

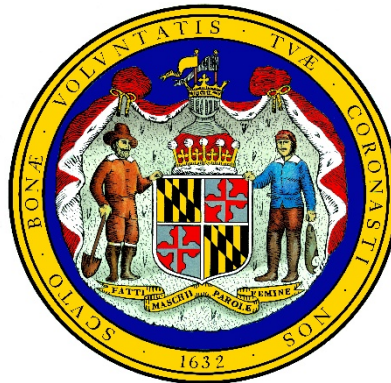
Audit Report

Maryland Department of Health Regional Institutes for Children and Adolescents

August 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 a reference to cybersecurity information from this public report.



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MARYLAND GENERAL ASSEMBLY

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Office of Legislative Audits
The Warehouse at Camden Yards
351 West Camden Street, Suite 400
Baltimore, Maryland 21201
Phone: 410-946-5900
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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

August 25, 2025

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

Ladies and Gentlemen:

We have conducted a fiscal compliance audit of the Maryland Department of Health (MDH) – John L. Gildner Regional Institute for Children and Adolescents (Gildner RICA) and the Regional Institute for Children and Adolescents – Baltimore (Baltimore RICA), for the period beginning April 1, 2021 and ending February 28, 2025. Throughout this report, individually, we refer to each Institute as Gildner RICA and Baltimore RICA, respectively, and collectively as, Institutes. The Institutes provide mental health and educational services to adolescents from counties throughout the State of Maryland and Baltimore City.

Our audit disclosed that the Institutes did not consolidate their individual procurements to vendors for similar goods and services circumventing control agency oversight and the ability to maximize their leverage as a high-volume purchaser, a condition noted but not corrected from our prior report. The Institutes also paid vendors using a method that was not in accordance with State policies and precluded enhanced online controls.

Our audit also disclosed that Baltimore RICA did not use available output reports to ensure the propriety of payroll and leave adjustments and did not verify collections were deposited after January 2024 when the employee responsible for the verification left the Baltimore RICA. Both of these conditions were commented on in our prior report, but not corrected.

MDH Healthcare System's response to this audit, on behalf of the Institutes, is included as an appendix to this report. We reviewed the response and noted agreement to our findings and related recommendations and will notify MDH Healthcare System of any needed clarification to ensure the responses sufficiently address the related findings.

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

Respectfully submitted,

Brian S. Tanen

Brian S. Tanen, CPA, CFE
Legislative Auditor

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* Denotes item repeated in full or part from preceding audit report

Background Information

Agency Responsibilities

This audit includes the operations of the John L. Gildner Regional Institute for Children and Adolescents (Gildner RICA) and the Regional Institute for Children and Adolescents – Baltimore (Baltimore RICA). Throughout this report, individually, we refer to each Institute as Gildner RICA and Baltimore RICA, respectively, and collectively as, Institutes. The Institutes are residential and day treatment centers that provide inpatient and outpatient mental health treatment, education, and rehabilitative services to children and adolescents and their families throughout the State of Maryland. In addition, the Gildner RICA was responsible for the dietary program for the Alfred D. Noyes Children’s Center (a unit of the Department of Juvenile Services) until the Center closed in September 2022.

According to the State’s records, during fiscal year 2024, the Institutes’ expenditures collectively totaled \$47.1 million (see Figure 1) to provide housing for an average daily population of 102 residential students and treatment for an average daily population of 82 outpatient students. Expenditures have significantly increased during the audit period (from \$35.3 million in fiscal year 2020) primarily due to increases to the Maryland Medicaid Residential Treatment Center Interim rate (the rate at which providers are reimbursed for residential treatment center services).

During the period from June 30, 2022 through June 30, 2024, the Institutes had vacancy rates that ranged from 10.5 percent to 13.6 percent. As of June 30, 2024, 10.5 percent of the total 333 positions were vacant. These vacancies may have contributed, at least in part, to the findings in this report.

