TO: Ms. Andre Coates, MS – Executor Director
Maryland Community Connection

FROM: Shelly Marie Martin – *Shelly Marie Martin - OIGH*
Inspector General

DATE: January 13, 2026

RE: Audit Report – Maryland Community Connection

Background

Consistent with State laws and regulations, the Maryland Office of the Inspector General for Health (OIGH) periodically conducts audits of health care providers to ensure that State funds have been expended in accordance with Maryland Department of Health (MDH) guidelines.

Maryland Community Connection (MCC), according to their website, is a non-profit organization that provides social, economic, and independent living services to adults with developmental disabilities in the State of Maryland. During the audit period (July 1, 2020 to June 30, 2024), Maryland Community connections received $10,721,330 from MDH in support of its mission.

Results of Review

As a result of procedures performed, in accordance with the examination, the OIGH determined that $2,494,927 is due to MDH based on the following issues: variance between MDH Form 440 and the General Ledger, duplicate DDA payments, unreported interest income, no supporting documentation for expenditures, expenditures charged to incorrect fiscal year, overstated invoice in the General Ledger, and improper charge to MDH Salaries from PPP Loan. In addition, the OIGH identified several areas in which controls can be improved. Details regarding these issues, along with the OIGH's recommendations, are included in the attached report.

MCC's responses to this audit report are included as an appendix to this report. We have reviewed the responses and identified statements in the response that conflicted with or disagreed with the report findings. We reviewed and reassessed our audit documentation and reaffirmed the validity of our findings in accordance with generally accepted government auditing standards. We have included auditor comments to explain our position.

We wish to acknowledge the cooperation of Maryland Community Connection's staff during this audit.

CC: Marlana Hutchinson, M.D., MBA, Deputy Secretary of the Developmental Disabilities Administration.

Office of the Inspector General for Health

Audit Report

January 13, 2026

Maryland Community Connection

July 1, 2020 through June 30, 2024

Maryland

OFFICE OF THE INSPECTOR GENERAL FOR HEALTH

Office of the Inspector General for Health

Audit Report: Maryland Community Connection

The Office of the Inspector General for Health's (OIGH) External Audit Division performed an audit of the accounts and records of Maryland Community Connection (MCC) relative to its contracts with the Maryland Department of Health (MDH)'s Developmental Disabilities Administration (DDA), for the period July 1, 2020 through June 30, 2024.

Objectives of the Examination

The OIGH conducted the audit to:

- Determine the amount of program revenue received and allowable expenditures incurred by the programs.
- Determine any amounts due to the State or to the provider resulting from the operation of the programs during the audit period.
- Determine compliance with the State of Maryland, local county, and MDH policies and regulations.
- Determine compliance with the Maryland Department of Health's Developmental Disabilities Administration (DDA) and approved contracts.
- Provide recommendations for improving internal control, ensuring fiscal compliance, or increasing efficiency.
- Determine the status of any recommendations contained in our prior audit report.

Audit Scope and Methodology

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and tests of transactions. 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. Unless otherwise specifically indicated, neither statistical nor non-statistical audit sampling was used to select the transactions tested. Therefore, the results of the tests cannot be used to project those results to the entire population from which the test items were selected.

Except as noted in the subsequent paragraph, this performance audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions, in alignment with our audit objectives. Based on the evidence obtained, we believe our findings and conclusions, as presented in this report, are well supported.

In accordance with GAGAS, a Peer Review is required to be conducted at least once every three years by an independent external firm. Peer Reviews serve as periodic evaluations of the quality and effectiveness of an organization's audit work and internal quality control systems. The Office of the Inspector General for Health (OIGH) External Audit Division has not undergone a Peer Review to date. However, the division has expressed its intention to comply with GAGAS Peer Review standards and has tentatively arranged for a peer review to take place in May 2027. Until a Peer Review is conducted, the OIGH External Audit Division remains non-compliant with the GAGAS Peer Review requirements.

Presentation of Audit Schedule

- Summary of Amounts Due to MDH
- Schedule of Contracts Audited
- Schedule of MDH Form 440 and General Ledger Variances
- Schedule of Duplicate DDA Payments not Returned
- Schedule of Unreported Interest Income
- Schedule of Missing Invoice
- Schedule of Expenditures Recorded in Wrong Fiscal Year
- Schedule of Overstated Invoice in General Ledger
- Schedule of Improper Charging of MDH Salaries

Internal Control

MCC'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 the safeguarding of assets and compliance with applicable laws, rules, and regulations are achieved. Our study and evaluation performed of the internal control systems to achieve the objectives of the examination would not necessarily disclose all material weaknesses. Also, because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. 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. Accordingly, we cannot express an opinion on the system of internal control taken as a whole.

Our assessment of internal controls was based on provider 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 but may include transactions before or after this period as we considered necessary to achieve our audit objectives.

Our reports are designed to assist MDH in exercising its oversight functions 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. As a result of tests that were performed, our examination disclosed some weaknesses.

Prior Audit Report

Our audit also included a review to determine the status of the recommendation contained in our preceding audit report of MCC dated January 4, 2022. Our review determined that the recommendation was not corrected and is repeated in this report.

