

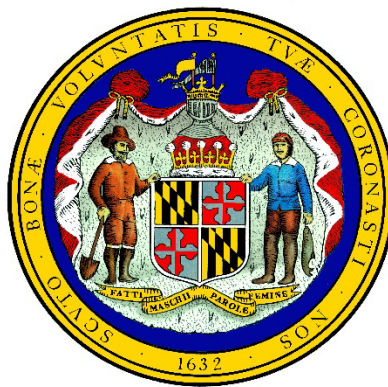
Audit Report

Department of Human Services Local Department Operations

April 2025

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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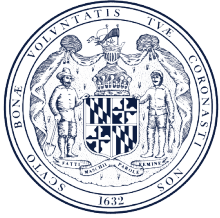
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MARYLAND GENERAL ASSEMBLY

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Brian S. Tanen, CPA, CFE
Legislative Auditor

April 11, 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 Department of Human Services (DHS) – Local Department Operations (LDO) for the period beginning February 19, 2021 and ending February 29, 2024. LDO is a separate budgetary unit consisting of the funds appropriated to operate the State’s 24 local departments of social services (LDSS) and to support the various assistance activities they administer (including the Supplemental Nutrition Assistance Program and Temporary Cash Assistance, but excluding child support enforcement). Generally, the executive director of each LDSS reports to the DHS Secretary.

DHS primarily relied on statutorily required audits of each LDSS conducted by the Office of the Inspector General (OIG) to monitor LDSS compliance. Our audit disclosed that these audits were generally sufficiently comprehensive and therefore we relied on them for the coverage of the LDSS. Accordingly, the findings in this report are based on the results of the OIG’s audit reports.

Our review of the OIG’s audit reports for 11 LDSSs completed during our audit period and the audits of the remaining 13 LDSSs completed during our prior audit period disclosed that the reports collectively included 221 audit findings, including 70 the OIG deemed to be repeat findings. The OIG audit findings were related to deficiencies in controls over critical areas of LDSS operations, such as fiscal management activities. In addition, the OIG reported on deficiencies in the administration of certain public assistance and social service programs, such as the investigation of potential payment or recipient eligibility errors, controls over electronic benefits transfer (EBT) cards, and the timely completion of adult and child protective services investigations.

Furthermore, our audit disclosed a cybersecurity-related finding. However, in accordance with the State Government Article, Section 2-1224(i) of the Annotated Code of Maryland, we have redacted the finding 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 finding falls under the referenced definition. The specifics of the cybersecurity finding were previously communicated to those parties responsible for acting on our recommendations.

DHS’ response to this audit, on behalf of LDO, is included as an appendix to this report. Consistent with State law, we have redacted the elements of DHS’ response related to the cybersecurity audit finding. 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 the OIG.

Respectfully submitted,

Brian S. Tanen

Brian S. Tanen, CPA, CFE
Legislative Auditor

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Background Information

Agency Responsibilities

Local Department Operations (LDO) is one of seven budgetary units of the Department of Human Services (DHS). It consists of the funds appropriated for operating the State's 24 local departments of social services (LDSS) and supporting the various assistance activities they administer.¹ These activities primarily involve the various DHS public assistance programs, such as the Supplemental Nutrition Assistance Program and Temporary Cash Assistance, which are administered by the LDSSs under policies promulgated by other units within DHS.

According to the State's records, the LDO's fiscal year 2024 expenditures totaled approximately \$2.9 billion, which included \$2.2 billion in public assistance program expenditures and \$680 million in operating expenditures (primarily employee salaries and benefits), see Figure 1 on the following page. As of June 30, 2024, approximately 7 percent of the total 5,125 positions were vacant.

¹ There is no LDSS in Montgomery County. In accordance with its agreement with DHS, the Montgomery County Department of Health and Human Services performs the functions of an LDSS. The State provides annual funding to Montgomery County and the Office of the Inspector General (OIG) performs audits of these operations consistent with the 23 LDSSs. For this report, unless otherwise stated, references to the LDSSs include Montgomery County operations.