Figure 1
Institutes' Positions, Expenditures, and Funding Sources

| Full-Time Equivalent Positions as of June 30, 2024 | | | |
|--|---------------------|---------------------|---------------------|
| | Gildner | Baltimore | Totals |
| Filled | 163 | 135 | 298 |
| Vacant | 9 | 26 | 35 |
| Total | 172 | 161 | 333 |
| Fiscal Year 2024 Expenditures | | | |
| Salaries, Wages, and Fringe Benefits | \$19,820,225 | \$17,467,251 | \$37,287,476 |
| Technical and Special Fees | 1,802,364 | 2,006,622 | 3,808,986 |
| Operating Expenses | 1,739,578 | 4,278,631 | 6,018,209 |
| Total | \$23,362,167 | \$23,752,504 | \$47,114,671 |
| Fiscal Year 2024 Funding Sources | | | |
| General Fund | \$22,062,146 | \$20,995,210 | \$43,057,356 |
| Special Fund | 8,453 | 2,734,878 | 2,743,331 |
| Federal Fund | 48,369 | 22,416 | 70,785 |
| Reimbursable Fund | 1,243,199 | - | 1,243,199 |
| Total | \$23,362,167 | \$23,752,504 | \$47,114,671 |

Source: State financial and personnel records

Status of Findings From Preceding Audit Report

Our audit included a review to determine the current status of the five findings contained in our preceding audit report dated July 13, 2022. See Figure 2 for the results of our review.

| Figure 2 Status of Preceding Findings | | |
|--|---|--|
| Preceding Finding | Finding Description | Implementation Status |
| Finding 1 | Both John L. Gildner Regional Institute for Children and Adolescents and the Regional Institute for Children and Adolescents – Baltimore did not consolidate procurements for similar goods and services, resulting in the failure to maximize each’s leverage as a high-volume purchaser and the circumvention of certain oversight. | Repeated (Current Finding 1) |
| Finding 2 | The Institutes did not competitively procure certain goods and services, did not always have written contracts, and did not verify the propriety of invoices prior to payment. | Not repeated |
| Finding 3 | Redacted cybersecurity-related finding. ¹ | Repeated (Current Finding 3) |
| Finding 4 | The Institutes did not have agreements with their respective affiliated foundation to address each entities’ roles and responsibilities. | Not repeated |
| Finding 5 | Procedures and controls over cash receipts at Baltimore RICA were not sufficiently comprehensive. | Repeated (Current Finding 4) |

¹ The description of this cybersecurity-related finding has been redacted for the publicly available report in accordance with State Government Article, Section 2-1224(i) of the Annotated Code of Maryland. Certain aspects of this finding that were not cybersecurity-related were repeated in this report.

Findings and Recommendations

Procurements and Disbursements

Finding 1

The Institutes did not consolidate procurements for similar goods and services. As a result, they did not maximize their leverage as high-volume purchasers and circumvented the competitive procurement process and control agency oversight.

Analysis

The John L. Gildner Regional Institute for Children and Adolescents (Gildner RICA) and the Regional Institute for Children and Adolescents – Baltimore (Baltimore RICA) referred to collectively as the Institutes, did not consolidate their individual procurements from vendors for similar goods and services. According to State records, the Institutes procured goods and services totaling \$22.8 million from April 2021 through February 2025. We reviewed purchasing activity for five vendors² with purchases during this period totaling \$1.1 million (see Figure 3).

Figure 3
Vendor Purchasing Activity
April 1, 2021 through February 28, 2025

| Vendor Number | Good or Service | Institute | Number of Purchases | Amount Paid |
|---------------|-----------------|-----------|---------------------|--------------------|
| 1 | Food | Baltimore | 99 | \$ 287,949 |
| 2 | HVAC | Baltimore | 86 | 269,555 |
| 3 | Food | Gildner | 397 | 268,547 |
| 4 | Food | Gildner | 475 | 182,750 |
| 5 | Food | Baltimore | 60 | 133,713 |
| | | | 1,117 | \$1,142,514 |

Source: State financial records

Our review disclosed that 1,091 of the 1,117 purchases from these vendors were below \$5,000 resulting in the failure to maximize their leverage as a high-volume purchaser and circumventing competitive procurement and certain approval

² We selected these vendors based on our analysis of the Institutes purchase orders, disbursements, and corporate purchasing card transactions during the period.

requirements. State procurement regulations generally require a formal written competitive procurement and publication of the solicitation on *eMaryland Marketplace Advantage* for procurements exceeding \$15,000 and require at least two bids for procurements exceeding \$5,000. Regulations further provide that contracts exceeding \$100,000 require approval from the Department of General Services (DGS) and contracts over \$200,000 require approval from the Board of Public Works. In addition, the Maryland Department of Health (MDH) *Procurement Policy* requires procurements exceeding \$50,000 to be submitted to MDH's Office of Contract Management and Procurement for approval.

