

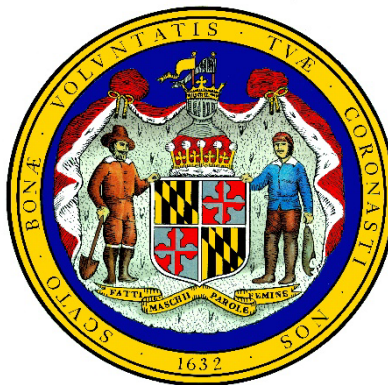
Audit Report

Maryland Department of Health Developmental Disabilities Administration

June 2025

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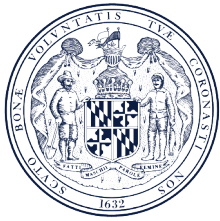
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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Brian S. Tanen, CPA, CFE
Legislative Auditor

June 18, 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 Maryland Department of Health (MDH) – Developmental Disabilities Administration (DDA) for the period beginning June 1, 2021 and ending April 30, 2024. DDA plans, develops policies and regulations, and funds a statewide system of services for individuals with developmental disabilities (referred to as consumers) and their families.

Our audit disclosed DDA did not independently verify that Coordination of Community Services (CCS) agencies properly developed consumers' annual service plans and budgets and did not ensure the plans were updated on an annual basis as required. DDA also did not ensure that CCS agencies properly completed and documented quarterly face-to-face monitoring visits with consumers. Our analysis disclosed that 8,914 consumers (49 percent) were missing at least one required quarterly monitoring form during fiscal years 2022 and 2023, including 1,540 consumers (8 percent) for whom four or more quarterly monitoring visits were not completed. Similar conditions have been commented upon in one or more of our six preceding audit reports dating back to November 2009 but not sufficiently corrected.

Our audit also disclosed that DDA did not timely pursue recovery of amounts due from providers for prospective payments and did not maintain comprehensive records to track amounts due. As of January 2025, \$118.8 million was still outstanding. Based on our calculations, the failure to timely recover the outstanding funds resulted in lost investment income totaling at least \$4.5 million.

Finally, our audit noted that MDH's modification and extension of the incumbent fiscal management counseling services (FMCS) vendors contract circumvented the competitive procurement process and MDH could not justify the rates in the modified contract which were significantly higher than the other FMCS vendors. DDA also did not verify that reimbursements to the FMCS vendors for payments to self-directed providers were proper and that the FMCS paid the providers timely.

In our preceding audit report, dated October 26, 2022, we reported that DDA's accountability and compliance level was unsatisfactory in accordance with the rating system that we established in conformity with State law. Based on the results of the current audit, we have concluded that DDA has made improvements in its fiscal and compliance operations and, accordingly, DDA's accountability and compliance level is no longer unsatisfactory.

MDH's response to this audit, on behalf of DDA, is included as an appendix to this report. We reviewed the response to our findings and related recommendations, and have concluded that the corrective actions identified are sufficient to address all issues.

We wish to acknowledge the cooperation extended to us during the audit by DDA.

Respectfully submitted,

Brian S. Tanen

Brian S. Tanen, CPA, CFE
Legislative Auditor

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Background Information

Agency Responsibilities

The Developmental Disabilities Administration (DDA) is an agency within the Maryland Department of Health (MDH). DDA's mission is to provide leadership to assure the full participation of individuals with developmental disabilities (consumers) and their families in all aspects of community life, and to promote their access to quality support and services necessary to foster personal growth, independence, and productivity.

DDA plans, develops policies and regulations, and funds a Statewide system of services for consumers and their families. DDA coordinates its work with other government, voluntary and private health, education, and welfare agencies. DDA funds services to consumers through a combination of private licensed Medicaid providers, not-for-profit licensed Medicaid providers, local health departments, and fiscal management and counseling services vendors (entities that assist consumers in a self-directed support services delivery system). Consumer services include an array of options such as residential living arrangements and support, and employment assistance.

During fiscal year 2024, DDA expenditures totaled \$2.36 billion (see Figure 1), of which \$2.33 billion related to provider payments for services on behalf of consumers. Expenditures have significantly increased during the audit period (from \$1.48 billion in fiscal year 2021) primarily due to an increase in service utilization and the related provider payment rates.

DDA consists of a headquarters, four regional offices that administer community-based services, and two intellectual disabilities residential centers – the Holly Center and the Potomac Center. The scope of this audit included the DDA headquarters unit and the four regional offices. We conduct a separate audit of the centers.

Figure 1
DDA Positions, Expenditures, and Funding Sources

Full-Time Equivalent Positions as of June 30, 2024	
	Positions
Filled	188
Vacant	20
Total	208
Fiscal Year 2024 Expenditures	
	Expenditures
Salaries, Wages, and Fringe Benefits	\$ 22,061,517
Technical and Special Fees	1,878,355
Operating Expenses	2,339,185,621
Total	\$2,363,125,493
Fiscal Year 2024 Funding Sources	
	Funding
General Fund	\$ 985,546,073
Special Fund	10,222,042
Federal Fund	1,367,357,378
Total	\$2,363,125,493

Source: State financial and personnel records

Developmentally Disabled Services Delivery Process

Consumer Eligibility and Provider Services

DDA's delivery of consumer services generally consists of a three-step process as described in Figure 2. To obtain DDA services, a consumer submits an application to a DDA regional office. Eligible consumers select one of the

Coordination of
Community Services
(CCS) agencies under
contract with DDA. The
CCS agency works with
the consumer to develop
an annual service plan
that describes the
specific services the
consumer is to receive
from DDA providers.
Due to funding
limitations, consumers
are generally placed on a
waiting list until funding
becomes available for
their services.

