Maryland
OFFICE OF THE INSPECTOR GENERAL FOR HEALTH
Wes Moore, Governor · Aruna Miller, Lt. Governor · Shelly Marie Martin, Inspector General

TO: Ms. Kathryn Dilley – LCSW-C, Chief Executive Officer
MidShore Behavioral Health, Inc.

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

DATE: September 24, 2025

RE: Audit Report – MidShore Behavioral Health, Inc.

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.

MidShore Behavioral Health, Inc. (MSBH), located in Easton, Maryland, is a nonprofit organization serving as a regional CSA for Caroline, Dorchester, Kent, Queen Anne's, and Talbot Counties responsible for community planning, management, and monitoring of publicly funded medically necessary mental health services for consumers across the lifespan. During the audit period (July 1, 2020 to June 30, 2024), MSBH received $52,370,816 from MDH in support of its mission.

Results of Review

The OIGH determined that $2,804 is due to MDH due to disallowed costs, including improper sales tax charges on two invoices, services charged to an incorrect fiscal year, and variances identified between sub-vendor MDH 440s and the General Ledger. 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. MSBH's response is included as an appendix to this report.

We acknowledge the cooperation of MSBH staff during this audit. We also wish to acknowledge MSBH's willingness to address the audit findings and implement appropriate corrective actions.

Cc: Alyssa Lord, Deputy Secretary, Behavioral Health Administration

Office of the Inspector General for Health

Audit Report

September 24, 2025

MidShore Behavioral Health, Inc.

July 1, 2020 through June 30, 2024

Maryland Office of the Inspector General for Health

Audit Report: MidShore Behavioral Health, Inc.

The Maryland Office of the Inspector General for Health (OIGH)'s External Audit Division has performed an audit of the accounts and records of MidShore Behavioral Health, Inc. (MSBH) relative to its contracts with the Maryland Department of Health (MDH)'s Behavioral Health Administration, (Schedule SC), 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 amount 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 Human Services Agreements Manual (HSAM) 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 (GAGAS). These standards require auditors to plan and execute the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for findings and conclusions based on the audit objectives. We believe the evidence obtained provides a reasonable basis for the findings and conclusions presented in this report.

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 plans to arrange for such a review in the future. Until a Peer Review is conducted, the OIGH External Audit Division remains non-compliant with the GAGAS Peer Review requirements.

Presentation of Audit Schedule
This report contains the following schedules:

- Summary of Amounts Due to MDH
- Schedule of Contracts Audited
- Schedule of Sales Tax Cost Disallowances
- Schedule of Sub-Vendor Disallowed Expenditures
- Schedule of MDH-DGLHD Unreconciled MDH Form 440s
- Schedule of MDH Form 440 Reconciliations Contained Errors

Internal Control

MSBH 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. The 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 two recommendations contained in our preceding audit report of MSBH dated June 23, 2022. Our review determined that all recommendations were corrected.

Conclusion

As a result of procedures performed, in accordance with the examination objectives set forth above, the OIGH determined that $2,804 is due to MDH. The following is a summary of the amounts due:

MidShore Behavioral Health, Inc.
Summary of Amount Due to MDH
Audit Period FY 2021 to FY 2024

Finding Number	Finding Description	Amount Due to MDH	Report Reference Page
5	Sales Tax Charged to two invoices	$ 13	11
6	Services charged to incorrect fiscal year	1,280	12
8	Sub-Vendor MDH 440 and General Ledger Variances	1,511	13
Total Amount Due to MDH		**$2,804**	

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 October 27, 2025.

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Schedule SC

Mid Shore Behavioral Health
Schedule of Contract Audited
Fiscal Year 2021 through 2024
BHA

