

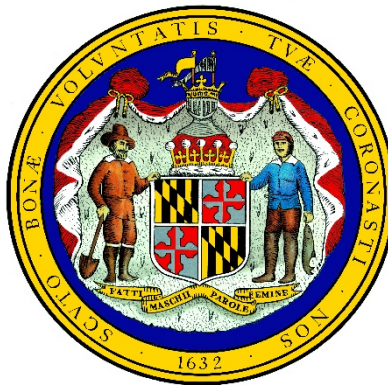
Audit Report

Department of Budget and Management Office of Personnel Services and Benefits

December 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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MARYLAND GENERAL ASSEMBLY

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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

December 9, 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 Budget and Management (DBM) – Office of Personnel Services and Benefits (OPSB) for the period beginning November 1, 2021 and ending February 28, 2025. OPSB develops the State's personnel policies for Executive Branch State agencies subject to the State Personnel Management System (SPMS), administers the health care benefit programs for State employees and retirees, and has other responsibilities, including salary administration and classification, recruitment and examination, and employee relations. OPSB also provides centralized support to agencies for the State's Statewide Personnel System (SPS).

Our audit disclosed that OPSB did not have effective procedures to ensure the propriety of employee benefits. Specifically, OPSB did not identify and remove coverage for plan participants that did not pay their premiums resulting in subsidy payments and claim reimbursements for plan participants with unpaid premiums. We identified 7,574 participants that had unpaid premiums totaling approximately \$5 million in calendar year 2024. As of January 2025, OPSB continued to make subsidy payments and pay medical claims for 5,800 of these participants with unpaid premiums totaling \$4.1 million. OPSB also did not ensure that audits of benefit plans were completed timely and did not pursue recovery of improper amounts identified, a condition noted but not corrected from our prior audit.

Our audit also disclosed that OPSB did not ensure agencies took sufficient action to address employees who did not complete a timesheet, did not follow up when it identified employees on the payroll after separating from State employment, and did not monitor and address significant overtime usage. We identified numerous employees that did not complete timesheets and 915 employees who remained on the payroll after they separated from the State including 23 employees at seven

agencies who received approximately \$135,100 after their separation. We also identified 775 employees whose overtime earnings consistently exceeded their regular base salary. These conditions were noted but not sufficiently corrected from our prior report.

Our audit also noted that OPSB did not include sufficient details in its contracts with plan administrators to specify the calculation of administrative fees. As a result, OPSB made payments to the plan administrators that were between \$3.3 million and \$6.6 million more than may have been required.

Furthermore, 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 fall under the referenced definition. The specifics of the cybersecurity findings were previously communicated to those parties responsible for acting on our recommendations

DBM’s response to this audit, on behalf of OPSB, is included as an appendix to this report. Consistent with State law, we have redacted the elements of DBM’s response related to the cybersecurity audit findings. In accordance with State law, we have reviewed the response and, while DBM 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 auditing standards, we have included “auditor’s comments” within DBM’s response to explain our position. We will advise the Joint Audit and Evaluation Committee of any outstanding issues that we cannot resolve with DBM.

We wish to acknowledge the cooperation extended to us during the audit by OPSB and its agreement to implement the audit recommendations.

Respectfully submitted,

Brian S. Tanen

Brian S. Tanen, CPA, CFE
Legislative Auditor

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Background Information

Agency Responsibilities

The Department of Budget and Management (DBM) – Office of Personnel Services and Benefits (OPSB) directs the development of personnel policies for Executive Branch State agencies subject to the State Personnel Management System (SPMS). OPSB also performs a variety of other functions for these agencies, including salary administration and classification, recruitment and examination, employee relations, and providing centralized support for the State's Statewide Personnel System (SPS). According to the State's records, during fiscal year 2024, OPSB's operating expenditures totaled approximately \$45 million, which consisted of \$14 million in general fund expenditures, \$11.5 million in special fund, and \$19.5 million in reimbursable fund expenditures (see Figure 1).

Certain executive branch agencies (primarily the Maryland Department of Transportation and the University System of Maryland) and the judicial and legislative branches of State government maintain their own personnel systems and related policies, are not subject to SPMS, and for the most part do not use SPS. OPSB also administers the health care benefits programs for all State employees and retirees, and the flexible spending accounts for all State employees regardless of which personnel system they are in.

Figure 1
OPSB Positions, Expenditures, and
Funding Sources

Full-Time Equivalent Positions as of June 30, 2024	
	Positions
Filled	132
Vacant	2
Total	134
Fiscal Year 2024 Expenditures	
	Expenditures
Salaries, Wages, and Fringe Benefits	\$19,131,393
Technical and Special Fees	204,166
Operating Expenses	25,676,982
Total	\$45,012,541
Fiscal Year 2024 Funding Sources	
	Funding
General Fund	\$14,052,329
Special Fund	11,458,443
Reimbursable Fund	19,501,769
Total	\$45,012,541

Source: State financial and personnel records

Statewide Personnel System

SPS provides a comprehensive human resource and payroll system through the use of a commercial off-the-shelf software platform configured for the State by a contractor. SPS is a cloud-based application hosted and operated by a third-party service provider; and is used by SPMS agencies to record personnel transactions, such as appointments, promotions, certain salary adjustments, and for the recordation and maintenance of time and leave transactions and records. SPS is used by all State agencies for purposes of health benefits.

Health Care Benefits Administration

The State makes health care benefits available for all of its employees and retirees (including their spouses and dependents). OPSB contracts with vendors to provide and/or manage healthcare, dental and prescription drug coverage. The State also provides for a Health Care Flexible Spending Account program and Employee Assistance Program.¹ In total, these benefits are provided through 13 plans or programs, which are administered (including claims processing) by 8 contracted plan administrators.²

- **Healthcare** (medical and mental health) coverage is provided through three major insurance providers that administer preferred provider organization (PPO), exclusive provider organization (EPO), point-of-service (POS), and integrated health model (IHM) plans. The current contracts, which include the original six-year contract term, 2 two-year renewal options, and a one-year renewal modification, cover the period from January 1, 2015 to December 31, 2026.
- **Dental** coverage is provided through two plans offered by two separate providers that administer a preferred provider organization (DPPO) and a health maintenance organization (DHMO). The current dental plan contracts, which include the original five-year contract term, a one-year extension modification, and a two-year extension modification, are in effect from January 1, 2020 to December 31, 2027. There are no renewal options.

¹ The Employee Assistance Program is a confidential service offered to help State employees who face personal matters that adversely affect job performance.

² The procurement of these contracts for periods after their current expiration dates will be subject to review during future audits of DBM – Office of the Secretary.

- **Prescription drug** coverage is provided through a pharmacy benefit manager (PBM). The current contract, a three-year term, is in effect from January 1, 2025 to December 31, 2027 after which there are 2 two-year renewal options.

The State directly pays claims for the PPO, EPO, prescription drug plan, and DPPO plans. It self-funds these plans and accepts the risk for all costs associated with these plans; the premiums are held in a dedicated State Employees and Retirees Health and Welfare Benefits Fund to pay for claims and other authorized expenses. For the IHM and DHMO plans, the State pays an insurance premium to the provider and the provider accepts the risk associated with the benefits. The costs for annual health care benefits have increased from approximately \$1.95 billion for fiscal year 2021 to \$2.35 billion for fiscal year 2024. Health care enrollment and costs paid in fiscal year 2024 for plan participants, which include State employees, retirees, spouses, dependent children, direct pay participants, and satellite agency participants (such as covered employees of local governments) are summarized in Figure 2.

Figure 2
Plan Participants in the State of Maryland's Health Benefits Programs
and the Related Costs for Fiscal Year 2024

Plan Type	Enrollment (as of January 1, 2024)	Dollar Claims Paid	Administrative Expenses Paid	Premiums Paid	Total Payments
PPO	57,103	\$ 533,973,203	\$25,896,730	N/A	\$ 559,869,933
EPO	65,448	694,159,286	29,595,874	N/A	723,755,160
IHM	3,609	N/A	N/A	\$35,431,723	35,431,723
POS (Note 1)	196	2,108,279	107,465	N/A	2,215,744
Prescription Drug	114,516	947,697,141	10,149,597	N/A	957,846,738
DPPO	104,453	59,901,135	1,881,138	N/A	61,782,273
DHMO	15,866	N/A	N/A	5,152,398	5,152,398
Totals		\$2,237,839,044	\$67,630,804	\$40,584,121	\$2,346,053,969

N/A – not applicable.

Note 1 – POS plan was available only to members of the State Law Enforcement Officers Labor Alliance bargaining unit.

Source: OPSB records

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 January 20, 2023. See Figure 3 for the results of our review.