Conclusion

As a result of procedures performed, in accordance with the examination objectives set forth above, the OIGH determined that $2,494,927 is due to MDH. The following is a summary of the amounts due:

Maryland Community Connection Summary of Amount Due to MDH Audit Period FY 2021 to FY 2024			
Finding Number	**Finding Description**	**Amount Due to MDH**	**Report Reference Page**
1	MDH Form 440 and General Ledger Variance	$ 358,484	9
2	Duplicate DDA Payments Not Returned	1,991,803	10
6	Unreported Interest on MDH Form 440	35,760	12
8	No supporting documentation for expenditures	1,057	14
9	Expenditures charged to Incorrect fiscal year	4,789	15
10	Overstated Invoice in General Ledger	29	16
12	Improper Charge to MDH Salaries from PPP Loans	103,005	17
Total Amount Due toMDH		**$ 2,494,927**	

Appeal Rights – Appeals to the Division of Cost Accounting and Reimbursement
If you wish to appeal the audit findings, you must notify Nedina Broy Stevenson, Division of Cost Accounting and Reimbursement at Nedinabroy.stevenson@maryland.gov by February 13, 2026.

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*Denotes item was not corrected from the preceding report

Schedule SC

Maryland Community Connection
Schedule of Contracts Audited
Fiscal Years 2021 Through 2024
Developmental Disabilities Administration

CONTRACTS	PCA	PROGRAM	2021	2022	2023	2024
DD168ISS	P210G	INDIVIDUAL SUPPORT SERVICES	53,292	56,464	18,622	-
DD605LIS	P210G	FAMILY SUPPORT SERVICES	336,331	406,331	406,331	406,331
DD336LIS	P210G	LOW INTENSITY SUPPORT	2,289,407	2,249,407	2,249,407	2,249,407
		Total Dollars Audited by Fiscal Year	**$ 2,679,030**	**$ 2,712,202**	**$ 2,674,360**	**$ 2,655,738**
		Total Number of Contracts Audited	**11**			
		Total Contract Dollars Audited	**$ 10,721,330**			

Findings and Recommendations

Reconciliations

Finding 1 – MDH Form 440 and General Ledger Variances
Expenditures reported on Annual Reports (MDH Form 440) did not always agree with MCC's General Ledger **(Repeated Finding)**

Analysis
The OIGH's review of MDH Form 440s and MCC's General Ledgers disclosed discrepancies between amounts reported as contract expenditures in the Annual Report MDH Form 440 and general ledgers. See schedule below for more details:

Maryland Community Connection Schedule of MDH Form 440s and GLs Variances					
Fiscal Year	PCA Number	Contract Number	Contract Description	Finding Description	Amount Due to MDH
2022	P210G	DD168ISS	Individual Support Services	Provider Reported Expenditures (440) does not agree with the Provider's General Ledger	$ 83
Total Amount Due to MDH by FY2022					**$ 83**
2023	P210G	DD605LIS	Low Intensity Support Services	Provider Reported Expenditures (440) does not agree with the Provider's General Ledger	$ 49,166
2023	P210G	DD336LIS	Low Intensity Support Services	Provider Reported Expenditures (440) does not agree with the Provider's General Ledger	309,235
Total Amount Due to MDH by FY2023					**$ 358,401**
Total Amount Due to MDH					**$ 358,484**

Criteria
HSAM 2120.04 Annual Report states: *"A Vendor's Annual Report (DHMH 440) of receipts and expenditures for the budget period must be submitted to the Division of Program Cost and Analysis by August 31, covering the preceding fiscal year. Vendors with multi-year contracts must submit a DHMH 440 for each year of the contract. (Day Care Programs for the Elderly submit the annual report DHMH 2026 by September 30.) Failure to submit this report within the specified time will result in funds being withheld until the reports are filed and reconciliation is complete. This report need not be an audited document. So-called "preliminary" reports will be processed as final reports; therefore, the vendor must not file a report which is not to be relied upon, merely to comply with the filing deadline".*
HSAM Section 2210.05 states, *"The audit reviews expenditures and revenues to determine if they are consistent with the approved budget and supported by adequate documentation, in accordance with generally accepted accounting principles, and/or the grant contract agreement."*

Recommendation 1
The OIGH again recommends that MCC:
Ensure all expenditures recorded in MDH Form 440s agree with amounts reflected in the General Ledger and are supported with appropriate documentation.

Cost Disallowances from the finding above total $358,484 due to MDH.

Finding 2 – Excess DDA Payments Not Returned
MCC retained excess payments for two DDA contracts.

