

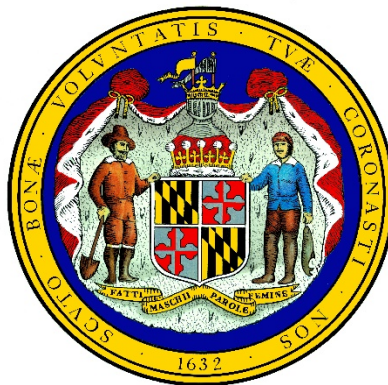
Audit Report

Maryland Department of the Environment

April 2026

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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DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

April 20, 2026

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 the Environment (MDE) for the period beginning May 1, 2021 and ending February 28, 2025. MDE is responsible for protecting and restoring the quality of the State's land, air, and water resources, and safeguarding the public from health risks associated with pollution.

Our audit disclosed that MDE did not have a documented process to independently verify the propriety of MDE lead-free certificates unilaterally issued by inspectors hired by property owners. MDE also did not notify numerous property owners and tenants for several months after it suspended the inspector that had issued their lead-free or limited lead-free certificates. MDE also did not ensure these properties were re-inspected and did not ensure children residing in the properties obtained recommended lead blood-level testing. Furthermore, MDE did not ensure that all registered rental units had a current lead inspection certificate as required and did not investigate rental units without a current inspection, a condition noted but not corrected from our prior report.

Our audit also disclosed that MDE did not review and approve wastewater discharge permits timely and did not always conduct timely inspections of the facilities. For example, as of April 2025, inspections for 224 facilities were between 7 months to more than 5 years overdue for their inspections (including facilities with administratively continued permits). In addition, our audit disclosed that MDE did not inspect certain radiation machines timely.

In addition, we received referrals to our fraud, waste, and abuse hotline related to procurement and personnel practices by certain MDE senior management employees. Based on our review, we were able to substantiate certain concerns

raised in the allegations. We also identified a potential violation of State ethics law related to secondary employment with a State university doing business with MDE. Our audit disclosed that MDE also did not always publish contract awards on *eMaryland Marketplace Advantage (eMMA)* as required. Furthermore, our audit noted that accounts receivable records were not complete and accurate or timely pursued for collections.

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

MDE’s response to this audit is included as an appendix to this report. Consistent with State law, we have redacted the elements of MDE’s response related to the cybersecurity audit findings. In accordance with State law, we have reviewed the response and, while MDE generally agrees with the recommendations in this report, we identified certain instances in which statements in the response disagree or appear to be inconsistent with a report finding and recommendation. In each instance, we reviewed and reassessed our audit documentation, and reaffirmed the validity of our finding. In accordance with generally accepted government auditing standards, we have included “auditor’s comments” within MDE’s response to explain our position. We will advise the Joint Audit and Evaluation Committee of any outstanding issues that we cannot resolve with MDE.

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

Respectfully submitted,

Brian S. Tanen

Brian S. Tanen, CPA, CFE
Legislative Auditor

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Background Information

Agency Responsibilities

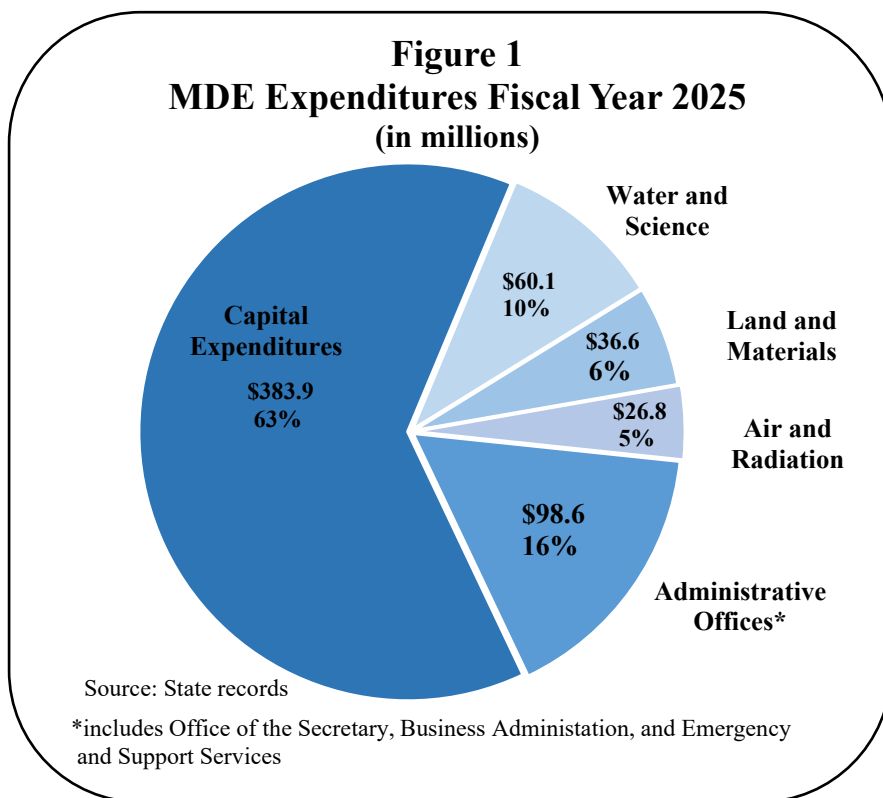
The Maryland Department of the Environment (MDE) is responsible for protecting and restoring the quality of the State's land, air, and water resources, and safeguarding the public from health risks associated with pollution. MDE's duties and responsibilities include enforcing applicable laws and regulations, conducting long-term planning and research, and assisting industries and communities in their efforts to handle pollution, waste disposal, and emergency spills of waste or oil. According to the 2026 State operating budget, MDE consists of the following six units:

- **Office of the Secretary** – Provides direction and establishes State environmental policies to be implemented by the operating units.
- **Business Administration** – Provides fiscal services to MDE, including general accounting and reporting, payroll and salary cost allocation, grant and loan financial reporting, personnel and staff development, procurement, facilities management, and health and safety.
- **Water and Science Administration** – Sets water quality standards and identifies surface water impairments and high-quality waters, and supports the Maryland Water Quality Financing Administration.¹ Also, the Administration ensures that the drinking water systems in Maryland provide safe and adequate supplies of potable water.
- **Land and Materials Administration** – Ensures that all hazardous wastes and non-hazardous solid wastes are managed to protect public health and the environment. The Administration issues permits and conducts inspections pertaining to design, construction, and operation of various facilities (such as solid waste management systems and facilities). The Administration also manages the State's lead poisoning prevention and lead paint abatement services accreditation programs, investigates lead poisoning cases, maintains lead poisoning registries, tracks the incidence of lead poisoning, conducts paint surveys of residential buildings, and educates healthcare providers and the public.
- **Air and Radiation Administration** – Ensures that air quality and radiation levels in Maryland sustain public health, safety, and the environment. It operates an air-monitoring network to obtain up-to-the-minute data on air quality, develops plans to attain and maintain health-based national ambient air quality standards, and promulgates regulations to implement these plans.

¹ The Maryland Water Quality Financing Administration administers the Water Quality and Drinking Water Revolving Loan Funds and the Bay Restoration Fund.

- **Emergency and Support Services** – Responsible for coordinating public information and outreach, community assistance, public participation, media relations, promoting pollution prevention; responding to environmental emergencies; and providing legal advice and investigating and prosecuting violations of Maryland’s environmental statutes and regulations.

According to the State's records, during fiscal year 2025, MDE's expenditures totaled approximately \$606 million (see Figure 1), the majority of which were for capital projects related to its Water Quality and Drinking Water Revolving Loan Funds and the Bay Restoration Fund. The capital projects include upgrades and expansions to wastewater treatment plants and pump stations, the creation of storm water management facilities, grants for enhanced nutrient removal upgrades to existing wastewater facilities, grants for sewer infrastructure rehabilitation, and grants for septic system upgrades.