Figure 3 Status of Preceding Findings		
Preceding Finding	Finding Description	Implementation Status
Finding 1	The Office of Personnel Services and Benefits (OPSB) did not attempt to recover approximately \$1.2 million in liquidated damages and invalid claim payments identified during certain 2017 and 2018 audits.	Not repeated
Finding 2	Audits of benefit program plans and claims eligibility were not completed in a timely manner.	Repeated (current Finding 2)
Finding 3	(Policy Issue) OPSB did not have comprehensive procedures to monitor and ensure that SPMS agencies addressed all outstanding payroll discrepancies. Our review disclosed that agencies were not correcting discrepancies, which resulted in potentially improper payments going undetected.	Repeated (current Finding 4)
Finding 4	OPSB did not have comprehensive procedures to identify employees who were terminated or left State service, and were not removed from the payroll timely. Our review disclosed that agencies were not removing these employees timely and payments were made after those employees left State service.	Repeated (current Finding 5)
Finding 5	(Policy Issue) OPSB did not have a comprehensive process in place to formally monitor or periodically evaluate SPMS agency overtime, and did not have guidance for agencies to manage overtime usage, and justify or prepare a plan to address actions to minimize or limit excessive overtime levels. We identified high overtime levels at several agencies, including 549 employees whose overtime earnings consistently exceeded their regular base salary.	Repeated (current Finding 6)
Finding 6	OPSB did not ensure that employees terminated with prejudice were properly recorded in the State database and were not rehired by SPMS agencies.	Not repeated

Findings and Recommendations

Employee Benefit Programs

Background

The Department of Budget and Management (DBM) – Office of Personnel Services and Benefits (OPSB) is responsible for collecting premiums from individuals participating in benefit programs and for making payments to the plan administrators for preferred provider organization (PPO), exclusive provider organization (EPO), prescription drug, and dental preferred provider organization (DPPO) plan claims. According to OPSB records, as of January 2024, there were 137,600 current or former employees receiving benefits including approximately 130,200 that had premiums automatically deducted from their pay (or were billed when their salary was not sufficient to cover the premium) and 7,400 that made direct premium payments (such as contractual employees).

Additionally, the State, as facilitated by OPSB, contributes a certain amount for each participant to subsidize the premium and to fund the claims paid on their behalf. Permanent employees and eligible contractual employees receive premium subsidies for their medical and prescription drug coverage. These subsidy payments range from 50 percent to 85 percent of the total cost and the employee is responsible for the remaining 15 percent to 50 percent. Eligibility for this subsidy depends on employment status, with permanent employees and certain contractual employees working 30 or more hours per week being eligible. In fiscal year 2024, subsidy payments totaled \$1.5 billion.

Finding 1

OPSB did not have effective procedures to identify and remove coverage for plan participants that did not pay their premiums. We noted that OPSB continued to make subsidy payments and claims reimbursements on behalf of plan participants with unpaid premiums.

Analysis

OPSB did not have effective procedures to identify and remove coverage for plan participants that did not pay their premiums.

- OPSB did not maintain comprehensive records of outstanding premiums or invoice participants with delinquent premiums to recover the total amounts due. Rather, OPSB relied on the claims eligibility audits, which are only performed annually, to identify individuals with delinquent premiums. In addition, even when delinquent premiums were identified in the audits, OPSB

did not attempt to recover the total amount due. For example, OPSB only recovered the lower of the premiums due or claims paid on behalf of the participant. Subsequent to the audit fieldwork, we were notified by OPSB that monthly invoices for delinquent premiums are sent to participants, however documentation was not provided to support this assertion.

- OPSB did not remove coverage for plan participants delinquent in their premium payments and continued to make subsidy payments and paid medical claims for these participants. Our analysis of OPSB records for calendar year 2024 identified 7,574 participants, including current employees, retirees, and individuals on COBRA, that had unpaid premiums totaling approximately \$5 million. As of January 2025, OPSB continued to make subsidy payments and pay medical claims for 5,825 of these participants with unpaid premiums totaling \$4.1 million.

Our test of 10 of these participants with \$400,900 in premiums delinquent for periods ranging from 13 months to 65 months disclosed that OPSB had made approximately \$293,500 in premium subsidies in addition to \$513,300 in claims payments. OPSB had only recovered \$22,100 from 7 of the 10 participants (the lower of delinquent premiums and claims paid); no payments were recovered from the remaining 3 participants. For example, one participant did not make 44 premium payments totaling \$15,600 but OPSB continued to make subsidy payments totaling \$42,600 and pay claims totaling \$136,300 on behalf of this participant. Although the participant was paid \$148,500 in salary during this period, OPSB only recovered approximately \$6,400.

Recommendation 1

We recommend that OPSB

- a. establish a process to maintain comprehensive records to identify all plan participants who have not paid premiums;**
- b. establish a procedure to remove plan participants from benefit coverage if insurance premiums are not paid;**
- c. recoup premiums in full, including amounts noted above, more frequently than annually; and**
- d. discontinue subsidy payments and claim reimbursements for participants with unpaid premiums.**

Finding 2**OPSB did not complete required claims eligibility audits or pursue recovery of all improper payments identified in a timely manner.****Analysis**

OPSB did not complete required claims eligibility audits or pursue recovery of all improper payments identified by the audits in a timely manner. These audits are performed annually by OPSB personnel to ensure that claims processed and paid by plan administrators and reimbursed by OPSB are for valid and eligible participants. These audits review selected payment activity of the program's six plans that are self-funded by the State during a plan year to identify instances where invalid claims were paid, such as claims paid for individuals whose coverage had terminated. OPSB procedures state that depending on the cause of the invalid claim, OPSB will seek reimbursement from the plan administrator or the plan participant. OPSB procedures further provide that the audits are to be completed and finalized by September 1st of the calendar year following the claims.

The claims eligibility audits for calendar year 2023 identified approximately 2,700 claims totaling \$3.2 million paid on behalf of participants that did not pay their insurance premiums. Our review disclosed the audits conducted were not timely. Specifically, our test of 20 audits³ for calendar years 2020 through 2023 disclosed that 16 of the audits were completed 4 to 11 months after they were due. For example, five 2022 audits due by September 1, 2023 were completed between January 2024 and March 2024.

Our review further disclosed that OPSB did not timely pursue recovery of certain invalid claim payments identified by the audits. Specifically, our review of \$1.7 million in invalid claims identified by the calendar year 2022 audits disclosed that OPSB did not attempt to recover the invalid claims until August 2024 (5 months after the audit was completed).

Similar conditions were commented upon in our preceding audit report. In response to that report, OPSB advised that a formal procedure was developed in December 2022 to identify deadlines and ensure audits are completed as required. Additionally, OPSB advised that improvements to the collection process would be implemented by January 2023. Although improvements were noted during the current audit, delays continue to exist as previously described.

³ We reviewed the audits performed for calendar years 2020 through 2023 for the five plans that the administrator was billed.

Recommendation 2

We recommend that OPSB

- a. conduct claims audits within the required timeframe (repeat), and**
- b. timely recover improper payments identified by the audits.**

Finding 3

Contract audits of the pharmacy benefit manager (PBM) were not completed in a timely manner.

Analysis

Contract audits of the PBM were not completed in a timely manner resulting in delays in the identification of potential program deficiencies and any related amounts due the State, such as penalties related to performance guarantees. OPSB contracts with a vendor to conduct annual audits of the State's Pharmacy Benefits program. The scope of this audit includes administrative and operational procedures, claims processing (accuracy, timing, and compliance), and compliance with performance guarantees and other contract requirements. The contract with the vendor required the audits to be completed by December 31st following the end of the plan year. Payments to this vendor between fiscal years 2022 and 2025 totaled approximately \$237,000.

Our review of the PBM audits disclosed that they were not completed timely. Specifically, the audit of the 2019 plan year was completed in March 2024 (38 months late) and the audit of the 2020 plan year was completed in April 2025 (39 months late). Furthermore, the audits for plan years 2021 through 2023 have not been completed as of the end of our audit fieldwork in August 2025.

The failure to conduct timely audits is significant because they often identify deficiencies and result in penalties. For example, the 2019 and 2020 audits assessed penalties totaling \$21,000 and \$183,000, respectively. Although OPSB was aware of these delays and worked with the vendor to facilitate completion and avoid additional delays, these efforts did not resolve the problem. In addition, the contract with the vendor did not include a provision for financial penalties or liquidated damages.

