

## Audit Report

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### Department of Human Services Office of the Secretary and Related Units

February 2025

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#### Public Notice

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



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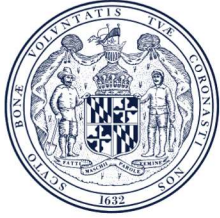
Office of Legislative Audits  
The Warehouse at Camden Yards  
351 West Camden Street, Suite 400  
Baltimore, Maryland 21201  
Phone: 410-946-5900  
Maryland Relay: 711  
TTY: 410-946-5401 · 301-970-5401  
E-mail: [webmaster@ola.state.md.us](mailto:webmaster@ola.state.md.us)  
Website: [www.ola.state.md.us](http://www.ola.state.md.us)

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Victoria L. Gruber  
Executive Director

DEPARTMENT OF LEGISLATIVE SERVICES  
OFFICE OF LEGISLATIVE AUDITS  
MARYLAND GENERAL ASSEMBLY

Brian S. Tanen, CPA, CFE  
Legislative Auditor

February 28, 2025

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

Ladies and Gentlemen:

We have conducted a fiscal compliance audit of the Office of the Secretary and related units of the Department of Human Services (DHS) for the period beginning August 1, 2019 and ending July 15, 2023. DHS provides intervention services to stabilize families and vulnerable adults, encourages financial independence by providing temporary support and transition services, and provides for the welfare of children at risk.

DHS is also responsible for certain aspects of the Maryland Total Human Services Integrated Network (MD THINK) project implementation. During our audit an independent accounting firm conducted a forensic audit of the system in response to ongoing concerns with the implementation. Due to the ongoing forensic audit, we did not review the MD THINK project but did include an informational comment summarizing the forensic report findings which concluded that the project was not developed effectively, leading to issues with the overall functionality and the need for ongoing re-work of the system. The report also identified numerous deficiencies regarding DHS' oversight and monitoring of the project. As of September 30, 2023, MD THINK costs totaled \$618.5 million.

Our audit disclosed deficiencies in DHS' procedures to account for federal fund activity, including an inability to determine whether federal funds were recovered for all State-funded expenditures. Specifically, DHS could not support that federal fund reimbursement requests were properly calculated and recorded in the State's accounting records, and did not always verify that federal fund reimbursement requests were subsequently received. Our audit also disclosed that

DHS lacked assurance that the balances of the revenue and expenditure accounts related to federal fund activity were accurate. For example, we identified \$292.1 million deficit balance in one account at June 30, 2023 that was caused by DHS recording erroneous journal entries since fiscal year 2021.

In addition, our audit disclosed cybersecurity-related findings. However, in accordance with the State Government Article, Section 2-1224(i) of the Annotated Code of Maryland, we have redacted the findings from this audit report. Specifically, State law requires the Office of Legislative Audits to redact cybersecurity findings in a manner consistent with auditing best practices before the report is made available to the public. The term “cybersecurity” is defined in the State Finance and Procurement Article, Section 3.5-301(b), and using our professional judgment we have determined that the redacted findings fall under the referenced definition. The specifics of the cybersecurity findings were previously communicated to those parties responsible for acting on our recommendations.

Furthermore, our audit noted that DHS did not always publish contract awards on *eMaryland Marketplace Advantage (eMMA)* within 30 days as required by State procurement laws and regulations. DHS also did not ensure that employees who were terminated or left State service were promptly removed from the payroll, resulting in improper payments to at least 36 former employees totaling \$109,000. In addition, DHS did not ensure that corrective actions were implemented to address findings from our Office’s fiscal compliance audits of other DHS units.

Our audit also included a review to determine the status of the five findings contained in our preceding audit report. For the non-cybersecurity-related findings, we determined that DHS satisfactorily addressed two of those three findings. The remaining finding is repeated in this report.

DHS’ response to this audit is included as an appendix to this report. We have edited DHS’ response to remove links to online documents, as allowed by our policy. Consistent with State law, we have redacted the elements of DHS’ response related to the cybersecurity audit findings. We reviewed the response to our findings and related recommendations, and have concluded that the corrective actions identified are sufficient to address all audit issues.

We wish to acknowledge the cooperation extended to us during the audit by DHS and its willingness to address the audit issues and implement appropriate corrective actions.

Respectfully submitted,

*Brian S. Tanen*

Brian S. Tanen, CPA, CFE  
Legislative Auditor



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## Background Information

### Agency Responsibilities

The Department of Human Services (DHS) provides intervention services to stabilize families and vulnerable adults, encourages financial independence by providing temporary support and transition services, and provides for the welfare of children at risk. To deliver these services, DHS is organized into seven budgetary units. This audit included the operations of the Office of the Secretary, which provides overall direction and coordination for all DHS programs and activities; the Operations Office, which provides core administrative services to DHS units; and the Office of Technology for Human Services, which is responsible for the overall management and direction of DHS' information systems. The remaining four units of DHS, listed below, are audited and reported upon separately (see Exhibit 1).

- Child Support Administration
- Family Investment Administration
- Local Department Operations
- Social Services Administration

According to State records, during fiscal year 2023, expenditures for all of DHS' seven budgetary units totaled approximately \$3.9 billion, of which the majority was for assistance programs such as the Supplemental Nutrition Assistance Program. For the three units included in this audit, expenditures totaled approximately \$274.7 million during this period (see Figure 1 on the following page).<sup>1</sup> During the period of June 30, 2020 through June 30, 2023, these three units of DHS had vacancy rates that ranged from 1 percent to 12 percent. As of June 30, 2023, approximately 12 percent of the total 457 positions were vacant. These vacancies may have contributed, at least in part, to the findings in this report.

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<sup>1</sup> Our audit included the review of certain support services provided by DHS' Office of the Secretary and related units to other units of DHS, including purchasing services. As such, contracts from each of DHS' seven budgetary units were subject to review.

**Figure 1**  
**DHS Positions, Expenditures, and Funding Sources**

<b>Full-Time Equivalent Positions as of June 30, 2023</b>		
	<b>Positions</b>	<b>Percent</b>
Filled	401	87.8%
Vacant	55	12.0%
Frozen <sup>2</sup>	1	0.2%
<b>Total</b>	<b>457</b>	
<b>Fiscal Year 2023 Expenditures</b>		
	<b>Expenditures</b>	<b>Percent</b>
Salaries, Wages, and Fringe Benefits	\$ 51,151,228	18.6%
Technical and Special Fees	2,135,592	0.8%
Operating Expenses	221,416,203	80.6%
<b>Total</b>	<b>\$274,703,023</b>	
<b>Fiscal Year 2023 Funding Sources</b>		
	<b>Funding</b>	<b>Percent</b>
General Fund	\$115,979,656	42.2%
Special Fund	1,209,346	0.4%
Federal Fund	121,907,552	44.4%
Reimbursable Fund	35,606,469	13.0%
<b>Total</b>	<b>\$274,703,023</b>	

Source: State financial and personnel records

## **Maryland Total Human Services Integrated Network (MD THINK) Project**

In fiscal year 2017, the Maryland Total Human Services Integrated Network (MD THINK) project was initiated to modernize and integrate multiple State health and human services information systems. The goal of MD THINK is to eliminate redundancies in the benefit application process for individuals requiring services from multiple agencies and help ensure applicants receive all needed services regardless of which agency administers the program. Although several State

<sup>2</sup> Prior to December 1, 2021, a hiring freeze resulted in certain positions being frozen. Agencies were not authorized to fill frozen positions according to budgetary instructions from the Department of Budget and Management. Any position that is currently marked as frozen has not been filled since the freeze was lifted; however, these positions now are available to be filled.

agencies participated in MD THINK,<sup>3</sup> funding for MD THINK has been included in DHS' budget since the project's inception and DHS was designated as the project host and has the primary responsibility for the development of these coordinated systems. According to State records, MD THINK costs through federal fiscal year 2023 totaled \$618.5 million.