Figure 1
DHS – Local Department Operations
Positions, Expenditures, and Funding Sources

Full-Time Equivalent Positions as of June 30, 2024		
	Positions	Percent
Filled	4,750	92.6%
Vacant	375	7.4%
Total	5,125	
Fiscal Year 2024 Expenditures		
	Expenditures	Percent
Salaries, Wages, and Fringe Benefits	\$ 490,258,532	17.1%
Technical and Special Fees	3,554,807	0.1%
Operating Expenses	2,379,330,653	82.8%
Total	\$2,873,143,992	
Fiscal Year 2024 Funding Sources		
	Funding	Percent
General Fund	\$ 644,868,462	22.4%
Special Fund	27,087,926	0.9%
Federal Fund	2,200,537,754	76.5%
Reimbursable Fund	649,850	0.1%
Total	\$2,873,143,992	

Source: State financial and personnel records

The remaining units of DHS are audited and reported upon separately by our office. Specifically, the units of Child Support Administration, Family Investment Administration (FIA), and Social Services Administration (SSA) are audited separately. The Office of the Secretary, the Office of Technology for Human Services, and the Operations Office are consolidated in one audit. Generally, these six units direct or support the activities (including public assistance programs) that are administered statewide by the 24 LDSSs, with the executive director of each LDSS reporting to the DHS Secretary.

Audit Approach

Section 3-602 of the Human Services Article of the Annotated Code of Maryland requires DHS to conduct, or contract for, a financial and compliance audit of each LDSS at least once every three years. To comply with State law, the DHS Office of the Inspector General (OIG) has been tasked with auditing the 24 LDSSs. To avoid duplication of work, we performed audit procedures necessary to determine whether we could rely on the audit work of DHS's OIG to accomplish our audit objectives. Our audit procedures were generally limited to obtaining a sufficient basis for that reliance. Specifically, we reviewed the audit reports and the related working papers of certain OIG audits performed during our audit period.

Based on this review, we concluded that the OIG's audit coverage of the LDSSs generally provided a sufficient basis for reliance on its work. As discussed below, we also performed a limited review of LDSS procurements and disbursements for the purpose of assessing the status of a finding contained in our preceding audit report.²

Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of the six findings contained in our preceding audit report dated March 30, 2022. See Figure 2 on the next page for the results of our review. It should be noted that these findings represent compiled outcomes from 24 separate agencies (LDSSs); meaning that even if one or more of the LDSSs were to take corrective action on an issue, if the condition were to exist at other LDSSs the finding would be repeated. In addition, certain findings contained and repeated in this LDO report and the OIG reports might also be included in our own Social Services Administration or Family Investment Administration audit reports (see Exhibit 2).

² Our prior audit identified deficiencies in the OIG coverage of procurements and disbursements which required us to perform a review of this activity.

Figure 2
Status of Preceding Findings

Preceding Finding	Finding Description	Implementation Status
Finding 1	DHS did not have an effective process to ensure that the LDSSs complied with State law, regulations, and DHS policies.	Not repeated
Finding 2	The OIG reported numerous instances in which LDSS controls over fiscal management activities were inadequate, including bank accounts, procurements, and gift cards.	Repeated (Current Finding 1)
Finding 3	The OIG reported numerous LDSS deficiencies related to critical FIA policies, such as those intended to ensure the propriety of recipient eligibility for public assistance and food benefits.	Repeated (Current Finding 2)
Finding 4	The OIG reported numerous LDSS deficiencies related to critical SSA policies, including child protective services and the out-of-home placement program.	Repeated (Current Finding 3)
Finding 5	The OIG reported numerous deficiencies related to LDSS user access to critical computer systems.	Status Redacted ³
Finding 6	LDSS contracts were not adequately monitored and sole source procurements were not adequately justified.	Not repeated

³ 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 2-1224(i) of the Annotated Code of Maryland.

Findings and Recommendations

Office of the Inspector General Audit Findings on LDSSs

Background

The Department of Human Services (DHS) Office of the Inspector General (OIG) classifies the findings from its audits of the 24 local departments of social services (LDSSs) into several functional areas. These areas generally equate to each LDSS's major operational responsibilities, which include implementing policies established by the Family Investment Administration (FIA) and the Social Services Administration (SSA) in accordance with State law, and adhering to fiscal and information system regulations and controls. A summary of all OIG audit findings for the most recent audit of each LDSS can be found in Exhibit 1 of this report. Using the results of the OIG's audits of the 24 LDSSs, we summarized some of the more significant findings in certain functional areas as they appeared in selected reports.

Finding 1

The OIG reported numerous instances in which LDSS controls over fiscal management activities were inadequate, including bank accounts, procurements, and contract monitoring.