Although Baltimore RICA advised that purchases from Vendor 1 were made using a group purchasing agreement and purchases from Vendor 5 were made using a Statewide contract, our review disclosed Baltimore RICA could not support that any of the 159 purchases from these vendors were associated with these contracts. The Institutes could not explain why they had not attempted to consolidate the purchases for the other three vendors or use an existing Statewide contract to procure the goods.

A similar condition was commented upon in our preceding audit report. MDH Healthcare System's response to our prior report on behalf of the Institutes, indicated that it would attempt to consolidate contracts including awarding multi-year master contracts by December 2022. However, the Institutes could not document any attempts to procure consolidated contracts for these goods and services and, as noted above, could not document that these purchases were associated with an existing contract.

Recommendation 1

We recommend that MDH Healthcare System, in conjunction with DGS, consolidate the Institutes' procurements to enhance competition, and oversight and maximize State purchasing power (repeat).

Finding 2

The Institutes paid vendors using a method that was not in accordance with State policies and did not take advantage of enhanced online controls.

Analysis

The Institutes paid vendors using direct vouchers which was not in accordance with State policies and did not take advantage of enhanced online controls that match the payment to a correlating purchase order, invoice, and/or receiving report. According to the State's accounting records, during the period from April 1, 2021 through February 28, 2025, the Institutes processed approximately \$14.8

million (78 percent) of its \$19 million in disbursement transactions on the State's Financial Management Information System using direct vouchers. Our analysis of these direct vouchers disclosed that \$11.7 million were not in accordance with the Department of Information Technology's (DoIT) *Internal Control and Security Policy and Procedures Manual* which restricts the use of direct vouchers to specific transactions such as utilities, tuition reimbursement, or travel.

Recommendation 2

We recommend that MDH Healthcare System restrict the use of direct vouchers to transactions authorized by the DoIT *Manual*.

Payroll

Finding 3

Baltimore RICA did not use available output reports to ensure that payroll and leave balance adjustments processed on the Statewide Personnel System (SPS) were proper.

Analysis

Baltimore RICA did not use available output reports to ensure that payroll and leave balances on SPS were proper. During the audit period Baltimore RICA processed 267 manual payroll adjustments that changed employee pay by a total of \$139,329 (increase of \$132,740 and decrease of \$6,589) and 449 leave adjustments that changed employee leave balances by a total of 16,786 hours (increase of 10,974 hours and decrease of 5,812 hours).

- Baltimore RICA did not verify the propriety of payroll adjustments. Each pay period, Baltimore RICA submitted a manual list of payroll adjustments to MDH for processing in SPS. Our review disclosed that Baltimore RICA did not review available SPS reports to ensure that all adjustments were authorized and accurately recorded. Our test of five payroll adjustments³ from available SPS reports totaling approximately \$59,000 did not disclose any improper transactions.
- Baltimore RICA did not verify the propriety of leave balance adjustments made by its employees or by MDH on its behalf to ensure that all adjustments were authorized and accurately recorded. Specifically, our test of five leave

³ We selected these test items based upon materiality and adjustment type.

balance adjustments⁴ for 1,080 hours from available SPS reports disclosed that Baltimore RICA could not document that it used the available SPS reports to independently review the adjustments tested. Our testing did not disclose any improper transactions.

As a result of these conditions, there is a lack of assurance that Baltimore RICA's payroll and leave adjustments recorded in SPS were authorized and proper. Prudent business practices dictate that a documented, independent review of payroll and leave adjustments should be made for validity, completeness, authorization, accuracy, and proper classification.

A similar condition regarding not verifying adjustments to leave balances was commented upon in our preceding audit report. MDH Healthcare System's response to that report, on behalf of Baltimore RICA, indicated that procedures would be in place by June 2022 to ensure leave balance adjustments would be independently verified. However, we were advised that these procedures were not implemented because of staff turnover.

Recommendation 3

We recommend that the MDH Healthcare System establish procedures to ensure that payroll and leave adjustments processed by Baltimore RICA are reviewed and approved by independent supervisory personnel (repeat), and that this approval is documented.