In response to numerous concerns with the implementation of MD THINK, DHS contracted with an independent accounting firm to conduct a forensic audit of the MD THINK project. On September 22, 2023, the firm issued its forensic audit report which contained numerous observations and findings, including findings that were specifically related to DHS' oversight and monitoring of the project including the following:

- MD THINK was not developed effectively, leading to issues with overall functionality and the need for ongoing re-work.<sup>4</sup> The project's agile resource staffing requirements did not require specific experience in the industry or with the complex Eligibility & Enrollment system. Consequently, the firm concluded that many of the complex MD THINK calculations and rules have not been developed correctly and are not being fixed effectively, resulting in prolonged deployment of programs with bugs.
- DHS did not maintain a complete and accurate record of service contracts procured for MD THINK. The firm found that MD THINK maintained an Acquisition Summary Report, but 168 executed work orders, task orders, and modifications were not included in the report. In addition, supporting documentation describing the purpose and key attributes did not exist for 175 work orders and modifications that were included in the Acquisition Summary Report. Finally, the firm identified work orders, task orders, and modification agreements that were missing execution signatures.

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<sup>3</sup> The original project plan established a State agency steering committee consisting of DHS, the Department of Information Technology (DoIT), the Department of Juvenile Services (DJS), the Maryland Department of Health (MDH), the Maryland Health Benefit Exchange (MHBE), the Department of Budget and Management (DBM), and the Governor's Office. In July 2021, the MD THINK Executive Committee was established by the Governor's Executive Order, consisting of the same agencies (with the exception of MHBE). A second Executive Order in April 2022 established the MD THINK Executive Director, a position appointed by the Governor.

<sup>4</sup> Projected MD THINK costs for Design, Development, and Implementation in federal fiscal years 2024 and 2025 totaled \$116.5 million. DHS could not readily provide a breakdown between the costs associated with addressing the deficiencies identified by the forensic report and costs for additional planned enhancements for the MD THINK project.

- Although hardware, software, and general expenses tested by the firm were determined to be for IT related costs, the firm noted that there was no documentation that these expenditures specifically related to MD THINK.
- Reporting was not sufficiently detailed to provide for effective oversight. For example, the periodic Portfolio, Steering, and Independent Verification and Validation (IV&V) meetings contained specific and significant issues with the program's development and operation. However, only two summary reports were provided to the Governor at the end of fiscal years 2021 and 2022 which focused primarily on positive aspects of the program and did not provide commentary or insight into any of the issues that were identified.

The firm also concluded that the IV&V reports routinely identified risks across multiple programs and periods that did not seem to have been fully addressed or resolved timely even when they globally impacted the MD THINK platform. Additionally, the firm was not provided with any documentation to support whether IV&V observations and issues negatively impacting the project were tracked prior to January 2020.

- Documentation was not always available for the 336 individuals employed under MD THINK contracts to support their eligibility to work on the project. For example, the firm identified 58 individuals who lacked evidence that a background check was performed, and background checks for 3 other individuals disclosed issues that the firm concluded should have precluded their involvement on the project.

The forensic report contained numerous recommended actions for DHS to implement to address the conditions identified in the report. DHS generally agreed with the forensic auditor's recommendations.

Since the forensic audit was ongoing at the time of our fieldwork, we limited our coverage of the MD THINK project to a review of the aforementioned forensic report.

## **Residential Rehabilitation Rates**

As noted in our two preceding DHS audit reports, in response to a U.S. Department of Health and Human Services (HHS) audit<sup>5</sup> in fiscal year 2011, the

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<sup>5</sup> The HHS audit concluded that the State's use of a flat per diem rate for Medical Assistance Program (Medicaid) claims for residential rehabilitation services, regardless of the specific services received by each client, made it unclear whether such services were eligible for Medicaid reimbursement.

Maryland Department of Health (MDH), which administers the State's Medicaid program, agreed to pursue changes to the State's methodology for setting per diem rates for residential rehabilitation<sup>6</sup> services and to ensure claims were properly documented in accordance with that methodology.

In fiscal year 2015, the State's Rate Setting Reform Stateholders Workgroup<sup>7</sup> determined that most services that were reimbursed and included in the per diem rates, such as residential rehabilitation room, board and recreation, were not Medicaid-covered services. The Workgroup concluded that the small portion of Medicaid-covered services (such as mental health counseling) should be recovered directly by the providers as fee-for-service claims and a reduced State per diem rate should be established for the non-Medicaid eligible service portion. DHS continued to use the old rate through fiscal year 2015, at which point it stopped recovering federal funds for these services until a new rate is developed to avoid potential penalties.

In July 2022, DHS contracted with an actuarial vendor to develop a new rate structure for residential rehabilitation service providers. DHS advised that the vendor completed development of a new rate structure for certain providers in December 2023 and that the remaining rates would be finalized by July 2025, but that MDH needed to formally amend the Medicaid State Plan before the rates could be used to request federal reimbursement. A DHS analysis of the impact of the proposed rates on residential foster care service expenditures determined that it could have recovered approximately \$7.6 million in additional federal funds if the new rates had been in place during fiscal year 2023.

## **Status of Findings from Preceding Audit Report**

Our audit included a review to determine the status of the five findings contained in our preceding audit report dated November 17, 2020. As disclosed in Figure 2 on the following page, for the non-cybersecurity-related findings, we determined that DHS satisfactorily addressed two of those three findings. The remaining finding is repeated in this report.

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<sup>6</sup> Residential rehabilitation services are provided under DHS' foster care programs. Foster care is administered by the DHS-Social Services Administration.

<sup>7</sup> The Rate Setting Reform Stakeholders Workgroup was created under the State's Interagency Rates Committee and is comprised of the Departments of Health, Human Services, Juvenile Services, Budget and Management, and Education; and the Governor's Office for Children.

**Figure 2**  
**Status of Preceding Findings**

<b>Preceding Finding</b>	<b>Finding Description</b>	<b>Implementation Status</b>
Finding 1	Sensitive personally identifiable information maintained by DHS was stored without adequate safeguards.	Status Redacted <sup>8</sup>
Finding 2	DHS did not adequately address numerous significant information technology security and operational issues for its Electronic Benefits Transfer System.	Status Redacted <sup>8</sup>
Finding 3	DHS did not modify the payment rates for residential rehabilitation services, resulting in the use of State funds to cover the cost of services that are potentially eligible for federal reimbursement.	Not repeated
Finding 4	DHS did not always publish contract awards on <i>eMaryland Marketplace</i> as required by State laws and regulations.	<b>Repeated</b> (Current Finding 7)
Finding 5	DHS had not completed an annual physical inventory of sensitive equipment since fiscal year 2016, and DHS' equipment records did not contain dollar values for numerous equipment items.	Not repeated

<sup>8</sup> Specific information on the current status of this cybersecurity-related finding has been redacted from the publicly available report in accordance with State Government Article, Section 2-1244(i) of the Annotated Code of Maryland.