Analysis

The OIG reported numerous instances in which LDSS controls over fiscal management activities were inadequate. Specifically, our review of the most recent OIG audit report for each of the 24 LDSSs disclosed 67 findings from 17 LDSSs related to fiscal management areas such as bank accounts, procurements, and contract monitoring (see Exhibit 1). Of these 67 findings, 28 were also specifically included in our preceding LDO audit report.⁴ Our review of these OIG audit reports disclosed the following findings related to fiscal operations:

- LDSSs frequently lacked adequate controls over bank accounts, which were maintained to pay certain administrative and program-related expenditures. For example, the OIG reports disclosed instances in which bank account reconciliations were not performed timely or reviewed by management, and that outstanding checks were not adequately monitored. Consequently, there

⁴ The findings summarized and presented in Exhibit 1 for 13 LDSSs were also included in the comparable exhibit in our prior LDO audit report dated March 30, 2022 because, at the time of our current audit, DHS – OIG had not issued subsequent audit reports for these 13 LDSSs. OIG's delay in starting and completing audits necessitated this approach.

is the potential that unauthorized payments could be processed without prompt detection.

- State procurement regulations were not always followed. For example, the OIG reports disclosed that bids were not always solicited as required, bid documentation was not always retained, and solicitations were not always posted on *eMaryland Marketplace Advantage (eMMA)*.⁵ Consequently, assurance was lacking that the related procurements were in the best interest of the State.
- LDSSs did not always adequately monitor contracts. For example, the OIG reports disclosed instances where LDSSs did not document their monitoring efforts and the vendors' compliance with contract requirements. Thus, assurance was lacking that the State received all deliverables and that performance measures were met.
- LDSSs did not always comply with State and DHS policies for procurements and disbursements. For example, the OIG reports disclosed that the LDSSs did not always establish written contracts or purchase orders as required by State regulation. In addition, invoices were not always approved before payment, stamped paid, or paid timely. As a result, improper payments could be processed or duplicate payments could occur.

Similar deficiencies regarding controls over bank accounts and procurement regulations among the LDSSs were included in prior OIG reports and were consequently commented upon in our four preceding audit reports dating back to May 2012.

Recommendation 1

We recommend that DHS establish appropriate accountability and control over fiscal operations. For example, DHS should ensure that the LDSSs

- a. establish adequate controls over bank accounts (repeat),**
- b. comply with State procurement regulations (repeat),**
- c. adequately monitor contracts, and**
- d. establish controls over disbursements in compliance with applicable State and DHS policies and procedures.**

⁵ *eMaryland Marketplace Advantage (eMMA)* is an internet-based, interactive procurement system managed by the Department of General Services (DGS).

Finding 2

The OIG reported numerous LDSS deficiencies related to critical FIA policies, such as those intended to ensure the propriety of recipient eligibility for public assistance and food benefits.

Analysis

The OIG reported that numerous LDSS deficiencies related to critical FIA policies. Specifically, our review of the most recent OIG audit report for each of the 24 LDSSs disclosed 32 findings from 14 LDSSs related to deficiencies related to FIA policies for public assistance programs, including the Temporary Cash Assistance (TCA) program and the federal Supplemental Nutrition Assistance Program (SNAP) (see Exhibit 1). Of these 32 findings, 16 were also specifically included in our preceding LDO audit report.

TCA provides cash assistance to needy families with dependent children when available resources do not fully address the family's needs and while preparing program participants for independence through work, and SNAP helps low-income households purchase food. Recipients access TCA and SNAP benefits through the Electronic Benefits Transfer (EBT) system; the associated EBT card functions as a debit card.

Our review of the OIG audit reports disclosed the following selected findings related to FIA programs:

- Controls over EBT cards were not sufficient. For example, certain counts of EBT cards on hand were conducted by an employee who also had access to the EBT card inventory and consequently, the counts were therefore not independent. In addition, the transfer of EBT cards between the custodian of the cards and other employees was not always documented. As a result, there is a potential risk that cards could be misplaced or misappropriated, improperly activated, and used without prompt detection. Effective controls are needed to ensure that EBT cards are only issued to, and used by, the intended recipients.
- All potential payment or recipient eligibility errors disclosed by periodic FIA computer matches either were not pursued or were not pursued timely. For example, the LDSSs did not always perform timely follow up for recipients with missing or invalid social security numbers. The lack of timely computer match follow up could result in improper assistance payments not being detected timely and ongoing improper payments to these recipients.

