring contracts and processing vendor payments and obtained copies of certain UMMS disbursement records for the period from January 1, 2016 through April 18, 2019. We then performed electronic data matches between the Board members and their associated businesses and the disbursement records to identify Board members and their associated businesses that received payments from UMMS.

Figure 1
Office of Legislative Audits' Approach



Definition of Associated Businesses

Chapters 18 and 19, Laws of Maryland 2019 do not define the “associated businesses” that were to be identified by our review. Therefore, we included any entity, regardless of whether it operated as for-profit or not-for-profit, with which the Board members or their immediate family member⁴ (a) held an ownership interest (excluding non-controlling interests in publicly traded stock), (b) was employed, (c) received income, or (d) served as a member of the entity's board of

⁴ We defined an immediate family member as a spouse or adult child.

directors or equivalent governing body. We did not include State agencies, UMMS affiliates (such as its affiliated hospitals and its self-funded malpractice insurance program), and entities through which members served on the board of directors in an ex-officio capacity.

Identifying Associated Businesses

To identify the associated businesses for each Board member, we reviewed various public records (such as, UMMS tax returns and public records databases), as well as certain nonpublic records available to us under Section 2-1223 of the State Government Article of the Annotated Code of Maryland. We also reviewed various financial disclosure statements filed by certain Board members with the Health Services Cost Review Commission, the State Ethics Commission⁵, and the Joint Committee on Legislative Ethics of the Maryland General Assembly.

Additionally, in June 2019, we mailed a questionnaire (see Exhibit 3) to each of the 45 living Board members requesting them to disclose:

- 1) any relationships that they or an immediate family member had with any entities that conducted business with UMMS;
- 2) any business entities in which they or an immediate family member had an ownership interest;
- 3) their employers; and
- 4) any entities (including nonprofits) for which they served as an officer or board member during the period between January 1, 2016 and April 18, 2019.

Generally, the associated business entities that we identified were also reported by the Board members in their responses to our June 2019 questionnaire. However, certain associated business entities that received payments from UMMS during the period of our review were not disclosed by the related Board members. As explained more extensively in Objective 3, we could not definitively determine the extent to which the Board members were involved in UMMS procurements from or payments to those entities. In addition, we did not attempt to interview the Board members or contact those entities to address any inconsistencies between the business entities they disclosed and those we identified. Accordingly, it is plausible that the Board members may not have had knowledge of the relationships.

⁵ UMMS Board members do not file financial disclosures with the State Ethics Commission in their capacity as members of the UMMS Board of Directors. However, certain Board members were required to file disclosures because they concurrently held a position subject to the reporting requirements of Maryland Public Ethics Law (for example, Board members who were elected officials).

UMMS Procurement and Disbursement Records

UMMS did not maintain a comprehensive list of vendor contracts and its internal policies and procedures did not require the existence of an executed contract to process payments to a vendor. Therefore, we had to rely on UMMS disbursement records to identify payments to Board members and their associated businesses. As a result, this review would not identify contracts between UMMS and Board members or their associated businesses for which no payments were made during the period subject to our review.

We inquired with UMMS as to how it processed vendor disbursements and were advised that these disbursements were primarily processed using several automated accounts payable systems, corporate credit cards, and bank wire transfers. We obtained seven datasets of these disbursements from UMMS, which contained a total of approximately 2.2 million records related to \$13.7 billion in payments processed between January 1, 2016 and April 18, 2019 (see Table 4).

Table 4
UMMS Disbursement Records Obtained

Record Source		Total Records	Total Disbursements
1	Accounts Payable System #1	1,755,484	\$5,449,442,679
2	Accounts Payable System #2	76,931	338,449,951
3	Accounts Payable System #3	61,731	186,190,226
4	Accounts Payable System #4	243,524	550,263,961
5	Corporate Credit Cards #1	84,529	19,532,002
6	Corporate Credit Cards #2	1,882	244,508
7	Wire Transfers	5,951	7,196,644,253
Totals		2,230,032	\$13,740,767,580

Source: UMMS records

Data Reliability and Completeness

For the purpose of completing this objective, we obtained copies of the requested disbursement datasets from UMMS and conducted certain limited procedures to ensure the data were accurate and reliable for use in the data matches we performed. Specifically, we compared (on a test basis) individual transactions contained in the data to the related supporting documentation (for example, vendor invoices and credit card statements).

We also attempted to verify that the datasets were complete by agreeing the transactions contained in each dataset to an independent record, such as a check register or bank statement. However, the aforementioned procedures were not designed to detect data that UMMS may have modified or deleted prior to

providing the datasets to us. In addition, as noted above, UMMS did not maintain a comprehensive list of contracts. Consequently, we could not reasonably assess the completeness of the disbursement data provided to us by UMMS. Nevertheless, we used this data to attempt to meet (to the extent possible) the requirements of the aforementioned statute.

Data Matches

We conducted automated data matches between the Board members, their immediate family members, and associated businesses we identified and the UMMS disbursement records. Our match criteria⁶ included entities with the same taxpayer identification number, same or similar name, and same or similar address as a Board member, an immediate family member, or an associated business. We then used several algorithms to identify entities in UMMS' disbursement records with a similar name or address to an associated business. For example, the algorithms calculated a score between 0 (no similarity) and 1 (an exact match) to each entity name in the disbursement records. Any entities with a score higher than 0.90 were subject to further review.

We then manually reviewed the match results for all Board members, immediate family members, and entities that received at least \$5,000 from UMMS during the period under review. We also verified that the entities were the same entity that we determined was an associated business of a Board member or an immediate family member. Our data matches identified certain disbursements, such as *de minimis* travel reimbursements and overpayment refunds related to medical care provided by a UMMS facility, that were excluded from our review.

Other Activity

During the course of our review, we identified additional relationships that were not identified by the aforementioned data matches. For example, we noted one entity that received compensation that was not reflected in the datasets we obtained. This activity will be further explained in Objective 3.

Conclusion

We identified approximately \$114.9 million in payments made by UMMS to 27 Board members or their associated businesses between January 1, 2016 and April 18, 2019 (see Table 5). This amount may include payments which were subsequently passed on to other entities. For example, the payments made to an

⁶ All data were used in our data matches, even though certain criteria were not available for every disbursement record. For example, the wire transfer data we obtained did not contain taxpayer identification numbers or addresses but included entity names which were used in our data matches.

associated business for employee benefits administration included insurance premiums that were subsequently paid to individual insurance companies.

Approximately 94 percent (\$108.2 million) of these payments were made either directly to a Board member or to an entity with which the Board member (or immediate family member) had a direct financial relationship. The remaining \$6.7 million was paid to 19 entities that met our criteria for an associated business, but for which we did not identify a direct financial relationship between the members and the entities (for example, UMMS Board members who also served on the boards of non-profit entities).

The listing of Board members and associated businesses (Table 5) is intended to provide a comprehensive summary of the payments identified by our review, and not to establish that the Board members were aware of, involved in, or benefited from the payments, nor that the transactions were improper. Further information regarding our assessment of the procurements and related monitoring efforts for these payments is included in Objective 3. In consideration of advice obtained from legal counsel to the Maryland General Assembly and consistent with our longstanding practice, the names of the Board members and associated businesses that we determined received payments from UMMS are not included in our report. Although names are not disclosed in this report, we did share that information with UMMS.

Table 5
UMMS Disbursements to Board Members and Associated Businesses

Board Member	Type of Relationship With Associated Business				Total Entities & Related Disbursements	
	Direct Financial		Other			
	Count	Value	Count	Value	Count	Value
Board Member 1*	1	\$44,839,237	5	\$1,584,587	6	\$46,423,824
Board Member 2*	1	15,846,996	3	333,321	4	16,180,317
Board Member 3	5	14,448,920	-	-	5	14,448,920
Board Member 4	4	12,071,109	-	-	4	12,071,109
Board Member 5*	2	6,760,181	-	-	2	6,760,181
Board Member 6*	-	-	2	4,271,885	2	4,271,885
Board Member 7	1	3,872,956	-	-	1	3,872,956
Board Member 8	6	2,702,484	-	-	6	2,702,484
Board Member 9*	1	2,652,827	-	-	1	2,652,827
Board Member 10	1	2,352,985	-	-	1	2,352,985
Board Member 11	1	1,963,805	-	-	1	1,963,805
Board Member 12	6	827,514	-	-	6	827,514
Board Member 13	1	538,627	-	-	1	538,627
Board Member 14	1	496,629	1	21,950	2	518,579
Board Member 15	1	496,404	-	-	1	496,404
Board Member 16*	-	-	3	444,280	3	444,280
Board Member 17	1	402,076	-	-	1	402,076
Board Member 18	2	220,000	4	165,168	6	385,168
Board Member 19	-	-	1	220,240	1	220,240
Board Member 20	1	213,460	-	-	1	213,460
Board Member 21	2	155,100	-	-	2	155,100
Board Member 22*	-	-	1	151,070	1	151,070
Board Member 23*	-	-	2	94,806	2	94,806
Board Member 24*	-	-	1	53,750	1	53,750
Board Member 25*	-	-	1	49,806	1	49,806
Board Member 26	-	-	1	35,500	1	35,500
Board Member 27	-	-	1	20,900	1	20,900
Grand Totals	37	\$108,213,681	19	\$6,689,620	56	\$114,903,301

*Certain business entities were associated with multiple Board Members. These businesses and the related payments are only included once in the totals (therefore, the Grand Totals amounts do not add up).

Source: Disbursements identified by the Office of Legislative Audits.

Objective 3

Assess Procurements of Contracts With, and Payments to, UMMS Board Members and their Associated Businesses

Objective and Methodology

Our objective was to assess UMMS' procurement of goods and services from members of its Board of Directors and their associated businesses as provided in Section 3(a)(4) through (7) of Chapters 18 and 19, Laws of Maryland 2019. Specifically, the law required the Office of Legislative Audits to:

- identify the basis for the procurement and the UMMS official and department that initiated and approved the payment;
- identify the procurement method used and test the propriety of the procurement, including whether it was conducted in accordance with a formal UMMS policy and whether the full Board of Directors approved the contract or payment;
- evaluate whether all proper steps were taken and, if a payment or contract was sole source, whether the rationale was documented and supportable; and
- evaluate whether the contract or payment made to a member of the Board or their associated business was effectively monitored to ensure that all deliverables paid for were received.

To accomplish this objective, we obtained an understanding of UMMS procurement policies and procedures and the monitoring of disbursements for the related procurements. We then performed a test of each Board member and associated businesses that received payments from UMMS during the period of our review that were identified under Objective 2.

UMMS Procurement Policy

UMMS' procurement policy provided that procurements were generally to be conducted centrally by its Supply Chain Management department. However, we were advised by UMMS management that affiliated hospitals were not required to follow this policy and could independently conduct procurements. In this regard, our testing disclosed that the procurements of services from Board members' associated business entities were initiated by the UMMS Supply Chain Management department and various UMMS affiliates.

UMMS' procurement policy provided for all purchasing to be conducted in a competitive manner with limited exceptions to ensure that the organization received the best value for its requirements. The policy did not provide any dollar thresholds for when competitive procurement was required (in other words,

exempting procurements of minimal dollar amount from this requirement). However, the policy provided four exceptions to the use of competitive procurement including (a) items available through a group purchasing contract; (b) sole source purchases with approved justification; (c) no known alternate source; and (d) instances in which UMMS management determined to be more advantageously acquired through a negotiated purchase.

In regard to sole source procurements, we noted that UMMS did not define a sole source procurement as there being only one vendor available to provide the good or service (consistent with State procurement regulations). Rather, sole source was used to describe situations in which UMMS only solicited one vendor for the procurement. In addition, although the policy required an approved justification, it did not specify what types of justification were acceptable, nor how these justifications were to be documented and approved. There was no policy requiring written justification or explanation, when the other three exceptions from competition were utilized in a procurement.

UMMS' policy also did not establish, or otherwise provide guidance on, which employees were authorized to initiate procurements and execute vendor contracts. Additionally, the policy did not require UMMS to obtain approval from the Board of Directors, or identify circumstances when Board approval would be required (such as contracts exceeding a certain dollar threshold), to award contracts or process payments, including for contracts involving Board members and their associated businesses. Furthermore, UMMS did not have a formal policy for selecting entities to receive charitable donations or sponsorships or for determining the dollar amounts to be paid to these entities. We were advised that these payments were made at UMMS management's discretion (exclusive of the Board's input) to selected entities if, among other factors, the payments advanced UMMS' overall mission, provided a community benefit, or provided a service related to a community health need.

Test Methodology

We analyzed the UMMS disbursement records that we obtained during Objective 2 to select payments made to each Board member and their associated business for testing. As noted in Objective 2, UMMS did not have comprehensive records of procurements, and we could not readily associate disbursements to a particular contract (procurement). As a result, we requested UMMS to identify the contracts associated with each disbursement and the employees responsible for procuring the contract and monitoring the related payments for vendor compliance with contract terms and conditions (including deliverables). When provided, we reviewed the related contracts, procurement documents, invoices, and other

documentation, as we deemed necessary. We also interviewed the employees who UMMS was able to identify as being involved in the procurement and monitoring of these entities, as well as certain former UMMS management officials.

UMMS advised us that its contractual relationships with certain of the Board members and their associated businesses originated prior to the period covered by our review. In these instances, we obtained procurement documentation to the extent that it was available, but generally limited our review to the most recent contract that had been awarded to the Board members and associated businesses with the Board members or their immediate family.

Table 5 in Objective 2 includes all payments identified by us from UMMS to a Board member or an associated business entity (referred to as a “vendor”).

Ultimately, we tested 231 disbursements (out of 7,969 disbursements) totaling approximately \$12.9 million of the \$114.9 million we identified as having been disbursed by UMMS directly to Board members or associated businesses. Of this amount, 168 disbursements totaling \$10.8 million were payments to a Board member or to a vendor/entity in which the Board member held a direct financial interest⁷. The remaining 63 disbursements tested (totaling \$2.1 million) related to payments made by UMMS to 19 associated business entities for which we did not identify a direct financial relationship between the Board members and the entities.

Due to delays in obtaining requested documentation from UMMS and in consideration of the timeframe for completing our review (both of which are described more fully in the Scope, Objectives, and Methodology section of this report) we did not test two business entities associated with three Board members. Specifically, our testing was limited to payments reflected in three of the seven datasets we obtained⁸, which accounted for 92 percent (\$12.7 billion) of the total UMMS disbursement activity (\$13.7 billion) over the period of our review – January 1, 2016 through April 18, 2019 (see Table 4). Accordingly, one business entity associated with Board Members 5 and 9 and another business entity associated with Board Member 21 were not tested. Therefore, items selected for testing included 35 of the 37 entities in which a Board member held a direct financial interest as identified in Table 5. The two entities not tested received

⁷ We considered an ownership interest or the receipt of compensation from a business as a financial interest.

⁸ The other four datasets reflected disbursements processed by the Upper Chesapeake Health System, Capital Region Medical Center, and the Charles Regional Medical Center.

payments from UMMS totaling approximately \$2.7 million and \$150,000, respectively during the period of our review.

Generally, payments were selected for testing based on auditor judgment, which primarily considers risk and significance. Neither statistical nor non-statistical sampling were used to select our test items; therefore, the results of the tests we performed under this objective cannot be projected to the entire population from which the test items were selected.

Conclusion

Overall, we identified a lack of competitive procurement, effective monitoring of the related payments, and adequate documentation. In addition, we could not definitively determine the extent to which the Board members were involved in the procurement of these contracts and the related payments or the extent to which the full Board was aware of this activity.

Lack of Competitive Procurement and Support

Our testing disclosed that UMMS generally did not competitively procure goods and services provided by Board members and their associated businesses. UMMS could not provide documented justifications for not competitively procuring certain vendors and could not document that consideration was given to periodically conducting a new competitive procurement for associated businesses with which UMMS had long-standing financial relationships.

Lack of Effective Monitoring and Documentation to Support Payments

Our testing also disclosed that UMMS generally lacked adequate documentation to support that it had effectively monitored its financial activity and relationships with the Board members and their associated businesses. UMMS frequently could not provide evidence that deliverables were received and that payments were in accordance with the related contracts. For example, we were advised by several UMMS employees, who nominally approved payments, that they routinely processed payments at the direction of their supervisors and generally did not verify the propriety of the amounts billed. However, in those cases, upon our inquiry, UMMS could not provide documentation to support that the supervisor had verified the invoices. In addition, UMMS could not identify the designated employees responsible for monitoring several of the contracts we tested.