DDA provides services
in accordance with three
Medicaid waiver
programs, which allow
DDA to receive federal
funding to cover a
portion of the service
costs and allows services
to be delivered in a non-
institutional setting to people with different needs or different income levels.

The majority of consumers receive services under DDA's traditional services model, in which consumers receive services from providers licensed by the MDH Office of Health Care Quality. DDA also offers a self-directed service model, which allows consumers to select their own providers for certain services. Consumers who elect self-direction are assigned a fiscal management and counseling services vendor which manages the payments to providers.

Figure 2
DDA Consumer Service Delivery Process

1. Application/Eligibility

- Individuals with disabilities (consumers) submit an application to DDA. A Coordinator of Community Services (CCS) agency reviews the consumer's medical profile and assigns the consumer a category based on priority; the consumer is then generally placed on a waiting list.
- Once funding has been identified, the consumer applies for Medicaid eligibility under DDA's waiver programs.

2. Consumer Plan and Budgets

- Consumers work with a CCS agency to develop and implement an annual plan.
- A vendor under contract with DDA reviews each consumer's support needs and provides the consumer with Supports Intensity Scale (SIS), which is used to develop the annual plan.

3. Service Delivery

- DDA directs the majority of consumers to providers operating under the traditional services model; the providers are paid based on rates established in State regulations.
- Consumers may also elect to select their own providers for certain DDA services. DDA assigns these consumers a fiscal management counseling services vendor which manages the payments to the providers.

Transition to New Provider Payment Model

In September 2024, DDA completed the transition from a prospective payment model under which providers were paid in advance based on estimates of the services to be provided to a fee-for-service payment model under which providers are reimbursed for actual services. This transition, which began in August 2018, included the replacement of DDA's legacy Provider Consumer Information System II with MDH's integrated care management tracking system, the Long-Term Services and Supports System. The transition also included establishment of new provider payment rates in State regulations based on the actual costs of providing the services.

Federal Liability

In June 2018, the federal Centers for Medicare and Medicaid Services (CMS) notified MDH that it was disallowing claims made between July 1, 2010 and June 30, 2013 totaling \$34.2 million related to add-on services for certain consumers that DDA approved without considering the consumers' level of need. The Maryland Office of Attorney General, on behalf of MDH and DDA, appealed CMS' decision but the appeal was denied in October 2024. DDA's fiscal year 2026 appropriation includes \$39.3 million in general funds to pay the disallowance and related interest assessed by CMS since the initial disallowance in June 2018.

Status of Findings From Preceding Audit Report

Based on our current assessment of significance and risk related to our audit objectives, our audit included a review to determine the status of 7 of the 8 findings contained in our preceding audit report dated October 26, 2022. See Figure 3 for the results of our review.

In our preceding audit report, we reported that DDA's accountability and compliance level was unsatisfactory, in accordance with the rating system we established in conformity with State law. Based on the results of our current audit, we have concluded that DDA has improved its fiscal and compliance operations to the point that DDA's accountability and compliance level is no longer unsatisfactory.

Figure 3
Status of Preceding Findings

Preceding Finding	Finding Description	Implementation Status
Finding 1	The Developmental Disabilities Administration (DDA) did not ensure that Coordination of Community Services (CCS) agencies properly completed annual consumer service plans and conducted quarterly face-to-face monitoring visits.	Repeated (current Finding 1 and 2)
Finding 2	DDA did not have an adequate process to ensure the amounts invoiced by CCS agencies properly reflected consumer services provided and did not take appropriate action when a significant number of improper or unsupported payments were identified.	Not repeated
Finding 3	DDA did not conduct required audits of providers to ensure payments were for services actually delivered and included in the consumers' approved plans.	Not repeated
Finding 4	DDA did not verify the propriety of \$6.1 million in enhanced payments for consumers who were isolated due to COVID-19.	Not repeated
Finding 5	DDA did not use available output reports to verify the propriety of critical adjustments that were processed in Provider Consumer Information System II.	Not repeated (Not followed up on)
Finding 6	Fiscal management services contracts procured in 2006 were not comprehensive, properly approved, and adequately monitored. As a result, DDA did not recover unspent funds totaling \$3.2 million and obtain federal reimbursements totaling \$8.8 million.	Not repeated
Finding 7	DDA did not forward approximately \$1.3 million in unclaimed refunds to the Comptroller of Maryland, as required.	Not repeated
Finding 8	Redacted cybersecurity-related finding. ¹	Not repeated

¹ The description of this cybersecurity-related finding has been redacted from the publicly available report in accordance with State Government Article, Section 2- 1224(i) of the Annotated Code of Maryland.

Findings and Recommendations

Consumer Services

Background

The Developmental Disabilities Administration (DDA) uses Coordination of Community Services (CCS) agencies consisting of 8 private companies and 10 local health departments (LHDs) to oversee its programs and ensure that consumers receive high quality services. According to State records, DDA paid CCS agencies approximately \$108.4 million during fiscal year 2024 for services provided to 26,782 consumers consisting of: 22,655 consumers receiving community-based services, 4,040 consumers that were on the waiting list² during the year, and 87 consumers that were receiving transition coordination services to transition from a facility to the community. The CCS agencies are primarily responsible for the following activities.

- **Consumer Service Plans** - CCS agencies work with each consumer to develop an annual service plan that identifies the services and support required to meet their needs (including feeding, medication, hygiene, and toileting needs) and goals. The plan also serves as the basis for determining each consumer's budget for DDA services.
- **Consumer Monitoring** - State regulations require the CCS agencies to conduct face-to-face monitoring visits with each consumer at least once per quarter to determine whether the consumers are receiving their services and making progress towards the goals identified in their service plans.
- **Medicaid Eligibility** - CCS agencies assist each consumer with completing the applicable Medicaid waiver application and, once enrolled, assist each consumer with annual eligibility reassessments. CCS agencies document these activities in the Long-Term Services and Supports System (LTSS).