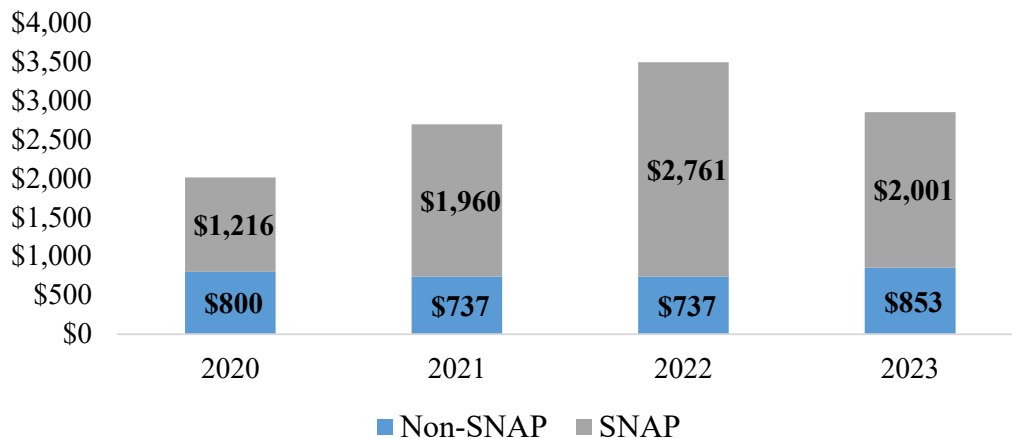
## Findings and Recommendations

### Federal Funds

#### Background

According to State records, the Department of Human Services (DHS) federal fund expenditures (excluding expenditures directly related to the COVID-19 public health emergency) during fiscal years 2020 through 2023 totaled approximately \$11.1 billion (see Figure 3).<sup>9</sup> These expenditures related to various federal grant programs administered by DHS' Family Investment Administration (FIA), Social Services Administration (SSA), Child Support Administration (CSA), and the Local Departments of Social Services (LDSSs). For example, FIA administers the Supplemental Nutrition Assistance Program (SNAP) and Temporary Assistance for Needy Families (TANF) programs. Our Office conducts separate audits of these DHS units. The scope of our current audit included DHS' procedures and controls to recover federal funds for qualified expenditures made by these units, excluding SNAP.<sup>10</sup>

**Figure 3**  
**DHS Federal Fund Expenditures by Fiscal Year**  
**(\$ in millions)**

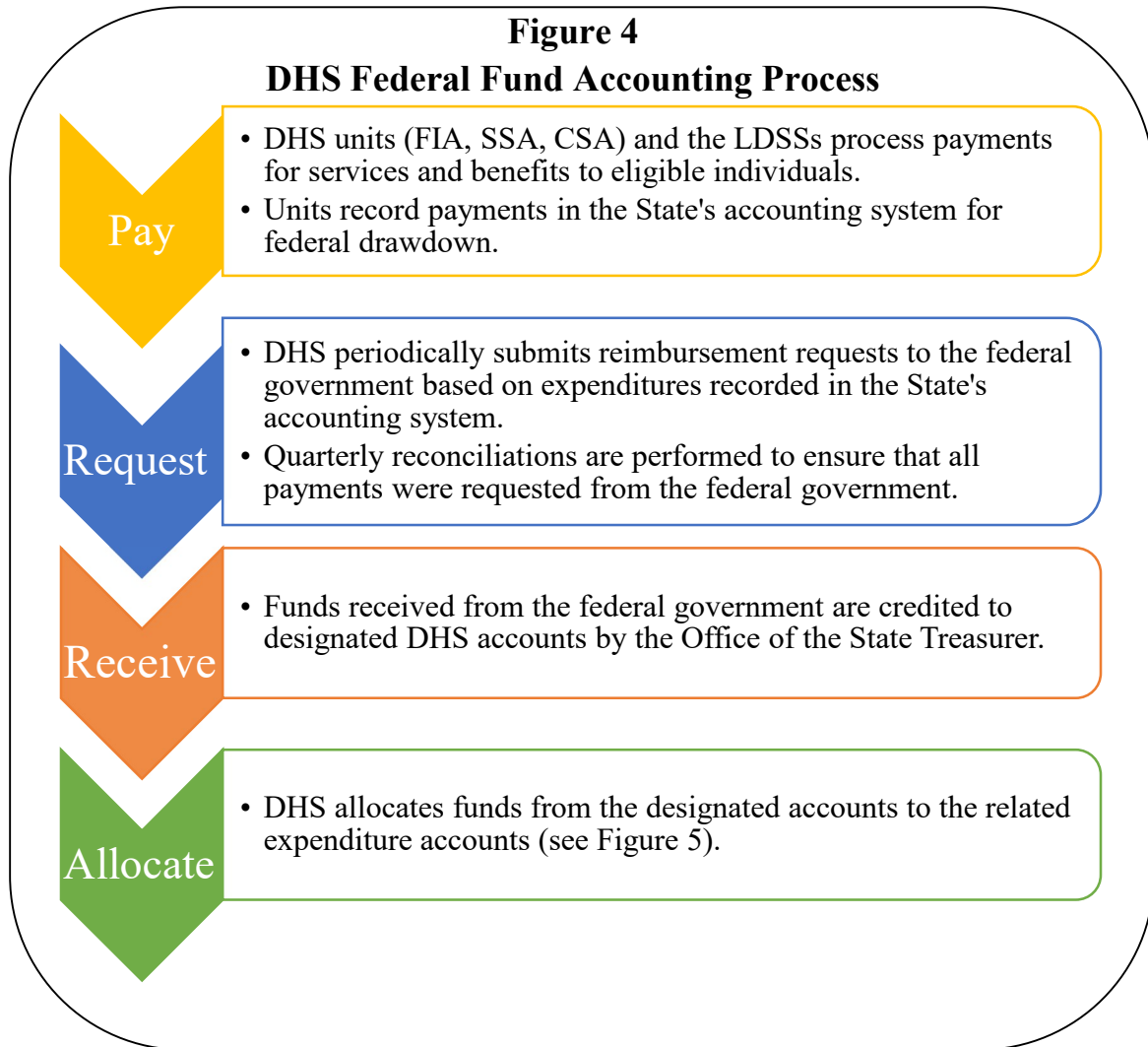


Source: State accounting records

<sup>9</sup> DHS' receipt, expenditure, and accounting for these funds are subject to review and testing during the annual federal Single Audit performed by independent auditors under contract with the State of Maryland.

<sup>10</sup> We excluded SNAP from our review because State general funds are not used to finance SNAP expenditures. Rather, DHS contracts with a third-party vendor that disburses SNAP payments, which are subsequently reimbursed directly to the vendor by the federal government.

As described in Figure 4 below, the federal fund accounting process includes four distinct steps (a) payment for services, (b) request for federal reimbursement, (c) receipt of the federal funds, and (d) allocation of the funds to the appropriate accounts. Each of these steps is integral to ensure funds are properly expended and recovered from the federal granting agency in a timely manner.



Our current audit disclosed that DHS did not have comprehensive procedures and controls over the request, receipt, and allocation of the federal funds. As a result, there was a lack of assurance that DHS recovered all available federal funds.



**Finding 1**

**DHS could not support that federal fund drawdowns were properly calculated and journal entries to allocate expenditures in the State's accounting records were not always supported and subject to supervisory review.**

**Analysis**

DHS could not support that federal fund drawdowns were properly calculated and journal entries to allocate expenditures in the State's accounting records were not always supported and subject to supervisory review. DHS' process for recording federal expenditures is highly complex and involves the periodic allocation of expenditures between various accounts in the State's accounting records via journal entry. Our review of these processes disclosed the following:

Federal Fund Drawdowns Calculation Not Supported

DHS could not support that federal fund drawdown requests to obtain reimbursement for various federal programs were properly calculated. DHS initially funds expenditures for these programs using State funds and then seeks reimbursement for a portion of these expenditures. Our test of 14 arbitrarily selected drawdowns from fiscal year 2023 totaling \$75.6 million disclosed that DHS could not support the basis for the amounts requested for the drawdowns.

DHS advised that it calculated federal fund drawdowns based on the Cash Management Improvement Act (CMIA) agreement between the State of Maryland and the federal government. However, the CMIA does not specify the percentage of total program expenditures eligible for federal reimbursement. Rather, the CMIA provides certain guidelines (such as how indirect costs can be charged) for submitting the reimbursement requests.

As a result, we were unable to determine whether drawdown requests were properly calculated and that reimbursement for all eligible expenditures was obtained.

Journal Entries Were Not Always Supported and Reviewed

Journal entries recorded to allocate federal fund expenditures were not always properly supported and reviewed. Accurate recording of expenditures in the State's accounting records is critical because as noted above, the expenditure data is used to calculate the related federal fund recoveries. According to State accounting records, during fiscal year 2023 DHS recorded 2,383 entries totaling \$2.8 billion to allocate federal fund expenditures.