Board Member Involvement in Procurement of Associated Business Activity

Due to certain limitations imposed by UMMS on our access to its records, we could not definitively determine the extent to which any of the Board

members were involved in UMMS' procurement of their associated business entities. These limitations are discussed in greater detail in the Scope, Objectives, and Methodology section. In addition, the focus of our review was to determine, from UMMS' perspective, the propriety of its financial relationships with its Board members; consequently we did not obtain explanations for any of these transactions from the Board members or the associated businesses.

Board Approval and Awareness of the Contracts

UMMS policy did not specifically require the Board of Directors to approve the procurements and related payments to the Board members and their associated businesses. Due to limitations on access to certain UMMS records (described more fully in the Scope, Objectives, and Methodology section of this report), we could not readily determine the extent to which the Board was aware of and/or approved this activity. However, our review of the Board minutes and other documentation provided by UMMS disclosed that 9 of the 56 relationships with Board members and their associated businesses were reported in annual presentations by UMMS to the Board of Directors but were not formally approved by the full Board of Directors. Two of the contracts were approved by the Audit and Compliance Committee of the Board of Directors.

A detailed description of our test results are presented by the respective Board Member below.

Financial Interest by Board Member

As noted in Table 5, we identified 27 Board members associated with 56 business entities that had received approximately \$114.9 million from UMMS during the period covered by our review. Of these, 18 Board members had a direct financial relationship with one or more of 37 business entities that cumulatively received approximately \$108.2 million from UMMS which are presented by the respective Board Member below. To ensure the confidentiality of the Board members and the related associated businesses, we refer to each of these business entities using the Board member numbers assigned in Table 5 and a letter for each business entity (referred to as "Vendors"). For example, the two business entities associated with Board Member 18 are referred to as Vendors 18A and 18B.

We identified that certain of the Board members also had a non-financial interest with associated business entities that received payments from UMMS. This activity, along with the activity associated with the remaining nine of these Board

members (6, 16, 19, and 22 through 27), is described further in the Other Associated Business Entities section.

Board Member 1

Vendor 1A Summary				
Description	Disbursements to Vendor		Disbursements Tested	
	Count	Value	Count	Value
Employee Benefits Administration	355	\$44,839,237	5	\$2,243,184
Test Results				
UMMS did not competitively procure the contract. Based on our testing, UMMS appeared to have been effectively monitoring the contract and invoice payments tested were generally supported and accurate.				

Background

In response to our June 2019 questionnaire, Board Member 1 indicated they were the owner of Vendor 1A. According to UMMS management, Vendor 1A has been providing certain benefit administration services to UMMS affiliated hospitals dating back to at least 2002, including comprehensive benefit administration services provided to one UMMS hospital since 2008.

In January 2012, two former UMMS senior management employees recommended that UMMS expand the comprehensive benefit administration services provided by Vendor 1A to additional UMMS hospitals. UMMS ultimately awarded Vendor 1A a contract which covered the period from January 2012 to June 2013, with the contract being approved by the Audit and Compliance Committee of the Board of Directors. The most recent contract with Vendor 1A was awarded in July 2016 and covers the period through June 2020.

Procurement

Based on our review of available documentation, the current contract with Vendor 1A was not competitively procured. UMMS management advised us that the vendor was selected because it had been performing the services under a previous competitively procured contract. In this regard, we noted that the 2012 contract also had not been competitively procured. Rather, documentation related to management's recommendation cited that Vendor 1A had been performing these services under a 2008 contract with one UMMS hospital and that a consulting study recommended using Vendor 1A to provide benefits administration services as the basis for the award. However, UMMS was unable to provide sufficient documentation to support the 2008 competitive procurement and our review of

the consultant study did not identify any recommendation to specifically use Vendor 1A for these services.

Payments

Based on our testing, UMMS' review of vendor invoices for the benefits administration services provided appeared to be sufficient. Specifically, the contract provided that Vendor 1A would invoice UMMS monthly for insurance premiums (which would then be paid to the respective insurers) and an administrative fee for each employee in the plan. UMMS could not readily provide a breakdown between the cost of insurance premiums and the administrative fees paid to Vendor 1A during the period we reviewed. However, our test of four invoices totaling approximately \$1.8 million paid to Vendor 1A during the period from November 2016 to February 2019 disclosed that the premium and administrative fees paid were consistent with the contract.

A fifth invoice tested included an incentive payment to Vendor 1A of \$435,767 for increasing UMMS employee utilization of UMMS hospitals for their medical care. Although this incentive payment was provided for in the 2012 contract (but not paid until November 2016), UMMS could not provide support of its calculation of the payment amount; therefore, we could not verify that the payment was proper.

Board Member 2

Vendor 2A Summary				
Description	Disbursements to Vendor		Disbursements Tested	
	Count	Value	Count	Value
Banking Services	N/A	\$15,846,996	3	\$120,000
Test Results				
UMMS competitively procured the contract we selected for review. UMMS did not adequately monitor certain aspects of the contract, and we could not determine the propriety of certain related payments selected for review.				

Background

According to the response to our June 2019 questionnaire, Board Member 2 was a senior management employee and shareholder of Vendor 2A, which provides UMMS with various banking services. Based on documentation we reviewed, it appeared that Vendor 2A had a longstanding relationship with UMMS for at least 25 years. Our data matches only identified payments to Vendor 2A totaling \$15,996 as indicated in UMMS' disbursement records. However, Board Member 2's response to our June 2019 questionnaire indicated that the relationship with

UMMS generated interest income and fees to Vendor 2A between \$3.1 million and \$4.7 million annually for the period we reviewed.

Subsequent inquiries with UMMS staff disclosed that many of the payments made to Vendor 2A were made through debits to UMMS bank accounts; however, UMMS could not readily provide a comprehensive accounting of these payments. Although we could not corroborate the payments to Vendor 2A reported by Board Member 2, relying on the Board Member's assertions and UMMS bank statements (see below), we believe the amounts reported by the Board Member are a more reliable reflection of the income and fees earned by Vendor 2A from its relationship with UMMS. Specifically, Board Member 2 reported interest income and fees totaling \$15,831,000 for fiscal years 2016 through 2019. As a result, we included this amount, along with the \$15,996 indicated in UMMS' disbursement records, in the disbursements reflected in Table 5.

Procurement

UMMS had multiple relationships (such as loans, letters of credit, and depository accounts) with Vendor 2A during the period covered by our review. We selected UMMS' procurement of Vendor 2A as the administrative agent for its \$250 million revolving line of credit (RLOC) for our review. In August 2016, UMMS selected Vendor 2A as the administrative agent for the RLOC through a competitive procurement process. We noted that the decision to procure the contract involved UMMS management and the Financial Affairs and System Strategy Committee of the Board of Directors. The RLOC was intended to address UMMS' need to lower the effective interest rate on its debt portfolio and simplify the administration of its borrowing practices.

Payments

The contract provided for UMMS to pay Vendor 2A an annual administrative fee, as well as interest and other fees incurred through the use of the RLOC. We obtained UMMS bank statements for the period from calendar years 2016 through 2018 and confirmed that Vendor 2A debited UMMS' account for the proper administrative fees. However, UMMS did not monitor and therefore could not readily determine the amount of interest and other fees it had paid to Vendor 2A related to the RLOC. Therefore, other than for the administrative fees, we could not determine whether the amounts paid were consistent with the contract.

Board Member 3

Board Member 3A Summary				
Description	Disbursements to Board Member		Disbursements Tested	
	Count	Value	Count	Value
Consulting Services	24	\$248,838	16	\$240,000
Test Results				
UMMS did not competitively procure the contract. UMMS did not adequately monitor the contract, and we could not determine the propriety of the related payments selected for review.				

Background

In response to our June 2019 questionnaire, Board Member 3 indicated that they had a consulting agreement with UMMS. Our data match disclosed that UMMS made payments totaling \$248,838 to Board Member 3 during the period of our review. According to UMMS management, Board Member 3 has provided consulting services related to UMMS performance improvement initiatives under a contract awarded in January 2018. The most recent contract was awarded to the Board Member in January 2019 and covered the period through December 2019. UMMS subsequently terminated the agreement in April 2019. Based on our review of available documentation, which consisted solely of the two contracts with Board Member 3, the agreements appeared to have been initiated and approved by a former UMMS senior management employee.

Procurement

Based on our review of available documentation, neither contract with Board Member 3 was competitively procured. Specifically, the most recent contract with the Board Member was an extension of the 2018 contract, which was not competitively procured.

Payments

UMMS did not effectively monitor the contract with Board Member 3. The contract provided for UMMS to pay a \$15,000 monthly fee to the Board Member for work related to UMMS performance improvement initiatives. However, the contract did not contain specific deliverables to be provided by the Board Member and UMMS could not explain how the monthly fee was calculated.

UMMS management advised that the work performed by the Board Member primarily consisted of identifying vendors to perform various services for UMMS, including three vendors (see Vendor 3B, Vendor 3C, and Vendor 3D below) with which the Board Member had a financial interest. Our test of 16 payments

totaling \$240,000 made to the Board Member between January 2018 and April 2019 disclosed that UMMS could not provide any work product provided by the Board Member under the consulting contracts to support the amounts billed. Therefore, we were unable to verify the propriety of these payments.

Vendor 3B Summary				
Description	Disbursements to Vendor		Disbursements Tested	
	Count	Value	Count	Value
Cost Reduction Consulting	56	\$1,907,846	5	\$503,738
Test Results				
UMMS did not competitively procure the contract. UMMS did not adequately monitor the contract, and we could not determine the propriety of the related payments selected for review.				

Background

In response to our June 2019 questionnaire, Board Member 3 indicated that they received commissions totaling \$92,970 from Vendor 3B⁹. In June 2010, UMMS awarded a three-year contract to Vendor 3B to identify cost savings opportunities related to certain routine business expenses (for example, office supplies and telecommunications). The contract provided for Vendor 3B to negotiate on behalf of UMMS to obtain more advantageous pricing from vendors in exchange for a percentage of any savings realized by UMMS. The most recent contract with the vendor was awarded in March 2013 and covers the period through June 2021.

Procurement

Based on our review of available documentation, the most recent contract with Vendor 3B was not competitively procured. UMMS management advised that it did not competitively procure the contract because it was satisfied with the services provided by Vendor 3B under the 2010 contract. In this regard, the 2010 contract also had not been competitively procured. Rather, UMMS management advised that Vendor 3B was identified by Board Member 3 to assist UMMS with cost reduction efforts.

UMMS management further advised us that it did not believe the services needed to be competitively procured because the contract costs consisted of realized savings. However, UMMS had not performed an analysis to determine whether the cost savings percentage the vendor received was reasonable or if the services could be obtained from another vendor for a lower rate.

⁹ Since our questionnaire only requested Board members to disclose payments received during our review period, Board Member 3 may have received additional commission payments from Vendor 3B prior to January 2016.

Payments

Our test of five payments totaling \$504,000 made to Vendor 3B disclosed that UMMS did not adequately verify the propriety of the vendor's invoices. The contract provided that the vendor was to be paid a percentage of the cost savings realized by UMMS. UMMS could not document that it verified the cost savings reported by Vendor 3B to UMMS accounting records for any of the payments tested.

While we were able to verify that the amounts invoiced to UMMS were consistent with documentation provided by Vendor 3B, we were unable to verify the validity of the vendor's data. Specifically, UMMS could not readily provide us with the records reportedly used by Vendor 3B to determine the amount saved, and consequently, we could not verify that the amounts invoiced were proper for any of the items tested.

Vendor 3C Summary				
Description	Disbursements to Vendor		Disbursements Tested	
	Count	Value	Count	Value
Audit Services	2	\$62,730	2	\$62,730
Test Results				
UMMS could not document that this contract was competitively procured. Based on our testing, UMMS effectively monitored the contract and the invoice payments tested were supported and accurate.				

Background

In response to our June 2019 questionnaire, Board Member 3 indicated that they received commissions totaling \$3,000 from Vendor 3C during the period we reviewed. In July 2018, the UMMS Internal Audit Department awarded a contract to Vendor 3C to provide audit services related to the construction of one medical center. The contract term was to be concurrent with the construction project.

Procurement

Based on our review of available documentation, UMMS did not competitively procure the contract with Vendor 3C. UMMS management advised that Vendor 3C had been identified by Board Member 3 and that it had inquired with another vendor (that provided UMMS certain internal audit services) about providing the services, but determined that Vendor 3C offered the most advantageous price. However, UMMS could not provide us with documentation to support the inquiry or the related claimed advantageous pricing.

Payments

Based on our testing, UMMS effectively monitored the contract with Vendor 3C. Specifically, Vendor 3C was to invoice UMMS for the hours worked on the audit at rates provided for in the contract. We determined that both payments made to Vendor 3C (totaling \$62,730) were properly supported and in accordance with the established contract rates and that UMMS received the required deliverables.

Vendor 3D Summary				
Description	Disbursements to Vendor		Disbursements Tested	
	Count	Value	Count	Value
Staff Scheduling Software	76	\$3,268,680	5	\$282,135
Test Results				
UMMS did not competitively procure the contracts. UMMS did not adequately monitor the contract, and generally could not provide adequate support for the payments selected for review.				

Background

In response to our June 2019 questionnaire, Board Member 3 indicated that they received commissions totaling \$208,405 from Vendor 3D during the period of our review. In June 2015, UMMS awarded Vendor 3D a contract to provide staff scheduling software and related support services to one medical center for the period from July 2015 through July 2018. UMMS awarded Vendor 3D another contract in January 2016 to provide these services to one institute through December 2020. UMMS management advised us that it did not renew the medical center contract after it expired, but the institute's contract was still active as of October 2019.

Procurement

UMMS did not competitively procure either of the two contracts awarded to Vendor 3D. We were advised by a former UMMS senior management employee that Vendor 3D was selected for the first contract based on a suggestion from Board Member 3. According to the former UMMS senior management employee, the medical center contract was intended to serve as a pilot program so that UMMS could determine whether to use Vendor 3D's services at other UMMS hospitals. Based on our review of available documentation, the basis for selecting Vendor 3D for the second contract was the work performed by the vendor under the medical center contract.

We were advised that UMMS subsequently procured another vendor to provide these services through a competitive procurement.

Payments

Based on our testing, UMMS did not monitor the contract effectively. UMMS was invoiced monthly for its use of the staff scheduling software and related analytical reports that Vendor 3D provided at a fixed rate specified in the contract. Our test of five payments totaling \$282,135 made to Vendor 3D between March 2016 and February 2019 disclosed that UMMS could not provide the analytical reports from the vendor associated with four payments totaling \$260,000.

Vendor 3E Summary				
Description	Disbursements to Vendor		Disbursements Tested	
	Count	Value	Count	Value
Supplemental Insurance Coverage	408	\$8,960,825 ¹⁰	5	\$433,750
Test Results				
UMMS did not competitively procure the contract. Based on our testing, UMMS appeared to have been effectively monitoring the contract, and invoice payments tested were supported and accurate.				

Background

In response to our June 2019 questionnaire, Board Member 3 indicated that an immediate family member (adult child) received commissions totaling approximately \$537,000 from Vendor 3E during the period of our review for enrolling UMMS employees in the vendor's voluntary supplemental insurance coverage. According to documentation provided by UMMS, its relationship with Vendor 3E dated back to at least 2011.

Procurement

UMMS did not competitively procure the contract with Vendor 3E. The only documentation provided to support the contract with the vendor were various billing agreements which indicated that the vendor would bill UMMS for the related insurance premiums. Although UMMS' involvement was limited to paying the vendor using funds withheld from participating employees' paychecks, and the coverage was voluntary, in our opinion, UMMS had a fiduciary duty to its employees to ensure that the best value for the service was obtained.

¹⁰ This amount includes \$235,529 processed by the Upper Chesapeake Health System, \$309,643 processed by the Charles Regional Medical Center, and \$74,855 processed by the Capital Region Medical Center. As noted in the Scope and Methodology for Objective 3, disbursements processed by these affiliates were not included in the population from which we selected our test items.

Payments

Based on our testing, UMMS' review of the invoices for employee supplemental insurance coverage appeared to be sufficient. The billing agreements provided that the vendor would invoice UMMS monthly for insurance premiums, and UMMS paid the invoices with funds withheld from the participating employees' paychecks. Our test of five payments totaling \$433,750 made to Vendor 3E between January 2017 and January 2019 disclosed that the amounts UMMS paid the vendor were accurate and supported.