As noted in Figure 2, expenditures were funded primarily by special and federal funds. During the period June 30, 2021 through June 30, 2025, MDE had vacancy rates that ranged from 10.2 percent to 21.2 percent. These vacancies may have contributed, at least in part, to the findings in this report.

Figure 2
MDE Positions, Expenditures, and Funding Sources

Full-Time Equivalent Positions as of June 30, 2025	
	Positions
Filled	846
Vacant	96
Total	942
Fiscal Year 2025 Expenditures	
	Expenditures
Salaries, Wages, and Fringe Benefits	\$ 118,462,567
Technical and Special Fees	3,827,376
Operating Expenses	483,698,186
Total	\$ 605,988,129
Fiscal Year 2025 Funding Sources	
	Funding
General Fund	\$ 49,451,584
Special Fund	337,040,974
Federal Fund	212,505,118
Reimbursable Fund	6,990,453
Total	\$ 605,988,129

Source: State financial and personnel records

Financial Statement Audits and Single Audits – Maryland Water Quality Financing Administration

MDE engaged an independent accounting firm to audit the Maryland Water Quality Financing Administration's Water Quality and Drinking Water Revolving Loan Funds and the Bay Restoration Fund for the fiscal years ended June 30, 2022, 2023, and 2024. In the related audit reports, the firm stated that the Administration's financial statements presented fairly, in all material respects, the financial position of the Administration and its changes in financial position and

its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

The accounting firm also conducted the Single Audit of the Maryland Water Quality Financing Administration federal grant programs. The Single Audit is intended to provide assurance to the federal government that adequate internal controls are in place, and that the audited entity is generally in compliance with certain program requirements. In the related reports for the fiscal years ended June 30, 2022, 2023, and 2024, the firm stated that the Administration complied, in all material respects, with the types of compliance requirements that could have a direct and material effect on each of its major federal programs. According to the financial statements, as of June 30, 2024, the Maryland Water Quality Financing Administration's net position totaled approximately \$2.2 billion.

MDE Headquarters Building Lease Renewal

Our July 28, 2025 audit report on the Department of General Services – Office of the Secretary and Other Units (DGS) included a finding related to the renewal of MDE's headquarters building lease in January 2024 at a cost of \$167.1 million. The audit report identified the following:

- DGS could not support the basis for the significant increase in the lease rate from the prior lease from \$20.84 to \$22.54 per square foot (8.2 percent).
- DGS could not adequately justify the basis for the lease term and annual escalation percentage which significantly exceeded other leases awarded by DGS. Specifically, the lease provided for a 20-year term and an annual rent escalation rate of 3.45 percent increasing the annual rent from \$5.9 million to \$11.3 million in the final year.
- DGS could not support the decision to procure the renovations through the lease instead of competitively procuring the services.
- DGS could not adequately justify the decision to waive the termination for convenience clause which DGS advised was waived to help the landlord secure financing for the \$10 million in improvements.
- DGS did not disclose to the Board of Public Works (BPW) that \$7.9 million of the \$10 million in building renovations related to cubicle enhancements and not energy enhancements.

Our current audit of MDE did not include a review of the building lease since it was procured by DGS.

Referrals to Our Fraud, Waste, and Abuse Hotline

We received a referral to our fraud, waste, and abuse hotline regarding certain rental units not being inspected for lead by MDE and registered as required. We also received several allegations regarding questionable procurement and personnel practices by certain MDE senior management employees.

Based on our review, we were able to substantiate certain of the concerns raised in the allegations and identified deficiencies with MDE's procedures and controls for transactions as further described in Findings 3 and 6. In addition, during our review we identified a possible violation of State ethics law as further described in Finding 7. Our review did not identify any matters that warranted a referral to the Office of the Attorney General's Criminal Division.

Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of the five findings contained in our preceding audit report dated August 3, 2022. See Figure 3 for the results of our review.

Figure 3 Status of Preceding Findings		
Preceding Finding	Finding Description	Implementation Status
Finding 1	The Maryland Department of the Environment (MDE) did not always use available system reports to ensure that all registered rental units had a current lead inspection certificate as required.	Repeated (Current Finding 3)
Finding 2	MDE did not verify the propriety of charges related to technology enterprise services received from the Department of Information Technology during fiscal years 2020 and 2021 valued at \$5.1 million.	Not Repeated
Finding 3	Redacted cybersecurity-related finding. ²	Status Redacted ²
Finding 4	Redacted cybersecurity-related finding. ²	Status Redacted ²
Finding 5	Redacted cybersecurity-related finding. ²	Status Redacted ²

² The finding description as well as the implementation status of this cybersecurity-related finding have been redacted for the publicly available report in accordance with State Government Article, Section 2-1224(i) of the Annotated Code of Maryland.

Findings and Recommendations

Lead Certificates and Inspections

Background

State law requires rental housing units built before 1978 to be inspected by an MDE-accredited inspector to ensure that there are safe levels of lead in tenant-occupied units. The law further provides that these inspectors may issue an appropriate MDE certificate to the property owner after the inspection verifies the property meets the related regulations. These inspectors are independent third-party contractors hired by the property owner. MDE has two types of lead-free certificates based on these inspections:

1. **Lead-free certificates** are issued if an inspector confirms through an onsite inspection and testing that there is no amount (or minimal amounts) of lead present on the interior and exterior of the property. This type of certificate does not require the property to be re-inspected.
2. **Limited lead-free certificates** are issued when an inspector certifies through an onsite inspection and testing that there is no amount (or minimal amounts) of lead present on the interior of the property. This type of certificate requires the property to be re-inspected every two years.

MDE uses its Online Lead Rental Registration system (OLRR) to record all registration and renewal information, such as property and payment information, for each owner. This information is recorded by property owners through online registrations and by MDE through paper registrations. According to MDE's records, as of September 2, 2025, there were 101,199 active rental units constructed before 1978 that were recorded in OLRR as registered properties.

MDE also maintains a separate inspection certification database. The inspection certification database is updated based on documentation submitted by the inspectors after the completion of the related property inspections.

Finding 1

MDE did not have a documented process to independently verify the propriety of MDE lead-free certificates unilaterally issued by inspectors hired by property owners, certain of which could not be supported.

Analysis

MDE did not have a documented process to independently verify the propriety of MDE lead-free certificates unilaterally issued by inspectors, certain of which could not be supported. According to MDE's records, these inspectors unilaterally issued 13,516 lead-free certificates to property owners during the period from April 2021 through July 2025. Our review disclosed MDE did not have a documented process to independently verify the lead-free inspections, even on a test basis. In this regard, MDE did not even require the inspectors to submit detailed documentation to support the inspection results. Rather, MDE only required the inspector to submit a summary of the testing results and to retain the detailed documentation for review upon request.

The lack of documented independent verifications and support for the inspection results is critical because the inspectors are selected and paid by the property owners. In this regard, as further discussed in the next finding, an inspector was convicted of falsifying numerous inspection results over several years which may have been detected earlier had the aforementioned verifications been in place. In addition, MDE advised us that it was currently investigating other inspectors for improperly certifying properties.

Recommendation 1

We recommend that MDE

- a. establish procedures to independently verify current and future lead-free inspections, at least on a test basis;**
- b. ensure documentation is obtained and reviewed to support the propriety of inspections that result in the issuance of a lead-free certificate; and**
- c. invalidate any lead-free certification that cannot be supported and take necessary disciplinary action.**

Finding 2

MDE did not timely notify property owners and tenants when it suspended an inspector that had improperly issued lead-free and limited lead-free certificates. In addition, MDE did not take sufficient action to ensure these properties were re-inspected and that children residing in the properties obtained lead blood-level testing.

Analysis

MDE did not timely notify property owners and tenants when it suspended an inspector that had improperly issued lead-free and limited lead-free certificates. In addition, MDE did not take sufficient action to ensure the properties were reinspected and that children in the properties obtained lead blood-level testing. In March 2024³ MDE became aware that an inspector that issued 1,542 lead-free certificates between January 2017 and April 2024 may not have conducted proper inspections. MDE conducted a review of the inspections and identified additional questionable activity that it referred to the Office of the Attorney General's Environmental and Natural Resources Crimes Unit in April 2024.⁴ On October 3, 2025, the inspector plead guilty of falsifying lead inspection certificates and operating a radiation machine without obtaining a license from MDE.