Recommendation 3

We recommend OPSB

- a. ensure past due audits noted in this finding are completed,**
- b. ensure that future audits are completed within the required timeframe, and**

- c. **consider including in future audit contracts a provision for financial penalties or liquidated damages for failure to meet established deadlines.**

State Personnel Management System (SPMS) Agency Payroll

Background

OPSB is responsible for receiving and consolidating payroll activity from 68 State Personnel Management System (SPMS) agencies for submission to the State's Central Payroll Bureau (CPB) to process employee payroll which totaled approximately \$4.8 billion during fiscal year 2024. Each SPMS agency is responsible for administering its own payroll activity, including reviewing system-generated error reports to help them identify, investigate, and correct discrepancies, such as employee timesheets with no time entered, no time submitted, or no time approved.

Ideally, agencies should correct all errors prior to OPSB submitting the payroll to CPB to prevent improper payments. However, if all discrepancies are not corrected prior to the deadline for payroll submission, SPMS agencies still submit their payroll to OPSB for processing. OPSB advised that it requires SPMS agencies to certify that they are submitting accurate payroll information for the employees of their agency, and they are responsible to resolve any inaccuracies identified or adjustments needed.

OPSB generates error reports to assist agencies in correcting any discrepancies prior to forwarding the payroll to CPB. OPSB will generally email copies of these reports to the agencies with outstanding discrepancies requiring correction and periodically follow-up on the related discrepancies. However, the existence of uncorrected discrepancies will not stop CPB from processing the payroll. Consequently, it is critical that outstanding discrepancies be investigated and resolved, regardless of the specific agency involved, to ensure that all payroll payments were valid.

Finding 4

OPSB did not ensure that SPMS agencies resolved instances when an employee did not complete a timesheet even though Statewide Personnel System (SPS) reports identified these discrepancies.

Analysis

OPSB did not ensure that SPMS agencies resolved instances when an employee did not complete a timesheet even though SPS reports identified these

discrepancies. State regulations generally require a time record signed by the applicable employee and approved by supervisory personnel unless a written exemption is obtained from the Secretary of the Department of Budget and Management. SPS generates a *No Time Entered* report that lists employees who did not prepare a timesheet. As noted above, employees will continue to be paid even if no timesheet is prepared.

Our review of the *No Time Entered* reports for the six pay periods between January 8, 2025 to February 18, 2025 and June 26, 2024 to August 6, 2024 identified 130 employees at 22 SPMS agencies that were listed on one or more of the reports (including 7 that were on all 6 reports) because no timesheet had been prepared. These employees received compensation totaling approximately \$740,000 for the six pay periods reviewed.

We tested 43 payroll records related to 16 employees⁴ from calendar years 2024 and 2025 that were paid for 4,400 hours valued at approximately \$323,000. Our test disclosed that 33 of the payroll records related to 12 employees with a total of 2,640 hours valued at approximately \$224,000 did not have any time entered. Of the 33 payroll records, 18 records related to 7 employees were not submitted as required with a total of 1,440 hours valued at approximately \$111,000. The remaining payroll records relating to five employees did not need to be completed as the employee was exempt from completing a timesheet for reasons, as outlined in State regulations.

Although OPSB notified the related agencies of the missing timesheets, no corrective action was taken and OPSB did not follow-up with the agency until OLA inquiry. While the temporary failure to complete a timesheet may be justified (for example, an employee on leave), a timesheet should be submitted at some point to support the hours were worked.

A similar condition regarding OPSB not ensuring that SPMS agencies addressed all outstanding payroll discrepancies (such as incomplete timesheets) was noted in our prior audit report. In response to that report, OPSB indicated that by February 2023 a process would be implemented to periodically review timesheets that had not been entered and notify agencies of discrepancies. Although OPSB developed a process to perform periodic reviews to address payroll discrepancies, we were advised during our current audit that agencies did not always take corrective action. OPSB did not follow up with these agencies, including conferring with

⁴ Our test items were selected based on significance of hours paid without a corresponding timesheet. Payroll records for calendar years 2024 and 2025 were queried in May and March 2025, respectively.

senior leadership at the related agency for any agencies that were routinely identified on the aforementioned reports.

Recommendation 4

We recommend that OPSB

- a. ensure SPMS agencies resolve all outstanding payroll processing discrepancies timely, including the aforementioned 7 employees for whom no timesheet was submitted; and**
- b. take appropriate corrective action for agencies that fail to resolve the discrepancies timely (repeat).**

Finding 5

OPSB did not follow up when it identified employees who were not removed from the payroll timely to ensure the agencies recovered any amounts improperly paid.

Analysis

OPSB did not follow up when it identified employees who were not removed from the payroll timely to ensure the agencies recovered any amounts improperly paid. In response to our prior report, OPSB generated bi-weekly reports of payments made after an employee's separation and notified the respective agencies. Our review disclosed that OPSB did not always follow up with agencies when agencies did not subsequently investigate employees that were not removed from the payroll timely and recoup the related payments that were improperly paid.

We obtained a report of all separations processed in SPS for fiscal year 2024 and compared the effective date of the separation to the date it was processed in SPS. Our review disclosed that 915 separations were processed in SPS between 5 and 534 days after the effective date of separation including 23 employees at seven agencies who received approximately \$135,100 after their effective date of separation. Our test of 13 of these employees disclosed that 4 had payments totaling approximately \$35,900 after they separated that appeared to be improper⁵ including 2 that had previously been identified on OPSB's bi-weekly review of payments. After we brought this to OPSB's attention, the applicable agency recovered improper payments totaling \$25,800 but there was no documentation that the remaining \$10,100 has been recovered.

⁵ Payments to the remaining 9 employees were proper due to final leave payout, settlement agreement, incorrect termination date in the system, or other payroll correction.

Similar conditions were commented on in our preceding audit report. As noted above, in response to that report, OPSB generates bi-weekly reports of certain payments but has not established a comprehensive procedure for investigating and recovering improper payments identified on those reports. According to OPSB personnel, additional policies and procedures related to these follow-up actions are being developed but have not yet been implemented as of the end of our fieldwork.

Recommendation 5

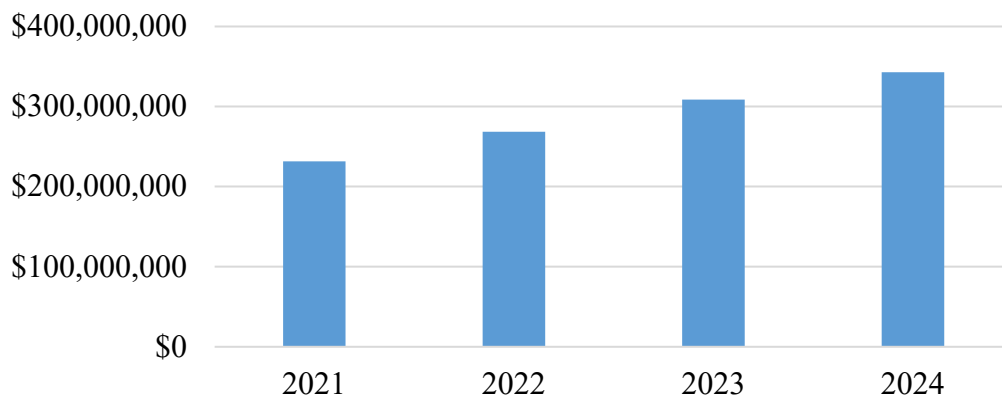
We recommend that OPSB identify any earnings paid after an employee left State service and ensure agencies investigate and recoup any overpayments, including those noted above (repeat).

Monitoring of Excessive Overtime

Background Information

The State Personnel and Pensions Article of the Annotated Code of Maryland provides that an employee who works more than the normal workweek is entitled to compensation in the form of payment or compensation time. Certain employees with modified workdays, such as law enforcement, calculate overtime based on the greater of time worked in excess of 40 hours in a workweek or time worked in excess of an established workday. As depicted in Figure 4, SPMS agency overtime has increased significantly during the audit period from approximately \$231.3 million in calendar year 2021 to \$342.6 million in 2024 (approximately 48 percent).