Board Member 4

Vendor 4A Summary				
Description	Disbursements to Vendor		Disbursements Tested	
	Count	Value	Count	Value
Temporary Employees	637	\$1,685,703	5	\$39,946
Test Results				
UMMS did not competitively procure the contract. UMMS did not adequately monitor the contract, and we could not determine the propriety of the related payments selected for review.				

Background

According to State records, Board Member 4 received financial compensation from the parent company of Vendor 4A during the period of our review. Our data matches disclosed that UMMS paid Vendor 4A approximately \$1.7 million during the period of our review. According to UMMS, Vendor 4A provides temporary contractual employees to UMMS on an as-needed basis under a contract awarded to the vendor in May 2011. The contract was still active as of October 2019.

Procurement

Based on our review of available documentation, the May 2011 contract with Vendor 4A was not competitively procured, and UMMS could not provide documentation that any consideration was given to initiating a new procurement for the services.

Payments

UMMS did not effectively monitor the services provided by Vendor 4A. The contract provided for UMMS to issue purchase orders to request temporary contractual employees and Vendor 4A was to invoice UMMS monthly for the employees' services. Our test of five payments made to Vendor 4A totaling \$39,946 between January 2016 and April 2019 disclosed that UMMS could not

provide the vendor's fee schedule to support that the hourly rates it paid were proper nor explain the specific services that were provided by the temporary employees for any of the invoices tested. Therefore, we could not verify the propriety of any of the amounts billed.

Vendor 4B Summary				
Description	Disbursements to Vendor		Disbursements Tested	
	Count	Value	Count	Value
Staff Recruiting	13	\$73,903 ¹¹	1	\$33,600
Test Results				
UMMS did not competitively procure the contract. Based on our testing, UMMS appeared to have been effectively monitoring the contract, and invoice payments tested were supported and accurate.				

Background

According to State records, Board Member 4 received financial compensation from the parent company of Vendor 4B during the period of our review. Our data matches disclosed that UMMS made payments totaling \$73,903 to the vendor during the period of our review. UMMS advised that it awarded the vendor a contract in February 2019 to recruit for specialized legal counsel positions.

Procurement

Based on our review of available documentation, UMMS did not competitively procure the contract with Vendor 4B. UMMS advised us that Vendor 4B was selected because it specialized in recruiting candidates to provide legal services.

Payments

Based on our testing, UMMS appeared to effectively monitor the services provided by the vendor. Specifically, the contract provided that UMMS was to pay the vendor in three installments based on the estimated salary to be paid for the positions. As of November 2019, UMMS had filled one of the positions and the installment payments tested were consistent with the terms of the contract.

¹¹ The total amount paid to Vendor 4B included 12 disbursements totaling \$40,303 processed by the Upper Chesapeake Health System. As noted in the Scope and Methodology for Objective 3, disbursements processed by this affiliate were not included in the population from which we selected our test items (we tested the one disbursement that was not processed by UCHS).

Vendor 4C Summary				
Description	Disbursements to Vendor		Disbursements Tested	
	Count	Value	Count	Value
Nursing Services	1,021	\$5,103,455 ¹²	8	\$146,384
Test Results				
UMMS did not competitively procure the contract, and the contract was not comprehensive for the services provided. UMMS also did not adequately monitor the contract, and we could not determine the propriety of the related payments selected for review.				

Background

Our data matches and subsequent review of available UMMS financial records disclosed that UMMS made payments totaling approximately \$5.1 million during the period of our review to Vendor 4C, which had a direct financial connection to a vendor from which Board Member 4 received financial compensation. UMMS management advised us that it has used Vendor 4C since January 2015 to develop and implement a transitional care program at one medical center and to provide staff to one institute. The most recent contract with Vendor 4C was awarded in September 2017 and covered the period through June 2019.

Procurement

Based on our review of available documentation, the current contract with Vendor 4C was not competitively procured. Furthermore, the services being provided to the institute were not included in the scope of this contract that covered the medical center. UMMS management advised us that it has not awarded a contract to Vendor 4C for those services at the institute.

Payments

Based on our testing, UMMS did not effectively monitor the services provided by Vendor 4C to the medical center and the institute. Specifically, the current contract required UMMS to make monthly payments to Vendor 4C in exchange for services rendered. However, our test of three payments totaling \$122,451 made between September 2018 and March 2019 disclosed that, although the payments were consistent with the contract, UMMS did not obtain evidence to support that the services were provided.

¹² This amount includes \$109,024 processed by the Capital Region Medical Center, \$119,575 processed by the Charles Regional Medical Center, and \$99,632 processed by the Upper Chesapeake Health System. As noted in the Scope and Methodology for Objective 3, disbursements processed by these affiliates were not included in the population from which we selected our test items.

UMMS did not identify an employee responsible for monitoring Vendor 4C's services at the institute and could not explain how the amounts paid to Vendor 4C for these services were determined since there was no associated contract. Our test of five payments totaling \$23,933 made between July and December 2016 disclosed that the invoices did not include a description of the services provided. Consequently, we were unable to verify the propriety of the amounts billed or confirm whether the services were provided.

Vendor 4D Summary				
Description	Disbursements to Vendor		Disbursements Tested	
	Count	Value	Count	Value
Information Technology Staffing	427	\$5,208,048	4	\$293,497
Test Results				
UMMS did not competitively procure the contract. UMMS did not adequately monitor the contract, and we could not determine the propriety of the related payments selected for review.				

Background

According to State records, Board Member 4 received financial compensation from the parent company of Vendor 4D during the period of our review. Our data matches disclosed that UMMS made payments totaling approximately \$5.2 million to Vendor 4D during the period of our review. UMMS management advised us that it has used Vendor 4D to obtain temporary contractual information technology (IT) employees since 2015. The most recent contract with Vendor 4D was awarded in March 2016 and covers the period through March 2021.

Procurement

Based on our review of available documentation, the most recent contract with Vendor 4D was not competitively procured. Specifically, we were advised by UMMS management that Vendor 4D was selected because it was satisfied with the services and pricing received from the vendor under the previous contract, which it stated was competitively awarded in January 2015. Although we were able to confirm that the 2015 contract was competitively procured, our review disclosed that the scope of the two contracts was not the same and therefore, there was no basis for determining whether the terms of the current contract were in the best interest of UMMS.

Payments

Based on our testing, UMMS did not effectively monitor the contract with Vendor 4D. The contract provided for UMMS to issue work orders that specified the

work to be performed and the hourly rate UMMS would pay. However, UMMS could not provide the work orders to support any of the four payments tested totaling \$293,497 made between June 2016 and July 2018. Therefore, we could not determine the propriety of the amounts invoiced or confirm whether the related services were provided.

Board Member 5

Vendor 5A Summary				
Description	Disbursements to Vendor		Disbursements Tested	
	Count	Value	Count	Value
Escrow Agent on Land Purchase	2	\$4,107,354	2	\$4,107,354
Test Results				
UMMS did not competitively procure the contract. Based on our testing, UMMS appeared to have been effectively monitoring the contract, and invoice payments tested were supported and accurate.				

Background

In response to our June 2019 questionnaire, Board Member 5 indicated that they were the owner of Vendor 5A. Our data matches disclosed two payments made in September 2016 to the vendor. According to documentation provided by UMMS management, Vendor 5A represented a third-party seller and served as the escrow agent for a real estate transaction between UMMS and the seller. Specifically, in a June 2016 meeting one regional medical center's Board of Directors approved the acquisition of approximately 31 acres of land for future development. Board Member 5 was also a board member of the regional medical center's Board of Directors.

Procurement

UMMS did not select Vendor 5A as the escrow agent for the transaction through a competitive procurement. According to UMMS management, it chose to use Vendor 5A rather than competitively procuring the services because Vendor 5A already represented the seller in the transaction. We noted that Vendor 5A's representation of the seller was disclosed during the aforementioned June 2016 regional medical center's Board meeting and the related meeting minutes UMMS provided us indicated that Board Member 5 did not participate in discussions or vote on this matter.

Payments

Based on our testing, both payments made to Vendor 5A were in accordance with the contract between UMMS and the seller. Specifically, the contract required

UMMS to make an initial deposit of \$100,000 and pay the balance (including the \$4 million payment) at closing. The UMMS Treasury Department processed both payments via electronic wire transfers to Vendor 5A as specified by the contract. According to the related United States Department of Housing and Urban Development Settlement Statement that we were provided for the transaction, Vendor 5A received title fees totaling \$2,000, which included \$1,300 paid from UMMS funds. We were unable to determine the extent of other compensations (such as commissions on the title insurance) Vendor 5A may have received related to this transaction.

Vendor 5B Summary				
Description	Disbursements to Vendor		Disbursements Tested	
	Count	Value	Count	Value
Unknown	87	\$2,652,827	N/A	N/A
Test Results				
<p>In response to our June 2019 questionnaire, Board Member 5 indicated that they owned stock in Vendor 5B¹³. Our data matches disclosed that UMMS made payments totaling approximately \$2.7 million to Vendor 5B during the period of our review. As previously noted, all of these disbursements were reflected in a dataset that was not subject to testing. Consequently, we were unable to determine the propriety of the procurement and related payments to Vendor 5B.</p>				

Board Member 7

Vendor 7A Summary				
Description	Disbursements to Vendor		Disbursements Tested	
	Count	Value	Count	Value
Supplemental Insurance Coverage	311	\$3,872,956	7	\$270,648
Test Results				
<p>Due to a lack of available documentation, we were unable to determine whether UMMS was involved in selecting the vendor. Based on our testing, UMMS appeared to have been effectively monitoring the contract and invoice payments tested were generally supported and accurate.</p>				

Background

According to State records, Board Member 7's spouse received financial compensation from Vendor 7A during the period of our review. Our data matches disclosed payments to Vendor 7A totaling approximately \$3.9 million from UMMS during the period of our review. UMMS management advised us that

¹³ Vendor 5B was also an associated business of Board Member 9.

Vendor 7A is the third-party billing administrator for another vendor that provided voluntary supplemental insurance coverage to employees at two UMMS hospitals. Based on the documentation provided, the insurance vendor has been providing coverage at those hospitals since 2011 and 2015, respectively.

Procurement

We were unable to determine how Vendor 7A was selected as the third-party billing administrator for the insurance vendor. Specifically, UMMS management provided us with the UMMS hospitals' billing agreements with the insurance vendor, which indicated that Vendor 7A would bill UMMS for the related insurance premiums. However, UMMS could not identify any employees who had knowledge of how Vendor 7A's relationship with the insurance vendor began. Therefore, we could not determine whether UMMS was involved in the selection of Vendor 7A as the third-party billing administrator for the agreements.

Payments

Based on our testing, UMMS' review of the invoices for employee supplemental insurance coverage appeared to be sufficient. Specifically, the billing agreement with the insurance vendor provided that Vendor 7A would invoice UMMS monthly for insurance premiums. UMMS paid the invoices with funds withheld from the participating employees' paychecks. Our test of seven invoices totaling approximately \$271,000 paid during the period from January 2016 through January 2019 disclosed that the amounts UMMS paid were generally accurate and supported.

Board Member 8

Vendor Summary				
Description	Disbursements to Vendor		Disbursements Tested	
	Count	Value	Count	Value
Various Services	1,314	\$2,702,484 ¹⁴	25	\$498,350
Test Results				
UMMS did not competitively award certain contracts to entities associated with the Board Member's spouse. UMMS did not effectively monitor certain of these contracts and the related payments, and could not provide sufficient evidence that related deliverables were received.				

¹⁴ This amount included \$145,737 processed by the Charles Regional Medical Center (\$74,323) and the Upper Chesapeake Health System (\$71,414) to the vendor that provided waste management services. As noted in the Scope and Methodology for Objective 3, disbursements processed by these affiliates were not included in the population from which we selected our test items.

Background

According to disclosure statements filed by Board Member 8, their spouse was a registered lobbyist for several entities. Our data matches disclosed UMMS payments totaling \$2.7 million to six entities represented by Board Member 8's spouse, including three vendors that were paid approximately \$2.6 million, an entity that received charitable donations totaling \$23,000, and two entities to which UMMS paid membership fees totaling \$69,203.

Procurement

UMMS did not competitively procure two of the three aforementioned vendors. Specifically, UMMS awarded a contract to one vendor (for pharmaceuticals) and had not documented its justification for not competitively purchasing the products. UMMS could not provide a contract with the other vendor (for waste management services) for the period covered by our review nor identify any employees who were involved in the procurement. The third vendor (for post-discharge care services) was competitively procured.

In regard to the charitable donations totaling \$23,000 made to the entity receiving lobbyist services, we were advised that UMMS periodically made donations at management's discretion (exclusive of the Boards input) to entities that were aligned with UMMS' mission or provided a community benefit or a service related to a community health need. However, UMMS did not document its justification for the selection of this specific entity (a nationally recognized non-profit involved in childhood disease medical research) and the amount of the charitable donations. The remaining two entities were paid membership fees for services (for example membership in a senior care provider advocacy group) that did not warrant a competitive procurement process.

Payments

UMMS did not effectively monitor the services provided by the two vendors that were not competitively procured. Specifically, during the period of our review UMMS paid one vendor \$433,593 for pharmaceuticals without sufficient monitoring of the amounts paid. Our test of six invoices totaling \$24,158 paid between March 2018 and January 2019 disclosed that the amounts billed on two invoices (totaling \$5,808) were not in accordance with the specified contract rates. As noted above, UMMS could not provide us with a contract for the other vendor, which it paid approximately \$1.2 million for waste management services. Consequently, we were unable to determine the vendor's rates and therefore could not verify the propriety of any of the six payments tested totaling \$40,760. Since UMMS could not identify an employee responsible for monitoring these contracts, both of which were active during our review, we were unable to verify that UMMS received the required deliverables.

In regard to the aforementioned donation, UMMS could not provide evidence that it received the tickets to a fundraising event that were to be provided in return for the donation or indicate who attended. However, UMMS advised that the purpose of the payment was to donate to the charitable organization and not to purchase event tickets. UMMS also could not provide support for the membership rate it paid to one entity that received \$7,804 from UMMS during the period of our review. Based on our testing, payments to the other entity from which UMMS purchased membership fees were made at the proper rate.

Board Member 9

Vendor 9A Summary				
Description	Disbursements to Vendor		Disbursements Tested	
	Count	Value	Count	Value
Unknown	87	\$2,652,827	N/A	N/A
Test Results				
<p>In response to our June 2019 questionnaire, Board Member 9 indicated that they owned stock in Vendor 9A¹⁵. Our data matches disclosed that UMMS made payments totaling approximately \$2.7 million to Vendor 9A during the period of our review. As previously noted, all of these disbursements were reflected in a dataset that was not subject to testing. Consequently, we were unable to determine the propriety of the procurement and related payments to Vendor 9A.</p>				

Board Member 10

Vendor 10A Summary				
Description	Disbursements to Vendor		Disbursements Tested	
	Count	Value	Count	Value
Physician Services	173	\$2,352,985 ¹⁶	5	\$90,500
Test Results				
<p>UMMS did not competitively procure this contract. Based on our testing, payments tested were in accordance with the contract rates, but UMMS could not provide support that the vendor provided the needed services.</p>				

¹⁵ Vendor 9A was also an associated business of Board Member 5.

¹⁶ This amount includes \$1,755,074 processed by the Upper Chesapeake Health System (UCHS). As noted in the Scope and Methodology for Objective 3, disbursements processed by UCHS were not included in the population from which we selected our test items. In addition, since the contract was procured prior to UCHS becoming a UMMS affiliate, we did not review the original procurement.

Background

In response to our June 2019 questionnaire, Board Member 10 indicated that they were an owner of Vendor 10A. Our data matches disclosed that UMMS made payments totaling approximately \$2.4 million to Vendor 10A during the period of our review. According to UMMS, Vendor 10A has provided certain medical services to two UMMS medical centers since 2009 and 2012, respectively.

The most recent contract between one medical center and Vendor 10A was a one-year contract awarded in July 2009, before that center became a UMMS affiliate. The most recent contract between the second medical center and Vendor 10A was a one-year contract awarded to the vendor in January 2015. Both contracts contained an automatic annual renewal clause.