As noted in the attached timeline, although MDE advised that it suspended the inspector's license in April 2024, virtually all the property owners and tenants certified by this inspector were not notified until February 2025 (10 months after the suspension). MDE also did not ensure that the related properties obtained a new inspection after it identified additional questionable inspections and children with high lead levels in the inspected properties. Specifically, in response to these concerns MDE sent a notification to the property owners in July 2025 that required the properties to be

MDE Reported Timeline of Events	
March 2024	MDE identifies questionable inspection results for one inspector
April 2024	MDE conducts surprise inspection and identifies improper procedures and suspends inspector's license
May 2024	MDE reviews inspection results, invalidates 89 inspections, and subpoenas 1,687 inspection documents
June 2024	Review of subpoenaed documents identifies 74 documents copied and pasted from prior inspections
August 2024	MDE begins referral to Attorney General
November 2024	MDE notified of a child with high lead levels in property certified by the inspector and opens new investigation including onsite testing of properties
January 2025	MDE sends cautionary letter to property owners and tenants certified by the inspector
July 2025	MDE invalidates all inspections by the inspector and sends notice to all property owners

³ MDE became aware that the inspector was probably issuing improper lead-free certificates after it witnessed the inspector not properly using inspection equipment resulting in faulty test results. MDE's investigation eventually resulted in criminal prosecution by the Office of the Attorney General.

⁴ As noted in the timeline, MDE also referred the matter to the Attorney General for a civil enforcement action against the inspector in August 2024.

re-inspected by an MDE-accredited lead inspector within 30 days. Our review of MDE records as of December 31, 2025 disclosed that only 299 properties had been issued a new inspection certificate.

MDE also did not ensure that children residing in the units were tested for lead. MDE's July 2025 notification to the tenants recommended children to get a lead blood-level test to determine if they had elevated lead levels in their blood. However, MDE did not attempt to follow up with the tenants to ensure they received the letter, or to help ensure children residing in these properties obtained the recommended lead blood-level test. This is significant, because as noted in the MDE timeline, children residing in these properties tested positive for high lead levels.

Recommendation 2

We recommend that MDE

- a. ensure all properties noted above are immediately re-inspected, as required;**
- b. in the future, timely notify all property owners and tenants as soon as it becomes aware of improperly issued certificates; and**
- c. follow-up with the tenants at properties with improperly issued certificates (including those noted above) to determine if any children had the recommended lead blood-level test.**

Finding 3

MDE did not ensure that all registered rental units had a current lead inspection certificate, as required, and did not investigate registered rental units without a current inspection recorded on its automated system.

Analysis

MDE did not ensure that all registered rental units built before 1978 had a current lead inspection certificate, as required. We received a referral to our fraud, waste, and abuse hotline alleging that certain rental units had not been inspected, as required. Based on our review, we were able to substantiate the allegation but did not identify any issues that warranted a referral to the Office of the Attorney General's Criminal Division.

MDE performs a daily match of its OLRR system of registered rental properties to its database of inspection certificates to identify properties needing an inspection. We obtained the match results as of September 2, 2025 which noted that 14,506 of the 101,199 active rental units subject to lead inspections did not match to an inspection on the inspection database. MDE could not document that

it investigated any of the match results. In this regard, our arbitrary test of 20 of these rental units disclosed that MDE had no record of a lead inspection for 8 units, and 1 unit with a failed inspection. The remaining 11 units had a current inspection but did not match because certain of the data used in the match was not consistently recorded in both systems.

A similar condition regarding the lack of lead inspection certificates for certain rental properties was commented upon in our preceding audit report. In response to that report, MDE indicated that by October 2022 it would make any necessary adjustments to system functionality and conduct manual compliance checks to ensure rental properties are inspected as required. However, MDE did not implement the corrective action as indicated in its response.

Recommendation 3

We recommend that MDE review the reports from the automated match of registered rental units and related lead inspection certificates and take appropriate corrective action to ensure inspections are completed as required (repeat), including those noted above.

Wastewater Discharge Permits

Finding 4

MDE did not review and approve wastewater discharge permits timely and did not always conduct timely inspections of facilities, as required.

Analysis

MDE did not review and approve wastewater discharge permits timely and did not always conduct inspections of facilities, as required. In accordance with federal and State laws, MDE is required to issue wastewater discharge permits to facilities which specify allowable limits for releasing wastewater that may include contaminants into ground or surface water. MDE is also required to perform inspections at least every two years for major facilities (such as, municipal wastewater treatment plants) or every five years for minor facilities (such as, fish farms and small wastewater treatment plants).⁵ According to MDE records, as of April 1, 2025, there were 578 active permitted wastewater discharge facilities including 74 major facilities and 504 minor facilities.

⁵ MDE wastewater discharge permitted facilities are categorized into two types based on the amount of wastewater discharged per day, a major facility, discharging at least one million gallons per day and a minor facility, discharging less than one million gallons per day.

- MDE did not review and approve wastewater discharge permits timely. Our analysis of MDE’s permit records as of April 2025, disclosed that MDE had a backlog of 120 permit applications for 24 major facilities and 96 minor facilities. As allowed by State law, MDE “administratively continued” the current permit for these facilities which allow them to continue services until a new permit is issued. According to MDE’s records, 69 of the 120 permit applications (16 major facilities and 53 minor facilities) have been administratively continued for more than a year, including 19 facilities administratively continued for between 3 and 9 years.

Chapter 22, Laws of Maryland 2022, effective July 1, 2022, required MDE to clear the backlog of administratively continued permits by December 2026 and submit a staffing plan to clear the backlog. MDE submitted a plan in October 2022, stating it would require 71 additional positions to comply with the new law and clear the backlog. MDE was authorized for 32 positions for fiscal year 2024 and as of November 2025, had only filled 24 of the new positions.

- MDE did not always conduct inspections of facilities timely as required by State law. As of April 2025, inspections for 224 facilities (201 minor and 23 major) were between 7 months to more than 5 years overdue for their inspections (including facilities with administratively continued permits). Specifically, 78 of the 201 minor facilities were 5 years overdue for their inspection and 4 of the 23 major facilities were between 6 to 7 years overdue.

Recommendation 4

We recommend that MDE

- ensure wastewater discharge permits are issued timely,**
- ensure the backlog of administratively continued permits noted above are addressed in accordance with State law, and**
- inspect wastewater discharge facilities and administratively continued permits timely, as required.**

Radiation Machine Inspections

Finding 5

MDE did not inspect 1,311 radiation machines timely, as required.

Analysis

MDE did not inspect radiation machines (such as dental, veterinarian, and mammogram x-ray machines and machines located in hospitals and medical

offices) timely, as required. MDE employees and third-party inspectors perform visual inspections of the machines for damage, verify all required safety features (such as emergency shutoff) are properly functioning, and ensure the machines are not emitting radiation above the maximum allowed levels. For example, MDE is required to conduct inspections for dental x-ray machines every 3 to 4 years depending on the manufacturer of the machine. According to MDE's records as of March 2025, there were 15,803 machines at 5,330 locations requiring an inspection at varying intervals.

Our analysis of MDE's records as of March 2025 disclosed that 1,311 machines were overdue for inspection ranging from 7 months to 4 years. For example, 1,151 machines at dental locations were 7 months to 4 years overdue for an inspection. The lack of timely inspection could result in unnecessary radiation exposure for facility employees and patients. MDE management advised us that these delays were primarily caused by a lack of qualified individuals to perform the inspections.

Recommendation 5

We recommend that MDE ensure that radiation machines are inspected as required.

Purchasing and Personnel Transactions

Finding 6

MDE could not support the propriety of certain activity processed by or on behalf of a senior management employee.

Analysis

MDE could not support the propriety of certain activity processed by or on behalf of a senior management employee. We received a referral to our fraud, waste and abuse hotline that included several allegations regarding questionable procurement and personnel practices by certain MDE senior management employees.