Similar deficiencies regarding controls over EBT cards and the resolution of

errors identified by computer matches among the LDSSs were included in prior OIG reports and consequently were commented upon in our four preceding audit reports dating back to May 2012. According to DHS records, during fiscal year 2023, SNAP disbursements, which are entirely federally funded, totaled approximately \$1.8 billion, and TCA disbursements, which are funded by both State and federal funds, totaled \$174 million.

Recommendation 2

We recommend that DHS ensure that the LDSSs comply with all FIA program requirements. For example, DHS should ensure that the LDSSs

- a. establish appropriate controls over the EBT card inventories (repeat), and**
- b. perform timely follow up on all potential payment or eligibility errors identified through computer matches (repeat).**

Finding 3

The OIG reported numerous LDSS deficiencies related to critical SSA policies, including adult and child protective services, and the out-of-home placement program.

Analysis

The OIG reported numerous LDSS deficiencies related to critical SSA policies. Specifically, our review of the most recent OIG audit report for each of the 24 LDSS disclosed 98 findings from 23 LDSSs related to SSA activities, including adult and child protective services, and the out-of-home placement program (see Exhibit 1). Of these 98 findings, 41 were also specifically included in our preceding LDO audit report.

SSA's Adult Services unit serves persons aged 18 or over who lack the physical or mental capacity to provide for their daily needs and the Child Protective Services unit provides services to assist children believed to be neglected or abused by parents or other adults with parental responsibilities. The out-of-home placement program is a temporary service that provides short-term care and support services to children who are unable to live at home because of child abuse or neglect. Generally, these children are temporarily placed in either kinship care (with a relative) or a foster care setting (a fee-based individual foster home or group care environment).

Our review of the OIG audit reports disclosed the following selected findings related to SSA programs:

- Adult and child protective services investigations were frequently not completed in accordance with State regulations that require completion within 60 days from receipt of the allegations. In addition, the LDSSs did not always notify appropriate law enforcement of child protective services investigations, as required. These investigations help protect the welfare of vulnerable adults and children.
- Out-of-home placement case files did not always contain documentation that a caseworker had conducted a monthly visit with the child, as required by State regulations. Furthermore, caseworkers frequently did not record their visits with children in DHS records on a timely basis. Consequently, there was a lack of assurance that children in out-of-home placements were receiving vital services necessary for their emotional, physical, and educational well-being.
- Foster care trust accounts were not adequately maintained. For example, instances were noted in which trust accounts remained open for former foster care children, and accounts were not always established when children had the necessary funds. Therefore, there was an increased risk that children may be deprived of personal funds for their benefit and care.
- Foster care providers were not properly monitored. For example, annual reconsiderations to determine compliance with home regulations for foster care providers were not performed timely, and documentation of criminal background clearances and children's medical records were missing. These requirements help protect the welfare of the foster care children and ensure they are receiving the vital services necessary for their well-being.

Similar deficiencies regarding child protective services investigations, out-of-home placement case files, and foster care trust accounts were commented upon in our preceding audit report. In addition, deficiencies regarding a lack of compliance with requirements of the Child Protective Services program, and missing documentation of compliance with certain critical requirements for children in out-of-home placements were included in prior OIG reports and consequently were commented upon in our three preceding audit reports on SSA dating back to November 20, 2017.

According to DHS records, there were 3,919 children in the out-of-home placement program as of June 30, 2023. The related fiscal year 2023 expenditures totaled approximately \$342 million. In addition, 9,457 child protective services and 17,358 adult protective services investigations were completed during the year ending June 30, 2023.

Recommendation 3

We recommend that DHS ensure that the LDSSs comply with all SSA program requirements. For example, DHS should ensure that the LDSSs

- a. complete child protective service investigations (repeat) and adult protective service investigations timely, and notify appropriate law enforcement, as required;**
- b. document all monthly visits between the caseworker and the out-of-home placement child, and record these visits in DHS records in a timely manner (repeat);**
- c. adequately maintain foster care trust accounts (repeat); and**
- d. ensure foster care providers are properly monitored, including performing annual reconsiderations and maintaining documentation of criminal background clearances and children's medical records.**

We determined that Finding 4 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 is 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 finding, including the analysis, related recommendation(s), along with DHS’ responses, have been redacted from this report copy.