DDA is responsible for ensuring consumers' needs are met, including monitoring of CCS agencies and service providers. To assist with these duties, DDA contracts with other vendors to perform various services, including:

Level of Need Assessments – DDA awarded a 5-year contract totaling \$9.4 million to the incumbent vendor in January 2024. This vendor performs an

² Consumers on the waiting list still receive certain services from the CCS agencies, such as development of a preliminary service plan to be implemented when funding becomes available.

independent assessment of each consumer's needs. DDA uses these assessments to verify that the annual service plans and related budgets are properly developed by the CCS agencies.

Monitoring Service Providers and Other Vendors – DDA awarded a 3-year contract with two 1-year renewal options totaling \$22.6 million to a Quality Improvement Organization (QIO) vendor in July 2022. The contract requires the QIO to assist DDA with monitoring service providers (including the CCS agencies) and other vendors that provide services to DDA consumers, such as fiscal management and counseling services for self-directed consumers. For example, the QIO vendor is required to perform a review on a test basis to ensure CCS agencies properly completed quarterly monitoring forms.

Finding 1

DDA did not independently verify that the CCS agencies properly developed each consumers' annual service plans and budgets and did not ensure the plans were updated on an annual basis as required.

Analysis

DDA did not independently verify that the CCS agencies properly developed each consumer's annual service plan and updated the plan on an annual basis as required. DDA is responsible for reviewing and approving the annual service plans and the related consumer budgets developed by the CCS agencies.

Consumer Service Plans and Budgets Were Not Independently Verified

DDA did not independently verify that CCS agencies properly developed each consumer's annual service plan and related budgets. DDA used a vendor to conduct an independent assessment of each consumer's needs. DDA's policy provides that these assessments are to be performed prior to the consumer receiving services and repeated every five years for use in verifying that the annual service plans and related budgets are properly developed by the CCS agencies.

Our test of 10 annual service plans³ with effective dates beginning between July 2023 and July 2024 and annual budgets totaling \$5 million, disclosed that independent assessments were not completed for 7 plans with budgets totaling \$3.5 million. Specifically, no assessments were performed for 5 plans and for the other 2 plans the most recent assessments were in 2012 and 2018. Consequently, DDA relied on the CCS agencies' determinations for these 7 consumers without any independent assurance that the determinations were proper.

³ We selected annual service plans based upon the materiality of the consumers' annual budget.

DDA advised that the COVID-19 public health emergency had created a backlog of assessments that needed to be performed by the vendor. DDA could not readily quantify this backlog or provide an estimate of when it would be resolved. Accurate service plans are critical to ensure that DDA's annual community-based services funding is properly allocated to address consumers' needs and to maximize the number of consumers serviced.

Consumer Service Plans Were Not Updated Annually as Required

DDA did not ensure the CCS agencies updated consumers' annual service plans. Although DDA implemented a process in February 2022 to track the completion of the annual plans, they did not follow up with CCS agencies when plans were not completed. Our analysis of DDA records disclosed the CCS agencies did not update all annual service plans for the 18,400 consumers in service during calendar years 2022 and 2023. For example, 553 were not updated for calendar year 2023. DDA could not readily explain why these plans were not completed or document actions taken to address this deficiency with the applicable CCS agencies.

A similar condition regarding CCS agencies not updating the annual service plans was noted in our prior audit report. MDH's response to that report, on behalf of DDA indicated that it would implement a monitoring process to ensure the CCS agencies submitted plans timely by July 1, 2023. As noted above, while DDA implemented a monitoring process they did not follow-up with the CCS agencies when plans were not completed.

Recommendation 1

We recommend that DDA

- a. independently verify the propriety of consumers' annual service plans and the related budgets, and**
- b. ensure that the CCS agencies update consumers' annual service plans timely (repeat) and take appropriate follow-up action when CCS agencies do not meet this requirement.**

Finding 2

DDA did not ensure that CCS agencies properly completed and documented quarterly face-to-face monitoring visits with consumers.

Analysis

DDA did not ensure the CCS agencies properly completed and documented quarterly face-to-face monitoring visits with consumers. According to DDA

records, approximately 18,400 consumers required quarterly monitoring visits from the CCS agencies during fiscal years 2022 and 2023.

- DDA did not ensure CCS agencies conducted the required quarterly monitoring visits to ensure consumers were receiving the required services. In February 2022, DDA implemented a process to track the completion of quarterly monitoring forms by the CCS agencies. Although this process resulted in a substantial improvement⁴ in the CCS agencies' compliance compared to our prior audit, we found that a significant number of quarterly monitoring visits were still not completed. Specifically, our analysis of DDA records of the aforementioned 18,400 consumers disclosed that 8,914 consumers (49 percent) were missing at least one required quarterly monitoring visit during fiscal years 2022 and 2023, including 1,540 consumers (8 percent) for whom four or more quarterly monitoring visits were not completed.
- DDA did not ensure that the CCS agencies properly documented the monitoring visits in LTSS as required. We tested 18 arbitrarily selected consumers with completed monitoring forms from fiscal years 2022 and 2023 with service budgets totaling approximately \$4 million. None of the forms tested contained specific details to support the CCS agencies' determination that the consumers received their services. In addition, 9 forms did not have details to support the CCS agencies' conclusions regarding the consumers' progress on achieving goals and outcomes. Specifically, these 9 forms contained only generic statements such as "in progress" and did not reference the documentation (for example, service provider records) used by the CCS agencies in making these determinations.