Our Special Investigation Unit (SIU) conducted a review of certain of the allegations. Our review did not identify any matters that warranted a referral to the Office of the Attorney General's Criminal Division but did identify deficiencies with MDE's procedures and controls for transactions as further described below. In addition, during our review we identified a possible violation of State ethics law by a management employee addressed in the next finding.

- MDE could not justify and support a retroactive salary increase for a senior management employee's assistant in excess of Department of Budget and Management (DBM) limits. In September 2024 MDE promoted the assistant with an associated salary increase of \$4,978 retroactive to July 2024. In October 2024 the senior management employee submitted a request to DBM for an exemption from the 6 percent limit on promotions to retroactively increase the assistant's salary by an additional \$11,305 (14 percent) effective July 2024. The request identified additional work performed by the assistant to justify the increase. DBM approved the request in December 2024.

Our review disclosed that the request may not have been justified because the work identified in the request was generally included in the standard job description for the assistant's new position. In addition, MDE could not provide documentation to support other work included in the request. According to the State's personnel system the assistant subsequently resigned in January 2026.

- MDE could not provide documentation to support a \$25,000 payment in February 2025 to a California nonprofit organization for which the senior management employee served on the public policy board. We were advised that the payment, approved by a subordinate of the senior management employee, was for MDE to be included in a national marketing campaign to promote the use of electric vehicles. This explanation was not consistent with the invoice, which indicated the payment was to become a supporting member of the organization. MDE also had no documentation of the campaign or any written analysis of anticipated benefits to MDE prior to the payment.

Recommendation 6

We recommend that MDE

- ensure that salary transactions are properly justified and supported, and**
- perform documented analyses to justify future payments to membership organizations to ensure they are in the best interests of the State.**

Finding 7

A management employee's secondary employment with a State university doing business with MDE potentially violated State ethics law.

Analysis

A management employee's secondary employment with a State university doing business with MDE potentially violated State ethics law. In January 2023, MDE entered into a Memorandum of Understanding (MOU) with a State university to

obtain services for an MDE project that was overseen by the management employee. According to State records, payments under this MOU through July 2025 totaled approximately \$189,600.

Our review disclosed that the MDE management employee was also employed by the State university and was a coworker and research partner of the State university employee responsible for providing services under the MOU. In this regard, advice issued by the State Ethics Commission to the management employee in April 2022 stated that the employee was prohibited from participating in matters with the State university if it involved coworkers from the employee's secondary employment.

Senior management personnel at the Commission advised us that the management employee's secondary employment and participation in this MOU could potentially violate certain provisions of State ethics law. Specifically, Section 5-502 of the General Provisions Article of the Annotated Code of Maryland prohibits an employee from having other employment that would impair the impartiality and independent judgement of the employee.

Recommendation 7

We recommend that MDE refer the potential violation of State ethics law to the Commission and take action to comply with any decisions that the Commission provides on this matter.

Finding 8

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

Analysis

MDE did not always publish contract awards on *eMMA*⁶ as required by State procurement regulations. During the period from October 2021 to June 2024, MDE awarded 14 contracts that were individually greater than \$100,000 totaling approximately \$25.4 million, of which 11 totaling \$15.1 million were not published on *eMMA*, as required.

State regulations require that contract awards greater than \$100,000 be published on *eMMA* within 30 days of award. Publishing awards provides transparency over State procurements including information about winning bidders and the amount of the related awards.

⁶ *eMaryland Marketplace Advantage (eMMA)* is an internet-based, interactive procurement system managed by the Department of General Services.

Recommendation 8

We recommend that MDE publish contract awards on *eMMA* as required, including those noted above.

Information Systems Security and Control

We determined that the Information Systems Security and Control section, including Findings 9 and 10 related to “cybersecurity,” as defined by the State Finance and Procurement Article, Section 3.5-301(c) of the Annotated Code of Maryland, and therefore are subject to redaction from the publicly available audit report in accordance with the State Government Article 2-1224(i). Consequently, the specifics of the following findings, including the analysis, related recommendations, along with MDE’s responses, have been redacted from this report copy.

Finding 9

Redacted cybersecurity-related finding.

Finding 10

Redacted cybersecurity-related finding.

Accounts Receivable

Finding 11

MDE did not ensure its accounts receivable records were complete and accurate, and timely pursue collections, as required.

Analysis

MDE did not maintain complete accounts receivable records and timely pursue collections, as required. Each administration (Water and Science, Land and Materials, and Air and Radiation) invoices third parties for amounts due for fines, penalties, loans, permit fees and other activities. According to MDE records, as of June 30, 2025, there were 3,303 outstanding invoices totaling approximately \$8.2 million, of which 3,232 invoices totaling \$8.1 million were over 90 days old.

- MDE did not ensure its accounts receivable records were complete and accurate by periodically reconciling the account receivable records maintained by each administration to the State’s accounting records. Consequently, MDE

did not identify and resolve discrepancies. For example, State records indicated the Air and Radiation Administration's receivable balance was \$15.1 million as of September 2025 while the corresponding balance in the Administration's records totaled \$3.7 million. MDE advised that the Administration's records were not reconciled to the State's Financial Management Information System (FMIS) since March 2024 due to staffing shortages.

- MDE did not pursue collection of outstanding invoices and refer them to CCU timely. Our test of 11 outstanding invoices as of April 2025⁷ totaling approximately \$3 million disclosed that MDE could not document that it sent all required dunning notices for 9 tested invoices totaling \$1 million. For example, MDE could not document that it sent any dunning notices for 2 invoices for annual fees and a legal judgment payment totaling \$717,600. In addition, for 7 other invoices totaling \$295,000, sent the dunning notices from 29 to 380 days late. Furthermore, 6 invoices totaling \$925,000, were not referred to CCU timely (43 days to 549 days late) and 4 invoices totaling \$104,500 had not been referred as of April 2025 (259 days to 1,036 days after the invoice issuance date).

The General Accounting Division of the Comptroller of Maryland requires that accounts should be reconciled periodically to a control account. Furthermore, State regulations require three written demands for payment at 30-day intervals and referral of delinquent accounts to CCU for additional collection efforts 15 days after the account is declared delinquent.

Recommendation 11

We recommend that MDE

- a. reconcile its account receivable records to corresponding amounts in State records, to identify and correct any errors noted, including those noted above; and**
- b. timely send all dunning notices and refer delinquent accounts to CCU as required, including those noted above.**

⁷ We selected delinquent invoices from FMIS and from MDE's accounts receivable records based on materiality and risk.

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the Maryland Department of the Environment (MDE) for the period beginning May 1, 2021 and ending February 28, 2025. 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 MDE'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 accounts receivables, procurements and disbursements, equipment, payroll, federal funds, corporate purchasing card, permitting, inspections and violation assessments, licensing, and information systems security and control. In addition, we reviewed certain activities related to referrals to our fraud, waste, and abuse hotline. We also determined the status of the findings contained in our preceding audit report.

MDE engaged an independent accounting firm to perform audits of the Maryland Water Quality Financing Administration's financial statements. In related audit reports for the fiscal years ended June 30, 2022, 2023, and 2024, the firm stated that the Administration's financial statements presented fairly, in all material respects, the financial position of the Administration and its changes in financial position and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

The accounting firm also conducts the Single Audit of the Maryland Water Quality Financing Administration federal grant programs. The Single Audit is intended to provide assurance to the federal government that adequate internal controls are in place, and the entity is generally in compliance with certain program requirements. In the related reports for the aforementioned fiscal years, the firm stated that the Administration complied, in all material respects, with the types of compliance requirements that could have a direct and material effect on each of its major federal programs.

We have relied on the work of the independent accounting firm to provide audit coverage of certain aspects of the Maryland Water Quality Financing Administration's operations (internal controls and testing for the Water Quality and Drinking Water Revolving Loan Funds programs). Our audit procedures in these areas were generally limited, therefore, to obtaining a sufficient basis for that reliance.