Analysis
The OIGH's review of MDH Form 440s and MCC's general ledgers disclosed that the Developmental Disabilities Administration (DDA) issued excess payments to MCC for the DD605LIS and DD336LIS contracts in fiscal year 2024. MCC retained these excess funds, totaling $1,991,803, rather than returning them to the MDH. See schedule below for more details:

Maryland Community Connection Schedule of Duplicate DDA Payments Not Returned					
Fiscal Year	PCA Number	Contract Number	Contract Description	Finding Description	Amount Due to MDH
2024	P210G	DD605LIS	Low Intensity Support Services	Duplicate DDA Payments not returned	$ 304,748
2024	P210G	DD336LIS	Low Intensity Support Services	Duplicate DDA Payments not returned	1,687,055
Total Amount Due to MDH					**$ 1,991,803**

Criteria
According to the HSAM, vendors are explicitly obligated to return funds received in excess of recognized expenditures. Specifically, *Section 2190.11.10 and Section 2060.10* mandate when vendor's expenditures are less than the payments received from the Department, the resulting difference is unequivocally "due the Department" *(Section 2190.10.02)*. DDA issued excess payments to MCC in FY2024, resulting in total payments that exceeded recognized program expenditures, which the vendor subsequently failed to return. The MDH policy dictates that all such amounts owed back to the Department, whether resulting from reconciliation or audit findings, must be resolved and collected through the Post Audit Settlement Process *(Section 2220),* confirming the Department' right to issue an invoice for "Money Due the Department" *(Section 2220.12)*.

Recommendation 2
The OIGH recommends that MCC:
Ensure that any excess payments received from DDA are promptly identified and returned to the Department immediately upon receipt.

Cost Disallowances from the finding above total $1,991,803 due to MDH.

Finding 3 – Variances Between CPA Report and General Ledger
MCC's general ledger expenditures do not agree with the CPA Report expenditures reported.

Analysis
The OIGH's review of MCC's audited financial statement report (CPA Report) for the audit period disclosed expenditures reported on the CPA Report did not agree with MCC's general ledger. These variances were incorporated into Finding 1 to accurately reflect the corrected amounts.

Criteria
HSAM, section 2210.05 states: *"The audit reviews expenditures and revenues to determine if they are consistent with the approved budget and supported by adequate documentation, in accordance with generally accepted accounting principles, and/or the grant contract agreement."*
The CPA Report is an essential part of the program monitoring process.

Recommendation 3
OIGH recommends that MCC:
Ensure all expenditures reported on the CPA Report reconcile and agree to amounts reported in the general ledger.

Banking & Cash

Finding 4 – Inaccurate and Unapproved Bank Reconciliations
Bank reconciliations were incorrect and lacked required management approval.

Analysis
The OIGH's review of MCC's bank reconciliation disclosed that TD Bank account 3345 was not accurately reconciled from April through September 2024, and six of the reconciliations were not approved by management as required by MCC's policies and procedures. This occurred because management did not consistently enforce internal control requirements over the reconciliation and review process. As a result, there is an increased risk of undetected errors or irregularities in bank transactions, which may affect the accuracy and reliability of financial records.

Criteria
Maryland Community Connection's Bank Reconciliation Policy states, *"Bank reconciliation for each existing operating account is done monthly. Obtain the bank statement with the executive director signature on it.*
• Open up QuickBooks, next click on banking then reconcile.
• Make sure the beginning balance matches the one on the statement, and then put the ending balance and interest if applicable.
• Match up and check off all the items that are given on the statement until the difference is zero.
• Click on reconcile then print copies of both detail and summary of each reconciliation.
• Finally bring copies to the executive director and accounting director to review and sign again".

Recommendation 4
The OIGH recommends that MCC:
Comply with reconciliation and approval procedures to ensure accurate and reviewed bank reconciliations.

Finding 5 – Noncompliance with Outstanding Check Policy
Twenty-eight checks remained outstanding, an average of 327 days.

Analysis
The OIGH's review of MCC's bank reconciliation records disclosed MCC did not follow its outstanding check policy. Twenty-eight checks remained outstanding for an average of 327 days. This occurred because MCC did not actively monitor or resolve long-outstanding items. As a result, account balances may be misstated, and untimely follow-up increases the risk of errors on unrecorded obligations.

Criteria
Maryland Community Connection's Outstanding Check policy states, "C*ommunicate with Payees: If a check remains uncashed for an extended period, reach out to the payee to confirm receipt and encourage them to deposit the check. Reissue check if not deposited after confirmation of services. Undeposited checks can be voided after 120 days. Set Reminders: Use accounting software or calendar reminders to follow up on outstanding checks. This can help you stay on top of uncashed checks and take necessary actions. Perform Due Diligence: Make a good-faith effort to contact the payee before the check is considered abandoned.*

Recommendation 5
To avoid future cost disallowances, the OIGH recommends that MCC:
a. Comply with the outstanding check policy by regularly monitoring and resolving long-outstanding checks.
b. Ensure any voided checks associated with MDH funds are promptly resolved, documented, and the funds are returned to the Department.

Finding 6 – Unreported Interest Income on MDH Form 440
MCC did not report $35,760 in interest income for FY 2024.