Procurement

We reviewed the procurement of the contract for services at the second medical center. Based on our review of available documentation, the most recent contract awarded to Vendor 10A was not competitively procured. Specifically, the only documentation UMMS could provide for the procurement was the executed contract. UMMS could not identify any employees with direct knowledge of how the vendor was procured to provide services to this medical center.

Payments

Although our testing disclosed that payments to Vendor 10A were consistent with the rate specified in the contract, we were unable to determine whether UMMS verified that needed services were provided. Specifically, Vendor 10A invoiced UMMS monthly at a fixed daily rate specified in the contract to provide an on-call surgeon to the second medical center. In this regard, our test of five payments to the vendor totaling \$90,500 made between October 2016 and September 2018 disclosed that all five payments were consistent with the established contract rate. However, UMMS could not identify any employees who were responsible for monitoring the services provided by Vendor 10A or any documentation that all needed services had been provided (that is, surgeons provided services when requested by the medical center).

Board Member 11

Vendor 11A Summary				
Description	Disbursements to Vendor		Disbursements Tested	
	Count	Value	Count	Value
Ambulatory Services	272	\$1,963,805	10	\$330,924
Test Results				
UMMS did not competitively procure the contract nor could it provide a documented justification for not competitively awarding the contract as required by its procurement policy. UMMS did not adequately monitor the contract, and we could not determine the propriety of the related payments selected for review.				

Background

According to the response to our June 2019 questionnaire, Board Member 11 was the owner of Vendor 11A. We were advised by UMMS management that UMMS has used Vendor 11A to provide ambulatory transportation services (primarily in one geographic area of the state) since at least 2001. Specifically, UMMS entered into a contract with Vendor 11A that was executed in June 2001. The contract was extended several times and ultimately ended in July 2017, but UMMS continued to pay the vendor after the contract expired. Subsequently, a contract was awarded to Vendor 11A in December 2017 which covered the period through July 2019.

Procurement

Based on our review of available documentation, the most recent contract with Vendor 11A was not competitively procured and UMMS did not document its justification for not competitively procuring the services as required by its procurement policy. UMMS management advised that the services were not competitively procured because Vendor 11A was the only ambulatory transportation company within a certain geographic area. However, no documentation was provided to support this assertion that this was a sole source procurement.

Payments

Based on our testing, UMMS did not monitor the contract effectively. The contract provided that Vendor 11A would invoice UMMS for the costs incurred from transporting uninsured patients to and from UMMS facilities. These costs included a per-mile fee and certain operating expenses (for example, vehicle maintenance). Our test of 10 invoices totaling \$330,924 paid to Vendor 11A during the period from August 2016 through September 2018 disclosed that the

invoices reflected only a lump sum amount for each patient the vendor transported, with no details to support how the amounts were calculated. Additionally, UMMS could not provide support that Vendor 11A had attempted to bill patients or their insurance companies prior to invoicing UMMS for the services as required by their contract. Due to the aforementioned conditions, we could not verify that any of the invoices tested were proper.

Board Member 12

Vendor 12A Summary				
Description	Disbursements to Vendor		Disbursements Tested	
	Count	Value	Count	Value
Computer Software	0	\$0	0	\$0
Test Results				
UMMS did not competitively procure the contract. As of the time of our review, UMMS had not processed any payments to the vendor.				

Background

In response to our June 2019 questionnaire, Board Member 12 indicated that they were the majority owner of Vendor 12A. We were advised by UMMS management that it awarded a contract to Vendor 12A in June 2018 to use the vendor's computer software at certain UMMS hospitals and participating nursing homes. The contract covered the period between June 2018 and June 2019. Vendor 12A terminated the contract in April 2019. Based on available documentation, the contract with Vendor 12A appeared to have been awarded by a former UMMS senior management employee.

Procurement

UMMS did not award the contract to Vendor 12A through a competitive procurement. We were advised by a former UMMS senior management employee that the contract was a pilot program for the use of the software at no cost to UMMS and that UMMS had intended to competitively procure the services once the pilot contract ended. Our review disclosed that while the initial term of the contract did not have any cost to UMMS, there were provisions for costs after the initial term. Specifically, after the initial term the contract required UMMS to pay Vendor 12A a monthly fee for each affiliate that used the software. The contract was to automatically renew each year. Therefore, it did not appear that UMMS intended to competitively procure the services.

Payments

UMMS did not make any payments to Vendor 12A during the period we reviewed; thus, our review did not include a test of payments.

Vendor 12B Summary				
Description	Disbursements to Vendor		Disbursements Tested	
	Count	Value	Count	Value
Ground Lease Option	0	\$0	0	\$0
Test Results				
UMMS did not competitively procure the contract. As of the time of our review, UMMS had not processed any payments to the vendor.				

Background

In response to our June 2019 questionnaire, Board Member 12 indicated that they had an ownership interest in Vendor 12B. Although our data matches did not disclose disbursements to Vendor 12B during the period of our review, UMMS advised that a former senior management employee entered into a ground lease option agreement with Vendor 12B in February 2019.

The agreement granted Vendor 12B the right to enter into a future ground lease with UMMS to construct a comprehensive nursing and rehabilitation facility at an existing UMMS medical center. According to documentation provided by UMMS, Vendor 12B would also operate the facility upon completion. UMMS management advised us that it did not execute the ground lease and the related option contract was terminated effective April 1, 2019.

Procurement

UMMS did not competitively award the ground lease option contract. Specifically, UMMS could not provide any documentation that other vendors were solicited to construct and operate the nursing and rehabilitation facility.

Payments

The ground lease option contract provided for Vendor 12B to pay UMMS \$1,000; however, UMMS management advised us that Vendor 12B did not make this payment and no payments were identified by our data match.

Vendor 12C Summary				
Description	Disbursements to Vendor		Disbursements Tested	
	Count	Value	Count	Value
Advertising Services	9	\$16,125	3	\$6,300
Test Results				
UMMS did not competitively procure these services, nor could it provide a documented justification for not competitively procuring the services as required by its procurement policy. UMMS did not adequately monitor the services, and we could not determine the propriety of the related payments selected for review.				

Background

In response to our June 2019 questionnaire, Board Member 12 indicated that they held an ownership interest in Vendor 12C. Our data matches disclosed that UMMS made payments totaling \$16,125 to Vendor 12C during the period of our review. According to UMMS management, it periodically purchased advertising in Vendor 12C's regional publication. We were advised that these purchases were made on an as-needed basis.

Procurement

UMMS did not competitively procure the services from Vendor 12C. We reviewed three purchases totaling \$6,300 made from the vendor between March 2017 and March 2018. UMMS did not have a formal contract with the vendor for any of the payments reviewed. We were advised by UMMS management that all three purchases were made as sole source, but UMMS had not documented its justification for not competitively procuring the services as required by its procurement policy. UMMS management advised us that Vendor 12C's audience was a demographic that it wanted to reach, but could not provide any documentation to support this assertion.

Payments

Based on our testing, UMMS did not effectively monitor the services provided by Vendor 12C to ensure the payments were proper. Specifically, the only documentation provided for the three purchases reviewed were the vendor's invoices. Since UMMS could not provide us with a contract that included Vendor 12C's rates, we could not verify the propriety of the payment. In addition UMMS could not provide evidence to support that the services were provided (for example, a copy of an advertisement from the print publication).

Vendor 12D Summary				
Description	Disbursements to Vendor		Disbursements Tested	
	Count	Value	Count	Value
Advertising Services	18	\$23,600	5	\$14,100
Test Results				
UMMS did not competitively procure these services nor could it provide a documented justification for not competitively procuring the services as required by its procurement policy. UMMS did not adequately monitor the services, and we could not determine the propriety of the related payments selected for review.				

Background

In response to our June 2019 questionnaire, Board Member 12 indicated that they held an ownership interest in Vendor 12D. Our data matches disclosed that UMMS made payments totaling \$23,600 to Vendor 12D during the period of our review. According to UMMS management, it periodically purchased various advertising services from Vendor 12D on an as-needed basis.

Procurement

UMMS did not competitively procure the services from Vendor 12D. We reviewed five purchases totaling \$14,100 made from Vendor 12D between July 2016 and April 2019. UMMS did not have a formal contract with Vendor 12D for any of the payments reviewed. We were advised by UMMS management that all of these purchases were made as sole source, but UMMS had not documented its justification for not competitively procuring the services as required by its procurement policy. UMMS management advised us that Vendor 12D's audience was a demographic that it wanted to reach but could not provide any documentation to support this assertion.

Payments

Based on our testing, UMMS did not effectively monitor the services provided by Vendor 12D to ensure they were proper. Specifically, the only documentation provided for the five purchases reviewed were the related vendor invoices. Since UMMS could not provide us with a contract that included Vendor 12D's rates, we could not verify the propriety of the payment. In addition, UMMS could not provide evidence to support that the services were provided (for example, a copy of an advertisement from the print publication).

Vendor 12E Summary				
Description	Disbursements to Vendor		Disbursements Tested	
	Count	Value	Count	Value
Care Management Services	50	\$91,617 ¹⁷	1	\$5,000
Test Results				
UMMS did not competitively procure the contract. Due to a lack of available documentation, we were unable to verify the propriety of the payment selected for review.				

Background

In response to our June 2019 questionnaire, Board Member 12 indicated that they were the majority owner of Vendor 12E. Our data matches disclosed that UMMS made payments to Vendor 12E totaling \$91,617 during the period covered by our review. UMMS was unable to provide an explanation of the services provided by Vendor 12E which, according to the invoice tested, were consulting fees.

Procurement

UMMS did not competitively procure the services from Vendor 12E and could not provide us with any contract with Vendor 12E. We reviewed one purchase totaling \$5,000 made from Vendor 12E in January 2016. UMMS was unable to provide any documentation to explain how Vendor 12E was selected and what services the vendor provided.

Payment

Based on our testing, UMMS did not effectively monitor the services provided by Vendor 12E to ensure they were proper. The invoice reviewed indicated that Vendor 12E billed UMMS \$5,000 for a monthly consulting fee. Since UMMS could not provide us with a contract that included Vendor 12E's rate, we could not verify the propriety of the payment. In addition, UMMS could not explain or document the receipt of any consulting services received from Vendor 12E.

¹⁷ This amount included \$76,617 processed by the Upper Chesapeake Health System. As noted in the Scope and Methodology for Objective 3, disbursements processed by this affiliate were not included in the population from which we selected our test items.

Vendor 12F Summary				
Description	Disbursements to Vendor		Disbursements Tested	
	Count	Value	Count	Value
Legal Services	184	\$696,172 ¹⁸	5	\$115,833
Test Results				
UMMS did not competitively procure the contract. We were unable to assess if UMMS effectively monitored the vendor, as certain information was redacted from invoices we examined preventing us from determining the propriety of the payments tested.				

Background

According to State records, Board Member 12's adult child received financial compensation from Vendor 12F during the period we reviewed. Our data matches disclosed that UMMS made payments totaling \$696,172 to Vendor 12F during the period covered by our review. UMMS management advised us that the UMMS Office of General Counsel engaged the vendor to provide legal services on an as-needed basis.

Procurement

UMMS did not competitively procure the services from Vendor 12F. We reviewed five purchases totaling \$115,833 made from Vendor 12F between May 2016 and March 2019. UMMS management advised us that Vendor 12F was selected due to its legal expertise in certain areas of the law. However, UMMS did not formally document its justification for not competitively procuring the services.

Payments

Based on our testing, we were unable to assess UMMS' monitoring of the services provided by Vendor 12F to ensure they were proper. Specifically, our test of the aforementioned five payments disclosed that UMMS did not perform a documented review of the invoices to ensure the services were received prior to approving the invoices for payment. However, of more significance, UMMS, citing attorney-client privilege, redacted Vendor 12F's description of the services rendered on four of the invoices we reviewed and declined to provide any work product provided by the vendor to support the amounts billed. Consequently, we were unable to verify the propriety of any of the payments tested.

¹⁸ This amount included \$91,093 processed by the Capital Region Medical Center. As noted in the Scope and Methodology for Objective 3, disbursements processed by this affiliate were not included in the population from which we selected our test items.

Board Member 13

Vendor 13A Summary				
Description	Disbursements to Vendor		Disbursements Tested	
	Count	Value	Count	Value
Pest Control	1,868	\$538,627	10	\$22,898
Test Results				
UMMS did not competitively procure the contract. UMMS did not adequately monitor the contract, and could not provide sufficient documentation so that we could determine the propriety of the related payments selected for review.				

Background

In response to our June 2019 questionnaire, Board Member 13 indicated they were the owner of Vendor 13A. According to UMMS management, Vendor 13A has provided pest control services at UMMS affiliated hospitals since 2011. Specifically, in August 2011, the UMMS Supply Chain Management Department awarded Vendor 13A a contract for pest control services that covered the period through July 2015. Following the expiration of that contract, UMMS awarded another contract to Vendor 13A which covered the period from August 2015 through July 2019.

Procurement

Based on our review of available documentation, the most recent contract with Vendor 13A awarded in August 2015 was not competitively procured. UMMS management advised us that it did not competitively procure the most recent contract because it was satisfied with the services provided by Vendor 13A under the 2011 contract, which had been approved by the Audit and Compliance Committee of the Board of Directors. Although UMMS was able to provide documentation to corroborate that the 2011 contract was competitively procured, it could not provide a documented justification for not competitively procuring the most recent contract.

Payments

UMMS did not effectively monitor the contract with Vendor 13A. Vendor 13A generally billed UMMS for the services provided at fixed rates for each type of service as established in the contract. The contract required Vendor 13A to complete a service log maintained at each UMMS hospital to document the date, location, and specific service provided, which could be used to support the amounts invoiced.

However, UMMS could not provide the service logs to support 9 of the 10 invoices tested (related to services provided at 6 UMMS affiliated hospitals) totaling \$22,203 paid between June 2016 and March 2019, and the invoices did not contain sufficient detail to explain how the amounts billed were calculated. For example, the contract provided for the vendor to apply liquid termite treatment at a fixed cost per square foot. Our test of one invoice for this service (totaling \$3,024) disclosed that the invoice did not identify the size of the area Vendor 13A treated, and UMMS could not provide the related service log entry to document that the services were provided. As a result, we were unable to verify that the services billed by Vendor 13A were provided and in accordance with the contract rates.

Board Member 14

Board Member 14A Summary				
Description	Disbursements to Board Member		Disbursements Tested	
	Count	Value	Count	Value
Consulting Services	44	\$496,629	24	\$312,000
Test Results				
UMMS did not competitively procure the contract. UMMS did not adequately monitor the contract, and we could not determine the propriety of the related payments selected for review.				

Background

In response to our June 2019 questionnaire, Board Member 14 indicated that they had a consulting agreement with UMMS. Our data match identified that UMMS made payments totaling \$496,629 directly to Board Member 14 during the period of our review (consisting primarily of a certain monthly fee, see below). According to UMMS management, Board Member 14 has provided consulting services primarily related to UMMS expansion efforts and hospital acquisitions under a contract originally awarded in September 2012. The most recent contract renewal occurred in September 2018 and covered the period through September 2019. UMMS subsequently terminated the contract in April 2019.

Procurement

Based on our review of available documentation, the most recent contract with Board Member 14 was not competitively procured. Based on our review of available documentation, the contract appeared to have been initiated and approved by a former senior management employee.

Payments

UMMS did not effectively monitor the contract with Board Member 14. The contract provided for UMMS to pay a \$13,000 monthly fee to the Board Member in exchange for various consulting services, including assisting with UMMS expansion efforts. However, the contract did not contain specific deliverables to be provided by the Board Member, and UMMS could not explain how the monthly fee was calculated.

According to UMMS management, the work performed by the Board member primarily consisted of assisting UMMS with a fundraising campaign for the construction of a new medical center. However, our test of 24 payments totaling \$312,000 made to the Board Member between September 2016 and September 2018 disclosed that UMMS could not provide any work product provided by the Board Member under the contracts to support the amounts billed; therefore, we were unable to verify the propriety of any of the payments.

Board Member 15

Vendor 15A Summary				
Description	Disbursements to Vendor		Disbursements Tested	
	Count	Value	Count	Value
Engineering Services	30	\$496,404 ¹⁹	5	\$237,267
Test Results				
UMMS did not competitively procure all the services provided under the contract. Based on our testing, UMMS appeared to have been effectively monitoring the contract, and invoice payments tested were supported and accurate.				