Our audit did not include an evaluation of internal controls over compliance with federal laws and regulations for federal assistance programs not covered by the aforementioned Single Audit of the Maryland Water Quality Financing Administration and an assessment of MDE's compliance with those laws and regulations. The State of Maryland engages an independent accounting firm to annually audit such programs administered by State agencies, including MDE.

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 May 1, 2021 to February 28, 2025, 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, inspection of documents and records, tests of transactions, and to the extent practicable, observations of MDE'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 State's Central Payroll Bureau (payroll data), as well as from the contractor administering the State's Corporate Purchasing Card Program (credit card activity). The extracts are performed as part of ongoing internal processes established by the Office of Legislative Audits and were subject to various tests to determine data reliability. We determined that the data extracted from these sources were sufficiently reliable for the purposes the data were used during this audit.

We also extracted data from MDE's permit, registration, and enforcement systems, and from the Statewide Personnel System (SPS) for the purpose of testing certain areas, such as permits, inspections and penalties processed, as well as certain payroll transactions. 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.

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

The response from MDE 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 MDE regarding the results of our review of its response.



Maryland
Department of
the Environment

Wes Moore, Governor
Aruna Miller, Lt. Governor

Serena McIlwain, Secretary
Suzanne E. Dorsey, Deputy Secretary
Adam Ortiz, Deputy Secretary

April 8, 2026

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

Dear Mr. Tanen,

On behalf of the Maryland Department of the Environment, I would like to formally acknowledge the completion of the fiscal compliance audit covering the period of May 1, 2021 through February 28, 2025.

We sincerely appreciate the significant time your team invested in evaluating our operations. We remain committed to strengthening our internal controls and ensure the continued integrity of our agency.

Sincerely,

A handwritten signature in black ink, which appears to read "Serena McIlwain".

Serena McIlwain
Secretary, Maryland Department of the Environment

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Background Information

Agency Response	
Agency Responsibilities	Inaccurate
Please explain any concerns with factual accuracy.	The Office of Emergency Preparedness and Response is housed within the Office of the Secretary and Coordinating Offices. It is not within the scope of the Office of Emergency Preparedness and Response nor MDE to provide legal advice or prosecute violations of Maryland's environmental statutes and regulations. As with most other state government entities, the Office of the Attorney General represents MDE in legal matters, provides legal advice, and prosecutes violations on behalf of MDE. MDE investigates, revokes licences, and levies fines. The Water Quality Financing Administration is now called the Water Infrastructure Finance Administration.

Auditor's Comment: The comments reflect additional information, details or subsequent events that do not dispute the factual accuracy of the background information.

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Lead Certificates and Inspections

Finding 1

MDE did not have a documented process to independently verify the propriety of MDE lead-free certificates unilaterally issued by inspectors hired by property owners, certain of which could not be supported.

We recommend that MDE

- a. establish procedures to independently verify current and future lead-free inspections, at least on a test basis;**
- b. ensure documentation is obtained and reviewed to support the propriety of inspections that result in the issuance of a lead-free certificate; and**
- c. invalidate any lead-free certification that cannot be supported and take necessary disciplinary action.**

Agency Response	
Analysis	Inaccurate
Please provide additional comments as deemed necessary.	MDE's Lead Poisoning Prevention Program operates in accordance with the Maryland Environment Article, Title 6, Subtitle 8, and COMAR 26.16.01-.05 and exceeds Federal EPA standards. While MDE appreciates OLA's recommendations to review policies that could enhance its ability to verify third-party data, MDE currently operates in full alignment with existing statutes and regulations. Maryland law provides licensed inspectors with responsibility to conduct inspections and issue and retain documentation for lead-free certificates. MDE's role is to license, oversee, and audit these inspectors to ensure compliance with State requirements. Under this framework, MDE licenses more than 650 accredited third-party inspectors, who collectively submit more than 6,000 lead-free certificates each year for rental properties across Maryland. While the audit suggests that a documented process to verify certificates issued by third-party inspectors does not exist, MDE maintains multiple oversight mechanisms designed specifically to review inspector performance and inspection records.

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	These mechanisms led MDE to already identify and place the contractors reviewed in the analysis for this finding under active investigation prior to the audit's initiation. In recognizing that fact, this finding validates the effectiveness of MDE's existing oversight processes, as our internal controls successfully — and independently — flagged these inspectors for enforcement action. Notably, the U.S. Environmental Protection Agency Region 3 Land, Chemicals, and Redevelopment Division commended MDE's program, noting in its FY2025 program review that "MDE continues to operate an active and productive inspection program" that is "one of the most robust in the country." In 2026, prior to receiving these audit findings, MDE proactively introduced legislation that would require lead inspectors to obtain insurance and/or bonding to promote greater professional responsibility and ensure mechanisms are available to provide relief to property owners adversely impacted by insufficient or improper inspections. As of the submission of this audit, the General Assembly passed the bill, and it is awaiting signature from the Governor. MDE remains committed to protecting Maryland families and will continue strengthening oversight of licensed inspectors.		
Recommendation 1a	Agree	Estimated Completion Date:	Ongoing
Please provide details of corrective action or explain disagreement.	MDE maintains a documented multi-layered oversight system, which includes: • Random bi-weekly audits of inspection activity, weighted to ensure geographic coverage across the State; • Oversight based on tips and complaints, which may trigger targeted compliance reviews or investigations; • Desk audits conducted for every inspector during the two-year accreditation renewal process, with discrepancies or deficiencies leading to additional compliance actions, including site inspections when warranted. This oversight framework is consistent with how similar lead inspection programs operate nationwide.		

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Recommendation 1b	Agree	Estimated Completion Date:	Ongoing
Please provide details of corrective action or explain disagreement.	MDE concurs with this policy recommendation, which necessitates a revision of COMAR 26.16.02.05 to enhance the types of documentation third-party lead inspectors must submit to the agency when certifying properties. Within existing MDE authorities, the Department has already enhanced verification and oversight systems used to review the approximately 6,000 lead-free certifications submitted annually by more than 650 independent certified inspectors. As described above, MDE maintains a multi-layered oversight framework that includes random bi-weekly audits of inspections, reviews initiated through tips or complaints, and desk audits conducted during each inspector's two-year accreditation renewal process. These mechanisms are designed to verify inspector performance and review inspection documentation while ensuring compliance with applicable state and federal requirements. While achieving full independent verification of every submitted lead-free certificate could require statutory changes, additional staffing, and dedicated funding, MDE will continue strengthening oversight activities and prioritizing inspections in cases involving confirmed elevated blood lead levels in children, where the public health risk is greatest.		
Recommendation 1c	Agree	Estimated Completion Date:	August 2026
Please provide details of corrective action or explain disagreement.	MDE agrees that lead inspectors should be held accountable for issuing certifications that cannot be supported by appropriate inspection documentation. Consistent with its existing authority, when MDE identifies unsupported certifications or inspectors who fail to meet regulatory requirements, the Department takes appropriate enforcement action. This may include invalidating certifications, initiating investigations, and pursuing disciplinary or enforcement actions when warranted. In fact, prior to the issuance of this audit, MDE had initiated investigations involving several inspectors associated with the certificates reviewed for this finding. As part of ongoing enforcement efforts, MDE also recently revoked more than 1,400 invalid certificates		

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	and referred contractors engaged in fraudulent activity for criminal prosecution. MDE remains committed to protecting Maryland families from lead exposure and maintaining strong oversight and enforcement within the State's lead inspection program.
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Auditor's Comment: Although MDE agreed with our recommendations, MDE noted the analysis was inaccurate because it had a documented process to verify lead-free certificates issued by inspectors. Specifically, MDE stated that it maintains multiple oversight mechanisms designed specifically to review inspector performance and inspection records. However, documentation to support these assertions was not provided despite numerous requests. Furthermore, the duration and the magnitude of the questionable inspections demonstrate the lack of comprehensive oversight of the inspection process.