Our test of seven of these entries<sup>11</sup> totaling \$773.8 million recorded during fiscal year 2023 disclosed that DHS could not support the basis for five entries that allocated \$763.7 million in expenditures. DHS advised us that the entries were based on reports from the State's accounting system but could not provide us with copies of the reports to verify they were proper. In addition, four of the seven entries that allocated \$672.1 million were recorded without supervisory approval.

As a result of these conditions, there is a lack of assurance that the entries were proper and that the resulting account balances were accurate.

### **Recommendation 1**

#### **We recommend that DHS**

- a. ensure federal fund reimbursement requests are properly calculated in accordance with federal program requirements;**
- b. pursue the resolution of any improperly calculated federal fund reimbursement requests to the extent possible, including the collection of any unrecovered federal funds; and**
- c. ensure journal entries recorded in the State's accounting records to allocate federal fund expenditures are properly documented and reviewed by a supervisory employee.**

### **Finding 2**

**DHS did not always verify that federal funds reimbursement requests were subsequently received.**

### **Analysis**

DHS did not always verify that federal fund reimbursement requests were subsequently credited to the designated DHS account by the Office of the State Treasurer (STO).<sup>12</sup> Our test of the 14 fiscal year 2023 federal fund reimbursement requests in Finding 1, disclosed that DHS did not document the verification of receipt for 10 requests totaling \$59.8 million. Although we determined that DHS ultimately received the full amounts requested, given the significant amount of funding DHS receives from the federal government and STO acting as an intermediary for the collection of the funds, DHS should ensure all federal funds requested are received.

<sup>11</sup> Our selection of test items was based on materiality.

<sup>12</sup> Although federal funds are requested by DHS, STO actually receives the funds from the federal government, which is documented by STO posting the receipt activity to the appropriate clearing account.

**Recommendation 2**

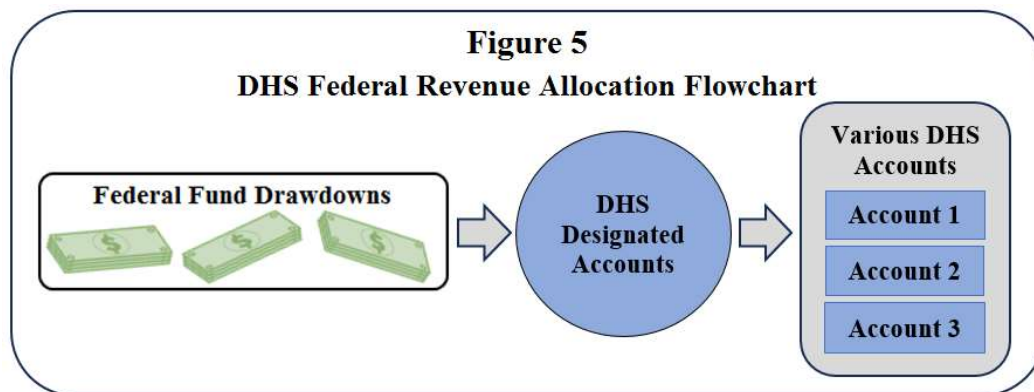
**We recommend that DHS perform documented verifications to ensure that all federal funds requested were received.**

**Finding 3**

**DHS did not have procedures to ensure all federal fund reimbursements were allocated to the proper account. As a result, certain funds were improperly allocated without detection which raises concerns about the accuracy of account balances and whether all federal funds had been recovered.**

**Analysis**

DHS did not have procedures to ensure that all federal fund reimbursements were properly allocated from the designated accounts to the related expenditure accounts. We noted certain funds were either not allocated or allocated improperly, resulting in inaccurate account balances dating back to at least fiscal year 2021. Federal funds received from STO are initially recorded to designated DHS accounts and then must be allocated to the appropriate accounts where the related expenditures are recorded (see Figure 5).



Our analysis of DHS' accounting records at June 30, 2023 disclosed one account with a \$292.1 million deficit balance that was caused by DHS recording year-end journal entries since fiscal year 2021 that erroneously allocated revenue from the account to offset expenditures in other unrelated accounts. We noted that all of these entries were made without supervisory approval. Our analysis also identified another account with a \$151 million deficit balance, which DHS management advised is the result of the failure to allocate federal fund revenues to offset the expenditures recorded in the account.

The failure to properly allocate the federal revenue resulted in a lack of assurance that DHS account balances were accurate, and the inability to determine whether all federal funds were ultimately recovered. DHS advised that the deficit balances in the aforementioned accounts were offset by surplus balances in other expenditure accounts. However, as of November 2024, DHS could not readily document the extent to which the balances were related.

These conditions occurred, at least in part, because DHS had not established comprehensive and effective oversight of its federal fund accounting process to ensure that all critical journal entries were timely and proper. In this regard, DHS' written procedures at the time of our audit did not specify how often journal entries should be performed, the documentation requirements, and who was responsible for performing supervisory reviews. Furthermore, no documented comprehensive verifications were performed to ensure that revenues were matched to the related expenditures and that DHS had recovered the cost of all services.

### **Recommendation 3**

#### **We recommend that DHS**

- a. establish procedures and controls to ensure federal funds are allocated timely, properly and accurately, and that the related transactions are subject to supervisory reviews and approvals; and**
- b. investigate and resolve the aforementioned account balances.**

## **Budgetary and Year-End Closing**

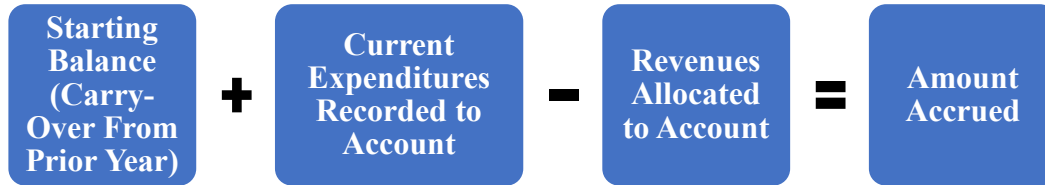
### **Finding 4**

**DHS could not provide documentation to support the propriety of its accrued federal fund revenue entries or the subsequent recovery of the funds.**

### **Analysis**

DHS could not provide documentation to support the propriety of its accrued federal fund revenue entries or the subsequent recovery of the funds. The Comptroller of Maryland – General Accounting Division (GAD) requires all federal fund accounts to be zeroed out at year-end. To accomplish this, agencies must record an accrued revenue for any amounts due from the federal government or defer any balances to the next year (such as by recording a negative accrued revenue transaction) as further described in Figure 6 on the following page. At the end of fiscal year 2023, DHS recorded 21 accrued federal fund revenue entries totaling \$1.3 billion, consisting of 18 positive accrued revenue entries totaling \$781.4 million and 3 negative accrued revenue entries totaling \$543.3 million.

**Figure 6**  
**Year-End Accrued Revenue Calculation**



Year-End Balance	Accrued Revenue	Explanation
Deficit	Positive	<ul style="list-style-type: none"> <li>Expenditures exceed the revenue recorded in the account.</li> <li>A <b>positive</b> accrued revenue entry is recorded to close the account at zero, with the expectation that the funds will be received in the next fiscal year.</li> </ul>
Surplus	Negative	<ul style="list-style-type: none"> <li>Revenues exceed the expenditures recorded in the account.</li> <li>A <b>negative</b> accrued revenue entry is recorded to close the account at zero, deferring the recognition of revenues, for funds already received, to the next fiscal year.</li> </ul>

#### DHS Could Not Support Accrued Revenue Entries

DHS maintains a database outside of the State's accounting records to track expenditures and revenues received for each of its federal grant programs. DHS recorded accrued revenue entries in the State's accounting records to bring each federal account balance to zero, and advised us that these entries equaled the net amount receivable for all of its federal grants according to this database.