Analysis
The OIGH's review of interest allocation disclosed that MCC did not report $35,760 in earned interest on the MDH Form 440 for FY2024. MDH policy requires that all income resulting from, earmarked for, or allocated to the operation of MDH-supported human service programs be reported in budget and fiscal documents and used to offset MDH-funded expenditures. This occurred because MCC did not have adequate procedures to ensure interest income was properly identified and reported. As a result, MDH-funded expenditures may have been overstated, and program income was not accurately reflected in the financial reports. See schedule below for more details:

Maryland Community Connection Schedule of Unreported Interest Income				
Fiscal Year	**Contract Number**	**PCA Number**	**Finding Description**	**Disallowed Amount**
2024	DD336LIS; DD605LIS; DD168ISS	P210G	Unreported Interest on MDH 440	$ 35,760
Total Amount Due to MDH				**$ 35,760**

Criteria
The Human Service Agreement Manual (HSAM) at section ***2160.04*** states: *Allocation of Income, "All income resulting from, earmarked for or allocated to the operation or proposed operation of the DHMH supported human services-delivery program must be identified in all budget and fiscal reporting documents and must be used to offset DHMH-funded expenditures. Generally, income resulting from or associated with the DHMH funded human services program shall be allocated to the human services program.*
This allocable income includes:
a.) the DHMH award
b.) user of client fee collections
c.) Medicare/Medicaid collections
d.) other insurance collections
e.) federal, state (other than DHMH), county or municipal grants/contracts derived from matching agreement in which the Department participates
f.) income from businesses or other ventures operated by the vendor, to the extent that the DHMH award supports the costs of the businesses
g.) federal, state, county, municipal or private grants/contracts or payments that are used to supplement DHMH funding
h.) income from fund raising or charitable contributions allocated to the human services program specified by terms of the human services agreement
i.) county or municipal funding, not part of a matching agreement, allocated to the human services program as specified by terms of the human services agreement.
j.) interest or dividends earned on DHMH funds or other income allocable to the human services program
k.) donations, gifts or endowments allocated to the human services program as specified by terms of the human service agreement
l.) proceeds from the sale of assets to the extent supported, in whole or in part, with DHMH funds or income allocated to the human services program
m.) awards or judgments derived from civil proceedings, to the extent that any costs associated with the proceedings, or the instant case were supported by DHMH funds or income allocated to the human services program rent or royalty income to the extent that any costs associated with the activity that generated income were supported with DHMH funds or income allocated to the human services program.

Recommendation 6
The OIGH recommends that MCC:
Identifies, records, and reports all interest income generated from MDH funds on the MDH Form 440.

Cost Disallowances from the finding above total $35,760 due to MDH.

Payroll

Finding 7 – Unapproved Executive Director Timesheet
MCC's Executive Director's timesheet was not reviewed or approved.

Analysis
The OIGH's review of MCC's internal control of employee timesheets disclosed that the Executive Director's timesheet was not approved. This occurred because there was not established oversight procedure for the Executive Director's time reporting. As a result, there is an increased risk of inaccurate payroll reporting and noncompliance with internal control policies.

Criteria
HSAM Section 2110.07 Guidelines – Special Conditions states: *Salaries and fringe expenses must be supported by the following: (i) Maintenance of a time-reporting system for personnel funded by the grant/contract. (ii) Maintenance of adequate records supporting charges for fringe benefits. (iii) Maintenance of payroll authorizations and vouchers.*

Recommendation 7
The OIGH recommends that MCC:
Ensures a greater degree of oversight over the Executive Director's time by having the Chairman of the Board or their designee approve the Executive Director's timesheets.

Expenditure

Finding 8 – No supporting documentation for expenditures
MCC did not provide supporting documentation for ten transactions.

Analysis
The OIGH's review of expenditures for fiscal years 2021 through 2024 disclosed that MCC did not maintain proper supporting documentation, such as invoices, for ten transactions. For one of those transactions, totaling $1,057, neither invoice nor payment documentation was provided; therefore, the cost was disallowed. MCC subsequently provided payment documentation for the remaining nine transactions; accordingly, no cost disallowance was taken for those items. This occurred because MCC did not consistently enforce documentation retention requirements. As a result, there is an increased risk of unsupported expenditures and noncompliance with recordkeeping standards. See schedule below for more details:

Maryland Community Connection Schedule of Missing Invoice				
Fiscal Year	**Contract Number**	**PCA Number**	**Finding Description**	**Disallowed Amount**
2022	DD336LIS	P210G	Missing supporting documentation	$ 1,057
Total Cost Disallwances Due to MDH				**$ 1,057**

Criteria
HSAM, section 2150.09 Unallowable Costs states: *"The following items are costs generally considered to be unallowable for purposes of Departmental grant/contract support. The list is not exhaustive; omission does not constitute acceptance as an allowable cost. The Director may allow cost in any of these categories when it is in the public interest to do so; conversely, he/she may*

elect not to support funding of a cost not listed here, including those generally considered to be allowable under the previous section (Section 2150.08.01). Generally, Unallowable Costs are:

a. *Costs or expenses unrelated to the MDH funded project,*
b. *Costs not adequately documented…"*

Recommendation 8
The OIGH recommends that MCC:
Maintain all supporting documentation (invoices) for expenses incurred.

Cost Disallowances from the finding above total $1,057 due to MDH.

Finding 9 – Expenditures Charged to the Incorrect Fiscal Year
MCC did not always record expenditures to the correct fiscal year.