Additionally, while MDE agreed with Recommendation 1a, it reiterated the assertion that a multi-layered oversight system is maintained. As noted above, documentation of this system was not provided. Consequently, we continue to believe our finding is accurate and our recommendations are valid.

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Finding 2

MDE did not timely notify property owners and tenants when it suspended an inspector that had improperly issued lead-free and limited lead-free certificates. In addition, MDE did not take sufficient action to ensure these properties were re-inspected and that children residing in the properties obtained lead blood-level testing.

We recommend that MDE

- a. ensure all properties noted above are immediately re-inspected, as required;**
- b. in the future, timely notify all property owners and tenants as soon as it becomes aware of improperly issued certificates; and**
- c. follow-up with the tenants at properties with improperly issued certificates (including those noted above) to determine if any children had the recommended lead blood-level test.**

Agency Response	
Analysis	Inaccurate
Please provide additional comments as deemed necessary.	MDE’s response to learning that a lead inspection company (the “Company”) had improperly issued lead-free certifications complied fully with the Code of Federal Regulations, Title 40, Part 745.320–39, which governs enforcement actions under federal lead programs. After receiving information indicating possible inspection irregularities, MDE initiated an investigation that ultimately uncovered the largest lead inspection fraud case in the Department’s history, involving more than 1,400 improperly issued certificates. Addressing this case required extensive investigative work to determine the scope of the fraud and to build sufficient evidence to support enforcement actions and notifications as the investigation progressed. EPA Region 3 cited this enforcement action as an example of the effectiveness of MDE’s program during its FY2025 program review, stating: MDE’s enforcement team are wrapping up two high-profile cases: the enforcement against [the Company] for falsifying over 1,400 lead-free certificates mostly in Baltimore City: and [another company] that contaminated lead-paint chips from power-washing a television tower on Baltimore’s TV Hill. EPA

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	commends MDE's enforcement team for their vigilance and hard work to protect the state from lead exposure and prevention of lead poisoning. As the forensic investigation systematically uncovered roughly 1,600 affected properties by early 2025, MDE immediately escalated its response to match the expanding scope. Uncovering the full extent of this fraud required a methodical investigative process lasting approximately ten months, with each discovery leading to additional evidence and investigative steps. MDE could not legally invalidate certificates without substantiating these allegations. Had MDE acted without proof, the fraudulent certificates could have been reinstated on appeal, thus leaving families in unverified, potentially hazardous homes. MDE took legally sustainable enforcement actions, including the emergency suspension of the inspector and company, the invalidation of thousands of inspection certificates, and referral for criminal prosecution. Throughout this process, tenants, property owners, Baltimore City Health officials, Maryland Department of Health officials, and EPA Region 3 were informed as the investigation developed and evidence was confirmed. Most importantly, MDE maintained its public health responsibilities throughout the investigation. For the three children identified with elevated blood lead levels at properties inspected by the Company, MDE conducted complete environmental investigations within an average of 18 days after receiving the blood test results. MDE provided services to those families, oversaw remediation of lead hazards, and remained in contact with the affected households. As of today, the blood lead levels for all three children are below the Centers for Disease Control and Prevention (CDC) reference level of concern. The timeline beginning on the next page illustrates the Department's actions as the investigation developed.
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	Timeline of Key Actions Note: <u>bold and underlined text</u> highlights timely notification <u>Phase 1: Discovery and Initial Enforcement</u> (March – May 2024) ● March 5, 2024 – MDE received a report of an outdated XRF lead-testing analyzer; immediate desktop audit and inspection scheduling begins. ● March 22, 2024: MDE attempted an oversight inspection; Company representatives failed to appear. ● April 3, 2024 – MDE conducted a surprise inspection and directly observed the Company using an unlicensed XRF machine. ● April 23, 2024 – <u>MDE obtained an emergency license suspension</u> of the Company and its owner/operator. ● May 3, 2024 – MDE impounded the Company’s XRF analyzer. ● May 16, 2024 – MDE invalidated 89 lead-free certificates linked to the improper use of the XRF analyzer and immediately <u>notified property owners and tenants.</u>
	<u>Phase 2: Investigation and Evidence Gathering</u> (May – November 2024) ● May 28, 2024 – MDE subpoenaed 1,687 inspection documents from the Company. ● June 2024 – Records review revealed evidence that some inspection results had been copied and pasted across property reports. ● August 2024 – MDE prepared a civil enforcement referral to the Office of the Attorney General. ● November 4, 2024 – During the investigation, MDE received notification of a child with an elevated blood lead level at a property inspected by the Company, prompting further investigation and testing.

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	<u>Phase 3: Litigation and Public Health Response</u> (Nov 2024 – March 2025) - November 15, 2024 – MDE and the Office of the Attorney General filed a civil complaint in Circuit Court. - January 30, 2025 – MDE confirmed lead hazards at an additional property inspected by the Company. - January 31, 2025 – <u>MDE sent cautionary letters to approximately 4,000 property owners and tenants whose properties had been inspected by the Company, advising owners to obtain new inspections and recommending blood testing for children and pregnant women.</u> - March 19, 2025 – Baltimore City Circuit Court issued a default order against the Company.		
	<u>Phase 4: Final Action and Full Invalidation (July 2025)</u> July 15, 2025 – MDE invalidated all lead inspection certificates ever issued by the Company. <u>MDE notified all property owners and tenants and mandated re-inspections of all properties.</u> Following these actions, the Company's owner/operator was convicted of criminal fraud based on the investigation initiated by MDE.		
Recommendation 2a	Agree	Estimated Completion Date:	Completed, Aug. 2025
Please provide details of corrective action or explain disagreement.	On July 15, 2025, MDE sent by certified mail (with return receipts) a 30-day re-inspection notice to all affected properties. MDE continues to aggressively enforce compliance and ensure these properties have been reinspected. As of the time of this submission, 1,163 of the affected properties (approximately 84%) have obtained new inspection certificates. MDE has initiated noncompliance enforcement actions against 132 other property owners who confirmed receipt of the invalid certificate notice but have not yet submitted a valid lead inspection certificate.		

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	MDE continues to monitor compliance and ensure that all remaining properties obtain valid inspections.		
Recommendation 2b	Agree	Estimated Completion Date:	Ongoing
Please provide details of corrective action or explain disagreement.	MDE already provides notification to property owners and tenants when inspection concerns arise. MDE rejects the premise of an administrative delay; the timeline reflects the expanding discovery of a massive, concealed fraud. In this case, MDE reviewed more than 2,000 inspections and sent cautionary notices on January 31, 2025, to approximately 4,000 property owners and tenants, advising them of the investigation and recommending reinspection and blood testing where appropriate. These actions occurred while the investigation was still developing and before final enforcement actions were completed.		
Recommendation 2c	Agree	Estimated Completion Date:	Completed, Nov. 2024
Please provide details of corrective action or explain disagreement.	MDE received laboratory notifications of all child blood lead test results as required under Maryland law. When elevated blood lead levels were discovered, MDE immediately notified the families and conducted environmental investigations. In conjunction with Baltimore City and the Maryland Department of Health, families with children that have elevated levels received home inspections, educational material, and recommendations for reducing lead levels. As a result of these actions, all three children have blood lead levels safely below the CDC reference level.		

Auditor's Comment: Although MDE agreed with the recommendations, MDE noted the analysis was inaccurate because it escalated its response as information was uncovered during an investigation of the inspector. Our analysis acknowledges that MDE took certain appropriate actions in response to this situation. However, nothing in the response contradicts the findings in the analysis that MDE did not timely notify virtually all of the impacted homeowners and tenants until January 2025 approximately 10 months after suspending the inspector's license, did not ensure that the properties were reinspected, and did

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not ensure that children in the impacted homes were tested for lead. As a result, we continue to believe the analysis is accurate and recommendations are valid.

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Finding 3

MDE did not ensure that all registered rental units had a current lead inspection certificate, as required, and did not investigate registered rental units without a current inspection recorded on its automated system.

We recommend that MDE review the reports from the automated match of registered rental units and related lead inspection certificates and take appropriate corrective action to ensure inspections are completed as required (repeat), including those noted above.