However, DHS did not analyze the accrued revenue entries (which reflected combined activity for multiple federal grants) to ensure the amounts were related to current (fiscal year 2023) expenditures and to identify variances indicative of errors in the underlying account balances.

An evaluation of the balances at year-end is critical because of the significant amount of federal funds DHS receives each year, which may mask unrecovered expenditures or errors in DHS' accounting records. Specifically, we noted that DHS did not identify certain questionable accrued revenue transactions, including a \$292.1 million entry to eliminate the deficit balance in an account that only had expenditures of \$22.2 million during fiscal year 2023. We compared this entry to the accrued revenue entries for the account during prior years and noted that the amount had increased from \$10.9 million in fiscal year 2020 to \$292.1 million in fiscal year 2023, even though the annual expenditures for this account on DHS' accounting records never exceeded \$27 million.

DHS did not consider these questionable balances until we brought the matter to its attention in November 2023. As noted in Finding 3 above, DHS advised that the deficit balance in this account was the result of certain journal entries recorded since fiscal year 2021 that erroneously allocated revenue from the account to offset expenditures in other unrelated accounts. DHS further advised that it had received the entire amount accrued and that the \$292.1 million entry was offset by one of the negative entries (surplus account balance) for another account. However, as of November 2024, DHS could not readily document the extent to which the underlying account balances were related and had not corrected the erroneous journal entries.

#### DHS Could Not Document it Recovered the Recorded Accrued Revenue

DHS could not readily support that the June 30, 2023 fiscal year-end accrued revenues were received in the subsequent fiscal year. DHS advised that approximately half of the amount accrued was received in fiscal year 2024 and the remaining accrued revenue was related to accrued expenditures recorded at year end that will be recovered once the expenses are realized. As of December 2023, DHS had not allocated funds from the accounts where the revenues were initially credited by STO to the accounts where the related accrued revenue entries were recorded. As a result, we could not readily determine whether the funds received in the subsequent year were related to the amounts accrued. While some or all of these amounts may ultimately be recovered, to the extent that the federal funds are not available, State general funds may be needed to cover any related deficits.

Recording accrued revenues to eliminate deficit balances without regard to the ultimate collectability of those revenues is not consistent with GAD policies. Specifically, the GAD year-end closing instructions provide that accrued revenue transactions should reflect amounts that are collectable within 60 days of the end of the fiscal year and that revenue should be recognized in the same fiscal year the expenditure is made. The closing instructions also require that detail documentation to support the transactions be maintained. These conditions were also disclosed in our report on the *Statewide Review of Budget Closeout Transactions for Fiscal Year 2023*.<sup>13</sup>

#### **Recommendation 4**

##### **We recommend that DHS**

- a. ensure that all year-end revenue transactions are properly supported as required by GAD policies,**

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<sup>13</sup> Similar conditions and additional issues were also disclosed in our report on the *Statewide Review of Budget Closeout Transactions for Fiscal Year 2024*.

- b. analyze the balances in the federal fund accounts to determine the collectability of any deficit balances and proper disposition of any surplus balances, and
- c. properly report any amounts determined to be uncollectable and work with the Department of Budget and Management to resolve any related deficits.

## Information Systems Security and Control

We determined that the Information Systems Security and Control section, including Findings 5 and 6 related to “cybersecurity,” as defined by the State Finance and Procurement Article, Section 3.5-301(b) of the Annotated Code of Maryland, and therefore are subject to redaction from the publicly available audit report in accordance with the State Government Article 2-1224(i). Consequently, the specifics of the following findings, including the analysis, related recommendations, along with DHS’ responses, have been redacted from this report copy.

**Finding 5**  
**Redacted cybersecurity-related finding.**

**Finding 6**  
**Redacted cybersecurity-related finding.**

## Procurements and Disbursements

**Finding 7**  
**DHS did not always publish contract awards on eMaryland Marketplace Advantage (*eMMA*) as required by State procurement laws and regulations.**

### Analysis

DHS did not always publish contract awards on *eMaryland Marketplace Advantage (eMMA)* as required by State procurement laws and regulations. According to DHS’ records, DHS awarded procurements totaling \$1.5 billion during the audit period. We judgmentally<sup>14</sup> reviewed 10 contracts awarded during our audit period for various services (such as child placement and legal services)

<sup>14</sup> We primarily selected contracts based on the materiality of the procurement and the related method used for the procurement.

totaling \$127.3 million, and noted that, as of December 2023, DHS had not published the contract award for a \$13.8 million contract awarded in April 2021. In addition, DHS published the contract award for four other contracts totaling \$79.1 million between 3 months and 1 year late.

State procurement laws and regulations require awards for contracts greater than \$50,000 to be published on *eMMA* not more than 30 days after the execution and approval of the contract. Publishing awards on *eMMA* provides transparency over State procurements, including information about winning bidders and the amount of the related awards.

A similar condition was commented upon in our preceding audit report. DHS' response to that report indicated that, beginning in January 2021, the procurement officer would complete a checklist to ensure that contract awards complied with State procurement laws and regulations, including verification that awards were published on *eMMA*. However, during our current audit we were advised that the checklist was not implemented until August 2021 and it did not always include a verification that the procurements were properly published in *eMMA*. In this regard, four of the aforementioned contracts were procured before August 2021 and the one implemented after this date had a checklist that did not include an *eMMA* verification.

#### **Recommendation 7**

**We recommend that DHS comply with State procurement laws and regulations by publishing contract awards on *eMMA* (repeat).**

## **Payroll**

### **Finding 8**

**DHS did not have procedures to ensure that employees who were terminated or left State service were promptly removed from the payroll, resulting in improper payments to at least 36 former employees totaling \$109,000.**

### **Analysis**

DHS did not have procedures to ensure that employees who were terminated or left State service were removed timely from the payroll, resulting in at least 36 employees continuing to be paid after they were terminated. DHS' Payroll Unit provides payroll services to all DHS units, including the Local Departments of Social Services. According to State records for fiscal year 2023, DHS had 5,971 authorized positions across its seven budgetary units and during the period from



August 1, 2019 to July 15, 2023, there were 2,387 employees terminated from DHS.

We obtained a report of all DHS employee terminations processed in the Statewide Personnel System (SPS) during this period and compared the effective date of the termination entered by DHS to the date DHS processed the termination in SPS. Our analysis identified 528 of these terminations were processed in SPS at least one day after the effective date of termination. We reviewed 55 of these employees with the longest delays between the effective date of the termination and the date the termination was processed in SPS, which ranged from 13 days to 22 months.

Our review disclosed that the untimely processing of terminations in SPS resulted in 36 employees receiving improper payments totaling approximately \$109,000 subsequent to their termination date. DHS was unaware of this condition until we brought the matter to its attention in October 2023, and consequently, DHS had not yet taken action to recover the improper payments.

#### **Recommendation 8**

**We recommend that DHS**

- a. implement procedures to ensure timely posting in SPS of employees who are terminated or leave State service; and**
- b. investigate payments to employees after they left State service, including those noted above, and in consultation with legal counsel pursue recovery of any improper payments as deemed appropriate.**

#### **Executive Oversight**

##### **Finding 9**

**DHS did not ensure that appropriate corrective actions were implemented to address findings in our audits of DHS units.**

##### **Analysis**

DHS did not ensure that appropriate corrective actions were implemented to address findings from our Office's fiscal compliance audits of the other DHS units. DHS is responsible for providing executive oversight and guidance to the individual units. As detailed in **Exhibit 1**, our Office conducts four separate audits of DHS units. Our most recent audit reports of these units contained 26 findings.

DHS relied primarily on its Office of Inspector General (OIG) to ensure the units implemented corrective actions to address these findings. Although the OIG has established a corrective action monitoring process for the purpose of correcting repeat audit findings, these efforts were not always sufficient to ensure that the findings were satisfactorily addressed. Specifically, 17 of the aforementioned 26 findings (65 percent) were repeated from our preceding audit reports (see **Exhibit 1**). Furthermore, our most recent two audits of the Social Services Administration (SSA), which included a significant number of repeat findings, concluded that SSA's accountability and compliance level was unsatisfactory (in accordance with a rating process approved by the Joint Audit and Evaluation Committee).