Similar conditions were commented upon in our six preceding audit reports dating back to November 2009. DDA's response to our prior audit report indicated that it would implement procedures to enhance its monitoring of these areas by July 2023. As noted above, DDA contracted with a QIO vendor in July 2022 to verify (on a test basis) that the CCS agencies properly completed quarterly monitoring forms in LTSS. The QIO vendor's reviews completed as of March 2024 identified similar levels of noncompliance to our review, but DDA had not yet taken the necessary corrective actions to resolve the issues.

In this regard, we noted that the current CCS payment structure established in State regulations does not incentivize the CCS agencies to provide all required

⁴ Specifically, our preceding audit report noted that at least one form was missing for 95 percent of consumers, including 53 percent who were missing 4 or more forms during fiscal years 2020 and 2021.

services. Specifically, the amounts billed to DDA were based on time charges (15-minute intervals), and not contingent on satisfactory completion of specific deliverables, such as face-to-face monitoring visits. Although DDA advised us during our prior audit that it was considering alternative payment structures, it had not pursued the necessary changes to State regulations to modify the CCS payment structure as of November 2024.

Recommendation 2

We recommend that DDA

- a. establish a process to ensure that CCS agencies complete all quarterly monitoring as required for each consumer (repeat) by continuing to monitor the CCS agencies;**
- b. ensure the CCS agencies complete quarterly monitoring forms which contain detailed comments regarding consumers' progress on achieving personal goals and outcomes (repeat); and**
- c. consult with legal counsel to identify corrective actions that can be taken when CCS agencies fail to provide the required services, such as by withholding funds or assessing penalties or pursue necessary changes to State regulations to adopt a payment structure that incentivizes the CCS agencies to provide all required services.**

Unrecovered Provider Payments

Finding 3

DDA did not timely pursue recovery of amounts due from providers for prospective payments and did not maintain comprehensive records to track amounts due.

Analysis

DDA did not timely pursue recovery of amounts due from providers for prospective payments and did not maintain comprehensive records to track the amounts due. Under the prospective payment method DDA advanced funds to providers based on estimates of the services to be provided and reduced subsequent payments to account for any unearned amounts. DDA transitioned providers from the prospective payment to the fee-for-service (FFS) model during the period from December 2019 to September 2024. As a result, any prospective payments that were still outstanding needed to be recovered from the providers. In this regard, DDA advanced payments totaling \$453.7 million as of July 2024 that needed to be recovered after the providers transitioned to FFS.

- DDA did not timely pursue recovery of outstanding advanced payments due from providers. Specifically, DDA did not start invoicing providers for the amounts due until February 2024, despite transitioning certain providers as early as December 2019. In addition, as of January 2025 DDA had not sent dunning notices or withheld payments to recover the amounts due from providers. In this regard, DDA continued to make FFS payments to providers despite the outstanding balances. For example, as of January 2025, DDA had made \$33.8 million in FFS payments to one provider that still had \$10 million in outstanding advanced payments.
- DDA did not maintain comprehensive accounts receivable records of outstanding prospective payments. According to DDA accounts receivable records, \$118.8 million of the aforementioned \$453.7 million advanced to providers prior to the transition to FFS was still outstanding as of January 2025. However, the records did not include the age of the amounts due or the date any related payments were received. As a result, we could not readily determine the age of the amounts outstanding from these providers and how many providers should be referred to the State's Central Collection Unit (CCU).

Based on our calculations, the failure to timely recover the outstanding funds resulted in lost investment income⁵ totaling at least \$4.5 million and DDA will continue to incur additional lost investment income until the full amount is collected. We could not readily determine the lost investment income related to the other funds that DDA indicated was recovered due to the lack of comprehensive accounts receivable records noted above.

The Comptroller of Maryland's *Accounting Procedures Manual* requires agencies to establish detailed accounts receivable records for amounts due to the State. State regulations require three written demands for payment made at 30-day intervals after which the outstanding accounts are sent to CCU for additional collection activity.

Recommendation 3

We recommend that DDA

- establish a documented plan to recover or withhold the aforementioned outstanding balances; and**
- maintain comprehensive accounts receivable records for amounts due from providers and take appropriate action to ensure amounts are**

⁵ Lost investment income refers to the amount that the State would have earned if the funds had been invested by the State Treasurer (based on the State's actual return on investment).

recovered timely, such as sending dunning notices, withholding future payments, and referring any delinquent balances to CCU, as appropriate.

Self-Directed DDA Services

Background

While DDA directs most consumers to appropriate service providers, consumers may also elect to self-direct care by selecting their own providers (or hire their own employees) for certain DDA services. DDA uses fiscal management and counseling services (FMCS) vendors to administer the fiscal activities of consumers who elected to participate in self-direction. These FMCS vendors are responsible for all fiscal operations, including monitoring consumer budgets and paying for provider services.

The FMCS vendors make payments to self-directed consumers' providers and then request reimbursement from DDA for the cost of these services. According to DDA records, DDA paid the FMCS vendors approximately \$359.7 million to provide services to 3,400 self-directed consumers during fiscal year 2024, consisting of \$6.9 million for administrative fees and \$352.8 million for provider payments.

Finding 4

MDH's modification and extension of the incumbent FMCS vendors contract circumvented the competitive procurement process and could not justify the rates in the modified contract which were significantly higher than the other FMCS vendors.

Analysis

MDH's modification and extension of the incumbent FMCS vendors contract circumvented the competitive procurement process and could not justify the rates in the modified contract which were significantly higher than the other FMCS vendors. In May 2021, MDH, on behalf of DDA, initiated a procurement for several new FMCS vendors. Five vendors submitted proposals, three of which, including the incumbent, were disqualified because they did not meet one or more of the requirements of the Request for Proposal (RFP). In June 2022, MDH awarded contracts covering the period from July 2022 through May 2027 (including renewal options) to two new FMCS vendors totaling \$11.9 million and \$17.5 million, respectively.