Agency Response	
Analysis	Accurate
Please provide additional comments as deemed necessary.	MDE acknowledges that the audit identified a technical data gap between two automated tracking systems used to monitor rental property registrations and lead inspection certificates. However, MDE notes that this issue reflects a data reconciliation challenge rather than a lack of oversight or enforcement. MDE conducts daily audits of property registrations, and no property is left unexamined due to this technical discrepancy. Following the audit, MDE conducted an in-depth review of the 14,506 records flagged by OLA. This review determined that the majority of these records were either compliant or already under Department review: • 5,258 properties already had valid lead inspection certificates on file; • 6,029 records were duplicate entries within the automated system; • 2,484 properties were already subject to enforcement action or had received a notice of violation. As a result, of the 101,199 records reviewed by OLA, the number of properties that required, and received, manual follow-up represents approximately 0.7% of the total dataset. The discrepancy identified by OLA primarily stems from formatting differences between two separate databases:

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	1. The system used by property owners to register rental units, and 2. The system used by certified inspectors to submit lead inspection results. For example, if a property owner registers a unit as “Apartment 1” and the inspector records the same unit as “Unit 1,” the current systems may not automatically match those entries. Importantly, a data mismatch does not indicate that a property lacks a valid inspection or presents a safety risk. Instead, such discrepancies trigger manual review and reconciliation by MDE staff to verify compliance. MDE currently addresses these discrepancies through a three-phase workflow, which includes: 1. Verification of inspection and registration records; 2. Notification and Notice of Violation where compliance issues are identified; 3. Referral to the Office of the Attorney General for enforcement, when necessary. MDE is actively working to modernize and integrate its data systems to eliminate these reconciliation challenges and further strengthen automated oversight. In the meantime, MDE will continue using targeted audits and manual reconciliation processes to ensure that rental properties comply with Maryland’s lead inspection requirements and that Maryland families remain protected.		
Recommendation 3	Agree	Estimated Completion Date:	August 2026
Please provide details of corrective action or explain disagreement.	MDE agrees that reports generated from the automated system match should continue to be reviewed and reconciled to ensure inspections are completed as required.		
	The Department will continue to analyze system-generated discrepancy reports and take appropriate corrective action, including verification of inspection records, issuance of violation notices when warranted, and enforcement referrals when necessary.		

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	MDE is also pursuing system modernization efforts to improve integration between the rental registration and inspection databases and further reduce manual reconciliation needs.
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Wastewater Discharge Permits

Finding 4

MDE did not review and approve wastewater discharge permits timely and did not always conduct timely inspections of facilities, as required.

We recommend that MDE

- a. ensure wastewater discharge permits are issued timely,**
- b. ensure the backlog of administratively continued permits noted above are addressed in accordance with State law, and**
- c. inspect wastewater discharge facilities and administratively continued permits timely, as required.**

Agency Response	
Analysis	Accurate
Please provide additional comments as deemed necessary.	The Moore–Miller Administration inherited a significant backlog in wastewater discharge permits. Since 2023, the Department has taken substantial steps to address this backlog and improve the timeliness of permit issuance and inspections. As of the date of this submission, all facilities indicated in this report are in compliance in reporting Discharge Monitoring Reports on a monthly basis to our agency. All major facilities have current inspections as of this report’s publication. MDE has hired an additional 8 inspectors since 2024 and will eliminate the backlog in inspections of minor facilities by November 2026. MDE has implemented new performance metrics, process improvements, and automation tools designed to improve permit processing efficiency and reduce backlog. In Fiscal Year 2024, MDE added 14 new permit-writing positions and began filling those positions to increase the Department’s capacity to process wastewater discharge permits. In coordination with the U.S. Environmental Protection Agency, MDE also conducted a comprehensive process improvement review of its permitting program. This review identified opportunities to streamline internal procedures and reduce permitting lead times.

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	As a result of these efforts, the Department has made measurable progress in reducing the backlog. MDE achieved a five-year high in permit issuance, exceeding the historical average by 27%, and has cleared 94% of the original backlog. Additionally, the rolling backlog of permits was reduced from 45% in FY2023 to 23% in FY2025. MDE is continuing to address remaining permits and expects to fully eliminate the backlog before the December 31, 2026, deadline. The Department is also strengthening inspection scheduling and compliance tracking to ensure wastewater facilities are inspected in accordance with federal requirements.		
Recommendation 4a	Agree	Estimated Completion Date:	Ongoing
Please provide details of corrective action or explain disagreement.	MDE agrees with the recommendation and will continue implementing measures to ensure wastewater discharge permits are issued and inspections are conducted in accordance with applicable federal requirements. The Department will continue to: ● Increase permitting capacity through staffing and process improvements; ● Monitor permitting timelines using performance metrics; ● Improve inspection scheduling and tracking systems to ensure inspections occur as required under federal law. These ongoing efforts will allow MDE to sustain the progress already made in reducing the backlog while maintaining compliance with federal permitting and inspection requirements.		
Recommendation 4b	Agree	Estimated Completion Date:	Nov. 2026
Please provide details of corrective action or explain disagreement.	MDE agrees that corrective actions must be implemented, and the Department has cut the number of administratively extended permits nearly in half — from 44% in January 2023 to 23% in September 2025 — and cleared 81% of the original backlog identified in 2022. We are on pace to eliminate the original backlog by December 2026 and eliminate the backlog of more-recently extended permits by summer 2026. MDE has continued this progress while keeping up with new permit expirations through record-high renewal productivity.		

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Recommendation 4c	Agree	Estimated Completion Date:	Dec. 2026
Please provide details of corrective action or explain disagreement.	As noted above, MDE has taken significant steps to increase inspections at discharge-permitted facilities. Since FY2023, the Department has increased inspections by 38%, filled key vacancies, and expanded technical resources to support compliance oversight. These efforts have strengthened MDE's inspection capacity and will allow the Department to complete all federally required inspections and eliminate remaining inspection backlogs by the end of 2026.		

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Radiation Machine Inspections

Finding 5

MDE did not inspect 1,311 radiation machines timely, as required.

We recommend that MDE ensure that radiation machines are inspected as required.

Agency Response			
Analysis	Accurate		
Please provide additional comments as deemed necessary.			
Recommendation 5	Agree	Estimated Completion Date:	August 2026
Please provide details of corrective action or explain disagreement.	The Moore–Miller Administration inherited a significant backlog in radiation machine inspections. MDE agrees with the recommendation, and since 2023, the Department has taken substantial steps to rebuild inspection capacity and reduce this backlog. As of March 25, 2025, OLA identified 1,311 overdue inspections. Since that time, MDE has reduced the backlog to only 18 machines, almost completely eliminating the backlog and restoring a fully current inspection schedule. With the backlog nearly eliminated, MDE expects to complete all remaining overdue inspections and maintain a fully current inspection schedule by August 2026. This backlog occurred during a period of significant staffing turnover within MDE’s Radiological Health Program. In 2022, the Department lost three of its six radiation machine inspectors, and due to the specialized qualifications required for health physicists, it took until early 2024 to restore the program to full staffing. Since returning to full staffing, the Radiological Health team has significantly increased inspection activity and is working to complete all required inspections as quickly as possible.		

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	Importantly, patient and worker safety continued to be protected during this period. MDE receives and reviews maintenance and performance reports for radiation machines on an ongoing basis, providing an additional layer of oversight. When issues are identified through these reports, MDE directs facilities to take corrective action immediately.
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Purchasing and Personnel Transactions

Finding 6

MDE could not support the propriety of certain activity processed by or on behalf of a senior management employee.