**Recommendation 9**

**We recommend that DHS establish proactive procedures to ensure appropriate correction actions are implemented to address Office of Legislative Audits report findings and that the implemented actions are maintained to prevent recurrence of the findings.**

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

We have conducted a fiscal compliance audit of the Department of Human Services (DHS) – Office of the Secretary and related units for the period beginning August 1, 2019 and ending July 15, 2023. The audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

As prescribed by the State Government Article, Section 2-1221 of the Annotated Code of Maryland, the objectives of this audit were to examine DHS' financial transactions, records, and internal control, and to evaluate its compliance with applicable State laws, rules, and regulations.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of significance and risk. The areas addressed by the audit included electronic benefit transfers, federal funds, legal services, purchases and disbursements, corporate purchasing cards, equipment, information systems security and control, and payroll. Our audit included various support services (such as payroll, purchasing, maintenance of accounting records, and related fiscal functions) provided by DHS' Office of the Secretary and related units to other units of DHS. We also determined the status of the five findings contained in our preceding audit report.

DHS engaged an independent accounting firm to perform a forensic audit of the MD THINK project. We have relied on the work of the independent accounting firm to provide audit coverage pertaining to the oversight, operation, and financial management of the MD THINK project. Our audit procedures in these areas were generally limited, therefore, to obtaining a sufficient basis for that reliance. We reviewed the audit report and related working papers and concluded that the audit coverage of the independent accounting firm provided a sufficient basis for reliance on the independent accounting firm's work.

In addition, our audit did not include an evaluation of internal controls over compliance with federal laws and regulations for federal financial assistance and programs and an assessment of DHS' compliance with those laws and regulations because the State of Maryland engages an independent accounting firm to annually audit such programs administered by State agencies, including DHS.

Our assessment of internal controls was based on agency procedures and controls in place at the time of our fieldwork. Our tests of transactions and other auditing procedures were generally focused on the transactions occurring during our audit period of August 1, 2019 to July 15, 2023, but may include transactions before or after this period as we considered necessary to achieve our audit objectives.

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, tests of transactions, and to the extent practicable, observations of DHS' operations. Generally, transactions were selected for testing based on auditor judgment, which primarily considers risk, the timing or dollar amount of the transaction, or the significance of the transaction to the area of operation reviewed. As a matter of course, we do not normally use sampling in our tests, so unless otherwise specifically indicated, neither statistical nor non-statistical audit sampling was used to select the transactions tested. Therefore, unless sampling is specifically indicated in a finding, the results from any tests conducted or disclosed by us cannot be used to project those results to the entire population from which the test items were selected.

We also performed various data extracts of pertinent information from the State's Financial Management Information System (such as revenue and expenditure data) and the State's Central Payroll Bureau (payroll data), as well as from the contractor administering the State's Corporate Purchasing Card Program (credit card activity). The extracts are performed as part of ongoing internal processes established by the Office of Legislative Audits and were subject to various tests to determine data reliability. We determined that the data extracted from this source were sufficiently reliable for the purposes the data were used during the audit. We also extracted data from DHS' Payment Management System for the purpose of testing federal drawdowns. We performed various tests of the relevant data and determined that the data were sufficiently reliable for the purposes the data were used during the audit. Finally, we performed other auditing procedures that we considered necessary to achieve our audit objectives. The reliability of data used in this report for background or informational purposes was not assessed.

DHS' management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records; effectiveness and efficiency of operations, including safeguarding of assets; and compliance with applicable laws, rules, and regulations are achieved. As provided in *Government Auditing Standards*, there are five components of internal control: control environment, risk assessment, control activities, information and communication, and monitoring. Each of the five components,

when significant to the audit objectives, and as applicable to DHS, were considered by us during the course of this audit.

Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

Our reports are designed to assist the Maryland General Assembly in exercising its legislative oversight function and to provide constructive recommendations for improving State operations. As a result, our reports generally do not address activities we reviewed that are functioning properly.

This report includes findings relating to conditions that we consider to be significant deficiencies in the design or operation of internal control that could adversely affect DHS' ability to maintain reliable financial records, operate effectively and efficiently, and/or comply with applicable laws, rules, and regulations. Our report also includes findings regarding a significant instance of noncompliance with applicable laws, rules, or regulations. Other less significant findings were communicated to DHS that did not warrant inclusion in this report.

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

The State Finance and Procurement Article, Section 3.5-301(b), states that cybersecurity is defined as “processes or capabilities wherein systems, communications, and information are protected and defended against damage, unauthorized use or modification, and exploitation.” Based on that definition, and in our professional judgment, we concluded that certain findings in this report fall under that definition. Consequently, for the publicly available audit report all specifics as to the nature of cybersecurity findings and required corrective actions have been redacted. We have determined that such aforementioned practices, and government auditing standards, support the redaction of this information from the public audit report. The specifics of these cybersecurity findings have been communicated to DHS and those parties responsible for acting on our recommendations in an unredacted audit report.

DHS' response to our findings and recommendations is included as an appendix to this report. Depending on the version of the audit report, responses to any cybersecurity findings may be redacted in accordance with State law. As prescribed in the State Government Article, Section 2-1224 of the Annotated Code of Maryland, we will advise DHS regarding the results of our review of its response.

**Exhibit 1**  
**Listing of Most Recent Office of Legislative Audits**  
**Fiscal Compliance Audits of Department of Human Services Units**  
**As of January 2025**

Name of Audit		Most Recent Report Date	Total Findings	Number of Repeat Findings
1	Family Investment Administration	10/21/2022	10	5
2	Local Department Operations	3/30/2022	6	5
3	Social Services Administration U	6/3/2021	8	7
4	Child Support Administration	5/13/2021	2	0
<b>Total</b>			<b>26</b>	<b>17</b>
U - This audit had an unsatisfactory rating.				

**DEPARTMENT OF HUMAN SERVICES**

Wes Moore, Governor · Aruna Miller, Lt. Governor · Rafael López, Secretary

February 25, 2025

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

Dear Mr. Tanen:

Enclosed is the Department of Human Services' (DHS) response to the draft Legislative Audit Report on the Department of Human Services – Office of the Secretary and Related Units for the period beginning August 1, 2019 and ending July 15, 2023.

The Department takes audit findings seriously and is committed to resolving the findings identified in the audit report.

We are happy to answer any questions. Please contact Marva Sutherland, Inspector General, at [Marva.Sutherland@maryland.gov](mailto:Marva.Sutherland@maryland.gov) if you would like to continue the conversation.

In-service,

A handwritten signature in black ink, appearing to read "Carnitra White", written over a circular stamp.