Background

In response to our June 2019 questionnaire, Board Member 15 indicated they were the owner of Vendor 15A. According to UMMS management, Vendor 15A has provided engineering services related to the construction of a UMMS medical center since June 2013. Our data matches disclosed payments from UMMS to Vendor 15A totaling \$496,404 during the period of our review. The UMMS Construction and Facilities Planning Department awarded the vendor a contract in June 2013 to assist with the initial schematic design and Certificate of Need application for the project. UMMS subsequently amended the 2013 contract 29

¹⁹ This amount included \$145,636 processed by the Capital Region Medical Center. As noted in the Scope and Methodology for Objective 3, disbursements processed by this affiliate were not included in the population from which we selected our test items.

times to include additional engineering services, the most recent of which was executed in August 2019.

Procurement

Although the original contract with Vendor 15A was competitively procured, our review disclosed that UMMS processed 29 amendments for additional work related to the project that was not included in the scope of the original contract (for example, to develop detailed site and utility plans) rather than competitively procuring the additional services. According to UMMS records, these amendments increased the original value of the 2013 contract (\$193,450) by approximately \$1.1 million. UMMS management advised us that Vendor 15A was selected to provide the additional services because they had been competitively procured under the 2013 contract and they were familiar with the project. Although UMMS was able to provide documentation to corroborate that the 2013 contract was competitively procured, it had not documented its justification for not competitively procuring the additional services.

Payments

Based on our testing, UMMS effectively monitored the contract. Vendor 15A generally billed UMMS for the percentage completed for the various tasks (such as, design services) outlined in the contract and related amendments. Our test of five invoices totaling \$237,267 paid between February and September 2018 disclosed that the payments were consistent with the rates established in the contract.

Board Member 17

Vendor 17A Summary				
Description	Disbursements to Vendor		Disbursements Tested	
	Count	Value	Count	Value
Strategic Partnership	47	\$402,076 ²⁰	2	\$80,000
Test Results				
UMMS did not competitively procure the contract because UMMS considered it to be a sponsorship. However, UMMS had not established a formal policy for selecting entities to receive sponsorships and for determining the amount of the related payments. UMMS did not adequately monitor the contract, and could not provide sufficient documentation so that we could determine the propriety of the related payments selected for review.				

Background

Based on State records, Board Member 17's adult child received financial compensation from Vendor 17A during the period we reviewed. Our data matches disclosed that UMMS made payments totaling \$402,076 to Vendor 17A during the period covered by our review. UMMS management advised us that one medical center had a strategic partnership with Vendor 17A, which included an agreement for the medical center to sponsor various community events hosted by the vendor in exchange for advertising at those events.

Based on the documentation provided, the partnership dated back to at least September 2016. The most recent contract provided by UMMS covers the period from September 15, 2018 through September 14, 2020. The prior contract provided by UMMS covered the period from September 15, 2016 through September 14, 2018 and indicated it was an extension of a prior contract.

Procurement

UMMS did not competitively procure the most recent contract with Vendor 17A (and offered no documentation that any prior contracts were competitively procured). According to UMMS management, the contract was not competitively procured because UMMS considered it to be a sponsorship. Specifically, UMMS management advised us that sponsorships were periodically awarded at management's discretion (exclusive of the Board's input) to entities that UMMS believed were aligned with its mission or provided a community benefit or a

²⁰ This amount included \$61,991 processed by the Upper Chesapeake Health System. As noted in the Scope and Methodology for Objective 3, disbursements processed by this affiliate were not included in the population from which we selected our test items.

service related to a community health need. However, UMMS had not established a formal policy for selecting entities to receive sponsorships and for determining the amount of the related payments, and UMMS could not provide any documentation to explain its basis for sponsoring Vendor 17A.

Payments

Based on our testing, UMMS did not effectively monitor the contract. The contract required UMMS to pay a lump sum amount (\$40,000) to Vendor 17A each year²¹ in exchange for advertising at the various community events the vendor hosted. Our test of two payments totaling \$80,000 made to Vendor 17A in September 2016 and June 2018 disclosed that UMMS could not provide any examples of the community event advertisements it received as required by the contract.

Board Member 18

Vendor 18A Summary				
Description	Disbursements to Vendor		Disbursements Tested	
	Count	Value	Count	Value
Books	2	\$200,000	2	\$200,000
Test Results				
UMMS did not competitively procure the contract, nor could it explain why the vendor was selected or how the purchase amounts were determined. UMMS did not adequately monitor the contract, and none of the items purchased and paid for were received.				

Background

According to State records, Board Member 18 was the owner of Vendor 18A. Our data matches disclosed that UMMS made two payments totaling \$200,000 to Vendor 18A during the period we reviewed. According to documentation, UMMS provided, these payments were for the purchase of 40,000 copies of Vendor 18A's books. The purchased books were to be donated to a local school system as part of a UMMS community outreach initiative. UMMS management further advised us that a former UMMS senior management employee had approved a total of five purchases from Vendor 18A, the earliest of which occurred in 2010.

²¹ We could not readily determine why the total payments to the vendor during the period we reviewed exceeded the amount UMMS was required to pay under the contracts. Specifically, the payments related to the contracts provided only accounted for \$120,000 of the \$402,000 that UMMS paid to the vendor between January 1, 2016 and April 18, 2019.

Procurement

UMMS did not competitively purchase the books from Vendor 18A. In this regard, UMMS could not provide any documentation to explain why Vendor 18A's books were selected and how the purchase amounts were determined. We were advised that UMMS did not competitively procure the purchases because it considered the purchases of the books to be sponsorships of the school system. In this regard, UMMS did not have a formal policy for selecting entities for sponsorships and for determining the amount of the related award.

UMMS could not explain how the book donation to the school system supported its community outreach initiative nor explain why the payments were made to Vendor 18A instead of directly to the school system. UMMS also had not confirmed that the school system would accept the book donations prior to making the purchases. UMMS had confirmed that the school system would accept an earlier donation of the books purchased from Vendor 18A prior to the period of our review.

Payments

UMMS did not effectively monitor the payments to Vendor 18A. UMMS made two \$100,000 payments to Vendor 18A. Each payment was to purchase 20,000 copies of Vendor 18A's books. However, UMMS did not attempt to verify that the books were delivered to the school system as intended. In a November 2019 plea agreement with federal law enforcement officials, Board Member 18 admitted that none of the 40,000 books UMMS purchased were provided to the school system.

Vendor 18B Summary				
Description	Disbursements to Vendor		Disbursements Tested	
	Count	Value	Count	Value
Inaugural Committee	1	\$20,000	1	\$20,000
Test Results				
<p>UMMS did not competitively procure the contract because UMMS considered it to be a sponsorship. However, UMMS could not document its justification for selecting the vendor to receive the payment or how the sponsorship aligned with UMMS' mission or provided a community benefit or a service related to a community health need. UMMS did not monitor the payment and could not support that it received the deliverables for the payment.</p>				

Background

Based on State records, Vendor 18B was the inaugural committee for Board Member 18's election to public office in 2016. Our data match identified that UMMS made one payment totaling \$20,000 to Vendor 18B during the period of our review. UMMS management advised us that the payment was approved by a former UMMS senior management employee to sponsor the Board Member's inauguration.

Procurement

Based on the documentation provided, UMMS did not document its justification for making the payment to Vendor 18B. UMMS management considered the payment to be a sponsorship, which it periodically made at management's discretion (exclusive of the Board's input) to entities that were aligned with its mission or provided a community benefit or a service related to a community health need. However, we noted that UMMS had not documented its justification for selecting Vendor 18B to receive a sponsorship or how the Board Member's inauguration was aligned with its mission or provided a community benefit or service.

Payment

UMMS did not effectively monitor the payment. In return for the sponsorship, UMMS was to receive tickets to the inauguration and advertising at the event. UMMS could not readily provide evidence that it received either tickets to or advertising at the inauguration.

Board Member 20

Vendor 20A Summary				
Description	Disbursements to Vendor		Disbursements Tested	
	Count	Value	Count	Value
Insurance	1	\$213,460	1	\$213,460
Test Results				
UMMS competitively procured the contract with the vendor. The amount paid to the vendor was proper based on the policy.				

Background

In response to our June 2019 questionnaire, Board Member 20 indicated that they received a commission payment totaling approximately \$20,000 from Vendor 20A. The payment related to a one-time purchase of an insurance policy brokered by Vendor 20A. Our data matches disclosed that UMMS paid Vendor 20A \$213,460 for the policy. The policy was procured by UMMS in 2018 subsequent to the acquisition of a cardiology group operating at a UMMS medical center. We were advised that the policy was needed to provide the cardiology group with coverage for claims made after the group was acquired that arose from liabilities prior to the date of acquisition.

Procurement

Based on our review, UMMS appeared to have competitively procured the insurance policy. Specifically, UMMS provided documentation to support that it had obtained two quotes for the policy and selected Vendor 20A because it offered the most advantageous price.

Payment

Based on our testing, the payment to Vendor 20A was consistent with the terms of the insurance policy. We did not have access to the terms of Board Member 20's compensation agreement with Vendor 20A; therefore, we could not independently verify the reported commissions paid to Board Member 20 by Vendor 20A.

Board Member 21

Vendor 21A Summary				
Description	Disbursements to Vendor		Disbursements Tested	
	Count	Value	Count	Value
Advertising	1	\$5,100	1	\$5,100
Test Results				
UMMS did not competitively procure the contract. UMMS did not adequately monitor the contract, and we could not determine the propriety of the related payment due to lack of documentation.				

Background

Based on State records, we determined that Board Member 21's adult child received financial compensation from Vendor 21A during the period we reviewed. Our data matches disclosed that UMMS made one payment to the vendor totaling \$5,100. According to documentation provided by UMMS, the payment was for digital advertising (website banners) provided to a UMMS medical center between September and October 2016.

Procurement

Based on our review of available documentation, UMMS did not competitively procure the services and could not provide evidence that it considered other vendors to provide the services. In addition, we were advised that UMMS did not have a formal contract with the vendor for the services.

Payment

Based on our testing, UMMS did not effectively monitor the services provided by the vendor to ensure they were proper. In this regard, the only documentation we were provided for this payment was the vendor invoice. Since UMMS did not have a formal contract that included the vendor's rate, we could not verify the propriety of the payment. In addition UMMS could not provide evidence to support that the services were provided (for example, a screen print of the banner.)

Vendor 21B Summary				
Description	Disbursements to Vendor		Disbursements Tested	
	Count	Value	Count	Value
Unknown	22	\$150,000	N/A	N/A
Test Results				
<p>According to State records, Board Member 21's adult child received financial compensation from Vendor 21B during the period we reviewed. Our data matches disclosed that UMMS made payments totaling \$150,000 to Vendor 21B during the period of our review. As previously noted, all of these disbursements were reflected in a dataset that was not subject to testing. Consequently, we were unable to determine the propriety of the procurement and related payments to Vendor 21B.</p>				

Other Associated Business Entities

Background

Based on the responses to our June 2019 Board member questionnaire and our review of available State records, we identified numerous business entities that met our criteria for being considered an associated business, but for which we did not identify a direct financial interest held by the Board members (or their immediate family). Specifically, our review disclosed that 13 UMMS Board members also served on the boards of 19 entities that received payments from UMMS, although we were not able to identify any payments or compensation made from the entities to the UMMS Board members. These entities consisted of various non-profits, private entities, and certain associations in which UMMS was a member. Based on our data matches, payments to these 19 entities during the period from January 1, 2016 to April 18, 2019 totaled approximately \$6.7 million (see Table 6). According to UMMS management, these payments related to sponsorships and donations, membership fees, and various services to be provided by the entities to UMMS.

We included these disbursements due to the potential that a Board member could have received a financial benefit. Since we did not have access to these entities' records, any payments from these entities to UMMS Board members would not be detected by our review. For example, certain news sources reported that one non-profit entity had paid approximately \$77,600 to Board Member 18's associated business (Vendor 18A). According to its records, UMMS paid this non-profit entity \$29,500 during the period of our review. Since we did not have access to the records of Vendor 18A or the non-profit entity, we could not verify the aforementioned payments and could not determine the extent to which the Board Member 18 may have benefited from the payments that UMMS made to this entity.

Table 6
Disbursements to Other Associated Business Entities

Associated Entity	Disbursements to Entity	Count of Associated Board Members	Board Member													
			1	2	6	14	16	18	19	22	23	24	25	26	27	
Category A - Sponsorships, Donations, and/or Membership Fees																
1	\$151,070	5	✓	✓	✓		✓			✓						
2	49,806	3		✓							✓		✓			
3	53,750	2	✓									✓				
4	4,120,815	1			✓											
5	220,240	1							✓							
6	180,625	1	✓													
7	39,000	1					✓									
8	35,500	1													✓	
9	29,500	1						✓								
10	20,900	1														✓
11	15,000	1						✓								
12	7,500	1						✓								
	\$4,923,706															
Category B - Services																
1	220,070	1	✓													
2	132,445	1		✓												
3	45,000	1									✓					
4	21,950	1				✓										
	\$419,465															
Category C - Combination of Services and Sponsorships, Donations, and/or Membership Fees																
1	979,071	1	✓													
2	254,210	1					✓									
3	113,168	1						✓								
	\$1,346,449															
\$ 6,689,620																

Source: Non-financial associations identified by the Office of Legislative Audits.

Category A Summary				
Description	Total Disbursements		Disbursements Tested	
	Count	Value	Count	Value
Donations, Sponsorships, and Membership Fees	167	\$4,923,706	37	\$1,522,681
Test Results				
UMMS could not provide support for the membership fees it paid to three entities, and UMMS could not document its justification for selecting nine other entities that received sponsorships or donations.				

Background

Our data matches disclosed payments totaling approximately \$4.9 million to 12 entities that had no apparent financial relationships with 12 Board members, but with which the members had some affiliation (such as serving on the entity's board). UMMS paid membership fees to three entities membership fees totaling \$4.3 million and paid nine entities sponsorships and charitable donations totaling \$612,821.

Procurement

UMMS paid membership fees to three entities for services (for example membership in a Statewide healthcare association) without competitive procurement. We determined that the selection of these entities without competition was reasonable based on UMMS' relationship to the entities. In regard to the various sponsorships and donations, we were advised that UMMS periodically made sponsorships and donations at UMMS management's discretion (exclusive of the Board's input) to entities that were aligned with UMMS' mission or provided a community benefit or a service related to a community health need. However, UMMS did not document its justification for selecting the nine entities (which included both locally and nationally recognized non-profits).

Payments

UMMS could not provide support for the membership fees paid to the three entities totaling \$4.3 million. For example, UMMS paid \$4.1 million for membership in a Statewide healthcare association. UMMS advised us that the membership fees were determined using certain internal financial measures. However, UMMS could not provide an explanation of these measures and our test of five payments totaling \$1.2 million made to the entity between July 2016 and July 2018 disclosed that UMMS could not provide support to explain how the dollar amount of each payment was determined. Consequently, we could not determine the propriety of any of the five payments tested due to the lack of available explanatory documentation.

In regard to the sponsorships and donations, UMMS could not provide evidence that it received certain items (such as tickets to fundraising events) that were to be received in exchange for certain sponsorships or donations. However, UMMS advised us that the purpose of these payments was to contribute to the various organizations and not to receive specific benefits.

Category B Summary				
Description	Total Disbursements		Disbursements Tested	
	Count	Value	Count	Value
Various Services	248	\$419,465	10	\$238,693
Test Results				
UMMS did not competitively procure the services of the four entities. UMMS did not adequately monitor the payments, and we could not determine the propriety of the related payments selected for review.				

Background

Our data matches disclosed payments totaling \$419,465 to four entities during the period of our review that were determined to have non-financial relationships with four Board members. Specifically, we identified a country club that was paid \$220,070 to host charity fundraisers, a private club that was paid \$132,445 to host various business events, and a medical alumni association and a regional newspaper service from which UMMS had purchased advertising services totaling \$66,950.

Procurement

UMMS did not competitively procure the services from the four entities and could not always provide us with copies of the applicable contracts. UMMS advised us that the country club and private club hosted fundraising and business events for UMMS and were selected based on their locations. UMMS also advised us that the audiences of the two entities that provided advertising services represented demographics that it wanted to reach, but could not provide documentation to support these assertions.

Payments

Based on our testing, UMMS did not effectively monitor the services provided by these entities. Our test of 10 payments to the four entities, totaling \$238,693, disclosed that the only documentation UMMS could provide to support each payment was an invoice. Since UMMS could not always provide us with contracts to support the rates charged for the services, nor provide evidence to support that the services (for example, advertisements) were provided, we could not verify the propriety of the payments.