When MDH presented the two new FMCS vendor contracts to the Board of Public Works in April 2022, the Board raised concerns about the exclusion of the

incumbent FMCS vendor. In response to these concerns, MDH withdrew the two new contracts for approval. In June 2022, MDH re-submitted the two new contracts for approval as well as a retroactive approval for the incumbent FMCS vendor's contract for services dating back to June 2006 and changes in scope to be consistent with the two new vendors and extending the contract period to mirror the two new contracts.⁶ The changes to the incumbent vendor's contract to be consistent with the two new vendors increased the contract cost from \$17.5 million to \$45.1 million (\$27.6 million). The decision to modify and extend the contract with the incumbent vendor after they failed to qualify for the initial RFP circumvented the competitive procurement process. Specifically, MDH did not reopen the RFP to all the vendors to enable other disqualified vendors to resubmit their proposals.

MDH could also not document any attempts to negotiate the incumbent vendor's pricing or justify why the rates were higher than the two new vendor's rates. Our review disclosed that the incumbent FMCS vendor's modified contract cost was significantly higher than the two new FMCS vendors' rates. For example, the incumbent's monthly rate was \$205 per consumer, whereas the rates for the other two vendors were \$85 and \$123 per consumer, respectively. In addition, the incumbent vendor contract included a \$5,125 fixed monthly fee that was not included in the other vendors' contracts. As of June 2024, payments to the incumbent vendor since the modification totaled \$8.1 million.

State procurement regulations require the procurement officer to determine that proposals selected for award are the most advantageous to the State based on the factors set forth in the solicitation. We were advised by BPW that awarding the contract in this manner provided the incumbent vendor a competitive advantage.

Recommendation 4

We recommend that MDH ensure that

- a. all contracts are competitively procured, as required; and**
- b. documented price negotiations are conducted as appropriate.**

⁶ Subsequent to the initial bid evaluation and prior to the modification/extension, the incumbent FMCS vendor obtained the items needed to comply with the terms of the RFP.

Finding 5

DDA did not verify that reimbursements to the FMCS vendors for payments to self-directed providers were proper and that the FMCS paid the providers timely.

Analysis

DDA did not verify that reimbursements to the FMCS vendors were proper and did not ensure that the vendors paid self-directed providers timely. According to DDA records, reimbursements to the FMCS vendors totaled \$352.8 million for fiscal year 2024.

- DDA did not verify that reimbursements to the FMCS vendors for payments to consumers' service providers were accurate based on supporting documentation and consistent with established DDA rates. Although DDA advised that it had procured a vendor to review these payments, no reviews were finalized as of the time of our review in June 2024. In this regard, our test of 20 claim reimbursements⁷ totaling approximately \$257,300 disclosed that one payment totaling \$5,500 was unsupported. As of September 2024, DDA was still investigating this payment to determine if the funds needed to be recovered.
- DDA did not ensure that FMCS vendors made timely payments to the self-directed consumers' providers. Although DDA obtained monthly reports of the payments made by each FMCS vendor, it could not explain how these reports were used to monitor the FMCS vendors. Our review of the reports disclosed that they did not indicate the date services were provided to enable DDA to determine whether the related vendor payments were processed timely. We were unable to determine whether FMCS vendors paid providers timely due to the lack of available records.

This condition may have been caused, at least in part, because the FMCS contracts did not establish required timelines for the provider payments. The failure to monitor the timely payments is significant because DDA advised that it routinely received complaints from self-directed consumers and their providers that the FMCS payments were not timely. DDA advised that the FMCS vendors should process payments within two weeks of when the service was provided.

⁷ We selected 10 claims from the incumbent vendor and 5 claims each from the two new vendors based on materiality from 20 different consumers.

Recommendation 5

We recommend that DDA

- a. ensure FMCS vendor payments are proper and supported, and**
- b. obtain the necessary information to ensure FMCS payments to the self-directed providers are timely.**

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the Developmental Disabilities Administration (DDA) of the Maryland Department of Health (MDH) for the period beginning June 1, 2021 and ending April 30, 2024. 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 DDA's 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 federal funds, contract procurement and monitoring, and disbursements for consumer services. For information systems security we reviewed general and authentication controls, and personally identifiable information. We also determined the status of 7 of the 8 findings contained in our preceding audit report.

Our audit did not include certain support services provided to DDA by MDH. These support services (such as payroll, maintenance of accounting records, and related fiscal functions) are included within the scope of our audit of MDH – Office of the Secretary and Other Units. In addition, our audit did not include an evaluation of internal controls over compliance with federal laws and regulations for federal financial assistance programs and an assessment of DDA's 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 DDA.

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 June 1, 2021 to April 30, 2024, 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 DDA's 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). 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 this audit.

We also extracted data from MDH's Long Term Services and Supports System (LTSS) and from DDA's Provider Consumer Information System (PCIS2) for the purpose of selecting test items and assessing user access. 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.

DDA's 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 DDA, 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 DDA's 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 significant instances of noncompliance with applicable laws, rules, or regulations. Other less significant findings were communicated to DDA that did not warrant inclusion in this report.

In our preceding audit report, we reported that DDA's accountability and compliance level was unsatisfactory, in accordance with the rating system we established in conformity with State law. Our current audit disclosed that DDA has improved its fiscal and compliance operations, and accordingly, DDA's accountability and compliance rating is no longer unsatisfactory. Our rating conclusion has been made solely pursuant to the aforementioned law and rating guidelines approved by the Joint Audit and Evaluation Committee. The rating process is not a practice prescribed by professional auditing standards.