Analysis
The OIGH's review of MCC's expenditures for the audit period also disclosed that MCC did not always record expenditures to the correct fiscal year:

- Two Other Operating expenditures totaling $1,628 for contract DD605LIS – P210G and $1,299 for contract DD336LIS – P210G were incorrectly recorded in fiscal year 2023 & 2024, although the related orders were placed in the fiscal years 2024 and 2025, respectively.
- One Purchase of Service expenditure totaling $1,862 charged to contract DD336LIS – P210G was incorrectly recorded for fiscal year 2024 while the order was placed in FY2025.

See schedule below for disallowance:

Maryland Community Connection Schedule of Expenditure Recorded in Wrong Fiscal Year				
Fiscal Year	**Contract Number**	**PCA Number**	**Finding Description**	**Disallowed Amount**
2023	DD605LIS	P210G	Invoice Recorded in Incorrect FY	$ 1,299
Total Cost Disallowances by FY2023				$ 1,299
2024	DD605LIS	P210G	Invoice Recorded in Incorrect FY	$ 1,628
2024	DD336LIS	P210G	Invoice Recorded in Incorrect FY	1,862
Total Cost Disallowances by FY2024				$ 3,490
Total Cost Disallwances Due to MDH				$ 4,789

Criteria
HSAM, section 2210.05 states: *"Each expense must be recorded and charged against its appropriate line item and must be substantiated by documentation sufficient to identify the transaction."*

Recommendation 9
The OIGH recommends that MCC:

Record all expenditures to the correct fiscal year.

Cost Disallowances from the finding above total $4,789 due to MDH.

Finding 10 – Overstated an Invoice in the General Ledger
MCC did not record the correct invoice amount in the general ledger.

Analysis
The OIGH's review of MCC's expenditure disclosed that an invoice was recorded in the general ledger for $2,598, while the actual amount charged to the credit card totaled $2,569, resulting in a discrepancy of $29. This occurred because MCC did not reconcile the recorded invoice amount to the actual payment before posting it to the general ledger. As a result, expenditures were overstated, and $29 was disallowed. See schedule below for details:

Maryland Community Connection Schedule of Overstated Invoice in General Ledger				
Fiscal Year	**Contract Number**	**PCA Number**	**Finding Description**	**Disallowed Amount**
2022	DD336LIS	P210G	Overstated Invoice in General Ledger	$ 29
Total Cost Disallwances Due to MDH				**$ 29**

Criteria
HSAM, section 2150.09 Unallowable Costs states: *"The following items are costs generally considered to be unallowable for purposes of Departmental grant/contract support. The list is not exhaustive; omission does not constitute acceptance as an allowable cost. The Director may allow cost in any of these categories when it is in the public interest to do so; conversely, he/she may elect not to support funding of a cost not listed here, including those generally considered to be allowable under the previous section (Section 2150.08.01). Generally, Unallowable Costs are:*

a. *Costs or expenses unrelated to the MDH funded project,*
b. *Costs not adequately documented…"*

Recommendation 10
The OIGH recommends that MCC:
Record all expenditures to the correct invoice amount.

Cost Disallowances from the finding above total $29 due to MDH.

Information Technology Security

Finding 11 – SOC 2 Type 2 Report
MCC does not obtain and review SOC 2 Type 2 Reports from external third party.

Analysis
The OIGH's review of information technology program disclosed that MCC did not obtain and review independent security review (annual SOC 2 Type 2 report) from external third party contractors to confirm that sensitive data was being effectively safeguarded.

Criteria
The American Institute of Certified Public Accountants (AICPA) has released recommendations on service organization audits. Customers, such as MCC, may request an independent auditor's report known as a System and Organization Controls (SOC) for Service Organizations report. SOC reports come in a variety of formats, with differing scopes and levels of review and auditing. The results of the auditor's review of controls in place and tests of operating effectiveness for the period under review are included in one type of report, known as a SOC 2 Type 2 report, and could include an evaluation of system security, data availability, processing integrity, data confidentiality, and privacy.

Recommendation 11
The OIGH recommends that MCC:
a. Obtain the SOC 2 Type 2 Report from external third party contractors for its accounting system to confirm that sensitive data is being effectively safeguarded.
b. Review SOC 2 Type 2 Reports, document review of the SOC 2 Type 2 Reports and retain review for future reference. The review should contain conclusions, signed and dated by reviewer.

Other Testing Areas

Finding 12 – Improper Charging of MDH Salaries Covered by PPP Loan
$103,005 of PPP funds were used while the same salaries were charged to MDH contracts.

Analysis
In 2020, due to the Covid-19 Pandemic, the U.S. Government issued a Paycheck Protection Program Loans (PPP Loans) to help small businesses that were facing an unprecedented economic disruption due to the COVID-19 outbreak.