Contract Number	PCA Number	Program	2021	2022	2023	2024
AS434MDR	M281G	Maryland Recovery Net	$ 114,290	$ 114,290	$ 57,145	$ 42,859
HUB-24-007	HUB-24-007	Pilot Hub	-	-	-	65,447
BH001CTC	MS141	Care Traffic Control System	-	-	-	484,600
BH001ECV	MS141	Regional Expansion of CAYA Crisis Stabilization Services	-	350,000	260,000	-
BH004CPP	M272G, MS060	Mobile Crisis Team Pilot	-	-	-	940,800
BH007SCA	MS2322	988 State and Territory Improvement	-	-	-	224,875
BH002SEF	MS2322	988 Enhancement Funding	-	-	120,000	-
BH025CSF	MS2322	988 State Crisis System Funding	-	-	-	343,600
BH025STS	MS2322	Maryland 988 System Enhancement	-	-	-	100,000
BH029MAR	MS182	Residential Rehabilitation Workforce Development	-	-	249,250	303,117
BH120SOR	MS122	State Opioid Response (SOR)	-	195,161	-	-
BH123SOR	MS122	State Opioid Response (SOR) II	1,661,318	2,386,682	2,278,318	-
BH123SOR NCE	MS122	State Opioid Response (SOR) II NCE	-	-	1,597,819	336,817
BH120CRS	M272G, MS060	Crisis Services	413,000	413,000	413,000	413,000
BH114SOR	MS313	State Opioid Response (SOR) NCE Prime	-	153,158	-	-
BH034SOR	MS313	State Opioid Response (SOR) II	-	-	2,157,726	3,159,138
BH039MAM	MS262/0896	COVID-19 Testing & Mitigation	-	20,719	79,821	-
BH290SCS	MS162	Regional Expansion of CAYA Crisis Stabilization Services	-	-	1,458,626	1,543,000
BH302MCS	M2512	Care Traffic Control System	-	72,297	838,118	-
BHM02STC	MS292	988 Lifeline Crisis Hotline Services	-	-	7,025	7,025
BH355OTH	M272G, MS060	Crisis Services	-	2,929,832	-	-
MH224OTH	M208G, M208R	Community Mental Health & Administration	3,691,754	1,106,711	1,756,679	1,927,808
MH250OTH	M2328, M2329, M2320	Federal Block	655,294	898,294	910,294	1,003,579
MH355CSA	M208G, M208R	Core Service Agency - State Programs	-	-	4,011,823	5,510,117
MH355OTH	M208G, M208R	Core Service Agency Services Budget (Rollover)	-	557,623	297,009	807,076
MH578OTH	M2399, M2390	MD Healthy Transitions	413,518	384,690	509,690	495,190
MH297OTH	M2053	Continuum of Care (CoC)	175,980	-	175,428	175,428
MH408OTH	M2048, M2049, M2020, M2040	PATH	50,124	50,124	50,124	51,586
MH597OTH	T3938, T393G, M2059	Older Adult Behavioral Hlth PASRR Specialist	100,000	100,000	100,000	100,000
		Total Contract Dollars Audited by Fiscal Year	**$ 7,275,278**	**$ 9,732,581**	**$17,327,895**	**$18,035,062**
	Total Number of Contracts Audited		**65**			
	Total Contract Dollars Audited		**$52,370,816**			

Findings and Recommendations

Banking

Finding 1 – Untimely Voiding of Outstanding Checks
MSBH does not always void outstanding checks in a timely manner.

Analysis
The OIGH's review of Fiscal Year 2023 bank reconciliation records disclosed that MSBH did not adhere to its Financial Procedures Policy. Specifically, 32 checks totaling $16,784 from Fiscal Years 2021-2022 remained outstanding for over 90 days and were not voided until Fiscal Year 2025.

Criteria
MSBH's Financial Procedure Manual states: *"All outstanding checks must be reviewed on a monthly basis. Any check that remains outstanding for more than 90 days must be investigated by the Financial Specialist. The payee should be contacted to determine the status of the check. If no resolution is reached within the review period, the check must be voided and reissued if necessary."*

Recommendation 1
The OIGH recommends that MSBH:
Comply with the Financial Procedure Manual by ensuring:
a. Any check outstanding for more than 90 days is investigated by the Financial Specialist.
b. The payee is contacted to determine the check's status.
c. If no resolution is reached within the review period, the check is voided and reissued if necessary.

Procurement

Finding 2 – Deficiencies in Procurement Practices and Policies
MSBH did not always comply with its Procurement Policy and Procurement Policy requires improvement.

Analysis
The OIGH's review of MSBH's procurement system identified instances of non-compliance with its Procurement Policy and areas for policy improvement:
Observed Non-Compliance:

- Insufficient Documentation (Under $10,000): Supporting documentation for procurements under $10,000 was not consistently maintained.
- Missing Procurement Support (Over $10,000): Procurement support was not provided for four vendors with procurements exceeding $10,000.
- Inadequate Bidding and Decision Documentation (Over $10,000): Six vendors' procurement files exceeding $10,000 lacked essential bidding and decision-making documentation.
- Sole Source Justification was not provided for three vendors classified as sole source.

Identified Policy Weaknesses:

- Lack of Detail for Emergency and Sole Source Procurements: The policy lacks detailed procedures for emergency and sole source procurements.

- Undocumented Quote Requirements: The policy does not specify if, or how many quotes are required.
- Insufficient Bidding Policy Detail: The policy requires more detail regarding:
    - Contract/MOU threshold requirements.
    - Decision-making support for vendor selection.
    - MSBH's proposal review procedures.
- Limited Guidance for Small Purchases: The policy for purchases under $10,000 required additional detail.