Category C Summary				
Description	Total Disbursements		Disbursements Tested	
	Count	Value	Count	Value
Combination of Services and Sponsorships	90	\$1,346,449	16	\$339,100
Test Results				
UMMS did not competitively procure the services provided by the three entities. UMMS did not adequately monitor the one available contract, and we could not determine the propriety of the related payments selected for review.				

Background

Our data matches disclosed payments totaling approximately \$1.3 million during the period of our review to three entities (a private university, a nationally recognized non-profit focused on cardiovascular health, and a Baltimore City community organization) that had non-financial relationships with three Board members. According to UMMS management, these payments were for a combination of sponsorships and services provided to UMMS, and were initiated by UMMS management (exclusive of the Board's input).

Procurement

UMMS did not competitively procure the services provided by the three entities. Specifically, UMMS did not document its justification for not competitively procuring a contract to one entity for guide services in the areas surrounding an UMMS medical center. UMMS could not provide copies of contracts with the other two entities for access to medical data and medical training courses.

UMMS also made certain sponsorship payments to these three entities in addition to the services provided by the entities. For example, UMMS purchased tickets to one of the entity's annual fundraising event. We were advised that UMMS periodically made payments at UMMS management's discretion (exclusive of the Board's input) to entities that were aligned with UMMS' mission or provided a community benefit or a service related to a community health need. However, UMMS did not document its justification for selecting these specific entities (for example, the national non-profit) and the dollar amount of the payments.

Payments

UMMS did not effectively monitor the services provided. Our test of three payments totaling \$37,650 to one entity for guide services disclosed that the payments were in accordance with the contract rates. However, UMMS could not

provide documentation (such as timesheets) to support that the services billed were provided. As noted above, UMMS could not provide us with contracts related to the services obtained from the other two entities nor could UMMS identify an employee responsible for monitoring these two entities. Consequently, we were unable to verify the propriety of any of the five payments for these services that we tested totaling \$22,950.

In regard to the sponsorship payments to the three entities, UMMS management could not provide evidence that it received certain items (such as tickets to fundraising events) that were to be received for certain sponsorships or donations. However, UMMS advised that the purpose of the payments was to sponsor the entities and not to receive specific benefits.

Objective 4

Recommendations

Objective and Methodology

Our objective was to make recommendations regarding how best to evaluate the procurement and contracting processes and any contracts with and payments to UMMS affiliated hospitals and members of the Board of Directors of UMMS or the members of the boards of directors of the affiliated hospitals.

To accomplish this objective, we considered the understanding of UMMS' procurement and disbursement processes and procedures that we obtained during work performed during Objective 2, as well as the results of the tests we performed during Objective 3. We also reviewed the results of the internal review of the Board of Directors' policies and procedures and the financial management practices performance audit²² that were conducted in accordance with the requirements of Chapters 18 and 19, Laws of Maryland 2019. As noted in Table 7, both the internal review and performance audit reports contained a number of recommended actions for UMMS to implement. Copies of the internal review and performance audit reports are available at the Department of Legislative Services Library. At the time of our reporting, the reports of the internal review and performance audit were available at the following links, respectively:

[Report of the Special Committee of the Board of Directors University of Maryland Medical System](#)
[University of Maryland Medical System Financial Management Practices Audit Report](#)

²² As required by Section 2(a)(3)(ii) of Chapters 18 and 19, Laws of Maryland 2019, we consulted with the certified public accounting firm selected by UMMS on the scope and objectives of the firm's performance audit.

Table 7
Summary of Significant Recommendations From Other Reports

UMMS Internal Review of the Board of Directors' Policies and Procedures	Financial Management Practices Performance Audit
<ul style="list-style-type: none"> • Enforce statutory Board term limits • Require the Board to review and approve related-party transactions and relationships on an annual basis • Conduct periodic audits to test the completeness of Board member disclosures and review compliance with UMMS' reporting policies • Develop a formal policy to require all transactions over a certain dollar threshold to be competitively bid and approved by the Board • Establish a procedure for review and approval of charitable contributions 	<ul style="list-style-type: none"> • Implement controls to identify related-party transactions prior to contract execution • Enhance policies regarding competitively bid and sole-sourced contracts and periodically review compliance with the policies • Limit the use of sole sourcing to instances where only one vendor is available • Create a centralized repository for contracts and related documents • Clarify what level of management may execute contracts based on the dollar value of the contracts

Sources: Report of the Special Committee of the Board of Directors University of Maryland Medical System December 11, 2019 and University of Maryland Medical System Financial Management Practices Audit Report December 20, 2019

Conclusion

As noted in the aforementioned reports there were significant deficiencies identified with UMMS' procurement and disbursement policies and procedures. The results of our work generally confirmed these deficiencies. Those reports also included recommended actions to implement the establishment of new, or the enhancement of existing, processes, and controls.

In our opinion, if UMMS successfully implements the recommendations contained in the two referenced reports, further recommendations regarding UMMS' procurement and contracting processes, additional business relationships, and other related parties should not be necessary. In addition, while it is possible that further evaluation by the Office of Legislative Audits would disclose additional business relationships, our ability to assess the propriety of these relationships would likely be hindered by the absence of a comprehensive procurement policy and the pervasive lack of available supporting documentation that we highlighted in Objectives 2 and 3.

Therefore, we believe it is critical for UMMS to implement the recommended corrective actions contained in the internal review and financial management practices performance audit reports. Once implemented, UMMS should periodically conduct internal audits to ensure that procurements and

disbursements are in compliance with its policies and that internal controls are functioning as designed.

Scope, Objectives, and Methodology

Scope

We conducted a review of certain activities of the University of Maryland Medical System Corporation (UMMS) in accordance with Section 3 of Chapters 18 and 19, Laws of Maryland 2019. Specifically, the law required the Office of Legislative Audits (OLA) to:

- identify all of the members of the UMMS Board of Directors and each member's associated businesses²³;
- obtain all disbursement records from UMMS;
- identify all contracts with or payments to the members of the Board of Directors and a member's associated businesses;
- identify the basis for the procurement and the UMMS official and department that initiated and approved the payment;
- identify the procurement method used and test for the propriety of the procurement, including whether it was conducted in accordance with a formal UMMS policy and whether the full Board of Directors approved the contract or payment;
- evaluate whether all proper steps were taken and, if a payment or contract was sole source, whether the rationale was documented and supportable;
- evaluate whether the contract or payment to a member of the Board of Directors or the member's associated businesses was monitored effectively to ensure that all deliverables paid for were provided; and
- make recommendations regarding how best to evaluate the procurement and contracting processes and any contracts with and payments to UMMS affiliated hospitals and members of the UMMS Board of Directors or the members of the boards of directors of the affiliated hospitals.

Although the aforementioned laws required us to conduct a forensic audit of UMMS, we consider this report to be a special review and not a forensic audit due to certain restrictions encountered during our field work as described in further detail below. Because of those restrictions, the scope of our review was less than that of an audit conducted in accordance with generally accepted government

²³ Chapters 18 and 19, Laws of Maryland 2019 do not define the "associated businesses" that were to be identified by our review. Therefore, we included any entity, regardless of whether it operated as for-profit or not-for-profit, with which the Board members or their immediate family member (spouses and adult children) (a) held an ownership interest (excluding non-controlling interests in publicly traded stock), (b) was employed, (c) received income, or (d) served as a member of the entity's board of directors or equivalent governing body.

auditing standards. Our review was conducted during the period from April 2019 through November 2019.

UMMS Imposed Limitations on OLA Access

Generally accepted government auditing standards require that we plan and perform an audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions. We believe that the restrictions imposed by UMMS on our access to its employees and records detailed below precluded us from obtaining such evidence. Therefore, our review did not constitute an audit as defined by those standards. In addition, if we had conducted an audit, other matters may have come to our attention that would have been included in this report.

As a consequence of these limitations and delays, and the resultant impact on our ability to complete our work timely, we requested and were granted an extension of the statutorily established report due date from the General Assembly's presiding officers. Specifically, on October 31, 2019, the Legislative Auditor formally requested a report due date extension to March 13, 2020 (see Exhibit 1). In a letter dated November 7, 2019, the Senate President and the Speaker of the House approved the requested extension (see Exhibit 2).

Lack of Readily Available Documentation

For each disbursement that we identified from UMMS to a Board member or their associated business, we requested UMMS to provide support for the disbursements and related procurements including bidding documents, executed contracts, invoices, and evidence that UMMS received the required deliverables. Although we initially requested these documents in June 2019, UMMS did not provide certain documents until November 2019. In addition, and as further explained in Objective 3 of our report, UMMS ultimately could not provide all of the requested documentation for the majority of the transactions that we identified. Ultimately, the lack of available documentation prevented us from being able to conclude on certain matters, including the extent to which Board members were aware of, or involved in, the procurements and related payments to their associated businesses or those of their immediate family members.

Limitations on OLA Access to UMMS Employees

For each disbursement that we identified from UMMS to a Board member or their associated business, we requested UMMS to identify employees with direct involvement in the procurement and/or monitoring of the related contracts. Although our initial request was made in June 2019, UMMS did not permit us to meet with certain of the employees it identified until October 2019. In addition, a

number of the employees UMMS identified were senior management officials who were not directly involved in the transactions. Furthermore, UMMS could not identify any employees involved in the procurement and/or monitoring of certain contracts, including contracts that appeared to still be active, based on current disbursement activity, as of the time of our review. According to UMMS management, it was unable to identify these employees due to the decentralized nature of its operations. Finally, UMMS management advised us that certain responsible individuals were no longer employed by UMMS at the time of our review.

Limitations on OLA Access to Email Records

In June 2019, we requested copies of the email records for five UMMS employees, including key senior management, procurement, and accounts payable personnel. We selected these employees based on their potential involvement in procuring or paying Board members and their associated businesses.

UMMS legal counsel advised legal counsel to the Maryland General Assembly that there were approximately 1.6 million emails associated with our request. UMMS legal counsel further advised that it would need to review each email before providing them to us to ensure the emails did not contain information that was protected by UMMS' attorney-client privilege. Citing the time and resources necessary to complete such a review, UMMS offered to provide a limited number of emails based on UMMS-developed search criteria, as well as key words or terms of our choice. We advised UMMS that this methodology was not acceptable since we would be unable to verify that UMMS conducted the work in accordance with any agreed upon protocols, and it provided no assurance that we would receive all of the emails relevant to our work. For example, our research disclosed additional associated business entities that were not included on UMMS' proposed list of search criteria.

Ultimately, on its own initiative, in September 2019 UMMS provided us with 14,500 emails that it identified using the UMMS-developed search criteria and its own terms and key words. When provided to us, some of these emails were heavily redacted. For example, a November 2017 email we reviewed indicated that the attached meeting minutes included discussion on executive compensation. Such information may have disclosed that Board members who received payments from UMMS were involved in decisions related to the compensation of UMMS employees who authorized payments to the Board members (indicating a potential conflict of interest). UMMS redacted the entire contents of the minutes, beyond the issues related to specific compensation (see Exhibit 4). We further noted that certain emails between UMMS and third parties were likewise redacted when provided to us. In one instance, we noted an email to a corporate reputation

agency which appeared to be related to the activities subject to our review. UMMS redacted the entire contents of this email citing the aforementioned attorney-client privilege. Finally, UMMS did not provide the email records in the electronic format we had discussed when making our original request. Specifically, UMMS provided the 14,500 emails in approximately 110,000 individual image files, with each file containing a single page of an email or related attachment. We had originally requested the emails in a format that would have enabled us to conduct electronic searches of the emails to assist in our review; an option that was not possible with the image files provided by UMMS.

Objectives and Methodology

Based on the requirements established in law, our objectives were to:

1. identify all members of the UMMS Board of Directors for the period from January 1, 2016 through April 18, 2019;
2. identify all contracts with or payments to the members of the Board of Directors and their associated businesses during the period from January 1, 2016 through April 18, 2019;
3. assess UMMS' procurement of goods and services from members of its Board of Directors and their associated businesses, and to determine whether the related contracts and payments were monitored effectively to ensure that all deliverables paid for were received; and
4. make recommendations regarding how best to evaluate the procurement and contracting processes and any contracts with and payments to UMMS affiliated hospitals and members of the Board of Directors of UMMS or the members of the boards of directors of the affiliated hospitals.

Our review consisted of tests, analyses, observations, and discussions with UMMS personnel (subject to the limitations discussed above) as we deemed necessary to achieve our objectives. More detailed descriptions of the specific objectives and related methodologies are discussed in the Findings and Recommendations section of this report.

The response from UMMS to our findings is included as Appendix A to this report. Auditor's comments to the UMMS response can be found in Appendix B.

Exhibit 1

Extension Request Letter



Victoria L. Gruber
Executive Director

DEPARTMENT OF LEGISLATIVE SERVICES OFFICE OF LEGISLATIVE AUDITS MARYLAND GENERAL ASSEMBLY

Gregory A. Hook, CPA
Legislative Auditor

October 31, 2019

The Honorable Thomas V. Mike Miller, Jr.
President of the Senate
Maryland Senate
State House
100 State Circle
Annapolis, Maryland 21401

The Honorable Adrienne A. Jones
Speaker of the House
Maryland House of Delegates
State House
100 State Circle
Annapolis, Maryland 21401

Dear President Miller and Speaker Jones:

The purpose of this letter is to request an extension in the Office of Legislative Audit's reporting date for its forensic audit of the University of Maryland Medical System Corporation, as established in Chapter 18, 2019 Laws of Maryland. The report due date specified in law requires the Office to report the results on or before December 15, 2019.

Our Office began fieldwork on April 16, 2019 and, to date, has expended 600 days, representing the collective work of 37 different Office employees. In addition, our Data Analytics Unit has expended countless days sifting and analyzing electronic records we received from the Corporation. During the course of our work, the Office identified a number of transactions related either directly or indirectly to various past and/or present Corporation Board members. For many months, our Office has been actively seeking access to Corporation employees with potential knowledge of the transactions and the related procurement and contract monitoring processes. In addition, our Office has sought records related to these events, including original contract documents.

Throughout this process the Corporation has delayed and hindered our work by repeatedly failing to make employees available and failing to provide requested information on a timely

301 West Preston Street · Room 1202 · Baltimore, Maryland 21201
410-946-5900 · Toll Free in Maryland 877-486-9964
Fraud Hotline 877-FRAUD-11 · www.ola.state.md.us

The Honorable Thomas V. Mike Miller, Jr., -2-
President of the Senate
The Honorable Adrienne A. Jones,
Speaker of the House

October 31, 2019

basis. Consequently, the Executive Director of the Department of Legislative Services and your chiefs of staff have intervened at various times to assist the Office in obtaining the Corporation's cooperation. After repeated delays in obtaining documentation, and with several questions still unanswered, our Office has concluded the field portion of our work.

There is still a significant amount of work that needs to be done prior to issuing a formal report, including finalizing the work papers, developing specific findings, developing the report format, writing the report, meeting with the Corporation to discuss the findings, and subjecting the project to the Office's extensive internal quality assurance process. With this in mind, I respectfully request a report deadline extension to March 13, 2020. It is hoped that date will still allow the General Assembly time to review the report and take any additional action it deems necessary based on our findings.

Respectfully,

Gregory A. Hook, CPA
Legislative Auditor

cc: Senator Craig J. Zucker, Senate Chair, Joint Audit and Evaluation Committee
Delegate Shelly L. Hettelman, House Chair, Joint Audit and Evaluation Committee
Yaakov "Jake" Weissmann, Chief of Staff, Office of the President, Maryland Senate
Alexandra Hughes, Chief of Staff, Office of the Speaker, Maryland House of Delegates
Victoria L. Gruber, Executive Director, Department of Legislative Services

Exhibit 2 – Extension Request Approval Letter



THOMAS V. MIKE MILLER, JR.
PRESIDENT OF THE SENATE

ADRIENNE A. JONES
SPEAKER OF THE HOUSE

MARYLAND GENERAL ASSEMBLY
STATE HOUSE
ANNAPOLIS, MARYLAND 21401-1991

November 7, 2019

Gregory A. Hook, CPA
Legislative Auditor, Department of Legislative Services
301 West Preston Street, Room 1202
Baltimore, Maryland 21201

Dear Mr. Hook:

By letter dated October 31, 2019, the Office of Legislative Audits (OLA) requested an extension until March 13, 2020, to allow time to conduct additional work on your forensic audit of the University of Maryland Medical System Corporation, as established in Chapter 18, 2019 Laws of Maryland. We appreciate your hard work on this issue and agree to the extension.