State Government Article Section 2-1224(i) requires that we redact in a manner consistent with auditing best practices any cybersecurity information 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 information – a redacted version for the public and an unredacted version for government officials responsible for acting on our audit recommendations.

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

and those parties responsible for acting on our recommendations in an unredacted audit report.

The response from MDH, on behalf of DDA, to our findings and recommendations is included as an appendix to this report. As prescribed in the State Government Article, Section 2-1224 of the Annotated Code of Maryland, we will advise MDH regarding the results of our review of its response.

Exhibit 1
Listing of Most Recent Office of Legislative Audits
Fiscal Compliance Audits of Maryland Department of Health Units
As of April 2025 (Page 1 of 2)

Name of Audit		Areas Covered	Most Recent Report Date
1	Regulatory Services	<ul style="list-style-type: none"> 22 Health Professional Boards and Commissions Office of Health Care Quality 	04/09/25
2	Vital Statistics Administration	Vital Statistics Administration	03/19/25
3	Prevention and Health Promotion Administration - Office of Population Health Improvement - Office of Preparedness and Response - Office of Provider Engagement and Regulation	<ul style="list-style-type: none"> Prevention and Health Promotion Administration Office of Population Health Improvement Office of Preparedness and Response Office of Provider Engagement and Regulation – Office of Controlled Substances Administration Office of Provider Engagement and Regulation – Prescription Drug Monitoring Program 	08/09/24
4	Pharmacy Services	Pharmacy Services	08/09/24
5	Laboratories Administration	Laboratories Administration	06/05/24
6	State Psychiatric Hospital Centers	<ul style="list-style-type: none"> Clifton T. Perkins Hospital Center Eastern Shore Hospital Center Spring Grove Hospital Center Springfield Hospital Center Thomas B. Finan Hospital Center 	05/29/24
7	Health Regulatory Commission	<ul style="list-style-type: none"> Maryland Health Care Commission Health Services Cost Review Commission Maryland Community Health Resources Commission 	01/25/24
8	Medical Care Programs Administration – Managed Care Program	Managed Care Program, known as HealthChoice including oversight of the nine private Managed Care Organizations	12/14/23
9	Medical Care Programs Administration	Medical Care Programs Administration	11/02/23
10	Office of the Secretary and Other Units	<ul style="list-style-type: none"> Office of the Secretary Deputy Secretary and Executive Director for Behavioral Health Deputy Secretary for Developmental Disabilities Deputy Secretary for Public Health Deputy Secretary for Health Care Financing and Chief Operating Officer Deputy Secretary for Operations 	10/19/23
11	Chronic Care Hospital Centers	<ul style="list-style-type: none"> Deer’s Head Center Western Maryland Hospital Center 	05/10/23

Exhibit 1
Listing of Most Recent Office of Legislative Audits
Fiscal Compliance Audits of Maryland Department of Health Units
As of April 2025 (Page 2 of 2)

Name of Audit		Areas Covered	Most Recent Report Date
12	Behavioral Health Administration and Medical Care Programs Administration - Administrative Service Organization for Behavioral Health Services	<ul style="list-style-type: none"> Behavioral Health Administration Medical Care Programs Administration Administrative Service Organization for Behavioral Health Services 	10/25/22
13	Intellectual Disabilities Residential Centers	<ul style="list-style-type: none"> Holly Center Potomac Center Secure Evaluation and Therapeutic Treatment 	10/24/22
14	Regional Institute for Children and Adolescents	<ul style="list-style-type: none"> John L. Gildner Regional Institute for Children and Adolescents Regional Institute for Children and Adolescents – Baltimore 	07/13/22
15	Office of the Chief Medical Examiner	Office of the Chief Medical Examiner	05/12/22

APPENDIX



Wes Moore, Governor · Aruna Miller, Lt. Governor · Meena Seshamani, M.D., Ph.D., Secretary

June 17, 2025

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

Dear Mr. Tanen:

Enclosed, please find the responses to the draft audit report on the Maryland Department of Health – Developmental Disabilities Administration for the period beginning June 1, 2021 and ending April 30, 2024.

If you have any questions, please contact Frederick D. Doggett at 410-767-0885 or email at frederick.doggett@maryland.gov.

Sincerely,

A handwritten signature in blue ink, appearing to read "Meena Seshamani".

Meena Seshamani, M.D., Ph.D.
Secretary

cc: Emily Berg, JD, MPH, Acting Chief of Staff
Marlana R. Hutchinson, Deputy Secretary, DDA
Clint Hackett, Deputy Secretary for Operations
Robert White, Chief Operating Officer, DDA
Frederick D. Doggett, Director, Internal Controls, Audit Compliance & Information Security, MDH
Deneen Toney, Deputy Director, Internal Controls, Audit Compliance & Information Security, MDH
Carlean Rhames-Jowers, Chief Auditor, Internal Controls, Audit Compliance & Information Security, MDH

Maryland Department of Health Developmental Disabilities Administration

Agency Response Form

Consumer Services

Finding 1

DDA did not independently verify that the CCS agencies properly developed each consumers' annual service plans and budgets and did not ensure the plans were updated on an annual basis as required.