During the audit period, MCC received $356,278 in Paycheck Protection Program (PPP) loan funds and subsequently obtained full loan forgiveness. The OIGH's review of MCC's PPP Loan documentation disclosed that $103,005 of the forgiven PPP Loan funds were used to pay salaries of employees whose costs were also charged to MDH contracts. This occurred because MCC did not establish adequate controls to prevent duplicate charging of payroll costs funded by the federal relief programs and MDH contracts. As a result, MDH funds were inappropriately charged for costs already covered by PPP funds, leading to double reimbursement and disallowed costs of $103,005. See schedule below:

Maryland Community Connection Schedule of Improper Charging of MDH Salaries				
Fiscal Year	Contract Numbes	PCA Number	Finding Description	Disallowed Amount
2021	DD336LIS; DD605LIS; DD168ISS	P210G	Improper Charging of MDH Salaries	$ 103,005
Total Cost Disallwances Due to MDH				**$ 103,005**

Criteria
HSAM, section 2210.05 states: *"The audit reviews expenditures and revenues to determine if they are consistent with the approved budget and supported by adequate documentation, in accordance with generally accepted accounting principles, and/or the grant contract agreement."*

HSAM, section 2160.05 Order of Utilization states: *"All income other than DHMH awarded funds shall be utilized before DHMH funds are used unless the agreement specifies an alternative protocol."*

Recommendation 12
The OIGH recommends that MCC
Ensure that expenditures funded by other sources, i.e., PPP loans, are not charged to MDH.

Cost Disallowance resulting from the finding above total $103,005 due to MDH.

Appendix 1: Provider Responses

MARYLAND COMMUNITY CONNECTION

"Helping individuals with disabilities be active in the community"

4401 Nicole Drive
Lanham, Maryland 20706
Phone (301) 583-0358
Fax (301) 583-0359
Email : info@marylandcommunityconnection.org
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MANAGEMENT RESPONSE TO AUDIT FINDINGS

Maryland Department of Health (MDH) – Audit Review
Fiscal Years: FY21 – FY24
Submitted by: MCC
Date of Submission: December 4, 2025

Management Response to Audit Findings

Finding 1 – MDH Form 440 and General Ledger Variances

We acknowledge that the expenditures reported on the General Ledger do not fully match with Form 440. However, the variance identified in your report does not reflect the actual variance. The expenditure for DD336LIS matches exactly in both Form 440 and the General Ledger. The expenditure for DD605LIS is overstated in Form 440 by $3,199.95, and MCC is also liable to pay $83 for contract DD168ISS. Therefore, the total amount due to MDH is $3,282.95, not the amount reported in the finding.

Finding 2 – Duplicate DDA Payments Not Returned

MCC concurs with the finding. The Agency notes that DDA was formally notified of the related payments on 08/20/2023 and 08/22/2023. Dual and unutilized payments have historically been identified and returned by the Agency following each audit. In this case, a return plan has not been formally in placed yet because LISS and ISS expenditures were incurred in prior fiscal years without receiving the corresponding reimbursements from MDH. Additionally, as of the date of this report, no funding has been received for FY26 to date. The FY26 allocation has been processed but payment has not been received.

Finding 3- Variances Between CPA Report and General Ledger

MCC concurs with this finding. The variance resulted from certain year-end adjustments included in the audited CPA Report that were not fully reflected in MCC's general ledger. MCC has reviewed the discrepancy and recognizes the need for consistent alignment between both records. MCC will update its general ledger to incorporate all finalized audited adjustments and will strengthen its year-end reconciliation procedures to ensure that the general ledger and audited financial statements remain fully aligned going forward.

Finding 4 – Inaccurate and Unapproved Bank Reconciliations

We do not concur with your finding. All bank reconciliations were completed in accordance with MCC's Reconciliation Policy and were fully prepared for review. We acknowledge that the reconciliations were not signed by the Executive Director in a timely manner. Copies of the complete reconciliations can be provided upon request.

Finding 05-Recommended Outstanding Check Policy

MCC concurs with your finding. We acknowledge that our prior Outstanding Check Policy was not being consistently followed, which resulted in checks remaining outstanding for extended periods. To strengthen compliance and ensure proper monitoring going forward, MCC has updated its Outstanding Check Policy to include the following procedures: if a check remains uncashed for an extended period, the payee will be contacted to confirm receipt and encouraged to deposit it; a first reminder will be sent after approximately 60 days, followed by a second reminder around 180–200 days, with all communications documented; checks may be reissued upon payee request, with the original check properly voided in the accounting system; an Outstanding Check Register will be maintained to record payee, check number, issue date, amount, and follow-up actions, and reviewed periodically to ensure timely follow-up; good-faith efforts will be made to contact payees before a check is considered abandoned, with documentation of all attempts; and any check remaining unclaimed for 3 years (36 months) will be reported to the Maryland Unclaimed Property Division in accordance with §17-308. MCC is committed to implementing this updated policy going forward and will complete full implementation by July 1, 2026.

Finding 6 – Unreported Interest Income on MDH Form 440

We do not agree with your findings. We acknowledge that under HSAM, interest earned on MDH funds is required to be used to offset program expenditures; however, the interest amount identified by the auditors includes earnings generated from co-mingled non-MDH funds, which should not fall under the HSAM requirement. Interest income was recorded in the General Ledger and reviewed during the audit, and the contracts do not separately indicate an offset requirement. The Provider therefore requests clarification and a detailed calculation showing the portion of interest attributable exclusively to MDH funds to determine any applicable amount under HSAM.