Sincerely,

Thomas V. Mike Miller, Jr.
Senate President

Adrienne A. Jones
Speaker of the House

cc: Senator Craig J. Zucker, Senate Chair, Joint Audit and Evaluation Committee
Delegate Shelly L. Hettleman, House Chair, Joint Audit and Evaluation Committee
Victoria Gruber
Ryan Bishop



Victoria L. Gruber
Executive Director

Exhibit 3 - Board Member Questionnaire
DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Gregory A. Hook, CPA
Legislative Auditor

June 13, 2019

As required by Chapter 18, Laws of Maryland 2019, the Office of Legislative Audits (OLA) is conducting a forensic audit of the University of Maryland Medical System Corporation (UMMS) to identify any payments made by UMMS to members of the Board of Directors and their associated businesses during the period from January 1, 2016 through April 18, 2019. We have identified that you were a member of the UMMS Board of Directors during this period. State Government Article §2-1223(b) of the Annotated Code of Maryland requires officers to provide any information (including that which would otherwise be confidential by law) that the Legislative Auditor determines to be needed for any matter under the authority of OLA. Please provide your responses no later than **June 27, 2019**. A postage-paid return envelope is enclosed for your convenience.

1. Please list the start and end date of all terms that you served on the UMMS Board of Directors.

2. Please list your immediate family members (spouse, partner, or child).

3. Did you or an immediate family member (a spouse, partner, or child) have any financial or non-financial relationship (including owner, partner, shareholder interest in a publicly or non-publicly traded company, board member, debtor, etc.) in any business entities (including

nonprofit organizations) that did business with UMMS, including affiliates, while you were a member of the Board of Directors?

No ☐ Yes ☐ (If yes, please complete Attachment 1)

4. Did you, any immediate family or a business entity for which you or any immediate family had a financial interest, conduct business with any entities based on the direct or indirect involvement of UMMS?

No ☐ Yes ☐ (If yes, please complete Attachment 2)

5. Please provide the names of each place of your salaried employment while serving as a UMMS Board member from January 1, 2016 through April 18, 2019, including those that did not do business with UMMS and its affiliates.

Employer Name	Your Position	Street Address	City	State	Zip Code

6. Please provide the names of any wholly or partially owned business entities while serving as a UMMS Board member from January 1, 2016 through April 18, 2019.

Wholly or Partially Owned	Name of Business	Street Address	City	State	Zip Code

7. Please provide the names of any entities (including non-profits) for whom you or a family member served as an officer or board member while serving as a UMMS Board member from January 1, 2016 through April 18, 2019.

Position	Name of entity	Street Address	City	State	Zip Code

Please provide any additional information that you wish to disclose (continue on back if needed):

Any questions on how to complete this confirmation should be emailed to UMMSconfirm@ola.state.md.us.

I hereby certify, under penalty of perjury, that the information contained herein and on any attached correspondence is true and correct to the best of my knowledge, information, and belief.

Name _____

Signature _____ **Date** _____

Attachment 1 (Details for Question 2)

Please provide the details for any relationship (financial and/or managerial) in business entities that did business with UMMS while a member of the Board of Directors, even if no compensation was paid to the business entity. If exact time periods or dollar values cannot be readily determined you may provide estimates.

Business Name	Interest Held By (self or name and relationship of family member)	Type of Interest (financial/managerial)	Position of Interest Holder (e.g. owner, executive, board member, etc.)	Business Address	UMMS Entity	Time Period of Interest	Approximate Dollar Value of Interest	Description of Relationship (e.g. duties performed, services provided, employment etc.)

Attachment 2 (Details for Question 3)

Please provide the details for any relationship (financial and/or managerial) in business entities that did business with other individuals or businesses at the direction of UMMS.
If exact time periods or dollar values cannot be readily determined you may provide estimates.

Business Name	Interest Holder (self or name and relationship of family member)	Type of Interest (financial or managerial)	Position of Interest Holder (e.g. owner, executive, board member, etc.)	Business Address	UMMS Entity	Time Period of Interest	Approximate Dollar Value of Interest	Description of Relationship (e.g. duties performed, services provided, employment etc.)

Example of Redacted Email Provided by UMMS (Page 1 of 6)

Subject: RE: UNMS Executive Committee Meeting
Received: 2017-04-11T11:59:29-05:00
Exec Comm Minutes 10.12.16.doc

Thank you.

UMMS
Office: 410-328-6555

UNM50LA 0046133

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Ev
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s@
St
Jae
St

OLA Redacted UMMS email addresses

Subject: UMMS Executive Committee Meeting
When: Wednesday, April 12, 2017 7:30 AM-10:30 AM (UTC-05:00) Eastern Time (US & Canada).
Where: UMMS CORPORATE BACK CONFERENCE, 250 W. Pratt St., 24th Floor, Baltimore, MD 21201

Executive Committee

7:30 - 10:30 AM
UMMS Corporate Office, 250 W. Pratt St., 24th Floor, Baltimore, MD 21201

February 8, 2017
April 12, 2017
July 12, 2017
October 11, 2017
December 13, 2017

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Redacted-Privileged

Redacted-Privileged

Protected-Privileged

Redacted-Privileged



250 W. Pratt Street
 24th Floor
 Baltimore, Maryland 21201-6829
www.umms.org

CORPORATE OFFICE

March 6, 2020

See Appendix B for
 Auditor's Comments
 regarding UMMS response

Mr. Gregory A. Hook
 Legislative Auditor
 Office of the Legislative Audits
 Maryland General Assembly
 301 W. Preston St., Room 1202
 Baltimore, MD 21201

Re: Response of the University of Maryland Medical System

Dear Mr. Hook:

The University of Maryland Medical System ("UMMS") appreciates the opportunity to review and respond to the draft Special Review ("Draft Report") prepared by your office. We appreciate the time and effort you and your staff committed to this work and, in particular, want to thank Mr. Fowler, Mr. Rubenstein, and Mr. Tanen for their professionalism and collegiality over the course of the past nine months.

Most importantly, we want to assure you that the Board of Directors (the "Board") and management of UMMS, along with its 28,000 employees, share the General Assembly's interest in ensuring that UMMS has appropriate, effective governance and management procedures, including with respect to potential conflicts of interest by its volunteer Board members. UMMS acknowledges - as multiple audits, reviews, and self-assessments found last year - that during the time period in question, there were significant weaknesses in UMMS' control environment that allowed conflicts of interest to benefit some Board members personally. The Special Committee's investigation, initiated in September 2019, focused on the root causes of those governance failures and, along with the December 2019 Performance Audit, proposed numerous reforms.

UNIVERSITY OF MARYLAND MEDICAL SYSTEM
University of Maryland Medical Center • University of Maryland Medical Center Midtown Campus •
University of Maryland Rehabilitation and Orthopaedic Institute • University of Maryland Baltimore Washington Medical Center •
University of Maryland Shore Regional Health – University of Maryland Shore Medical Center at Easton -
University of Maryland Shore Medical Center at Chestertown - University of Maryland Shore Medical Center at Dorchester –
University of Maryland Shore Emergency Center at Queenstown •
University of Maryland Charles Regional Medical Center • University of Maryland St. Joseph Medical Center •
University of Maryland Upper Chesapeake Health System – University of Maryland Upper Chesapeake Medical Center -
University of Maryland Harford Memorial Hospital •
University of Maryland Capital Region Health – University of Maryland Bowie Health Center –
University of Maryland Laurel Medical Center – University of Maryland Prince George's Hospital Center •
Mt. Washington Pediatric Hospital • University of Maryland Physician Network • University of Maryland Medical System Health Plans

We appreciate the Draft Report's conclusion that "if UMMS successfully implements the recommendations contained in the two referenced reports, further recommendations regarding UMMS' procurement and contracting processes, additional business relationships, and other related parties should not be necessary." The Board and management have already made substantial progress on implementing the new policies and procedures recommended by the Special Committee and the Performance Audit, as well as the recommendations made by the Board's Governance and Nominating Committee. As set forth below, that remedial work continues.

Taking Strong, Comprehensive Remedial Action

UMMS agrees with OLA's implicit criticism of the procurement policies and practices in place over the past several years. As detailed in the Special Committee's Report, the policies and operations of the Board prior to 2019 were fundamentally flawed and permitted numerous conflicts of interest to occur. Both the new Board and management are committed to addressing these failings and ensuring that, going forward, the governance and oversight of UMMS is effective, efficient, and consistent with best practices. To that end, in the past nine months, the Board – comprised primarily of newly appointed members – and UMMS management have taken significant steps to address and remediate these weaknesses. In particular, with respect to:

- *Conflicts of Interest* – UMMS has adopted a new Conflicts of Interest Policy ("COI Policy") whereby a conflict of interest is defined as an interest that may affect, or may reasonably appear to affect, the judgment or conduct of any covered person in a manner that is adverse to the interests of UMMS. The COI Policy requires all conflicted transactions with Board members or their families to be approved by the full Board and prohibits the Chair of the Board and the Chairs of the Governance and Nominating Committee and the Audit and Compliance Committee (or their family members) from having any business transactions with UMMS.
- *Charitable Contributions* – The Governance and Nominating Committee has developed a policy to establish a procedure for the review and approval of charitable contributions and sponsorships.
- *Directors as Vendors* – The Board has adopted a policy and a process by which the Board may evaluate the appropriateness of individual directors simultaneously serving while in a vendor relationship with UMMS (whether directly or indirectly, including through family members) in a manner consistent with state law and the COI Policy.
- *Procurement Discretion* – UMMS is implementing a Contract Management Policy ("CM Policy") to create common processes and accountability for contract execution and management across UMMS. The CM Policy will integrate conflict of interest processes into the practice of contract management, will provide guidelines for contracting and bidding, and will establish thresholds for Board approval.

In addition, many other remedial measures were adopted by the Board in 2019. The Audit and Compliance Committee is actively monitoring implementation of these measures.

Disagreements With Draft Report

UMMS strongly disagrees with two main aspects of the Draft Report.

First, UMMS takes issue with the Draft Report's repeated criticisms of the cooperation of UMMS management with your office. OLA's criticism appears to stem from the belief that *anything* less than *completely unfettered* access to UMMS' records and employees is "non-cooperation." This view is unfair and unrealistic. The standard business practices proposed by UMMS for the management of information requests, whether interviews with employees or the delivery of documents, are commonly used and accepted by other government investigators. We are confident that an objective review of the facts, including the voluminous correspondence between OLA and UMMS, bears this out. We respectfully urge you to reconsider this criticism.

Second, the scope, approach, and protocols employed by OLA in the Draft Report identify transactions as potential conflicts of interest where there was no evidence or even a suggestion of personal benefit to the "associated" Board member(s) or their family members. By way of example, the Draft Report identifies numerous "disbursements" that are simply charitable donations to Maryland and national non-profit organizations. For instance, the Draft Report identifies UMMS' sponsorship of the [REDACTED] as a "disbursement" to an "associated business entity" of three different Board members solely because those Board members also serve – as volunteers – on the board of the [REDACTED]. UMMS believes it is appropriate for one of the state's largest private-sector employers to support the communities it serves, and the fact of a common Board member between UMMS and a community institution does not – and should not – render that institution undeserving of UMMS' support. As discussed in further detail below, we believe that the overbreadth of OLA's findings and its definition of "associated businesses" inappropriately taint the people and entities involved, including UMMS, and does not advance the shared goal of improving the governance of UMMS. Again, we respectfully urge you to reconsider this approach.

Correcting The Record On UMMS' Cooperation With OLA

The Draft Report's repeated criticism that UMMS did not cooperate with the audit is unfounded and misstates key facts. As stated above, UMMS is a private, not-for-profit healthcare company and, as such, differs significantly from the state agencies that OLA typically reviews. Disclosures of confidential information to an outside third-party, including a state agency, can in some cases be a violation of law or, at minimum, act as a waiver of any future claim of confidentiality. As a healthcare provider, UMMS is heavily regulated and has numerous

obligations implicating patient privacy,¹ employee privacy, the secure preservation of data, and privileged legal advice. In addition, UMMS operates in a highly competitive marketplace, where the protection of confidential business information is a key priority.

Against this backdrop, in June 2019 OLA demanded that UMMS provide *all* emails of five members of UMMS management – more than 1.6 million emails – without any limitation on subject matter of the documents, any method to protect the privacy or privilege interests of UMMS, or any regard for the relevance of the documents to OLA’s assignment. As is routine among companies responding to government information requests, UMMS proposed narrowing the data set by using search terms, with OLA’s consideration and agreement, to reduce the 1.6 million emails to a more manageable and relevant set based on the subject matter of the communications. UMMS also expressed its desire to review the narrower set of emails prior to delivery to OLA in order to ascertain legal privilege and other confidentiality concerns, such as those involving patient privacy. This routine protocol would not have compromised OLA’s audit – just as it does not compromise the investigations of law enforcement agencies, healthcare regulators, or other government agencies that commonly permit and encourage this approach. Indeed, UMMS used search terms and reviewed documents for privileged and confidential information when it provided documents subpoenaed by the U.S. Attorney’s Office in connection with its investigation of [REDACTED].

OLA makes several criticisms of UMMS’ cooperation with OLA’s requests for email records, including that UMMS did not provide assurances that OLA would receive relevant emails, that emails were heavily redacted, and that UMMS provided emails in an unsearchable format. However, the record shows that UMMS provided an initial list of search terms in June 2019 and offered to provide OLA additional search terms to the extent OLA had further inquiries throughout the investigation. (OLA never asked to supplement this initial list.) Second, UMMS only withheld or redacted a small number of documents that were deemed privileged or that contained private patient data (such as personally identifying information (“PII”), including the names and identification numbers of Medicare patients). Of the 14,809 documents that UMMS produced, only 141 documents (.95%) had privilege redactions and only 52 documents (.35%) had PII redactions. UMMS produced the documents to OLA on September 3, 2019. At no point prior to issuing its Draft Report did OLA raise questions or concerns regarding these redactions. Yet, the Draft Report seeks to paint an alternative picture of the redactions. Lastly, UMMS did in fact produce documents in standard, searchable format, which could have been explained if the issue were raised prior to the delivery of the Draft Report.

The Draft Report also suggests that disbursement documentation was not “readily available” and that OLA’s access to UMMS employees was delayed and/or limited. UMMS disagrees. UMMS sought to provide OLA with access to available business records and UMMS

¹ As a “covered entity” governed by the Health Insurance Portability and Accountability Act of 1996, as amended (“HIPAA”), UMMS must protect the privacy and security of the “protected health information” or “PHI” it maintains, and may only use and disclose PHI in accordance with HIPAA. Where permitted to disclose PHI to a “health oversight agency” for appropriate oversight activities, UMMS must also only provide the minimum necessary PHI.

employees in a timely and orderly manner that respected both the employees' and UMMS' legal rights and OLA's interest in access to information. Businesses do not responsibly allow third parties, even government agencies, to question their employees without regard for responsible business practices and their legal rights and duties. UMMS acted reasonably in trying to establish an orderly process and did not deny OLA access to any employee.

Finally, the Draft Report asserts that UMMS' supposed lack of cooperation prevented OLA from carrying out its legislative mandate under Chapters 18 and 19, Laws of Maryland 2019. There is no factual basis for that conclusion. Under Section 3(a) of the Act, OLA was tasked with seven objectives, including identifying members of the Board and their associated businesses, and obtaining disbursement records from UMMS – both of which UMMS facilitated.² Beyond that, UMMS provided substantial additional help, including producing emails, contract documentation, and numerous witnesses to assist OLA, and meeting with you and your staff on many occasions. UMMS did not prevent OLA from completing any of the seven objectives identified by the statute.

Response to Expenditures Identified by OLA

As the Special Committee found, prior to March 2019, “significant aspects of the Board’s effectiveness as an oversight and decision-making body were deeply compromised, not only by the self-interested transactions of a group of Board members, but by structural and operational flaws in the Board’s organization and operation.”³ Self-interested transactions in which volunteer Board members received financial benefits, directly or indirectly, from UMMS – even when properly disclosed – did not adhere to UMMS policies, follow best-practices for non-profit organizations, or honor the System’s community mission and principles. Deficiencies in UMMS’ procurement and payment processes, as identified by the Special Committee, likewise contributed to the overall weak control environment that allowed self-interested transactions to occur.