Carnitra White  
Principal Deputy Secretary

Enclosures:

cc:

Gloria Brown Burnett, Deputy Secretary for Operations  
Daniel Wait, Deputy Secretary for Talent & Customer Service  
Webster Ye, Chief of Staff  
Marva Sutherland, Inspector General  
Shelly-Ann Dyer, Assistant Inspector General for Audits



**Department of Human Services  
Office of the Secretary and Related Units**

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**Federal Funds**

**Finding 1**

**DHS could not support that federal fund drawdowns were properly calculated and journal entries to allocate expenditures in the State's accounting records were not always supported and subject to supervisory review.**

**We recommend that DHS**

- a. ensure federal fund reimbursement requests are properly calculated in accordance with federal program requirements;**
- b. pursue the resolution of any improperly calculated federal fund reimbursement requests to the extent possible, including the collection of any unrecovered federal funds; and**
- c. ensure journal entries recorded in the State's accounting records to allocate federal fund expenditures are properly documented and reviewed by a supervisory employee.**

<b>Agency Response</b>			
<b>Analysis</b>			
<b>Please provide additional comments as deemed necessary.</b>			
<b>Recommendation 1a</b>	Agree	<b>Estimated Completion Date:</b>	6/30/2025
<b>Please provide details of corrective action or explain disagreement.</b>	<p>DHS has reviewed and updated the allocation percentages to ensure the correct amount of federal fund reimbursement requests.</p> <p>DHS has procured new cost-allocation software. This software provides for more accurate cost allocation and federal fund determination for drawdown purposes.</p> <p>Effectiveness will be further confirmed at year end closeout (6/30/2025).</p>		
<b>Recommendation 1b</b>	Agree	<b>Estimated Completion Date:</b>	12/31/2024
<b>Please provide details of corrective action or explain disagreement.</b>	<p>DHS agrees with an explanation. Specifically, DHS cannot pursue previously unrecovered federal funds in prior federal fiscal years going back five years. Given the time period of the review, most of the grants have expired, and for grants that may still be active, the remaining</p>		

**Department of Human Services**  
**Office of the Secretary and Related Units**

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	<p>federal funds have been reallocated to existing grants for the current state fiscal year's budget.</p> <p>However, our Federal Partners allow DHS up to a year after the expiration of a grant to review costs and file for any unclaimed costs against federal grants. DHS is engaging in that process now and plans to review the last federal fiscal year (September 2024) during the closing process (September 2025) to determine if any unclaimed funds can be claimed. In addition, DHS is focused on maximizing federal fund drawdown in federal fiscal years 2024 and 2025.</p> <p>We have made significant changes in the finance office management team in order to achieve maximum drawdown and are rapidly revising internal processes. These changes include senior personnel changes, the acquisition and implementation of budget allocation software, as indicated above, and a reorganization of team structure and management. We have been in discussions with the Department of Budget and Management since early 2024 to improve these processes.</p>		
<b>Recommendation 1c</b>	Agree	<b>Estimated Completion Date:</b>	11/01/2024
<b>Please provide details of corrective action or explain disagreement.</b>	<p>DHS has implemented adequate management oversight to ensure that journal entries recorded in the State's accounting records to allocate federal fund expenditures are properly documented and reviewed by a supervisory employee. Specifically, journal entries are now approved and signed by Accounting Director and CFO personnel before processing. Management continues to monitor for compliance and will further refine the process as needed.</p>		

**Department of Human Services  
Office of the Secretary and Related Units**

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**Finding 2**

**DHS did not always verify that federal funds reimbursement requests were subsequently received.**

**We recommend that DHS perform documented verifications to ensure that all federal funds requested were received.**

Agency Response			
<b>Analysis</b>			
<b>Please provide additional comments as deemed necessary.</b>			
<b>Recommendation 2</b>	Agree	<b>Estimated Completion Date:</b>	6/30/2025
<b>Please provide details of corrective action or explain disagreement.</b>	DHS is implementing a process to perform documented verifications to ensure that all federal funds requested were received. Specifically, on a quarterly basis, system-generated reports from the FMIS will be reviewed to ensure receipt of the requested drawdown. Reviews will be documented accordingly. Previously, DHS only monitored these receipts during the year-end closing.		

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**Finding 3**

**DHS did not have procedures to ensure all federal fund reimbursements were allocated to the proper account. As a result, certain funds were improperly allocated without detection which raises concerns about the accuracy of account balances and whether all federal funds had been recovered.**

**We recommend that DHS**

- a. establish procedures and controls to ensure federal funds are allocated timely, properly and accurately, and that the related transactions are subject to supervisory reviews and approvals; and**
- b. investigate and resolve the aforementioned account balances.**

<b>Agency Response</b>			
<b>Analysis</b>			
<b>Please provide additional comments as deemed necessary.</b>			
<b>Recommendation 3a</b>	Agree	<b>Estimated Completion Date:</b>	11/01/2024
<b>Please provide details of corrective action or explain disagreement.</b>	DHS is now utilizing the cost allocation results table to properly allocate the federal funds to the correct budgetary unit via journal entry in a timely manner. The journal entries and supporting documentation are now reviewed and signed by the supervisor and/or manager.		
<b>Recommendation 3b</b>	Agree	<b>Estimated Completion Date:</b>	6/30/2025
<b>Please provide details of corrective action or explain disagreement.</b>	DHS will investigate and seek to resolve the aforementioned account balances by creating a database to monitor the drawdown and posting of the federal fund allocations.		

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Office of the Secretary and Related Units**

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**Budgetary and Year-End Closing**

**Finding 4**

**DHS could not provide documentation to support the propriety of its accrued federal fund revenue entries or the subsequent recovery of the funds.**

**We recommend that DHS**

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

<b>Agency Response</b>			
<b>Analysis</b>			
<b>Please provide additional comments as deemed necessary.</b>			
<b>Recommendation 4a</b>	Agree	<b>Estimated Completion Date:</b>	6/30/2025
<b>Please provide details of corrective action or explain disagreement.</b>	DHS has identified this issue as standard practice in previous years under the previous administration and has moved to correct it. Going forward, related supervisors and/or managers will review all year-end journal entries and supporting documents to ensure that year-end revenue transactions are properly supported as required by GAD policies.		
<b>Recommendation 4b</b>	Agree	<b>Estimated Completion Date:</b>	6/30/2025
<b>Please provide details of corrective action or explain disagreement.</b>	As part of our ongoing efforts to change previous practices, DHS is now reviewing prior quarter reports and balances to report adjustments such as refunds or unreported activity during the current quarter allocation and reporting.		
<b>Recommendation 4c</b>	Agree	<b>Estimated Completion Date:</b>	6/30/2025

**Department of Human Services  
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<b>Please provide details of corrective action or explain disagreement.</b>	DHS will report any amounts determined to be uncollectable to the Department of Budget Management by adjusting the FMIS system accordingly.
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**Information Systems Security and Control**

The Office of Legislative Audits (OLA) has determined that the Information Systems Security and Control section, including Findings 5 and 6 related to “cybersecurity,” as defined by the State Finance and Procurement Article, Section 3.5-301(b) of the Annotated Code of Maryland, and therefore are subject to redaction from the publicly available audit report in accordance with the State Government Article 2-1224(i). Although, the specifics of the following findings, including the analysis, related recommendations, along with DHS’ responses, have been redacted from this report copy, DHS’ responses indicated agreement with the findings and related recommendations.

**Finding 5**  
**Redacted cybersecurity-related finding.**

**Agency Response has been redacted by OLA.**

**Finding 6**  
**Redacted cybersecurity-related finding.**

**Agency Response has been redacted by OLA.**

**Department of Human Services  
Office of the Secretary and Related Units**

**Agency Response Form**

**Procurements and Disbursements**

**Finding 7**

**DHS did not always publish contract awards on eMaryland Marketplace Advantage (*eMMA*) as required by State procurement laws and regulations.**

**We recommend that DHS comply with State procurement laws and regulations by publishing contract awards on *eMMA* (repeat).**

Agency Response			
<b>Analysis</b>			
<b>Please provide additional comments as deemed necessary.</b>			
<b>Recommendation 7</b>	Agree	<b>Estimated Completion Date:</b>	07/31/2025
<b>Please provide details of corrective action or explain disagreement.</b>	<p>DHS agrees with the recommendation and will ensure compliance with State procurement laws and regulations by publishing contract awards on eMMA. We acknowledge that the checklist alone is not always the best mechanism to confirm eMMA postings were entered and posted. Therefore, while the checklist will continue to be utilized, this process will be enhanced with an eMMA Posting spreadsheet.</p> <p>The aforementioned spreadsheet has been created and is currently in use to track the eMMA postings. The spreadsheet will log eMMA contract numbers and will 1) track contracts entered into eMMA and 2) provide visibility to the workflow and posting of contracts within the 30-day requirement.</p> <p>Procurement leadership meets bi-weekly to review and/or update the spreadsheet. The meeting consists of reviewing contracts that meet the eMMA posting requirements. If the contract meets the eMMA posting requirements, it is checked to see if it has been entered into eMMA, the date the contract was approved is logged, as well as where it is in the eMMA workflow. As needed, follow up communication is sent to those responsible for posting the eMMA awards to ensure the posting is completed in accordance with State procurement laws and regulations.</p>		