Finding 4

Redacted cybersecurity-related finding.

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the Department of Human Services (DHS) – Local Department Operations (LDO) for the period beginning February 19, 2021 and ending February 29, 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 LDO'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 DHS Office of Inspector General (OIG) audits, and certain procurement and disbursement activity at certain local departments of social services. We also determined the status of the six findings contained in our preceding audit report.

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

Section 3-602 of the Human Services Article of the Annotated Code of Maryland requires DHS to conduct, or contract for, a financial and compliance audit of each LDSS at least once every three years. As previously noted in this report, although OIG did not conduct audits of all 24 local departments of social services (LDSS) during our audit period, based on our assessment of the OIG's audit coverage of the LDSSs, we performed audit procedures necessary to determine whether we could rely on the audit work of DHS' OIG to accomplish our audit objectives

pertaining to LDO's major financial-related areas of operations based on significance and risk. These areas addressed by the OIG audits included the LDSS responsibilities to implement various DHS assistance programs as well as their financial processes. Our audit procedures were generally limited to obtaining a sufficient basis for that reliance.

We reviewed the audit reports and the related working papers of certain OIG audits performed during our audit period and reviewed certain aspects of OIG's audit operations, including those related to our prior audit report findings. Based on this review, we concluded that the OIG's audit coverage of the LDSSs generally provided a sufficient basis for reliance on its work. While we did not conduct audits of the LDSSs, our audit procedures did include reviewing certain critical procurement and disbursement processes at selected LDSSs to address a prior audit finding. The findings in this report are primarily based on the results reported by the OIG for the 11 LDSSs it audited during our audit period and the remaining 13 LDSSs it audited during our prior audit period.

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 February 19, 2021 to February 29, 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 LDO'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. Finally, we performed other auditing procedures that we considered necessary to achieve our objectives. The reliability of data used in this report for background or informational purposes was not assessed.

LDO'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 LDO, 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 LDO'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 LDO 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 that a finding in this report falls under that definition. Consequently, for the publicly available audit report all specifics as to the nature of the cybersecurity finding 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 this cybersecurity finding have been communicated to LDO and those parties responsible for acting on our recommendations in an unredacted audit report.

The response from DHS, on behalf of LDO, 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
Summary of All Audit Findings on LDSSs
Reported by DHS Office of the Inspector General (OIG)
Most Recent Audit of Each of the 24 Local Departments of Social
Services as of February 2024

Local Department of Social Services (LDSS)	Number of OIG Reportable Findings by Area				Total OIG Findings	Number of Repeat OIG Findings	Percentage of Repeat OIG Findings	Fiscal Year 2023 Expenditures
	Social Services Admin.	Fiscal Management	Family Investment Admin.	Other				
Allegany County	4	2	0	0	6	1	17%	\$76,692,963
Anne Arundel County*	6	2	1	2	11	1	9%	199,186,009
Baltimore City	10	10	4	3	27	18	67%	798,459,011
Baltimore County	5	4	1	2	12	5	42%	422,525,555
Calvert County*	3	0	0	0	3	0	0%	36,056,109
Caroline County*	2	2	0	0	4	0	0%	30,487,075
Carroll County*	2	0	1	0	3	2	67%	46,811,200
Cecil County	7	8	4	2	21	2	10%	66,712,158
Charles County*	6	4	2	3	15	8	53%	70,101,853
Dorchester County*	0	0	0	1	1	0	0%	37,212,597
Frederick County	2	5	3	0	10	1	10%	83,819,595
Garrett County*	3	4	1	0	8	1	13%	24,301,744
Harford County*	2	5	2	1	10	3	30%	114,302,598
Howard County*	4	3	6	1	14	7	50%	84,035,027
Kent County	2	0	0	0	2	0	0%	15,738,479
Montgomery County*	5	3	2	1	11	8	73%	277,447,632
Prince George's County	7	5	1	3	16	7	44%	440,180,185
Queen Anne's County	4	0	0	0	4	0	0%	16,976,013
Somerset County	4	1	0	1	6	3	50%	31,376,488
St. Mary's County*	4	1	0	0	5	2	40%	55,493,394
Talbot County*	3	4	0	0	7	1	14%	22,501,808
Washington County	7	4	3	2	16	0	0%	114,181,268
Wicomico County*	1	0	1	2	4	0	0%	84,357,035
Worcester County	5	0	0	0	5	0	0%	31,585,633
TOTAL	98	67	32	24	221	70	32%	\$3,180,541,429

Source: DHS - OIG Audit Reports and DHS financial records

*The specific findings summarized and presented in this exhibit for this LDSS (13 in total) were also included in the comparable exhibit found in our preceding LDO audit report dated March 30, 2022. Our presentation of past audit data was necessary because, at the time of our current audit, DHS – OIG had not issued subsequent audit reports for these 13 LDSSs.