Finding 7 – Unapproved Executive Director Timesheet

MCC respectfully does not concur. The Executive Director's compensation is governed by a Board-approved employment contract, which defines salary and terms of service. Payroll is processed in accordance with this contract, which serves as documentation of time worked and meets the intent of HSAM Section 2110.07. MCC is committed to maintaining transparent and sufficient support for all payroll transactions.

Finding 8 – No Supporting Documentation Maintained

We do not concur with this finding. All requested supporting documentation was provided to the audit team, except for the documentation for the $1,057. While the expenditure was reflected on the statement provided, the audit team requested the original invoice, which was not available at the time of review. We respectfully request reconsideration of this disallowance.

Finding 9- Expenditures Charged to the Incorrect Fiscal Year

MCC concurs with this finding. The instances of expenditures recorded in the incorrect fiscal year were unintentional clerical errors during routine processing, not deliberate misclassification. MCC has reviewed the identified transactions and confirmed that the supporting documentation reflects the proper fiscal year. To prevent similar issues in the future, MCC will enhance its posting review procedures, introduce an additional verification step to ensure correct fiscal-year recording, and provide staff with refresher guidance on accurate expense posting.

Finding 10 – Overstated Invoice in General Ledger

MCC concurs with this finding. The $29 discrepancy occurred due to a minor clerical posting error during routine invoice processing and was not intentional. While the difference was small, MCC has reviewed the transaction and confirmed the supporting documentation. To prevent similar issues and ensure accurate reporting, MCC will implement a process to reconcile all invoices with the actual payments before posting to the general ledger, ensuring expenditures are recorded fairly and accurately".

Finding 11 – SOC 2 Type 2 Report

We concur with this finding. MCC does not currently obtain SOC 2 Type 2 reports from external payroll or IT service providers. However, annual independent audits are conducted to assess internal controls over payroll, IT systems, and sensitive data. Findings are reviewed by management, and improvements are implemented as needed. Based on this process, MCC believes that controls remain effective in protecting customer data.

Finding 12 – Improper Charging of MDH Salaries Covered by PPP Loan

MCC does not concur with this finding. The PPP covered period was April 2020 – October 2020, with a portion (April 2020 – June 30, 2020) falling under FY20, which is outside the FY21–FY24 audit scope. Per HSAM Section 2210.05, expenditures must be assessed within the correct fiscal period. We therefore request removal of the FY20 portion from the disallowance calculation, or full exclusion of PPP-related costs from this audit. Additionally, per HSAM Section 2160.05 (Order of Utilization), MCC had sufficient eligible non-payroll expenses during the PPP period to satisfy requirements. MCC was not given the opportunity to reallocate these expenses during the audit—had this been allowed, no overlap with MDH-funded payroll would have occurred.

Appendix 2: Auditor’s Comments to Provider Responses

<table>
<tr><th>Finding Number</th><th>Brief Description</th><th>MCC’s Responses</th></tr>
<tr><td>1</td><td>MDH Form 440 and General Ledger Variances</td><td>MCC’s Response: We acknowledge that the expenditures reported on the General Ledger do not fully match with Form 440. However, the variance identified in your report does not reflect the actual variance. The expenditure for DD336LIS matches exactly in both Form 440 and the General Ledger. The expenditure for DD605LIS is overstated in Form 440 by $3,199.95, and MCC is also liable for $83 for contract DD168ISS. Therefore, the total due to MDH is $3,282, and not the amount reported in the finding.</td></tr>
<tr><td colspan="3"><u>Auditor’s Comments:</u> Upon review of the explanation and further analysis of the reconciliations, OIGH maintains that the finding remains valid. The identified variances, including the associated amounts, originated from Finding 3: Variances between the CPA Report and the General Ledger, which MCC previously concurred with. The General Ledger amounts were overstated when compared to the CPA-reported MDH expenditures for Contracts DD336LIS and DD605LIS in FY 2023. These variances were incorporated as auditor adjustments to ensure that the reconciliation presented in Finding 1 accurately reflects the corrected amounts.</td></tr>
<tr><th>Finding Number</th><th>Brief Description</th><th>MCC’s Responses</th></tr>
<tr><td>4</td><td>Inaccurate and Unapproved Bank Reconciliations</td><td>MCC’ Response: We do not concur with this finding. All bank reconciliations were completed in accordance with MCC’s Reconciliation Policy and were fully prepared for review. We acknowledge that the reconciliations were not signed by the Executive Director in a timely manner. Copies of the complete reconciliations can be provided upon request.</td></tr>
<tr><td colspan="3"><u>Auditor’s Comments:</u> Upon review of the explanation and further examination of the in accurate and unapproved bank reconciliations, OIGH maintains its position that the finding should stand. OIGH received bank reconciliations and noticed that for the TD bank reconciliations (3345) account for April, May, June, July & August 2024 were not reconciled correctly and had a large difference in the balance due to having many outstanding checks still listed on the reconciliations. MCC already concurred with Finding 5 with outstanding checks. TD bank reconciliation (3786) for April 2024 also did not reconcile correctly.