Criteria

MSBH's Procurement Policy States:

Guiding Principle

It is the objective of the procurement practices of Mid Shore Behavioral Health to provide goods and services in the proper quantity, of the proper quality, at the lowest price, in the time and place required for effectively and efficiently meeting the mission of the agency.

Purchasing

Personal Purchases for Employees:

Employees of MSBH may not use agency resources to purchase supplies for their personal use. Similarly, employees of MSBH, in any of their private purchases, shall not use their position with MSBH in an effort to obtain price consideration better than offered to the general public. Employees of MSBH shall not seek for themselves any gifts, favors, entertainment, or payments from vendors, bidders, or other business associates. Employees may accept for themselves common courtesies usually associated with customary business practices, including but not limited to lunch, gifts of small value such as pens and calendars, or perishable items often given during holidays.

Purchasing Documentation and Records:

Reference should be made to the MSBH Financial Procedures policy to determine whether or not a purchase requisition is required for a particular purchase. Purchase requisitions must be signed/authorized by the Executive Director, his/her designee, or other member of the Senior Leadership Team.

Purchasing records will be maintained in coordination with the document retention policy.

Bidding

The competitive bidding process will be utilized when the expected purchase price exceeds the limits set and documented within the purchasing procedures.

Purchases in excess of $10,000 will be subject to a formal bidding process unless exceptions are met. Exceptions include the following: 1) the provider is an agency of local government and the Review Committee determines that it is in the best interest of the consumers of those services and of MSBH to contract directly with an agency of local government; 2) there is an emergency need for the services; 3) there is only one provider available with the necessary qualifications to provide the services; 4) the current provider has performed satisfactorily under an existing contract and the MSBH to continue, or expand, like services with the current provider; and 5) the provider has submitted an unsolicited plan for the delivery of services

which is consistent with the MSBH Community Mental Health Plan and meets the applicable criteria for selection.

Purchases less than $10,000 will be evaluated by senior management as outlined in the Procurement Procedures Manual.

The Executive Director reserves the right to reject any or all bids, to waive any informality in bids received, and to accept any bid considered to be in the agency's best interest.

Request for Proposals

MSBH is responsible for planning, coordinating, and monitoring of all publicly funded behavioral health services in the five counties of the Mid-Shore region. To fulfill this role, MSBH will contract for the provision of services with licensed or incorporated agencies or organizations meeting all state requirements for a behavioral health services provider as delineated in the Annotated Code of the State of Maryland.

All proposals must be received on the date specified in the Request for Proposals at the office of MSBH, 28578 Mary's Court, Suite 1, Easton, MD 21601. Proposals received after the stated deadline will not be considered.

Procurement vendors will comply with grant requirements as stipulated by the federal or state agency providing the funding. Furthermore, vendors will provide reports and information as required.

The proposal review process will be conducted in compliance with the MSBH Proposal Review Procedures.

Recommendation 2
The OIGH recommends that MSBH:

a. Ensure all procurements maintain complete supporting documentation and justification.
b. Revise the procurement policy to specify requirements for small purchases, quotes, emergency, sole source and bidding.

Finding 3 – Deficiencies in Contract Monitoring
MSBH did not always monitor its vendor contracts.

Analysis
The OIGH's review of MSBH contract monitoring process during the audit period disclosed that MSBH did not always monitor its vendor contracts. Specifically:

- Six of 21 vendors lacked a written contract.
- For 17 vendors reviewed, business standing was not verified with the Maryland State Department of Assessments and Taxation (SDAT) prior to entering contractual agreements.

Criteria
HSAM, section 2050.01 Contract/MOU states: *"Every award must be perfected by a signed contract (with a private vendor) or by either a Memorandum of Understanding (MOU) or an award letter (with a Local Health Department or other government entity). If provisions of a*

contract, MOU or award letter contradict the provision(s) of this manual, said instrument shall prevail over this manual."

The Human Service Agreement Manual, section 2030.09-Verification of Legal Status states: *"A new respondent when not a governmental agency, must present acceptable verification of its legal status (corporation, partnership, fictitious name statement, etc.) prior to the advancement of funds."*

Recommendation 3:
The OIGH recommends that MSBH:

a. Ensure that all vendors have a written and completed Contract/MOU.
b. Ensure that all vendors' business standing status are verified before entering into contractual agreements.

Finding 4 – Incomplete Procurement Documentation
MSBH did not always maintain adequate supporting documentation for purchases.