Cash Receipts

Finding 4

Baltimore RICA did not perform independent documented verifications of collections to deposit since January 2024.

Analysis

Baltimore RICA did not perform independent documented verifications of collections to deposit since January 2024. According to State records, Baltimore RICA's collections during fiscal year 2024 totaled approximately \$864,000, primarily related to reimbursements from Local Education Agencies for education services provided to students.

⁴ We selected these test items based upon materiality of the employee adjustments and risk (such as adjustment type).

Our review disclosed that as of April 2025, the Baltimore RICA did not conduct verifications of collections to deposit since January 2024 when the management employee responsible for this process separated from Baltimore RICA. The Comptroller of Maryland's *Accounting Policies and Procedures Manual* requires independent verifications of collections to deposit. Consequently, there was a lack of assurance that all collections had been deposited.

A similar condition regarding the lack of independent deposit verifications was commented upon in our preceding audit report. MDH Healthcare System's response to that report, on behalf of Baltimore RICA, indicated that an employee independent of the cash receipts process would conduct deposit verifications. Although Baltimore RICA advised during our current audit that it performed a deposit verification, as noted above, these verifications were not performed after January 2024.

Recommendation 4

We recommend that the MDH Healthcare System ensure independent verifications of recorded collections to deposits are performed and documented (repeat).

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the Maryland Department of Health (MDH) – John L. Gildner Regional Institute for Children and Adolescents (Gildner RICA) and the Regional Institute for Children and Adolescents – Baltimore (Baltimore RICA) (Institutes), for the period beginning April 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 the Institutes' 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 certain procurements and disbursements, cash receipts, certain payroll activities, and patient admissions. We also determined the status of the findings contained in our preceding audit report.

Our audit did not include certain support services provided to the Institutes by MDH – Office of the Secretary. These support services (such as certain other payroll and procurement activities, maintenance of accounting records, and related fiscal functions) 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 April 1, 2021 to February 28, 2025, but may include transactions before or after this period as we considered necessary to achieve our audit objectives.

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspection of documents and records, tests of transactions, and to the extent practicable, observations of the Institutes' operations. Generally, transactions were selected for testing based on auditor judgment, which primarily considers risk, the timing or dollar amount of the transaction, or the significance of the transaction to the area of operation reviewed. As a matter of course, we do

not normally use sampling in our tests, so unless otherwise specifically indicated, neither statistical nor non-statistical audit sampling was used to select the transactions tested. Therefore, unless sampling is specifically indicated in a finding, the results from any tests conducted or disclosed by us cannot be used to project those results to the entire population from which the test items were selected.

We also performed various data extracts of pertinent information from the State's Financial Management Information System (such as revenue and expenditure data), the State's Central Payroll Bureau (payroll data), as well as from the contractor administering the State's Corporate Purchasing Card Program (credit card activity). The extracts are performed as part of ongoing internal processes established by the Office of Legislative Audits and were subject to various tests to determine data reliability. We determined that the data extracted from these sources were sufficiently reliable for the purposes the data were used during this audit. 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.

Under MDH Healthcare System, a part of MDH Operations Administration, the Institutes' managements are 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 the Institutes, 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 the Institutes' 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 the Institutes that did not warrant inclusion in this report.

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

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

The response from MDH Healthcare System, on behalf of the Institutes, to our findings and recommendations are 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 MDH regarding the results of our review of its response.