OIGH have supporting documentation showing that six bank reconciliations were not approved by management (TD 2126 May & June 2024; TD 3786 April & June 2024 and PNC June 2024). These bank reconciliations, which lacked evidence of management review and approval, were requested during audit fieldwork; however, MCC did not provide supporting documentation demonstrating review and approval</td></tr>
<tr><th>Finding Number</th><th>Brief Description</th><th>MCC’s Responses</th></tr>
</table>

6	Unreported Interest Income on MDH Form 440	MCC's Response: We do not agree with your finding. We acknowledged in the HSAM, interest earned on MDH funds is required to be used to be used to offset program expenditures; however, the interest amount identified by the auditors includes earnings generated from co-mingled non-MDH funds, which should not fall under HSAM requirement. Interest income was recorded in the general ledger and reviewed during the audit, and the contracts do not separately indicate an offset requirement. The Provider therefore request clarification and a detailed calculation showing the portion of interest attributable exclusively to MDH funds to determine any applicable amount to HSAM.

Auditor's Comments: Upon review of MCC's explanation and further examination of unreported interest income on MDH Form 440, OIGH maintains that the finding remains appropriate. The interest calculation attributable to MDH funds excluded all non-MDH fund sources. MCC reported total interest income of $45,494 for FY2024, and MDH funds represented 78.60% of total MCC receipted funds. Accordingly, the interest income due to MDH, calculated $35,760 is a reasonable and supportable allocation. The detailed calculation supporting this amount was provided to MCC during the audit.

Finding Number	Brief Description	MCC's Responses
7	Unapproved Executive Director's Timesheet	MCC's Response: MCC respectfully does not concur. The Executive Director's compensation is governed by a Board-approved employment contract, which defines salary and terms of service. Payroll is processed in accordance with this contract, which serves as documentation worked and meets the intent of HSAM section 2110.07. MCC is committed to maintaining transparent and sufficient support for all payroll transactions.

Auditor's Comments: : Upon review of the explanation and further examination of the Executive Timesheet, OIGH maintains its position that the finding should stand. HSAM section 2110.07 (iii) specifically states salaries and fringe expenses must be supported by maintenance of payroll authorization which includes approved timesheets from everyone.

Finding Number	Brief Description	MCC's Responses
8	No Supporting Documentation Maintained	MCC's Response: We do not concur with this finding. All supporting documentation was provided to the audit team, except for the documentation for $1,057. While the expenditure was reflected on the statement provided, the audit team requested the original invoice, which was not available at the time of review. We respectfully request reconsideration of this disallowance.

Auditor's Comments: Upon review of the explanation and further examination of no supporting documentation maintained, OIGH maintains its position that the finding should stand. OIGH did not receive invoices for ten transactions. OIGH did receive payments for those transactions.

MCC did mention in their response that original invoices were not available at the time of the audit. The absence of required documentation does not support reconsideration of the finding.

Finding Number	Brief Description	MCC's Responses

<table>
<tr><td>12</td><td>Improper Charging of MDH Salaries Covered by PPP Loan</td><td>MCC’s Response: MCC does not concur with this finding. The PPP covered period was April 2020 – October 2020, with the portion (April 2020 – June 30, 2020) falling under FY20, which is outside the FY21-FY24 audit scope. Per HSAM Section 2210.05, expenditures must be assessed within the correct fiscal period. We therefore request removal of the FY20 portion from the disallowance calculation, or full exclusion of PPP-related costs from this audit. Additionally, per HSAM Section 2160.05 (Order of Utilization), MCC had sufficient eligible non-payroll expenses during PPP period to satisfy requirements. MCC was not given the opportunity to reallocate these expenses during the audit—had this been allowed, no overlap with MDH-funded payroll would have occurred.</td></tr>
<tr><td colspan="3"><u>Auditor’s Comments:</u> Upon review of MCC’s explanation and further examination of the improper charging of MDH-funded salaries during the PPP-covered period, OIGH maintains that the finding should stand. The audit identified a clear instance of double funding related to employee salaries. MCC received a PPP Loan that was later forgiven in the amount of $356,278. A portion of this forgiven loan was used to cover employee salaries from April 2020 through October 2020. Concurrently, MCC continued to draw and expend MDH contract funds to pay the same employees for the same period.

MDH policy requires that other available funding sources be utilized before drawing MDH funds. MCC did not prioritize PPP funds as the primary source for salaries during the period in which both PPP and MDH funds were used for the same costs. This resulted in the same salary expenditures being supported by both the PPP forgiveness amount and MDH contract funding.

Since the PPP loan was officially forgiven in 2021, the required recoupment appropriately aligns with 2021. MCC had multiple opportunities from the date of the loan forgiveness through the start of the audit in 2025 to identify and self-correct this issue. The absence of corrective action until the matter was identified by the audit supports the validity of the finding and the related disallowance.</td></tr>
</table>

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Audit Job Number: 331