Exhibit 2
Listing of Most Recent Office of Legislative Audits Fiscal
Compliance Audits of Department of Human Services Units
As of February 2025

Name of Audit		Most Recent Report Date	Total Findings	Number of Repeat Findings
1	Department of Human Resources Office of the Secretary and Related Units	2/28/2025	9	1
2	Family Investment Administration	10/21/2022	10	5
3	Social Security Administration U	6/3/2021	8	7
4	Child Support Administration	5/13/2021	2	0
Total			29	12
U - This audit had an unsatisfactory rating.				

APPENDIX



DEPARTMENT OF HUMAN SERVICES

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

April 10, 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 – Local Department Operations (LDO) for the period beginning February 19, 2021 and ending February 29, 2024.

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 if you would like to continue the conversation.

In service,

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

Carnitra White
Principal Deputy Secretary

Enclosures:

cc: Rafael López, Secretary of Human Services
Gloria Brown Burnett, Deputy Secretary for Operations
Daniel Wait, Deputy Secretary for Talent & Customer Service
Webster Ye, Chief of Staff
Alger Studstill, Executive Director, SSA
Augustin Ntabaganyimana, Executive Director, FIA
Dave Sloan, Chief Information Officer, OTHS
Jessica Smith, Acting Chief Financial Officer
Monica Hariri, Acting Procurement Director
Marva Sutherland, Inspector General
Shelly-Ann Dyer, Assistant Inspector General for Audits

**Department of Human Services
Local Department Operations**

Agency Response Form

Office of the Inspector General Audit Findings on LDSSs

Finding 1
The OIG reported numerous instances in which LDSS controls over fiscal management activities were inadequate, including bank accounts, procurements, and contract monitoring.

We recommend that DHS establish appropriate accountability and control over fiscal operations. For example, DHS should ensure that the LDSSs

- a. establish adequate controls over bank accounts (repeat),**
- b. comply with State procurement regulations (repeat),**
- c. adequately monitor contracts, and**
- d. establish controls over disbursements in compliance with applicable State and DHS policies and procedures.**

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 1a	Agree	Estimated Completion Date:	6/30/2025
Please provide details of corrective action or explain disagreement.	<p>DHS is updating the department’s fiscal manual to address the adequacy of controls over bank accounts. Section 4 of such manual provides detailed guidance and instructions for Bank, Trust, and Cash Accounts. The manual outlines the different types of bank accounts and related cash receipt activities monitored by local departments. It also outlines which bank accounts are to be used in the receipt and disbursement of certain transactions.</p> <p>The Office of Budget and Finance (OBF) will perform periodic reviews including quarterly reconciliations to ensure that the locals are adhering to the guidelines governing bank accounts.</p>		
Recommendation 1b	Agree	Estimated Completion Date:	On-going
Please provide details of corrective action or explain disagreement.	<p>DHS agrees with the recommendation and will ensure the LDSSs’ compliance with State procurement laws and regulations.</p> <p>The Central Procurement Unit has issued an email template for soliciting for category I and II procurements which was posted on Knowledge</p>		