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

| | Name of Audit | Areas Covered | Most Recent Report Date |
|----|---|--|--------------------------------|
| 1 | Developmental Disabilities Administration | <ul style="list-style-type: none"> Developmental Disabilities Administration | 06/18/25 |
| 2 | Regulatory Services | <ul style="list-style-type: none"> 22 Health Professional Boards and Commissions Office of Health Care Quality | 04/09/25 |
| 3 | Vital Statistics Administration | Vital Statistics Administration | 03/19/25 |
| 4 | Prevention and Health Promotion Administration - Office of Population Health Improvement - Office of Preparedness and Response - Office of Provider Engagement and Regulation | <ul style="list-style-type: none"> Prevention and Health Promotion Administration Office of Population Health Improvement Office of Preparedness and Response Office of Provider Engagement and Regulation – Office of Controlled Substances Administration Office of Provider Engagement and Regulation – Prescription Drug Monitoring Program | 08/09/24 |
| 5 | Pharmacy Services | Pharmacy Services | 08/09/24 |
| 6 | Laboratories Administration | Laboratories Administration | 06/05/24 |
| 7 | State Psychiatric Hospital Centers | <ul style="list-style-type: none"> Clifton T. Perkins Hospital Center Eastern Shore Hospital Center Spring Grove Hospital Center Springfield Hospital Center Thomas B. Finan Hospital Center | 05/29/24 |
| 8 | Health Regulatory Commission | <ul style="list-style-type: none"> Maryland Health Care Commission Health Services Cost Review Commission Maryland Community Health Resources Commission | 01/25/24 |
| 9 | Medical Care Programs Administration – Managed Care Program | Managed Care Program, known as HealthChoice including oversight of the nine private Managed Care Organizations | 12/14/23 |
| 10 | Medical Care Programs Administration | Medical Care Programs Administration | 11/02/23 |

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

| Name of Audit | | Areas Covered | Most Recent Report Date |
|---------------|--|--|-------------------------|
| 11 | Office of the Secretary and Other Units | <ul style="list-style-type: none"> Office of the Secretary Deputy Secretary and Executive Director for Behavioral Health Deputy Secretary for Developmental Disabilities Deputy Secretary for Public Health Deputy Secretary for Health Care Financing and Chief Operating Officer Deputy Secretary for Operations | 10/19/23 |
| 12 | Chronic Care Hospital Centers | <ul style="list-style-type: none"> Deer's Head Center Western Maryland Hospital Center | 05/10/23 |
| 13 | Behavioral Health Administration and Medical Care Programs Administration - Administrative Service Organization for Behavioral Health Services | <ul style="list-style-type: none"> Behavioral Health Administration Medical Care Programs Administration Administrative Service Organization for Behavioral Health Services | 10/25/22 |
| 14 | Intellectual Disabilities Residential Centers | <ul style="list-style-type: none"> Holly Center Potomac Center Secure Evaluation and Therapeutic Treatment | 10/24/22 |
| 15 | Office of the Chief Medical Examiner | Office of the Chief Medical Examiner | 05/12/22 |



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

August 22, 2025

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

Dear Mr. Tanen:

Enclosed, please find the responses to the draft audit report on the Maryland Department of Health – Regional Institutes for Children and Adolescents for the period beginning April 1, 2021 and ending February 28, 2025.

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

Sincerely,

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

cc: Kate Wolff, MPA, Chief of Staff, MDH
Emily Berg, JD, MPH, Deputy Chief of Staff
Anita S. Everett, M.D., DFAPA, Director, Healthcare System, MDH
Frederick D. Doggett, Director, Internal Controls, Audit Compliance & Information Security, MDH
Deneen Toney, Deputy Director, Internal Controls, Audit Compliance & Information Security, MDH
Carlean Rhames-Jowers, Chief Auditor, Internal Controls, Audit Compliance & Information Security, MDH
Kenneth L. Basler, Chief Executive Officer, John L. Gildner Regional Institute for Children and Adolescents
Tracey L. Heslop, Chief Executive Officer, Regional Institute for Children and Adolescents - Baltimore

Maryland Department of Health Regional Institutes for Children and Adolescents

Agency Response Form

Procurements and Disbursements

Finding 1

The Institutes did not consolidate procurements for similar goods and services. As a result, they did not maximize their leverage as high-volume purchasers and circumvented the competitive procurement process and control agency oversight.

We recommend that MDH Healthcare System, in conjunction with DGS, consolidate the Institutes' procurements to enhance competition, and oversight and maximize State purchasing power (repeat).

| Agency Response | | | |
|---|---|-----------------------------------|------------------|
| Analysis | Agree | | |
| Please provide additional comments as deemed necessary. | | | |
| Recommendation 1 | Agree | Estimated Completion Date: | 3/31/2026 |
| Please provide details of corrective action or explain disagreement. | RICA-Baltimore and JLG-RICA, working with MDH Health Care System leadership, and in conjunction with DGS, will document a plan for consolidating procurements where possible. The plan will include milestones for identifying common purchases; identifying any impediments or limitations to consolidation; mitigating such impediments and limitations; and working with OCMP and DGS to develop, as needed, new or modified contracts or other procurement vehicles. The RICAs, working with MDH Healthcare System leadership and in conjunction with DGS will finalize and implement the plan which will include the development, distribution, and implementation of standard operating procedures (SOPs) by March 31, 2026. The MDH Office of Internal Controls, Audit Compliance & Information Security (IAC/S) will review and report on the RICAs' progress against the milestones established. | | |