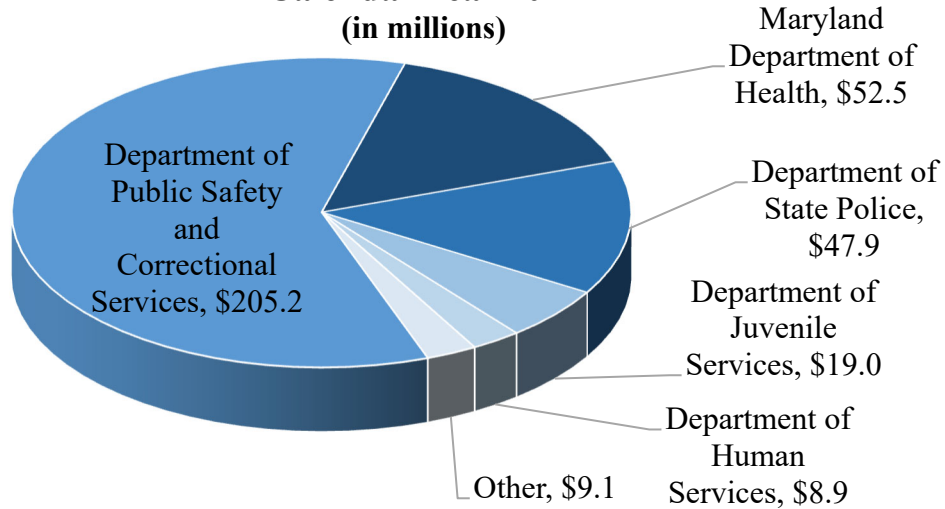
Figure 4
SPMS Agency Overtime
Calendar Years 2021 to 2024



Source: Central Payroll Bureau Payroll Records

As noted in Figure 5, five departments made up 97 percent of SPMS agency overtime in calendar year 2024. According to OPSB personnel, overtime at the five departments is higher than other State agencies due in part to high vacancy rates, minimum staffing level requirements (such as for prison guards), and scheduling challenges. For example, vacancy rates at the five agencies were between 7.9 percent and 18 percent as of January 2025.

Figure 5
Overtime in Select SPMS Agencies
Calendar Year 2024
(in millions)



Source: Central Payroll Bureau Payroll Records

Finding 6

OPSB did not have a comprehensive process to monitor and provide guidance to address employees with significant overtime including 775 employees we identified whose overtime earnings consistently exceeded their regular base salary.

Analysis

OPSB did not have a comprehensive process to monitor and provide guidance to agencies to manage and address employees with significant overtime including 775 employees we identified whose overtime earnings consistently exceeded their regular base salary. Rather, OPSB's efforts were limited to sending agencies a report of individuals receiving compensation of more than \$10,000 in a pay period for additional review. For example, our review disclosed the following:

- OPSB did not analyze payroll data to identify employees who earned excessive overtime (such as more than 50 percent of their regular base salary) or who consistently had material overtime. Our analysis of SPMS payroll data between calendar years 2022 and 2024 disclosed that certain employees consistently received significant amounts of overtime. For example, 3,923 employees received overtime payments in calendar year 2024 that totaled 50 percent or more of their regular base salary, including 1,457 employees whose

overtime earnings met or exceeded their base salary. Moreover, 775 employees also received overtime pay that met or exceeded their regular base salary for each of the three years during calendar years 2022 through 2024 (see Figure 6 for examples of five of these employees).

Figure 6
Examples of Employees with Recurring Excessive Overtime

Example	Agency	2022		2023		2024	
		Regular	Overtime	Regular	Overtime	Regular	Overtime
Employee 1	DPSCS	\$59,675	\$123,201	\$61,942	\$136,595	\$67,815	\$145,085
Employee 2	MDH	84,640	139,279	95,807	182,739	108,683	179,931
Employee 3	MDH	69,548	138,242	72,841	149,248	79,398	145,174
Employee 4	MDH	67,412	128,168	70,812	145,268	77,634	141,540
Employee 5	MSP	138,916	196,817	150,103	219,397	163,785	226,189

Source: Central Payroll Bureau Payroll Records

- OPSB did not analyze payroll data to identify employees who consistently earned overtime while using paid leave that could be indicative of abusive overtime usage, and/or opportunities to modify scheduling to reduce overtime. SPMS regulations and the State's collective bargaining agreements include paid leave in work time. Therefore, SPMS employees' personal, annual, sick, and other paid leave is counted towards the 40-hour workweek and overtime calculations. For example, if an employee's normal workday is 8 hours, and they took 4 hours of annual leave but worked 8 hours the same day, they would earn 4 hours of overtime.

We analyzed calendar year 2024 payroll records for one large agency and identified 3,047 employees with one or more instances in which they received over \$1,000 in gross overtime earnings in pay periods where they used at least three full days of paid leave. As noted above, this practice is not prohibited but could be indicative of potential abusive overtime.

- OPSB had not established sufficient policies and procedures to ensure agencies properly monitored and controlled overtime usage. Specifically, DBM had not required OPSB to take action to ensure that all agencies implemented an overtime policy or provide guidance to agencies as to what basic requirements should be included, such as pre-approval of overtime and a review by agency management of material and unusual overtime usage for propriety.

State law requires DBM to adopt regulations to prevent unnecessary overtime at agencies under SPMS. Based on this statutory authority DBM through OPSB should develop guidance and policies for SPMS agencies to better manage overtime activity.

Similar conditions were noted in our preceding audit report. In response to that report, OPSB agreed to work with agencies to perform data analysis to identify employees with potentially excessive overtime. OPSB also agreed to establish processes and policies for monitoring overtime and for addressing agencies with consistently high overtime, including ensuring that agencies submit documented justifications and submit action plans for employees who earn high amounts of overtime. We were advised during our current audit that these corrective actions were not implemented, due in part, to challenges with obtaining input from agencies.

Recommendation 6

We recommend that OPSB develop and implement comprehensive policies and procedures for overtime usage in consultation with SPMS agencies and other DBM units. Specifically, we recommend that these procedures and policies include

- a. routinely performing data analysis to identify employees with potentially excessive overtime (repeat);**
- b. requiring documented justifications from the respective agencies for employees earning excessive overtime and corrective action plans from the agencies to reduce overtime payments in the future (repeat);**
- c. ensuring that agencies establish appropriate agency-based policies for managing and controlling overtime, and providing guidance as to the basic requirements such policies should include (repeat); and**
- d. working in conjunction with the appropriate DBM units, including those with budgetary authority, to address agencies with consistently excessive overtime (such as adding additional positions) (repeat).**

Healthcare Plan Administrator Contracts

Finding 7

OPSB's contracts with two plan administrators did not specify the consumer price index (CPI) to be used to calculate administrative fees resulting in OPSB paying between \$3.3 million and \$6.6 million more in administrative fees over the term of the contracts.

Analysis

OPSB's contracts with two plan administrators⁶ did not specify the CPI to be used to calculate administrative fees, which totaled \$55.4 million in calendar year 2024. There are different categories of CPI (such as CPI specific to medical services and CPI for all goods/services) and a different CPI each month. The contracts provided that the plan administrator may increase the administrative fee annually, after the initial three years of the contract, based on the CPI but did not specify which CPI category or month was to be used.

Our review of the administrative fee calculations during the term of the contracts (2015 through 2025) disclosed that the plan administrators did not consistently use a category or month's CPI to calculate the administrative fee. Rather, the CPI category and month changed generally to maximize the fees. For example, one plan administrator used a different CPI category each year between 2018 and 2025. We recalculated the administrative fee for calendar years 2021 through May 2025 using the lesser of the CPI for medical services or for all good/services and used a consistent month. Based on our calculation OPSB could have saved between \$3.3 million and \$6.6 million had the contract been more specific on the CPI to be used.

After we brought these concerns to OPSB's attention, OPSB modified the request for proposal for its new plan administrator contract to specify that the administrative fee would be based on the lesser of the annual CPI for medical services or all goods/services and that a consistent month would be used. The failure to enforce these requirements could result in OPSB paying higher administrative fees than necessary.

⁶ We selected these two plan administrator contracts to review as these were OPSB's only plan administrator contracts that had this particular provision regarding administrative fee increases. These two plan administrator contracts were OPSB's two self-insured plans (EPO and PPO).

Recommendation 7

We recommend that OPSB ensure its plan administrator contracts specify the category and month's CPI to be used for calculating the administrative fee, and that the plan administrators adhere to these requirements.

Information Systems Security and Control

We determined that the Information Systems Security and Control section, including Findings 8 and 9 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 DBM's responses, have been redacted from this report copy.

Finding 8

Redacted cybersecurity-related finding.

Finding 9

Redacted cybersecurity-related finding.

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the Department of Budget and Management (DBM) – Office of Personnel Services and Benefits (OPSB) for the period beginning November 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 OPSB'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 OPSB's payment of State employees and retirees health insurance and prescription drug benefit claims, monitoring of health care and prescription drug benefit administrators, determination of participant eligibility, processing of personnel and payroll transactions for certain State agencies, and information systems security and control. We also determined the status of the findings contained in our preceding audit report.

Our audit also included certain support services (such as payroll) provided by OPSB to DBM's – Office of the Secretary. Conversely, our audit did not include certain support services provided to OPSB by the Office of the Secretary. These support services (such as procurements and maintenance of certain accounting records) are included within the scope of our audit of the Office of the Secretary.