**Department of Human Services
Local Department Operations**

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	<p>Base and provided a training Overview of Small Procurements that was provided during a Procurement Advisory Committee (PAC) meeting in November 2024. There is also a checklist provided noting the documentation to be included in the Small Procurement file which is available on Knowledge Base to aid in ensuring compliance.</p> <p>There are PAC meetings once a month to discuss various training topics. The Central Procurement Unit will continue to provide on-going training opportunities and refreshers to staff on matters related to retention of bid documentation, solicitation on eMMA, and other topics that ensure compliance with procurement regulations.</p>		
Recommendation 1c	Agree	Estimated Completion Date:	11/30/2025
Please provide details of corrective action or explain disagreement.	<p>DHS agrees with the recommendation and will ensure LDSSs begin to adequately monitor contracts. In February 2022, the Central Procurement Unit established the Contract Monitoring Advisory Committee (CMAC) to support all DHS contract monitoring staff including those at the local level. In these meetings, guidance and tools (i.e. templates) were created to assist contract monitors. Guidance included but was not limited to ensuring adequate documentation of monitoring efforts as well as ensuring vendors' compliance with contract requirements.</p> <p>The Contract Monitoring tool is being used when administrations/locals are submitting their procurements; however, it has been found that it is not being used to document contract performance or tracking, as it was intended.</p> <p>Moving forward, the Central Procurement Unit will re-enforce adequate usage of the Contract Monitoring Tool currently on Knowledge Base and require quarterly reporting to Central which will be reviewed for outstanding issues and compliance.</p> <p>These guidelines will be established during the upcoming CMAC meeting scheduled in May 2025, with the first quarterly report due in October.</p> <p>There are CMAC meetings held bi-monthly to go over different training topics. The DHS Central Procurement Unit will continue to provide on-going training opportunities and refreshers to staff as well as continue to discuss the importance of vendor compliance with contract requirements.</p>		

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Local Department Operations**

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Recommendation 1d	Agree	Estimated Completion Date:	6/30/2025
Please provide details of corrective action or explain disagreement.	As part of the newly updated fiscal manual, Section D - Invoice Verification, Section E - Invoice Approvals, Section F - Invoice Processing and Payment, and Section G - Invoice Timeliness provide information and instructions to ensure the processing of invoices and disbursements are seamless and in compliance throughout DHS. The OBF will be conducting training and periodic reviews to ensure that the locals are adhering to the updated guidance.		

Department of Human Services Local Department Operations

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Finding 2

The OIG reported numerous LDSS deficiencies related to critical FIA policies, such as those intended to ensure the propriety of recipient eligibility for public assistance and food benefits.

We recommend that DHS ensure that the LDSSs comply with all FIA program requirements. For example, DHS should ensure that the LDSSs

- a. establish appropriate controls over the EBT card inventories (repeat), and
- b. perform timely follow up on all potential payment or eligibility errors identified through computer matches (repeat).

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 2a	Agree	Estimated Completion Date:	On-going
Please provide details of corrective action or explain disagreement.	<p>To ensure appropriate controls over the EBT card inventories are established by the LDSSs, DHS FIA has taken the following steps:</p> <ul style="list-style-type: none"> ○ Updated and disseminated EBT Card inventory management procedures. ○ Provided ongoing training to EBT Trainers and Case Managers to ensure that they understand each other's role in the issuance and management of over-the-counter EBT cards. ○ Incorporated the EBT Card inventory management in the monitoring reviews (also known as “management evaluation”). Management Evaluations are conducted once a year for large jurisdictions and every other year for medium and small jurisdictions to evaluate compliance with program requirements. ○ Provides ongoing reminders about EBT card management procedures during quarterly all-staff meetings. 		
Recommendation 2b	Agree	Estimated Completion Date:	On-going
Please provide details of corrective action or explain disagreement.	<p>DHS will ensure that the LDSSs continue to perform timely follow-up on all potential payment or eligibility errors identified through computer matches in accordance with the recent guidance provided by the U.S. Department of Agriculture Food and Nutrition Service</p>		

**Department of Human Services
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	<p>(FNS). Specifically, FNS clarified that computer matches are to be reviewed at application or recertification.</p> <p>Previous guidance from FIA Central to local office staff to address computer matches <i>throughout a household's certification period</i> was not in accordance with the aforementioned federal regulations.</p> <p>As a result, an updated FIA Action Transmittal 25-03 (AT) addressing how to properly handle computer matches in accordance with FNS was developed and issued on November 13, 2024.</p> <p>Computer matches are included in the Supplemental Nutrition Assistance Program (SNAP) Management Evaluations (ME) review process to ensure appropriate follow-up action is taken.</p>
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Department of Human Services Local Department Operations

Agency Response Form

Finding 3

The OIG reported numerous LDSS deficiencies related to critical SSA policies, including adult and child protective services, and the out-of-home placement program.

We recommend that DHS ensure that the LDSSs comply with all SSA program requirements. For example, DHS should ensure that the LDSSs

- a. complete child protective service investigations (repeat) and adult protective service investigations timely, and notify appropriate law enforcement, as required;
- b. document all monthly visits between the caseworker and the out-of-home placement child, and record these visits in DHS records in a timely manner (repeat);
- c. adequately maintain foster care trust accounts (repeat); and
- d. ensure foster care providers are properly monitored, including performing annual reconsiderations and maintaining documentation of criminal background clearances and children's medical records.