Maryland Department of Health Regional Institutes for Children and Adolescents

Agency Response Form

Finding 2

The Institutes paid vendors using a method that was not in accordance with State policies and did not take advantage of enhanced online controls.

We recommend that MDH Healthcare System restrict the use of direct vouchers to transactions authorized by the DoIT *Manual*.

| Agency Response | | | |
|---|---|-----------------------------------|-----------|
| Analysis | Agree | | |
| Please provide additional comments as deemed necessary. | | | |
| Recommendation 2 | Agree | Estimated Completion Date: | 3/31/2026 |
| Please provide details of corrective action or explain disagreement. | RICA-Baltimore and JLG RICA, in coordination with OCMP and the MDH Office of Finance, will develop and document a plan to limit the use of direct vouchers to only those scenarios allowed by State and MDH policies. The plan's development will include milestones for identifying root causes of inappropriate use of direct vouchers; a plan for mitigating those situations; and implementation of new contracts or other purchase vehicles, as appropriate. The RICAs will finalize and implement the plan which will include the development and distribution of SOPs by March 31, 2026. IAC/S will review and report on the RICAs' progress against the established milestones. | | |

Maryland Department of Health Regional Institutes for Children and Adolescents

Agency Response Form

Payroll

Finding 3

Baltimore RICA did not use available output reports to ensure that payroll and leave balance adjustments processed on the Statewide Personnel System (SPS) were proper.

We recommend that the MDH Healthcare System establish procedures to ensure that payroll and leave adjustments processed by Baltimore RICA are reviewed and approved by independent supervisory personnel (repeat), and that this approval is documented.

| Agency Response | | | |
|---|--|-----------------------------------|---------|
| Analysis | Agree | | |
| Please provide additional comments as deemed necessary. | | | |
| Recommendation 3 | Agree | Estimated Completion Date: | 10/1/25 |
| Please provide details of corrective action or explain disagreement. | <p>The Human Resources Manager within RICA Baltimore Human Resources Department will document review and approval of pay adjustments (inputs) submitted by the Human Resources Coordinator each week to ensure accuracy, independent verification, and confirmation that only authorized adjustments are processed and paid. Payroll and Leave Adjustments: The Human Resources Coordinator will complete authorized payroll and leave adjustments and upload the supporting documentation to the RICA Baltimore Payroll and Leave Adjustment Folder (shared) created by OHR Payroll and Timekeeping Unit. The Coordinator will prepare a memo documenting all adjustments made. The Human Resources Manager will document a review of the memo and forward it to the MDH Office of Human Resources via the shared RICA Baltimore Payroll and Leave Adjustment Folder.</p> | | |

**Maryland Department of Health
Regional Institutes for Children and Adolescents**

Agency Response Form

Cash Receipts

Finding 4

Baltimore RICA did not perform independent documented verifications of collections to deposit since January 2024.

We recommend that the MDH Healthcare System ensure independent verifications of recorded collections to deposits are performed and documented (repeat).

| Agency Response | | | |
|---|---|-----------------------------------|-------------------|
| Analysis | Agree | | |
| Please provide additional comments as deemed necessary. | | | |
| Recommendation 4 | Agree | Estimated Completion Date: | 12/31/2025 |
| Please provide details of corrective action or explain disagreement. | RICA-Baltimore will document an analysis of this issue to include root cause and planned corrective actions to ensure adherence to the remote deposit policy already in place, including timely deposit and documented independent validation of collections to deposits. Once this analysis is completed, RICA-Baltimore will document an SOP. IAC/S will review the analysis and test the corrective actions against the SOP. | | |

AUDIT TEAM

Bekana Edossa, CPA, CFE
Audit Manager

Anthony V. Calcagno
Senior Auditor

Matthew P. Henry
Staff Auditor