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 November 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, inspections of documents and records, tests of transactions, and to the extent practicable, observations of OPSB'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), and the State's Central Payroll Bureau (payroll 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 these sources were sufficiently reliable for the purposes the data were used during this audit.

We also extracted data from the Statewide Personnel System, Pre-Offer Check (POC) database, and the Benefits Administration System for the purpose of selecting test items, such as new hires and rate changes, determining the accuracy and completeness of the POC database, and for assessing user access. We performed various tests of the relevant data and determined that the data were sufficiently reliable for the purposes the data were used during the audit. Finally, we performed other auditing procedures that we considered necessary to achieve our audit objectives. The reliability of data used in this report for background or informational purposes was not assessed.

OSPB'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 OPSB, 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 OPSB'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 OPSB 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 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 OPSB and those parties responsible for acting on our recommendations in an unredacted audit report.

The response from DBM, on behalf of OPSB, 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 DBM regarding the results of our review of its response.

APPENDIX



WES MOORE
Governor

ARUNA MILLER
Lieutenant Governor

YAAKOV "JAKE" WEISSMANN
Acting Secretary

MARC L. NICOLE
Deputy Secretary

December 4, 2025

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

Dear Mr. Tanen:

The Department of Budget and Management (DBM) has reviewed your draft audit report on the DBM – Office of Personnel Services and Benefits for the period beginning November 1, 2021 and ending February 28, 2025. As requested, attached are our responses to the findings in the report.

On behalf of Agency management, we would like to thank you and your audit team for your professionalism and courtesy throughout the engagement. If you have any questions or need additional information, you may contact Marc Nicole at 410-260-7288 or Joan Peacock, Director of the Audit and Finance Compliance Unit, at 410-260-7079.

Sincerely,

A handwritten signature in dark ink, appearing to read "Yaakov Weissmann".

Yaakov "Jake" Weissmann
Acting Secretary

cc: Marc Nicole, Deputy Secretary, DBM
Clifton Gray, Assistant Attorney General, DBM
Neal Desai, Executive Director, OPSB
Jennifer English, Deputy Executive Director, OPSB
Christina Kuminski, Director, Employee Benefits Division, OPSB
Sherreon Washington, Director, Contract Administration Division, OPSB
Misty Whitaker, Director, Personnel Services Division, OPSB
Derek Rost, Chief Information Officer, DBM
Joan Peacock Director, Audit and Finance Compliance Unit, DBM

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Employee Benefit Programs

Finding 1

OPSB did not have effective procedures to identify and remove coverage for plan participants that did not pay their premiums. We noted that OPSB continued to make subsidy payments and claims reimbursements on behalf of plan participants with unpaid premiums.

We recommend that OPSB

- a. establish a process to maintain comprehensive records to identify all plan participants who have not paid premiums;**
- b. establish a procedure to remove plan participants from benefit coverage if insurance premiums are not paid;**
- c. recoup premiums in full, including amounts noted above, more frequently than annually; and**
- d. discontinue subsidy payments and claim reimbursements for participants with unpaid premiums.**

Agency Response	
Analysis	Not Factually Accurate
	<p><u><i>Procedures to Identify Outstanding Premiums (Not Factually Accurate)</i></u></p> <p>The Analysis states that OPSB does not have effective procedures to identify plan participants who do not pay their premiums. OPSB does track plan participants who have not paid premiums through an open invoice report that provides the name, invoice category, premium month, and balance due. OPSB practice has been to leverage this report to send each plan participant with unpaid premiums a notice every month alerting them to their unpaid premiums. These notices were not considered bills and were not previously followed up to ensure payment of unpaid premiums was received, as past practice was to follow up during our claims eligibility audits. As such, OPSB does have a process to identify unpaid premiums.</p> <p>Additionally, OPSB would like to note that this practice has been performed through one of our contractors using a legacy system. Unfortunately, due to this and as noted by the auditors in their analysis, we have not been able to provide evidence of the notices sent prior to CY2025.</p> <p><u><i>Termination of Benefits due to Unpaid Premiums (Additional Comment)</i></u></p>

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	<p>The Analysis also identifies OPSB continuing to make subsidy payments and pay claims for employees who had unpaid premiums, and calculates the dollar value of these payments with the implication that these were all improper payments and that benefits should immediately be terminated. This is not accurate as it does not recognize various situations where, at least for a limited time, there may be situations that limit the ability of OPSB to terminate benefits, as recommended and suggested in the auditor's recommendation. Circumstances and situations that limit the ability of OPSB to terminate benefits include employees who are out on Family and Medical Leave in accordance with the Family and Medical Leave Act (FMLA); those entitled to a leave of absence as a reasonable accommodation for a disability in accordance with the Americans with Disabilities Act (ADA); Leave of Absence due to Workers' Compensation Claim; and changes in job status that result in open invoices that may be invalid, (e.g. contractual conversion to regular full-time employee, retirement or a job change between agencies). These instances where terminating benefits would be improper are difficult to distinguish from instances where termination would be proper absent close evaluation of the individual record and improper terminations create significant legal and financial risks far in excess of the cost of maintaining coverage.</p> <p><u><i>Impact of COVID PHE (Additional Comment)</i></u></p> <p>The Analysis further does not acknowledge the impact of the COVID Public Health Emergency beginning March 13, 2020 and ending July 10, 2023, during which time OPSB was not allowed to terminate benefits or collect on unpaid premiums. In addition to the direct effect that extended the period of time individuals could remain delinquent, it created a multi-year backlog that had to be worked through. Efforts to identify participants and establish procedures for terminating benefit coverage were not feasible until the end of the PHE as, without an end date, identifying individuals that were still employed by benefit group, level of coverage, transition from subsidized to nonsubsidized, or a break in service could not be completed.</p> <p><u><i>Population of Individuals This Issue is Related To (Additional Comment)</i></u></p> <p>NOTE: OPSB believes that the issues noted related to this finding were primarily related to OPSB's treatment of unpaid premiums related to COBRA and contractual employees. The corrective actions noted below are actions that have or will be taken to address this issue related to these groups that are receiving health benefits through the State contracts.</p>
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Recommendation 1a	Disagree	Estimated Completion Date:	May 2020
	OPSB believes and understands it is important to have a process to identify all plan participants who have not paid premiums; however, we are disagreeing with this recommendation as OPSB already has a process in place, since March 2020, to identify all plan participants who have not paid premiums. These individuals are sent notices every month alerting them to their unpaid premiums.		

Auditor's Comment: OPSB disagrees with recommendation 1a and maintains that the finding analysis is factually inaccurate because OPSB does track plan participants who have not paid premiums. However, OPSB acknowledges that documentation of this process was not maintained. In addition, OPSB makes certain other assertions that are not consistent with our results. For example, OPSB indicates that the finding may be due to COVID but all of the test items were actively enrolled at the end of calendar year 2024 which was after COVID had ended. As a result, we continue to believe that the analysis is accurate and recommendation 1a is valid.

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Recommendation 1b	Agree	Estimated Completion Date:	July 2026
	<p>OPSB agrees that, as appropriate, individuals should not continue to receive benefit coverage if insurance premiums are not paid. However, we want to acknowledge there are certain situations where it is not feasible for OPSB to remove these plan participants as the Recommendation suggests due considerations noted above in the response to the Analysis.</p> <p>As noted above in response to the Analysis, OPSB understands that this finding was primarily related to COBRA and contractual employees. OPSB developed beginning in May 2024 an automated monthly process to identify and terminate COBRA participants who had not paid premiums. OPSB is required by law to provide a 30 day grace period, but then automatically terminates coverage retroactive to when the COBRA participant first became delinquent on paying premiums. All claims during this period are recovered automatically with the exception of prescription drugs (these are processed in real time and so not available to be recovered), which are then automatically sent for collections.</p> <p>Contractual employees will be incorporated into Workday payroll deductions on Jan 1, 2026 or July 1, 2026 (depending on the organization). At that point, all contractual employees will have premium payments automatically deducted from payroll and have any non-payment collected in arrears against future payroll. The implementation of a process to collect unpaid premium against future payroll will also apply to regular employees. As such, with this change, there will not be a need to institute a process for termination of benefits due to unpaid premiums.</p>		

Auditor's Comment: While OPSB agrees with recommendation 1b, it notes that there are certain circumstances for at least a limited time in which OPSB would not be allowed to terminate benefits and that improper terminations could result in significant legal and financial risks. However, these circumstances, while reasonable, should not dictate a universal practice that prevents OPSB from terminating benefits in all situations. In this regard, OPSB did not provide documentation to indicate that these circumstances applied to the test items noted in the analysis.