Instead of focusing on conflicted transactions and control deficiencies, the Draft Report employs an overreaching definition of “associated businesses” and identifies dozens of

² According to Section 3(a), OLA was required to conduct a forensic audit of UMMS for January 2016-April 2019 that: (1) identifies all of the members of the Board of Directors of the Medical System Corporation and each member’s associated businesses; (2) obtains all disbursement records from the Medical System Corporation; (3) identifies all contracts with or payments to the members of the Board of Directors and a member’s associated businesses; (4) identifies the basis for the procurement and the Medical System Corporation official and department that initiated and approved the payment; (5) identifies the procurement method used and tests for propriety of the procurement, including whether it was conducted in accordance with a formal Medical System Corporation policy and whether the full Board of Directors approved the contract or payment; (6) evaluates whether all proper steps were taken and, if a payment or contract was sole source, whether the rationale was documented and supportable; and (7) evaluates whether the contract or payment made to a member of the Board of Directors or the member’s associated business was monitored effectively to ensure that all deliverables paid for were provided. University of Maryland Medical System Corporation-Board of Directors, Ethics, and Audits, 2019 Md. Laws, Ch. 19, 10-11.

³ Report of the Special Committee of the Board of Directors University of Maryland Medical System, December 11, 2019, at 2.

disbursements and charitable contributions,⁴ amounting to tens of millions of dollars, that were in no way tainted by the self-interest of a Board member or officer. In doing so, it leaves the impression that these proper business transactions and contributions somehow exhibited the same breakdown in processes and controls examined by the Special Committee and other reviews, when in fact they did not. Additionally, OLA notes that it “could not definitively determine the extent to which the Board members were involved in the UMMS procurements from or payments to those entities” and that “it is plausible that the Board members may not have had knowledge of the relationships.” Indeed, for certain of the transactions, financial interests, and relationships identified, no disclosure by the Board member was required. Unfortunately, not only does OLA’s audit scope obscure rather than clarify the Board process problems, it also tarnishes many volunteer community members and organizations that UMMS supports with purported conflicts of interest where none exist.

A. UMMS and Affiliated Hospitals Support for Charities

The Draft Report identifies numerous charitable donations by UMMS or its affiliate hospitals to Maryland and national non-profit organizations with which an UMMS Board member or a family member was associated (in most cases, as a volunteer director or trustee, or, in one instance, an employee of a regional community service organization).⁵ UMMS and its member hospitals take seriously the responsibility to support the communities they serve and are proud of their contributions to these organizations. Unlike the self-interested transactions that were the focus of the Special Committee Report, these charitable contributions did not confer a private financial benefit on a Board member or a family member. The decision to include them in the scope of the OLA audit tarnishes these community organizations and the volunteers who lead them. For example:

- Charitable support of \$180,625 to the [REDACTED], which is characterized as an “associated business” solely because it is also supported by the private business of Board Member 1, conferred no discernible private benefit on Board Member 1.
- Charitable support of \$979,071 to [REDACTED], where [REDACTED] of Board Member 1 was a trustee, conferred no discernible private benefit on Board Member 1.
- Charitable support of \$151,070 for the [REDACTED] where Board Member 2, Board Member 6, Board Member 16, Board Member 22, and [REDACTED] of Board

⁴ Chapters 18 and 19, Laws of Maryland 2019 did not define the “associated businesses” that were to be identified by OLA’s review. OLA therefore defined “associated business” as “any entity, regardless of whether it operated as for-profit or not-for-profit, with which the Board members or their immediate family member [spouse or adult child] (a) held an ownership interest (excluding non-controlling interests in publicly traded stock), (b) was employed, (c) received income, or (d) served as a member of the entity’s board of directors or equivalent governing body.”

⁵ Although UMMS was not able to independently verify all purported relationships between Board members and “associated businesses,” or the existence of or amounts of related disbursements, it accepts the Draft Report’s assertions on both matters for purposes of providing this response.

Member 1 served as volunteer directors, conferred no discernible private benefit on Board Members 1, 2, 6, 16, or 22.

- Charitable support of \$254,210 for the [REDACTED], on which Board Member 16 served as a volunteer director, conferred no discernible private benefit on Board Member 16.
- Charitable support of \$220,240 for the [REDACTED], on which Board Member 19 serves as a volunteer director, conferred no discernible private benefit on Board Member 19.

As reflected in the Special Committee Report, UMMS agrees with OLA's conclusion that improved policies are needed to ensure a more objective, deliberative decision-making process for UMMS' charity support program, among other things. Those process improvements are underway. However, UMMS firmly believes that supporting community organizations is an appropriate role for UMMS to play and disagrees with the implication that these contributions are tainted by conflicts of interest.

B. UMMS Business Expenditures That Conferred No Private Benefit on Board Members

The Draft Report identifies private businesses, clubs, and associations as "associated businesses" where the only connection between UMMS and the "associated business" is a common member or director. Doing so suggests the Board member benefited personally from the business/club/association's transaction with UMMS and that it represented a conflict of interest. UMMS disputes that characterization. For example:

- Payments of \$132,455 to a local city club for membership and expenses, where Board Member 2 is also a member, conferred no discernible private benefit on Board Member 2.
- Payments of \$4,120,815 in dues to the [REDACTED] for UMMS' 13 member hospitals' participation in the [REDACTED], where Board Member 6 served as a director and Vice Chairman, conferred no discernible private benefit on Board Member 6.
- Payments of \$21,950 for advertising on community news sites on the Eastern Shore. The Draft Report attributes this transaction to Board Member 14 solely based on his service as a volunteer director of the [REDACTED]. [REDACTED] is a non-profit organization that acts as a disbursing agent for over 400 non-profits, each of which has its own separate component fund. There is no evidence the transaction conferred a discernible private benefit on Board Member 14 or that he was even aware of it.

The Draft Report also includes in its calculation of “total disbursements” almost \$58 million in payments to insurance companies, which in large part represents insurance premiums passed on by UMMS or its affiliates to those insurers. The Draft Report also includes a \$4 million pass-through payment to an escrow agent for a land purchase (as discussed below in Section D). As the vast majority of these payments are pass-throughs, the \$62 million does not reflect a benefit conferred on an entity associated with a Board member.

C. UMMS or Affiliate Hospital Expenditures for Practicing Physician

The Draft Report identifies payments of \$2,352,985 to the medical practice of Board Member 10, a practicing physician affiliated with the [REDACTED]. The relationship between the medical practice and the [REDACTED] was disclosed as required and widely known during Board Member 10’s service on the UMMS Board. The payments were to Board Member 10’s group practice for call coverage services and medical director services. As discussed with OLA, all payment amounts have written, contemporaneous substantiation. Although the payments to the medical practice were not formally approved by the UMMS Board, these services are the type for which appropriate non-Board service-related compensation for a Board member is contemplated by the UMMS bylaws. In addition, as noted by the Draft Report (*see* note 16), Board Member 10’s contract with [REDACTED] predated [REDACTED] merger with UMMS and Board Member 10’s service on the UMMS Board.

D. Additional Relationships Where No Disclosure Was Required

The Draft Report identifies 1,077 payments totaling \$6,967,654 to three companies with a common parent (“Vendor A”, “Vendor B”, and “Vendor D”) associated with Board Member 4. The Draft Report does not disclose that Board Member 4 has not worked for the parent corporation (“Parent”) since 2010 – six years before his appointment to the Board – or that the payments to Board Member 4 are interest on deferred compensation owed by the Parent to Board Member 4 as part of a retirement plan. Board Member 4 has not had a management or ownership interest in the Parent in the time he has served as an UMMS director. The Disclosure of Financial Interest form did not require disclosure of these interest payments, which also did not violate the Board Conflict of Interest Policy.

Further exemplifying the overreach of the Draft Report, it also included 1,021 payments totaling \$5,103,455 to a group of companies (“Vendor 4C”) that the Draft Report states “had a direct financial connection to a vendor from which Board Member 4 received financial compensation.” We understand the “direct financial connection” is merely a common investor in, or owner between Vendor 4C and the separate Parent company that owns 4A, 4B, and 4D. We are aware of no evidence that Board Member 4 had any financial connection to “Vendor 4C,” and the Draft Report does not substantiate that conclusion.

The Draft Report also identifies two payments totaling \$4,107,354 to Vendor 5A and 87 payments totaling \$2,652,827 to Vendor 5B, associated with Board Member 5. The payments to

Vendor 5A – a pass-through escrow payment for which the law firm of Board Member 5 served as escrow agent for the party opposite to UMMS – related to a real estate transaction completed before Board Member 5 was appointed to the Board. This financial transaction was not required to be disclosed on the Disclosure of Financial Interest form and did not violate the Board Conflict of Interest Policy. OLA’s decision to include the full \$4.1 million escrow payment as a “disbursement to vendor” leaves the impression that Board Member 5 profited from the transaction by more than \$4 million, which is incorrect. Similarly, the \$2.7 million in payments to Vendor 5B primarily consisted of payments by [REDACTED] on a loan that predated Board Member 5’s appointment to the Board by three years. Vendor 5B is a subsidiary of a publicly traded company, of which Board Member 5 owns far less than three percent, and therefore Board Member 5’s stock ownership does not require disclosure or violate the Board Conflict of Interest Policy. As a stockholder in a public corporation, it is misleading to suggest that Board Member 5 personally benefited from debt repayments of almost \$2.7 million.

Call for Transparency

Finally, it is our understanding that OLA intends to release its report to the General Assembly and public *without* disclosing the names of the Board members, businesses, and charities that form the focus of the Draft Report. UMMS strongly urges you to reconsider. In the past year, the new Board leadership and management of UMMS have made transparency a core principle of governance. That is why, even though UMMS is a *private* entity, the Board authorized the full disclosure of the Special Committee’s Report in December 2019. Furthermore, lack of disclosure will merely fuel speculation as to the thinly veiled identities of the people and institutions addressed by the Draft Report and serve to make transactions appear nefarious when they are anything but. While we disagree with your findings for the reasons explained above, masking the true facts underlying your conclusions will do more harm than good. UMMS strongly believes in the critical values of transparency and accountability and urges you to make your findings fully public.

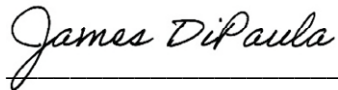
Conclusion

UMMS recognizes and applauds OLA’s efforts to provide a fact-based and detailed report. UMMS further recognizes that the Board’s governance and management controls were deficient prior to the recent reforms. As such, the concerns outlined above are not aimed at or in any way intended to minimize the Draft Report findings that point to legitimate breakdowns in corporate governance. To the contrary, please be assured that these findings are welcome and will inform our remediation work, which has been underway for nine months. Perhaps most importantly, UMMS and OLA agree that, once the remedial measures set forth in the Special Committee and other reports are fully implemented, UMMS will have a set of governance policies and oversight mechanisms that will serve the organization, its hospitals and other facilities, its employees, its patients, and the communities that it serves for many years to come. It is UMMS’ sincere hope that this Draft Report can be an aid in achieving the shared goal of

Hook, Gregory A.
March 6, 2020
Page 10.

restoring efficient, effective, and visionary leadership for the University of Maryland Medical System. UMMS believes that OLA's review completes the extensive round of audits, investigations, and reviews into these governance issues to allow UMMS to move forward with complete focus on providing highest level of quality and compassionate patient care.

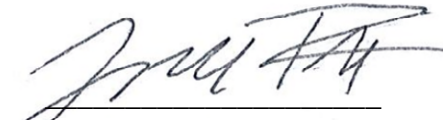
Respectfully Submitted,



James C. DiPaula, Jr.
Chair, Board of Directors



Mohan Suntha, MD, MBA
President & Chief
Executive Officer



Jason Frankl
Chair, Audit & Compliance
Committee

Appendix B

Auditor's Comments on UMMS Response

Although UMMS generally agrees with our findings, it disputes that limitations were imposed on our access to its records (including emails) and employees, and disagrees with our basis for including certain disbursements in our report.

Disagreement on UMMS Cooperation

In regard to the limitations imposed on our access, UMMS disputes that **(a)** it did not comply with our request for certain employees' emails and **(b)** it did not make its employees and documentation available to us.

(a) Emails – UMMS cited its obligation to protect confidential and legally privileged information as well as the routine protocols established among companies responding to government information requests as the basis for not providing us with all of the requested emails. UMMS further asserts that it provided us with emails and offered to conduct additional queries at our request.

There are several factors that support our comments regarding the emails. Specifically, UMMS discounts the three-month delay between our initial request for the emails in June and the ultimate delivery of the limited number of emails in September. As we advised UMMS senior executive management on a number of occasions, access to the emails after a certain point would impair the usefulness of the data for our review given the time needed to analyze, corroborate, and develop appropriate follow up on the results. Furthermore, the extent to which UMMS screened and redacted these emails raised questions as to completeness of the emails that would be provided. Finally, the routine protocols referenced by UMMS in its response demonstrates a lack of appreciation for the unprecedented nature of the legislation mandating our work and its related scope.

(b) Access to records and personnel - UMMS contends that documentation and employees were made readily available to OLA during the audit.

As noted in our report, there were extensive delays between our repeated requests for documents and personnel with whom to discuss the procurements. Ultimately, there were numerous instances in which UMMS could not provide the requested documentation or identify responsible employees, including those related to contracts that appeared to still be active at the time of our review. While these delays may have been the result of systemic procedural deficiencies that have been acknowledged by UMMS, the delays ultimately impaired our ability to determine the source, nature, and propriety of numerous transactions identified.

Disagreement on Inclusion of Certain Disbursements

UMMS believes that OLA employed an overreaching definition of associated businesses. UMMS disagrees with the inclusion of several associated businesses in our report for which **(a)** OLA did not demonstrate that the respective Board member(s) had a financial interest and **(b)** for which UMMS disputes the extent and timing of the financial relationship with the Board members and/or that the transactions presented a conflict of interest.

(a) We are explicit throughout our report that we could not definitively determine that Board members were aware of, involved in, or benefited from the payments, nor that the transactions we identified were improper. The format used to present the transactions in Table 5 (page 19) and our related comments clearly labeled the transactions highlighted in the UMMS response as associated businesses for which we could not demonstrate a financial benefit to the respective Board member(s).

While we acknowledge and respect UMMS' contributions to these entities, there was a lack of transparency, policies and procedures, and documentation to support the source, nature, and the overall propriety of many of these payments. Furthermore, as noted in our introductory comments in the Other Associated Business Entities section (page 60), payments to legitimate and otherwise respectable charities can be used for questionable purposes. Therefore, we felt compelled and deemed it appropriate to include these disbursements in our report to comply with the mandate of Section 3(a)(3) of Chapter 18, Laws of Maryland 2019 which required us to identify all contracts with or payments to a member's associated businesses.

(b) Our review of available documentation clearly demonstrates that Board Members 4, 5, and 10, highlighted in the UMMS response, have a financial interest in the associated business (or another business with a direct financial connection to the associated business). The legislation mandating our review did not distinguish between the type and timing of the financial relationship and therefore, we believe it was appropriate to include them in the scope of our review. In addition, due to the lack of policies and procedures and documentation to support the source, nature, and propriety of many of these payments, we could not conclude on the extent to which these transactions presented a conflict of interest.

In regard to the specific concerns raised by UMMS for Board Member 4, as noted above and in our comments on pages 33-37, using State and UMMS records, we were able to establish a direct financial relationship between the Board Member

and the associated businesses included in our report. The terms of employment and nature of the compensation was not included in the scope of our review and do not contradict any of the facts presented. In regard to Board Member 5, our comments on the associated businesses (pages 37-38) clearly explain the nature of the payments to Vendor 5A, and we did not test Vendor 5B, but the relationship was nevertheless disclosed to us by the Board Member in response to our questionnaire. In regard to Board Member 10, UMMS asserts that the nature of the activity is appropriate, but acknowledges the relationship was not formally approved by the Board. As noted in our comments on pages 41-42, UMMS could not provide document to support the propriety of the procurement and the related payments to support these assertions.

Disclosure of Board Member and Associated Business Names

UMMS requested that we disclose the names of the Board members and associated businesses included in Objectives 2 and 3. However, as noted on page 18 we believe that such information should be excluded from the report given the focus of our review.