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 3a	Agree	Estimated Completion Date:	04/30/2026
Please provide details of corrective action or explain disagreement.	<p>DHS agrees that investigations for child and adult protective investigations should be completed within the appropriate timeframes as well as ensuring that the appropriate law enforcement notifications are made.</p> <p>DHS SSA will work to reduce the administrative burden of caseworkers by working to complete CJAMS enhancement to allow for the law enforcement (State Attorney’s Office) notification to be automated at case closure as well as a field added to justify the reason why the investigation has remained open past the allotted days.</p> <p>DHS SSA will also review the current policy that dictates case closure timeline to remove any redundancies and streamline case closure expectations for varying types of cases (e.g. investigation, alternative response, family preservation, and in-home).</p>		

**Department of Human Services
Local Department Operations**

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	DHS SSA will ensure that COMAR is updated to reflect the statutory change allowing for APS cases to be closed within 60 days.		
Recommendation 3b	Agree	Estimated Completion Date:	12/31/2025
Please provide details of corrective action or explain disagreement.	<p>DHS agrees with the finding; however, the State of Maryland has consistently met the federal standard related to the performance of monthly visits as established by the Children’s Bureau. Specifically, the state target for monthly visits is 95%. For calendar year 2023, the state average was 98.54% and for calendar year 2024 the state average was 98.52%, which is well above the goal.</p> <p>In referencing data for 2024, while some LDSS did not meet the 95% goal every month, the yearly performance for each LDSS was above the target with the lowest being 94.6%. These standards were shared with the auditors.</p> <p>While record shows that the visits are being conducted monthly in accordance with the federal standards, we acknowledge that the aforementioned visits are not always recorded in the system of record in a timely manner, as required. As such, DHS SSA will be working on developing an annual refresher training that will be required for all staff to ensure timeframes are maintained. Documentation of efforts will also be discussed during regular ACQI sessions with Local Departments.</p> <p>SSA will continue to ensure this performance is sustained through weekly and monthly ACQI monitoring.</p>		
Recommendation 3c	Agree	Estimated Completion Date:	10/31/2025
Please provide details of corrective action or explain disagreement.	<p>DHS agrees that foster care trust accounts should be maintained adequately. SSA released a policy in 2019 regarding foster care trust accounts (19-06).</p> <p>DHS SSA Executive Director will convene a small taskforce of LDSS leaders, frontline staff and attorneys to review current policy, practice barriers and challenges, and develop actionable items for practice change by June 30, 2025. Training with local staff on new practices will occur July-September 2025 with a planned go-live date by October 1, 2025.</p>		
Recommendation 3d	Agree	Estimated Completion Date:	03/31/2026

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<p>Please provide details of corrective action or explain disagreement.</p>	<p>DHS agrees with this recommendation.</p> <p>DHS SSA has revised the Resource Homes Licensing Policy that is currently under review by the U.S. Department of Health and Human Services Children’s Bureau which will clearly provide guidance to LDSS on the requirements for annual reconsiderations, background criminal checks and medical records. This policy, once released, will also include a checklist that LDSS can use when completing annual reconsiderations.</p> <p>DHS SSA will work with MDTHINK to determine how a report can be developed that tracks annual reconsiderations to reduce the manual tracking of this by individual case workers. Long-term there may be a procurement option to assist in the management of licensing and monitoring of public foster homes.</p> <p>DHS SSA in partnership with MDTHINK is currently working on a procurement for an electronic health passport solution and once implemented every caregiver across Maryland (kinship or resource home) will have a caregiver portal that will ensure all relevant health information is available in real time to the caregiver. This information will be secured and once a child changes placement, previous caregiver(s) will no longer have access to this information.</p>
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The Office of Legislative Audits (OLA) has determined that Finding 4 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 is subject to redaction from the publicly available audit report in accordance with the State Government Article 2-1224(i). Although the specifics of the finding, including the analysis, related recommendation(s), along with DHS’ responses, have been redacted from this report copy, DHS’ responses indicated agreement with the finding and related recommendations.

Finding 4
Redacted cybersecurity-related finding.

Agency Response has been redacted by OLA.

AUDIT TEAM

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