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Recommendation 1c	Agree	Estimated Completion Date:	July 2026
	<p>OPSB has changed its collections policy to reflect this Recommendation. Specifically, OPSB previously collected the lower of unpaid claims or unpaid premiums; going forward, OPSB will collect all unpaid premiums.</p> <p>OPSB has implemented procedures to collect unpaid premiums, as appropriate, and will shortly have the capability to do so more frequently than annually:</p> <ul style="list-style-type: none"> • Unpaid premiums from plan year 2024 have been identified and all individuals with unpaid premiums will be sent a final notice of unpaid premiums by December 2025 informing them that absent settlement of their outstanding payments, their debt will be sent to collections within 45 days. As these collections have not yet begun, OPSB will apply the updated policy and collect unpaid premiums (not the lower of unpaid claims or premiums). • For unpaid premiums for plan year 2025, OPSB will send a final notice of unpaid premiums in April 2026, also providing 45 days notice prior to submitting them to collections. • For unpaid premiums in plan year 2026 and beyond, OPSB will be able to much more regularly and effectively collect unpaid premiums as the Central Payroll Bureau integration into Workday goes live. This integration allows OPSB to deduct premiums from payroll for contractual employees – essentially eliminating a significant source of unpaid premiums currently – and permits OPSB to collect unpaid premiums in arrears against subsequent payrolls, allowing much more dynamic and reliable collections. <p>OPSB has also implemented procedures to collect unpaid premiums from former employees who are participating in COBRA. These procedures are outlined above in response to Recommendation 1.b.</p>		
Recommendation 1d	Agree	Estimated Completion Date:	July 2026
	<p>Unpaid premiums will be followed up as outlined above for all individuals enrolled in a benefit plan. This should reduce claim reimbursements for participants with unpaid premiums. As noted above we want to acknowledge that there are certain situations where discontinuing claims reimbursement is not feasible for the reasons identified in the response to the Analysis.</p> <p>The majority of the subsidies referred to in the auditor analysis relate to subsidies paid for contractual employees. State subsidy for contractual</p>		

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	<p>employees for each year is based on 75% of the total premium cost of the health insurance plan selections made by active contractual employees for a specific month in the fall. For FY 2026, that month was October 2024. Contractual employees have historically been billed directly by OPSB for the remaining 25% of the total premium cost of their plan selections. (Note, there are a few plans that receive no employer subsidy and are paid for entirely by the contractual employee.) In FY 2027, the contractual employee's portion of the total premium cost of their plan selections will be withheld from their paychecks (as is currently done for regular employees) and subsidies will be collected in the same manner as done for regular employees.</p>
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Finding 2

OPSB did not complete required claims eligibility audits or pursue recovery of all improper payments identified in a timely manner.

We recommend that OPSB

- a. conduct claims audits within the required timeframe (repeat), and**
- b. timely recover improper payments identified by the audits.**

Agency Response			
Analysis	Additional comments		
	<p><i>Impact of COVID PHE (Additional Comment)</i></p> <p>The Analysis does not acknowledge the impact of the COVID Public Health Emergency (PHE) beginning March 13, 2020 and ending July 10, 2023. The PHE significantly disrupted normal health plan operations and created a backlog of incomplete claims eligibility audits.</p>		
Recommendation 2a	Agree	Estimated Completion Date:	January 2026
	<p>In the roughly 2 years since the PHE concluded, OPSB has completed 2019, 2020, 2021, 2022, and 2023 audits in full. It has also completed all components of the 2024 audit analysis (final discussions continue with one carrier over certain carrier fees - expect these to conclude no later than January 23, 2026). Completing essentially 6 audits in 2 years demonstrates OPSB's ability to conduct claims eligibility audits timely.</p> <p>There is also significant reason to believe such timeliness is durable as conducting eligibility audits and recovering improper payments required an integration between the system of record (Workday) and the legacy billing system (BAS) that had not previously existed but has now been deployed since May 2024. Due to this integration as well as process improvements, eligibility audit timelines have been reduced from 18 months prior to the PHE to less than 6 months (e.g. for the 2024 audits of two carriers).</p>		
Recommendation 2b	Agree	Estimated Completion Date:	July 2026
Please provide details of corrective action or explain disagreement.	<p>OPSB will update its current SOPs to more clearly articulate current practice for audits, which is to complete the audit analysis, then share the findings with the carriers. The carriers review and at times dispute the analysis, which can impact responsibility for payments at the plan participant level. Once this carrier review is finalized, OPSB bills the carriers for the amounts due from the audit and will also bill individual plan participants for amounts due.</p>		

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	<p>OPSB has completed the audit analysis for the 2024 plan year eligibility audit and is currently finalizing the carrier review as noted in the response to Recommendation 2.a. Once the carrier review is completed and final participant balances are available, OPSB will notify participants with unpaid premiums of amounts due within 30 days.</p> <p>In addition, going forward, a process has been developed to notify and collect on unpaid premiums in a timely manner as outlined above in the response to Recommendation 1.c.</p>
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Finding 3

Contract audits of the pharmacy benefit manager (PBM) were not completed in a timely manner.

We recommend OPSB

- a. ensure past due audits noted in this finding are completed,**
- b. ensure that future audits are completed within the required timeframe, and**
- c. consider including in future audit contracts a provision for financial penalties or liquidated damages for failure to meet established deadlines.**

Agency Response			
Analysis	Factually Accurate		
Recommendation 3a	Agree	Estimated Completion Date:	December 2026
	The completion date for the past-due audits cited in this finding is targeted for December 2026.		
Recommendation 3b	Agree	Estimated Completion Date:	December 2027
	<p>OPSB will insert provisions for liquidated damages into the new Request For Proposal (RFP) and will hold monthly progress meetings. This dual approach is designed to foster immediate engagement and resolution of any variables that could impede the project timeline to help ensure audits are completed in a timely manner.</p> <p>OPSB will continue to take action and monitor contractors to ensure future audits are completed within the required timeframe. The estimated completion date of December 2027 reflects the first full audit cycle under the new RFP, which will include the additional tools we believe will improve contractor success in meeting deadlines and ensure timely audits.</p>		
Recommendation 3c	Agree	Estimated Completion Date:	December 2026
Please provide details of corrective action or explain disagreement.	Provisions for financial penalties or liquidated damages for failure to meet established deadlines will be inserted into the upcoming Request for Proposal (RFP) for Audit Services of the State Employee & Retiree Benefits Programs, State Medical Director and Occupational Medical Services, and Employee Assistance Program. The targeted RFP release		

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	date for the Audit Services contract is ~May 2026 with an award by ~August 2026. We anticipate this recommendation to be implemented when the new contract is awarded that includes this language (i.e., August 2026). The estimated completion date of December 2026 (noted above) provides additional time to account for any unforeseen events.
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State Personnel Management System (SPMS) Agency Payroll

Finding 4

OPSB did not ensure that SPMS agencies resolved instances when an employee did not complete a timesheet even though Statewide Personnel System (SPS) reports identified these discrepancies.

We recommend that OPSB

- a. ensure SPMS agencies resolve all outstanding payroll processing discrepancies timely, including the aforementioned 7 employees for whom no timesheet was submitted; and**
- b. take appropriate corrective action for agencies that fail to resolve the discrepancies timely (repeat).**

Agency Response	
Analysis	Additional comments
Please provide additional comments as deemed necessary.	<p><u>Summary of Enhancements to Current Process</u></p> <p>OPSB has proposed an approach that seeks to address the main issue identified in this Finding. We have proposed below to strengthen the language in the current Combined Time Report to note the impact to pay and leave if the errors identified on the report are not corrected. Additionally, we will escalate this communication, sending it to Agency management up to the Deputy Secretary for awareness. In addition, OPSB will require agency leadership to semi-annually certify that diligent follow-up on identified errors has been successfully performed. This process will also allow for agencies to connect with OPSB for additional guidance and training needed to ensure agencies are meeting expectations and performing their responsibilities adequately.</p> <p><u>Discussion of Agency Responsibility, Potential Risk, and Explanation for Why Proposed Corrective Actions are in the Best Interest of the State</u></p> <p>OPSB notes that the premise of this Recommendation – namely, that OPSB as the control agency for HR is responsible for ensuring that all timesheet and payroll errors are corrected in all SPMS agencies – could be broadly read to, and was articulated in the exit meeting to, seek to have OPSB follow up with each agency on each timesheet and payroll error and continue to follow up regularly on each error until it is resolved, including escalating to agency leadership as often as needed to ensure they are resolved. By requiring OPSB to follow up without</p>