We recommend that MDE

- a. ensure that salary transactions are properly justified and supported, and**
- b. perform documented analyses to justify future payments to membership organizations to ensure they are in the best interests of the State.**

Agency Response	
Analysis	Inaccurate
Please provide additional comments as deemed necessary.	MDE's review indicates that the documentation provided to OLA demonstrates that these transactions complied with applicable state policies and procedures. <u>Personnel Documentation</u> This audit questioned the documentation supporting a salary increase for an employee promoted to serve as a special assistant to a senior executive and suggested it <i>may</i> not be justified. However, the Department of Budget and Management (DBM) is the principal state agency responsible for evaluating whether a promotion is justified. In this matter, MDE submitted written justification to DBM, which approved the request in writing. The Secretary is authorized to request a salary exemption provided it aligns with the State Personnel and Pensions Articles. Accordingly, MDE acted within its authority by following DBM Salary Guidelines for the Standard Pay Plan and in submitting this request. The audit does not cite any established criteria, standards, or policy used to definitively state this DBM-approved salary increase was not otherwise justified. MDE maintains extensive documentation to support this personnel action, including MS-22s, PEPs, Workday records, and a DBM-approved promotion letter. The employee was reclassified because their role changed, and the updated job description formally documents their expanded administrative responsibilities.

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Organizational Membership

To the extent this finding questions the documentation and decisionmaking process for MDE to join any organization, there are no specific criteria, standards, or policy cited to assess objectively the process or documentation required for a state agency to join an organization.

To the extent this finding subjectively questions the merits of joining this organization, an electric-vehicle (EV) and transportation advocacy nonprofit, MDE maintains the membership is a highly cost-effective, strategic investment directly tied to the state's statutory climate mandates.

- The transportation sector accounts for approximately 40% of Maryland's greenhouse gas emissions. Under the Climate Solutions Now Act, Maryland is legally mandated to reduce overall emissions by 60% by 2031. Accelerating EV adoption is a critical operational component of Maryland's strategy to meet net-zero deadlines.
- The \$25,000 membership allows MDE to leverage established outside partnerships. This grants Maryland direct access to the organization's extensive national marketing campaigns, providing significant promotion for EV adoption within the state.
- While there is no existing statutory requirement that dictates a specific documentation format to justify agency memberships, MDE conducted a rigorous internal review before these funds were allocated. To demonstrate this return on investment, MDE has produced documentation detailing the organization's marketing analyses, campaign materials, and resources to support tangible benefits of this membership.
- Since MDE joined the organization, state agencies from three other states with similar climate leadership commitments have also joined.

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Recommendation 6a	Agree	Estimated Completion Date:	Complete
Please provide details of corrective action or explain disagreement.	MDE maintains documentation supporting personnel actions in accordance with state requirements. Documentation supporting the salary adjustment referenced in the audit include: MS-22 forms, PEP documentation, Workday records, and a DBM-approved promotion letter.		
Recommendation 6b	Agree	Estimated Completion Date:	Complete
Please provide details of corrective action or explain disagreement.	MDE meticulously evaluates membership in external organizations to ensure such participation supports the Department's mission and the interests of the State. For future memberships, MDE will ensure that supporting analyses and documentation are formally maintained to demonstrate the value and purpose of such memberships. MDE has also created a new, standard membership evaluation form administrators must use to approve organizational membership decisions. While not required by policy, MDE will utilize this form to standardize decisions to join, rejoin, or exit organizations.		

Auditor's Comment: While MDE agreed with our recommendations, it disagreed with the factual accuracy of the analysis. In regard to the salary increase, MDE submitted a written justification to DBM, which approved the request in writing. While DBM is responsible for approving the request, the approval is based on assertions made by MDE which were not supported. The response further indicates there was no criteria to support that the request was not justified. As noted in our analysis, the basis for the request was not supported as the employee's responsibilities were already included in the new job description for which the employee had already received a salary increase. Finally, during our fieldwork we reviewed all of the documents referenced in the response which do not contradict but rather support the conclusions reached in our analysis.

In regard to the \$25,000 payment, MDE states that there was no specific criteria to assess objectively the process or documentation required for a state agency to join an organization and maintains that the membership is a highly cost-effective, strategic investment. However, MDE could not provide documentation during or subsequent to our fieldwork detailing the organization's marketing analyses, campaign materials, and resources to support tangible benefits of this membership prior to making the payment. Furthermore, as noted in MDE's response, no other

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states participated until after MDE joined the organization. The lack of this documentation combined with the management employee serving on the public policy board for the organization is the basis of our finding and raises concerns about the propriety of the payment. As a result, we continue to believe that our finding is accurate and MDE should maintain documentation, such as analyses, to justify payments to membership organizations to ensure they are in the best interest of the State.

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Finding 7

A management employee's secondary employment with a State university doing business with MDE potentially violated State ethics law.

We recommend that MDE refer the potential violation of State ethics law to the Commission and take action to comply with any decisions that the Commission provides on this matter.

Agency Response			
Analysis	Accurate		
Please provide additional comments as deemed necessary.			
Recommendation 7	Agree	Estimated Completion Date:	Completed Feb. 2026
Please provide details of corrective action or explain disagreement.	Upon learning of the matter referenced in this finding, MDE immediately conducted an internal review and submitted an expedited request to the Maryland State Ethics Commission to evaluate the circumstances and provide guidance. MDE has remained in contact with the Commission, which had not yet reviewed the matter as of the time of this submission. MDE also promptly informed OLA that the matter had been referred to the Ethics Commission and that the agency will fully comply with any determination or recommendations issued by the Commission. Finally, MDE notes that the employee served in a junior, non-decisionmaking capacity when the referenced MOU was negotiated and approved.		

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Finding 8

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

We recommend that MDE publish contract awards on *eMMA* as required, including those noted above.

Agency Response			
Analysis	Accurate		
Please provide additional comments as deemed necessary.			
Recommendation 8	Agree	Estimated Completion Date:	Complete
Please provide details of corrective action or explain disagreement.	MDE acknowledges the audit finding and has taken corrective action. All outstanding contract awards identified in the audit have now been successfully published on eMaryland Marketplace Advantage (eMMA). In addition, MDE has updated and strengthened its standard operating procedures (SOPs) to ensure that all future contract awards are recorded in eMMA within the required 30-day timeframe. These procedural updates include improved internal tracking and review processes to ensure compliance with state procurement regulations. MDE agrees with the recommendation and will continue to ensure that contract awards are published on eMaryland Marketplace Advantage (eMMA) in accordance with state procurement requirements.		

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Information Systems Security and Control

The Office of Legislative Audits (OLA) has determined that the Information Systems Security and Control section, including Findings 9 and 10 related to “cybersecurity,” as defined by the State Finance and Procurement Article, Section 3.5-301(c) of the Annotated Code of Maryland, and therefore are subject to redaction from the publicly available audit report in accordance with the State Government Article 2-1224(i). Although the specifics of the following findings, including the analysis, related recommendations, along with MDE’s responses, have been redacted from this report copy, MDE’s responses indicated agreement with the findings and related recommendations.

Finding 9

Redacted cybersecurity-related finding.

Agency Response has been redacted by OLA.

Finding 10

Redacted cybersecurity-related finding.

Agency Response has been redacted by OLA.

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Accounts Receivable

Finding 11

MDE did not ensure its accounts receivable records were complete and accurate, and timely pursue collections, as required.

We recommend that MDE

- a. reconcile its account receivable records to corresponding amounts in State records, to identify and correct any errors noted, including those noted above; and**
- b. timely send all dunning notices and refer delinquent accounts to CCU as required, including those noted above.**

Agency Response			
Analysis	Accurate		
Please provide additional comments as deemed necessary.			
Recommendation 11a	Agree	Estimated Completion Date:	Completed Dec. 2025
Please provide details of corrective action or explain disagreement.	MDE has already reconciled accounts receivable records and corrected all errors identified. MDE has successfully moved to a more efficient, centralized finance system where all account reconciliations are performed by our expert Fiscal Office rather than within individual administrations.		
Recommendation 11b	Agree	Estimated Completion Date:	Completed Dec. 2025
Please provide details of corrective action or explain disagreement.	MDE has taken decisive action to strengthen our billing processes and ensure every dollar owed to the State is accounted for; as of December 31, 2025, all outstanding invoices have been cleared to zero, and all delinquent account referrals are now 100% current.		

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