We recommend that DDA

- a. independently verify the propriety of consumers' annual service plans and the related budgets, and**
- b. ensure that the CCS agencies update consumers' annual service plans timely (repeat) and take appropriate follow-up action when CCS agencies do not meet this requirement.**

Agency Response			
Analysis	Factually Accurate		
Please provide additional comments as deemed necessary.			
Recommendation 1a	Agree	Estimated Completion Date:	8/31/2025
Please provide details of corrective action or explain disagreement.	<p>The Developmental Disabilities Administration (DDA) will independently verify the propriety of consumers' annual service plans and the related budgets.</p> <p>DDA is in the process of enhancing contract deliverables for the Quality Improvement Organization (QIO), including a review of the Quality Service Plan. This review will encompass an assessment of the person-centered planning and budgeting activities and the quality of those activities conducted by Coordinators of Community Services (CCS), a review of the documentation submitted for services requested in the plan, and technical assistance for CCS agencies and DDA based on the findings. Ensuring that budgets align with the individual's assessed needs is currently part of the QIO agreement. The QIO is fully ramped up, and the items discussed in this finding will be addressed in subsequent reviews by our QIO-like organization.</p> <p>DDA will also issue a policy instructional statement to the Regional Offices to reinforce the process of ensuring that a Supports Intensity</p>		

**Maryland Department of Health
Developmental Disabilities Administration**

Agency Response Form

	Scale (SIS) assessment is completed based on protocol as part of the final approval process.		
Recommendation 1b	Agree	Estimated Completion Date:	8/31/2025
Please provide details of corrective action or explain disagreement.	<p>DDA will develop and implement a written plan to strengthen its oversight and ensure that Coordinators of Community Service (CCS) agencies promptly update consumers' annual service plans. The plan will include a process to document and retain all follow-up actions electronically for each CCS agency to support accountability and ongoing compliance tracking.</p> <p>DDA will follow up with CCS agencies to provide technical support to improve timely plan submission. In addition, DDA will develop a policy instructional statement to address overdue plans specifically. In instances where the delay is due to participant or family refusal, DDA will deny the plan after three clarification requests and issue formal appeal rights in accordance with current authorities and regulations. For overdue plans resulting from CCS agency or provider delays, DDA will initiate corrective actions and pursue additional remedies as appropriate.</p>		

Maryland Department of Health Developmental Disabilities Administration

Agency Response Form

Finding 2

DDA did not ensure that CCS agencies properly completed and documented quarterly face-to-face monitoring visits with consumers.

We recommend that DDA

- a. establish a process to ensure that CCS agencies complete all quarterly monitoring as required for each consumer (repeat) by continuing to monitor the CCS agencies;**
- b. ensure the CCS agencies complete quarterly monitoring forms which contain detailed comments regarding consumers' progress on achieving personal goals and outcomes (repeat); and**
- c. consult with legal counsel to identify corrective actions that can be taken when CCS agencies fail to provide the required services, such as by withholding funds or assessing penalties or pursue necessary changes to State regulations to adopt a payment structure that incentivizes the CCS agencies to provide all required services.**

Agency Response			
Analysis	Factually Accurate		
Please provide additional comments as deemed necessary.			
Recommendation 2a	Agree	Estimated Completion Date:	8/1/2025
Please provide details of corrective action or explain disagreement.	<p>The QIO will continue to request corrective action plans for CCS agencies to include the following: CCS monitoring visits occur at the required frequency and are completed in person with the participant present, and supporting documentation is found that verifies the visit occurred.</p> <p>DDA has taken multiple steps to ensure CCS agencies complete all required quarterly face-to-face monitoring visits. In September 2023, DDA issued updated training and guidance to all CCS agencies to clarify expectations and improve compliance. Since then, DDA has observed improvement in completing and documenting monitoring and follow-up visits.</p> <p>To sustain progress, DDA will continue to monitor the completion of all four required quarterly visits and provide technical support to CCS agencies as needed. In addition, the Quality Improvement Organization</p>		

Maryland Department of Health Developmental Disabilities Administration

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	<p>(QIO) will continue to conduct independent monitoring to validate the completion of visits. DDA conducts monthly reviews to ensure visit completion and actively tracks the reasons for missed visits. Reasons include participant or family refusals, pending disenrollments, and LTSS system issues.</p> <p>To address these barriers, DDA will:</p> <p>Issue guidance to CCS agencies for handling these specific circumstances, including where and what to document.</p> <p>Update the Participant Rights and Responsibilities form to clarify expectations and hold participants accountable for non-compliance.</p> <p>Update the LTSSMaryland system's monitoring and follow-up logic to improve tracking and accountability, and</p> <p>Update the form to ensure more information is entered (such as why a visit was not completed as required).</p> <p>Require that the DDA team member collecting data on compliance with quarterly monitoring forms develops a process for addressing unmet findings as data is collected in real-time. This is in addition to the scope of the QIO.</p>		
Recommendation 2b	Agree	Estimated Completion Date:	8/1/2025
Please provide details of corrective action or explain disagreement.	<p>DDA will ensure the CCS agencies complete quarterly monitoring forms which contain detailed comments regarding consumers' progress on achieving personal goals and outcome. Corrective action for CCS agencies currently includes monitoring forms that include detailed progress towards participant outcomes. Trends for outliers that impact the measure positively or negatively are provided to DDA, allowing for an appreciative inquiry approach to be used for learning and sharing how some CCS agencies meet standards. This approach enables DDA to provide technical assistance to providers who are not meeting standards. To support this, DDA is issuing a series of targeted microtraining sessions aligned with the QIO's updated recommendations. These sessions will guide CCS staff on how to complete monitoring forms thoroughly and meaningfully. Additionally, the Monitoring and Follow-Up Guidance, effective September 2023, outlines the types of documentation and verification CCS agencies can use to demonstrate compliance with monitoring requirements. This guidance is reinforced</p>		

Maryland Department of Health Developmental Disabilities Administration

Agency Response Form

	<p>during one-on-one statewide technical assistance meetings with CCS agencies.</p> <p>To further strengthen documentation, DDA will update the quarterly monitoring form within LTSSMaryland to allow for more structured and open-ended fields. This will enable CCS staff to enter more detailed and individualized information regarding consumers' progress on personal outcomes.</p>		
Recommendation 2c	Agree	Estimated Completion Date:	7/30/2025
Please provide details of corrective action or explain disagreement.	<p>In consultation with legal counsel, DDA has developed a new Targeted Case Management Provider Agreement (service level agreement) that includes remedies, such as withholding payment and suspension from the Medicaid program, that DDA can seek when a CCS provider is non-compliant. These new agreements will go into effect upon renewal by the agencies.</p> <p>DDA will examine the feasibility of implementing a pay-for-performance or value-based payment methodology.</p>		