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	<p>limitation until every error is corrected, this would make OPSB responsible for the accuracy of every timesheet and payroll transaction in the SPMS.</p> <p>OPSB believes that this outcome would be cost inefficient for the State and respectfully disagrees that this is OPSB's proper responsibility. The SPMS has delegated HR functions and each Agency has a designated authority who attests to, and acknowledges the responsibility to, resolve and reconcile all payroll and timekeeping errors at the conclusion of each payroll period. Agency HR staff do not have any reporting relationship to OPSB and each agency's individual responsibility and authority is not altered by OPSB's provision of tools to assist agency execution.</p> <p>In addition, though the Analysis identifies time paid without a timesheet, several situations may result in a finding of an unsubmitted timesheet, including employee error and manager approval errors. The pay implications of these errors include time adjustments without pay change implications (for example, correcting time to reflect leave usage) as well as corrections that result in changes in pay amount. In the latter scenario, correction can result in employees owing the State for overpaid wages or in employees receiving unpaid time and overtime. It is extremely difficult to estimate what share of timesheet errors result in no-pay-change adjustments, overpayment liabilities, or underpayment corrections without investigating each case; however, we anticipate that the primary financial exposure for the State would be on overstated leave pay outs, which will be modest. To further reduce this risk, we are exploring opportunities to enhance the leave pay out process to help ensure any overlooked errors, as noted in the finding, have been properly corrected.</p> <p>OPSB identifies an average of nearly 3,000 employees with nearly 4,000 individual errors related to incomplete, unsubmitted, unapproved, or other types of timesheet issues every pay period for agencies. In all, an average of ~100,000 individual errors occur across nearly 80,000 employees per year. For each of these errors, follow-up requires staff time from OPSB, agency HR timekeepers and staff, managers, and employees; errors often require multiple follow-ups, with certain types (such as those related to terminated employees) requiring substantial investigation effort to correct.</p> <p>Instead of implementing such a process, which would be cost inefficient for the State and require duplicative processes (i.e., OPSB</p>
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	would essentially be performing the same tasks and functions agencies perform and are responsible for), we have proposed the improvements noted below to support agency action, as agencies are in the best position to conduct investigations and follow up with individuals to ensure payroll discrepancies are resolved.		
Recommendation 4a	Agree in part	Estimated Completion Date:	December 2026
Please provide details of corrective action or explain disagreement.	<p>OPSB contacted the relevant agencies and resolved the timekeeping errors with the 12 employees identified in the audit, including the aforementioned 7 employees for whom no timesheet was submitted.</p> <p>OPSB will seek to enhance its processes to improve follow-up on payroll discrepancies identified. Specifically, OPSB will strengthen the language included in Combined Time Report that is regularly run and sent to each SPMS agency, detailing the impact to pay and leave, and citing the governing law and regulation. OPSB will also escalate this communication, sending it to Agency management up to the Deputy Secretary for awareness.</p> <p>OPSB will also institute a new certification requirement for SPMS agencies, requiring them to semi-annually certify that they are taking diligent efforts to correct payroll discrepancies. This certification would also acknowledge that the agency understands the instructions for how to run cumulative discrepancy reports and will instruct agencies to reach out to OPSB to seek advice on how to resolve if a discrepancy has been outstanding for more than 3 months. OPSB will conduct periodic spot checks of outstanding payroll discrepancies to evaluate agency progress, with a focus on no time entered and retro termination scenarios. This will provide awareness in order for OPSB to be able to assess root causes, escalate to Agency leadership, and provide guidance on next steps the agency should take or whether there is anything OPSB can do to assist.</p> <p>OPSB will also evaluate the potential to send out an annual notification to all supervisors requiring them to acknowledge that they have to manage the positive timekeeping of their staff and citing the relevant regulations (COMAR 17.04.11.20). As part of OPSB's evaluation, it is possible we will need to reach out to Bargaining Unit S's exclusive representative.</p> <p>That said, OPSB would reiterate the concerns with the broader premise of this Recommendation for the reasons noted above in the response to the Analysis. OPSB believes that a broad reading of the premise of this</p>		

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	Recommendation would be cost inefficient for the State and respectfully disagrees that it is OPSB's proper responsibility.		
Recommendation 4b	Agree in part	Estimated Completion Date:	December 2026
Please provide details of corrective action or explain disagreement.	<p>Authority to resolve payroll discrepancies resides with each agency and OPSB has limited authority to take independent "corrective actions." Where agencies fail to take action on their own as identified in the spot checks noted above, OPSB will elevate concerns and take the steps outlined in response to Recommendation 4.a, above. Additionally, for agencies that are consistently having difficulty in timely resolving the discrepancies identified, OPSB may proactively reach out to provide additional training and to work with the agency on how they can improve their efforts.</p>		

Auditor's Comment: OPSB disagrees that its responsibility as a control agency includes ensuring timesheet and payroll errors are corrected for all SPMS agencies and that pursuing these errors would be inefficient. However, we continue to believe that due to its statutory authority over SPMS agencies, which includes enforcing compliance with regulations, OPSB is ultimately responsible for these actions.

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Finding 5

OPSB did not follow up when it identified employees who were not removed from the payroll timely to ensure the agencies recovered any amounts improperly paid.

We recommend that OPSB identify any earnings paid after an employee left State service and ensure agencies investigate and recoup any overpayments, including those noted above (repeat).

Agency Response			
Analysis	Additional Comments		
Please provide additional comments as deemed necessary.	<p>OPSB notes that the Recommendation associated with Finding 5 is similar to the Recommendations in Finding 4. Notably, Finding 4's Recommendations instruct OPSB to ensure SPMS agencies resolve all outstanding payroll processing discrepancies timely and earnings paid to an employee after they have left State service are a type of payroll error. Thus, we have proposed enhancements to the current process which encompasses these types of payroll errors and additionally, the same comments in the response to Recommendation 4 regarding functions that are the agency responsibility and explanation for why proposed corrective actions are in the best interest of the State apply to the issues noted in Finding 5.</p>		
Recommendation 5	Agree in part	Estimated Completion Date:	December 2026
Please provide details of corrective action or explain disagreement.	<p>This Recommendation is that "OPSB identify any regular earnings paid after an employee left State service". OPSB already runs a report each pay period that identifies any employee who was terminated from State service through a backdated termination process in Workday. The report, titled "Possible Retro Terminations", identifies each employee who could be due an annual leave payout and provides detailed information on the termination and possible overpayments. This report is analyzed and shared with each affected Agency, instructing the Agency to follow up and collect the overpayments that may have resulted.</p> <p>The Recommendation also states that OPSB should "ensure agencies investigate and recoup any overpayments." This mirrors the issues raised in Finding 4 and so OPSB will seek to enhance its processes to improve follow-up on payroll discrepancies as outlined in the response to Recommendation 4.a and is actively following up (multiple touch points</p>		

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	<p>have been held) to resolve the 3 retro terminations related to the \$10,100 noted in the auditor’s analysis.</p> <p>That said, as discussed in response to Finding 4, OPSB notes that the premise of this Recommendation – namely, that OPSB as the control agency for HR is responsible for ensuring that all payroll errors are corrected in all SPMS agencies – could be broadly read to, and was articulated in the exit meeting to, seek to have OPSB follow up with each agency on each error of this type and continue to follow up regularly on each error until it is resolved, including escalating to agency leadership as often as needed to ensure they are resolved. By requiring OPSB follow up without limitation until every error of this type is corrected, this recommendation makes OPSB responsible for the accuracy of every such transaction in the SPMS.</p> <p>OPSB believes that this outcome would be cost inefficient for the State and respectfully disagrees that this is OPSB’s proper responsibility. It is the agency’s responsibility to process employee terminations in a timely manner. When processing retro terminations, the agency should identify when there are potential overpayments and immediately take action to investigate and follow up. Overpayments are drawn from individual agency budgets and thus the responsibility of that individual agency to collect that debt. If they are unable to collect themselves, agencies are the sole entity able to refer the debt to the Central Collections Unit as defined in COMAR 17.01.01.04. Responsibility for individual HR transactions of this nature has been distributed to individual agencies and does not rest with OPSB.</p> <p>Though OPSB will provide additional training and guidance documents as necessary to emphasize this responsibility and the steps agencies should be taking when processing such transactions in Workday, the SPMS has delegated HR functions and agency HR staff do not have any reporting relationship to OPSB and each agency’s individual responsibility and authority is not altered by OPSB’s provision of tools to assist agency execution.</p>
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Auditor’s Comment: While it appears as though OPSB agrees to implement the recommendation, it continues to disagree that it is primarily responsible for this oversight function. As previously noted in the auditor’s comment to Finding 4, we continue to believe that due to its statutory responsibility and primary authority over SPMS, ensuring the overall accuracy of employee payments after separation from State employment falls under OPSB authority.