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	Procurement leadership will continue to have on-going meetings to review and monitor eMMA postings and provide on-going training and support to staff, as needed.
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**Payroll**

**Finding 8**

**DHS did not have procedures to ensure that employees who were terminated or left State service were promptly removed from the payroll, resulting in improper payments to at least 36 former employees totaling \$109,000.**

**We recommend that DHS**

- a. implement procedures to ensure timely posting in SPS of employees who are terminated or leave State service; and**
- b. investigate payments to employees after they left State service, including those noted above, and in consultation with legal counsel pursue recovery of any improper payments as deemed appropriate.**

Agency Response			
<b>Analysis</b>			
<b>Please provide additional comments as deemed necessary.</b>			
<b>Recommendation 8a</b>	Agree	<b>Estimated Completion Date:</b>	6/30/2025
<b>Please provide details of corrective action or explain disagreement.</b>	<p>In order to ensure timely posting in SPS of employees who are terminated, DHS will take the following steps:</p> <ol style="list-style-type: none"> <li>1. Create a new, clear standard operating procedure that emphasizes the requirements for management, supervisory, and human resource staff to immediately report that an employee is leaving as soon as notice is given, or the employee is terminated.</li> <li>2. DHS will provide training to management, supervisory, and human resources staff to ensure that they understand their roles in offboarding staff promptly. <ul style="list-style-type: none"> <li>• DHS will use data provided by DLS to identify local jurisdictions that need additional refresher training to ensure practice compliance.</li> </ul> </li> </ol>		

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	<p>3. The DHS Talent Engagement and Management group (TEAM) will ensure that appropriate reports are available in Workday and monitor those reports weekly to identify any issues with completing termination transactions timely.</p> <p>4. Appropriate personnel action may be taken when management, supervisors, or human resources staff fail to take timely action to complete a termination transaction in Workday.</p>		
<b>Recommendation 8b</b>	Agree	<b>Estimated Completion Date:</b>	9/30/2025
<b>Please provide details of corrective action or explain disagreement.</b>	<p>The Talent Engagement and Management group (TEAM) will work with the DHS Payroll and Timekeeping unit to review all transactions identified in the report from DLS and will follow established procedures to seek the recovery of all overpayments.</p>		

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**Executive Oversight**

**Finding 9**

**DHS did not ensure that appropriate corrective actions were implemented to address findings in our audits of DHS units.**

**We recommend that DHS establish proactive procedures to ensure appropriate correction actions are implemented to address Office of Legislative Audits report findings and that the implemented actions are maintained to prevent recurrence of the findings.**

Agency Response			
<b>Analysis</b>			
<b>Please provide additional comments as deemed necessary.</b>			
<b>Recommendation 9</b>	Agree	<b>Estimated Completion Date:</b>	6/30/2025
<b>Please provide details of corrective action or explain disagreement.</b>	<p>DHS Executive Leadership takes audit findings seriously and is committed to strengthening our processes to enhance compliance throughout the Department.</p> <p>While the current Administration provided oversight for only the last six months (January 2023 - July 2023) of the four-year period reviewed (August 2019 - July 2023), DHS agrees with OLA's recommendations. We have taken proactive measures and continue to enhance and implement procedures to ensure appropriate corrective actions are taken and sustained to prevent recurrence of the findings.</p> <p>Specifically, in addition to DHS OIG's corrective actions monitoring procedures, immediately upon assuming responsibility of the Department in January 2023, the DHS Executive team (Office of the Secretary) has taken the following actions to prevent the recurrence of findings:</p> <p style="text-align: center;"><b>1) Established Tone at the Top to Drive Accountability and Reduce Repeat Findings:</b> DHS Executive Leadership has</p>		

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**Office of the Secretary and Related Units**

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	<p>placed a clear emphasis on changing DHS culture to address repeat findings. Leadership demonstrates a strong commitment to continuous improvement, accountability, and compliance, especially concerning audits and corrective actions. For example, upon the issuance of the Office of the Inspector General's internal audit reports, the Office of the Secretary requires the Director of the respective local department (auditee) to provide a detailed corrective action plan. This plan should include a timeline for addressing each finding and identify the responsible parties for resolution. The Director is also asked to share any barriers that may hinder the successful implementation of corrective actions.</p> <p>Leadership has made it clear that repeat issues are unacceptable. Staff at all levels are expected to participate in continuous improvement and carry out their duties in accordance with specific standards, policies, and procedures. This commitment is supported through various mechanisms, including continuous enhancements of policies, and procedures, and routine training. For example, clear lines of delegated fiscal authority (effective April 3, 2023) have been developed and shared with key personnel. Additionally, DHS is in the process of substantially revising its procurement tracking software, invoice tracking process, and internal fiscal manual with best practices, and holding employees accountable (effective March 4, 2024).</p> <p>2) <b>Regular Reporting to Leadership:</b> The Office of the Secretary conducts weekly check-ins with the DHS Office of Inspector General (OIG) to discuss the progress of corrective actions. Based on these discussions, the Office of the Secretary takes appropriate actions. We have bi-weekly check-ins with DBM's audit division to discuss repeat audit status progress.</p> <p>3) <b>Cross-Divisional Executive Leadership Oversight Effort:</b> Effective November 2024, a monthly Cross-Divisional Executive Leadership meeting, led by the Office of the Secretary, has been instituted to ensure accountability for addressing audit findings.</p>
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	<p>Key participants include, but are not limited to, Executive Directors and the Office of the Inspector General.</p> <p>This process provides the Office of the Secretary with a comprehensive view of all open findings and the progress of corrective actions, enabling informed decision-making and prompt responses to any delays or obstacles. The inclusivity of these meetings ensures a diverse range of perspectives and expertise. This cross-functional collaboration leads to comprehensive insights into the root causes of audit findings and the identification of common issues. This allows DHS to address systemic problems that contribute to audit findings across multiple departments in a holistic manner.</p> <p><b>Intra- Program Area Compliance Monitoring and Guidance:</b> DHS leadership continues to bolster the compliance teams within each program area (Family Investment Administration, Social Services Administration, Child Support Administration). The compliance team's focus is to ensure audit findings are incorporated and addressed in ongoing program area compliance reviews. Continuous oversight helps to identify issues early, course correct if needed and maintain compliance over time. This approach also allows for all process owners to be involved in the audit resolution process. The teams also provide frequent technical assistance and training to ensure compliance.</p> <p>While the effectiveness of these efforts may require some time to become fully evident, DHS remains committed and dedicated to rectifying the repeat conditions identified. This proactive approach will result in more effective and compliant operations across the Department, including our 24 local departments of social services.</p> <p>In addition, we intend to work with OLA and OIG to develop additional best practices and procedures to further drive appropriate corrective actions and actions to prevent recurrence of the findings in FY2025, and to make continuous improvement as needed.</p>
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AUDIT TEAM

**Edward A. Rubenstein, CPA**  
Audit Manager

**R. Brendan Coffey, CPA, CISA**  
**Edwin L. Paul, CPA, CISA**  
Information Systems Audit Managers

**Matusala Y. Abishe**  
**Patrick J. Cavanaugh, CPA**  
**James J. Podhorniak, CPA, CFE**  
Senior Auditors

**Eric Alexander, CPA, CISA**  
**Michael K. Bliss, CISA**  
Information Systems Senior Auditors

**Jammie A. Brown**  
**Daniel G. Johnson, CFE**  
**Jacob M. Kasten**  
**Jillian A. Novak, CPA**  
**Jennifer N. Sayre, CFE**  
Staff Auditors

**Vickey K. Micah**  
**Joshua A. Nicodemus, CISA**  
**Christopher C. Pitre**  
Information Systems Staff Auditors