Unrecovered Provider Payments

<p>Finding 3</p> <p>DDA did not timely pursue recovery of amounts due from providers for prospective payments and did not maintain comprehensive records to track amounts due.</p>
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We recommend that DDA

- a. establish a documented plan to recover or withhold the aforementioned outstanding balances; and**
- b. maintain comprehensive accounts receivable records for amounts due from providers and take appropriate action to ensure amounts are recovered timely, such as sending dunning notices, withholding future payments, and referring any delinquent balances to CCU, as appropriate.**

Agency Response	
Analysis	Factually Accurate

Maryland Department of Health Developmental Disabilities Administration

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Please provide additional comments as deemed necessary.			
Recommendation 3a	Agree	Estimated Completion Date:	9/30/2025
Please provide details of corrective action or explain disagreement.	<p>Of the approximately 424 DDA providers, 105 providers still owe DDA funds as a result of the reconciliations of PCIS2 (40 of which have been making active payments to satisfy their owed balance). DDA has documented a plan as follows:</p> <p>By the end of the first quarter of Fiscal Year 2026, DDA will finalize the anticipated timeline to recoup all remaining owed funds. All providers who do not have an approved payment plan in place by the end of the fiscal year will have 30 days to submit an approved payment plan that will result in their outstanding balance being satisfied by the end of Fiscal Year 2026. Providers not satisfying this final 30-day deadline will be submitted to CCU for collections by September 2025. Providers currently in appeal with the Office of Administrative Hearings will not be recouped until their appeal has concluded in either a settlement agreement surrounding a payment plan or a determination from the appeals process. If providers miss a monthly payment by more than 30 days, their payment will be withheld from their next fee-for-service payment. After a second missed payment, their remaining balance will be submitted to CCU for collection.</p> <p>DDA anticipates compiling a final report and summary of the anticipated timeline for collections by September 2025, which will include an overview of the steps taken.</p>		
Recommendation 3b	Agree	Estimated Completion Date:	1/31/2026
Please provide details of corrective action or explain disagreement.	<p>In addition to the steps mentioned above, DDA will establish a process to ensure that providers who default on their payment plans and refuse to enter into a payment plan or satisfy the balance in full during their appeal or have not filed an appeal and have not established a payment plan, are reported to the State's CCU for further collection activity. DDA has already implemented a comprehensive accounts receivable record, which can be made available to OLA upon request.</p>		

Maryland Department of Health Developmental Disabilities Administration

Agency Response Form

Self-Directed DDA Services

Finding 4

MDH's modification and extension of the incumbent FMCS vendors contract circumvented the competitive procurement process and could not justify the rates in the modified contract which were significantly higher than the other FMCS vendors.

We recommend that MDH ensure that

- a. all contracts are competitively procured, as required; and**
- b. documented price negotiations are conducted as appropriate.**

Agency Response			
Analysis	Factually Accurate		
Please provide additional comments as deemed necessary.			
Recommendation 4a	Agree	Estimated Completion Date:	1/31/2026
Please provide details of corrective action or explain disagreement.	DDA will ensure, in accordance with new policies, procedures, and training developed by the MDH Office of Contract Management and Procurement (OCMP), that all contracts are competitively procured as required. DDA will also issue a policy instructional statement to all its program managers to ensure compliance.		
Recommendation 4b	Agree	Estimated Completion Date:	1/31/2026
Please provide details of corrective action or explain disagreement.	DDA will ensure, in accordance with new and existing procedures developed by OCMP, that price negotiations are conducted and documented as appropriate.		
	DDA will include in the aforementioned policy instructional statement that part of the procurement process is to request a "best and final offer" from all recommended vendors.		

Maryland Department of Health Developmental Disabilities Administration

Agency Response Form

Finding 5

DDA did not verify that reimbursements to the FMCS vendors for payments to self-directed providers were proper and that the FMCS paid the providers timely.

We recommend that DDA

- a. ensure FMCS vendor payments are proper and supported, and**
- b. obtain the necessary information to ensure FMCS payments to the self-directed providers are timely.**

Agency Response			
Analysis	Factually Accurate		
Please provide additional comments as deemed necessary.			
Recommendation 5a	Agree	Estimated Completion Date:	1/31/2026
Please provide details of corrective action or explain disagreement.	DDA is in the process of hiring a new FMCS Program Manager. Once hired, the Program Manager will review existing procedures and document any necessary additional steps required to ensure proper, supported, and timely payments to self-directed vendors. The QIO has also begun its reviews of the FMCS agencies, and DDA will use its findings to make necessary changes to existing procedures, if applicable		
Recommendation 5b	Agree	Estimated Completion Date:	1/31/2026
Please provide details of corrective action or explain disagreement.	<p>DDA will review existing procedures and document any additional steps to ensure proper and timely payments to the FMCS vendors. DDA is also working on the new RFP and will include service-level agreements specific to timely payments to employees and vendors in the new contracts.</p> <p>Currently, DDA's Director of Administrator Services oversees the FMCS contracts. DDA meets with the FMCS vendors individually one week and then as a group the other week. During those meetings, customer payment concerns are reviewed, contractual obligations are discussed, and any updates in policies, practices, or guidelines are provided. The DDA will continue to explore hiring an FMCS Program Manager; however, current duties are currently overseen by the Director of Administrative Services.</p>		

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