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Monitoring of Excessive Overtime

Finding 6

OPSB did not have a comprehensive process to monitor and provide guidance to address employees with significant overtime including 775 employees we identified whose overtime earnings consistently exceeded their regular base salary.

We recommend that OPSB develop and implement comprehensive policies and procedures for overtime usage in consultation with SPMS agencies and other DBM units. Specifically, we recommend that these procedures and policies include

- a. routinely performing data analysis to identify employees with potentially excessive overtime (repeat);**
- b. requiring documented justifications from the respective agencies for employees earning excessive overtime and corrective action plans from the agencies to reduce overtime payments in the future (repeat);**
- c. ensuring that agencies establish appropriate agency-based policies for managing and controlling overtime, and providing guidance as to the basic requirements such policies should include (repeat); and**
- d. working in conjunction with the appropriate DBM units, including those with budgetary authority, to address agencies with consistently excessive overtime (such as adding additional positions) (repeat).**

Agency Response

Analysis	Additional Comments
Please provide additional comments as deemed necessary.	<p><u>Earning overtime while also using paid leave (Additional Comment)</u></p> <p>The Analysis states that earning of overtime while using paid leave could be indicative of abusive overtime usage. However, COMAR 17.04.11.02 establishes the State's policy that the use of paid leave is considered work time that counts toward the calculation of overtime, and OPSB is required to uphold that policy. Developing oversight procedures to question when leave and overtime occur in the same pay period is not consistent with COMAR 17.04.11.02 and could be considered to impinge on employee rights to take paid leave they have earned.</p> <p><u>Analysis of earning excessive overtime (Additional Comment)</u></p>

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	<p>OPSB fully endorses the interest of the State to reduce overtime usage and agrees that high levels of overtime are likely cost-ineffective for the State. However, overtime usage is overwhelmingly concentrated in a handful of agencies with significant 24/7 facilities, often with mandatory staffing levels. The foundational issue driving overtime in these agencies is overall staffing levels and associated difficulties recruiting and retaining sufficient staff. Given this environment, overtime is often necessary to staff facilities adequately and as required by statute or State policy. While improved scheduling or distributing overtime away from those identified as having “excessive” overtime in this audit may yield marginal improvements (e.g. if necessary overtime goes to less tenured and so less expensive staff), it will not address the core issues driving overtime. As such, though useful to capture these marginal improvements, it is important to note that OPSB does not anticipate the recommendations will result in significant reductions in overall overtime costs.</p> <p><u><i>Process to monitor and provide guidance to manage overtime (Additional Comment)</i></u></p> <p>In addition, the Analysis states that OPSB did not have a comprehensive process to monitor and provide guidance to agencies to manage and address employees with significant overtime. Subsequently, a report to capture the percentage of overtime an employee has earned in relation to their bi-weekly salary has been developed and OPSB started distributing it to each Agency effective 9/2/2025.</p> <p>The Analysis should also note that OPSB has no authority to approve or disapprove an employee’s overtime outside of DBM. COMAR 17.04.11.02 C (1) and (2) address the responsibility of the Agency and who must be made aware of any employee who works overtime each pay period.</p>		
Recommendation 6a	Agree	Estimated Completion Date:	December 2025
Please provide details of corrective action or explain disagreement.	<p>As of September 2025, OPSB sends out a comprehensive report that identifies all employees earning overtime within the Agency and provides guidance to review and address excessive overtime.</p> <p>Though OPSB has no authority to approve or disapprove an employee’s overtime outside of DBM, OPSB will also provide more impactful verbiage in the report email body to elaborate on the requirement (pending bargaining) of each Agency to establish a policy for overtime and to ensure the appropriate documents are completed or approvals made in Workday to support the approved status of the overtime worked.</p>		

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Recommendation 6b	Agree in part	Estimated Completion Date:	December 2027
Please provide details of corrective action or explain disagreement.	<p>It is the responsibility of each agency to authorize and manage overtime and to determine what is considered “excessive” based on operational need.</p> <p>That said, OPSB will require acknowledgment by each SPMS Agency at least semi-annually that they are adhering to their agency’s Overtime Policy (see below). OPSB has no authority to take remedial action to any agency outside of DBM but can and will provide guidance and reporting tools.</p> <p>The estimated completion date of December 2027 accounts for the potential need for agencies to develop or update their overtime policies. As noted in the response to Recommendation 6c, such actions may require bargaining with union representatives, which, based on past experience, can be a lengthy process.</p>		
Recommendation 6c	Agree	Estimated Completion Date:	December 2027
Please provide details of corrective action or explain disagreement.	<p>While a single State-wide overtime policy is not feasible given the diversity of operational requirements, OPSB agrees that, as appropriate, relevant SPMS Agencies should have a policy in place governing the use of overtime based on operational requirements of the Agency.</p> <p>To that end, OPSB will seek to require SPMS agencies with significant overtime usage to develop their own Overtime Policy (where not currently in existence) and share that Policy with OPSB. The ability to create an agency Overtime Policy or to update an existing agency Overtime Policy is subject to bargaining with exclusive representatives.</p> <p>As applicable, OPSB will provide agencies with guidelines for drafting an overtime policy which will include specific laws, regulations, and MOU provisions that govern the use, payment, authorization, and recording of overtime in addition to best practices in the management of overtime.</p> <p>The estimated completion date of December 2027 accounts for the time needed to bargain and negotiate with union representatives on the development or update of agency Overtime Policies.</p>		
Recommendation 6d	Agree	Estimated Completion Date:	October 2026

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Please provide details of corrective action or explain disagreement.	DBM OBA already does review agency overtime spending as part of the budget process each year. This results in discussions with those agencies that have significant overtime expenditures. To enhance this process, OPSB will partner with OBA, by providing information and better communication, to support those efforts that assist agencies in better managing overtime costs.
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Auditor's Comment: OPSB indicates that it agrees to implement all recommendations, however, it notes that the identification of “excessive” overtime may yield marginal improvements due to the factors driving the usage of overtime in select agencies. However, OPSB did not provide support for these assertions. Regardless, we continue to believe that OPSB should monitor statewide overtime to help ensure that abusive overtime practices are identified and addressed timely by the respective agencies.

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Healthcare Plan Administrator Contracts

Finding 7

OPSB's contracts with two plan administrators did not specify the consumer price index (CPI) to be used to calculate administrative fees resulting in OPSB paying between \$3.3 million and \$6.6 million more in administrative fees over the term of the contracts.

We recommend that OPSB ensure its plan administrator contracts specify the category and month's CPI to be used for calculating the administrative fee, and that the plan administrators adhere to these requirements.

Agency Response			
Analysis	Factually Accurate		
Recommendation 7	Agree in part	Estimated Completion Date:	August 2025
Please provide details of corrective action or explain disagreement.	<p>OPSB agrees that it should specify the CPI category to be used and, as noted, has included in the RFP for its new plan administrator contract that the administrative fee would be based on a 12-month rolling average available by May 31st, as a set, specific month agreed upon with the Contract Manager, for subsequent calendar years. Additionally, the language states that the lowest factor would be applied when comparing medical to overall CPI-U averages.</p>		
	<p>Given the reasons noted below, it would not be good business practice to identify a specific month for determining CPI in our RFP language. Identifying a specific month that the plan administrator must use for calculating CPI disrupts the underwriting process. It is standard practice to project costs as close to the effective date as possible to eliminate additional trend, which is calculated on a compounded monthly basis.</p> <p>A rolling 12-month average provides for better business planning and rate stability for the following reasons:</p> <ul style="list-style-type: none"> Underwriting Accuracy: Insurance underwriting relies on accurately forecasting future costs (claims, administrative costs, changes in the market). A volatile, single-month CPI makes this forecasting less reliable. The smoother rolling average allows underwriters to build more confident and stable predictions into their premium calculations. 		

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- **Avoiding "Stair-Step" Changes:** Relying on a single, possibly extreme, month can lead to sharp, unpredictable "stair-step" increases or decreases in premiums when the policy renews. The rolling average promotes a more gradual and predictable adjustment of administrative fees and premiums over time, which is better for both the insurer and the policyholder.

In essence, while the single-month, year-over-year CPI change (CPI Month 12/CPI Month 0) is a good measure of the most recent 12-month change, the rolling 12-month average (comparing the average of the last 12 months to the average of the previous 12 months) is often considered a better measure of the sustained inflation environment that affects the costs associated with insurance risk.

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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 8 and 9 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 DBM’s responses, have been redacted from this report copy, DBM’s responses indicated agreement with the findings and related recommendations.

Finding 8
Redacted cybersecurity-related finding.

Agency Response has been redacted by OLA.

Finding 9
Redacted cybersecurity-related finding.

Agency Response has been redacted by OLA.

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