Analysis
The OIGH's review of 40 Corporate Purchase Card (CPC) invoices and 32 Small Procurement invoices found that MSBH did not always maintain complete supporting documentation. However, MSBH provided other substantiated documentation, such as Corporate Purchase Card statements, which supported the expenditures and resulted in no cost disallowances.

Criteria
HSAM section 2110.05-Expense 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 4:
The OIGH recommends that MSBH:
Maintain all supporting documentation for all purchases.

Finding 5 – Improper Sales Tax Charged on MDH Contract
Sales tax totaling $13 was improperly charged to MDH Contract.

Analysis
The OIGH's review of 40 Corporate Purchase Card (CPC) invoices identified $13 in disallowed sales tax paid on two transactions. See the schedule below for more details:

MidShore Behavioral Health, Inc.
Schedule of Sales Tax Cost Disallowances

Fiscal Year	Contract Number	Finding Description	Disallowed Amount
2021	MH224OTH	Sales Tax Charged	$ 6
2024	MH224OTH	Sales Tax Charged	7
Total Cost Disallowances			**$13**

Criteria

Comptroller of Maryland General Accounting Division Accounting Procedures Manual states: *"Since the State of Maryland is exempt from all forms of taxes, except excise tax on air flights, tax items should not be included in any invoice payments – with the following exceptions:*
Sales Tax may be included when paying rent for rooms (hotel, motel, etc.), since in such instances an employee is not making a direct purchase for his agency. For the same reason, the Baltimore City parking tax may be included. Oil companies remit the State Gasoline Tax directly to the Field Enforcement Division of the State Comptroller's Office. Therefore, the inclusion of State Gasoline Tax items in payments to oil companies are required, but the Federal tax should be excluded; and,
Purchases made from other than State funds (funds of patients, students, inmates, etc.)."

Recommendation 5
The OIGH recommends that MSBH:
Review all invoices carefully to ensure no sales tax is paid and charged to the state contracts.

Cost disallowances resulting from the finding above total $13 due to MDH.

Expenditure

Finding 6 – Expenditure Charged to Incorrect Fiscal Year
MSBH did not always record expenditure in the correct fiscal year.

Analysis
The OIGH's review of expenditures identified that MSBH charged a $1,280 invoice to the incorrect fiscal year in FY2024 for Contract Number BH034SOR.

Criteria
MDH Audit and Compliance Manual: Section 2100.04 - Allowability of Costs: "Costs must be charged to the period in which the benefit was received. Grantees must ensure that costs are recorded in the correct fiscal year in accordance with accrual-based accounting principles. Charges to a grant award must reflect actual costs incurred during the applicable budget period."

Recommendation 6:
The OIGH recommends that MSBH:
Ensure expenditures are recorded in the correct fiscal year they have incurred.

Cost disallowance resulting from the finding above total $1,280 due to MDH.

Finding 7 – Untimely Vendor Reimbursement Returns
MSBH did not return two vendor reimbursement amounts to the State in a timely manner.

Analysis
The OIGH's review of Grant MH224OTH expenditure adjustments and allocations found that in Fiscal Year 2024, MSBH did not timely return two vendor reimbursements totaling $10,600 to the State. MSBH explained that these reimbursements were for overcharged services, with the issues identified after the audit was finalized and MDH 440s submitted. MSBH is awaiting finalized reconciliation of MDH Form 440s with MDH-DGLHD to return the funds.

Criteria

HSAM, Section 2060.10 – Unspent Funds: "Funds unspent at the close of the grant/contract period may be treated in one of the two following methods: (a) federal funds may be carried-forward to the subsequent fiscal year, or (b) general funds will revert to the state by means of a carry-over or collections." Section 2060.08 – Income Shortfall: "Any shortfall in income… becomes the liability of the vendor… This may be compensated by either a reduction in expenditures or an increase in other incomes."

Recommendation 7
The OIGH recommends that MSBH:

a. Ensure all vendor reimbursement amounts are returned to the State irrespective of reconciliation completion.
b. Ensure internal procedures are established and followed for identifying, documenting, and returning excess or unspent funds promptly.

Sub-Vendors

Finding 8 – Weakness in Sub-Vendor Controls
MSBH did not always have adequate controls in place over its sub-vendors.

Analysis
The OIGH's review of sub-vendor controls during the audit period disclosed that MSBH did not always have adequate controls in place for its sub-vendors:

- One sub-vendor's MDH 440 for Fiscal Year 2022 was not provided. However, MSBH furnished other supporting documentation, resulting in no cost disallowances.
- Five Sub-Vendor MDH 440s provided in fiscal year 2021 were not signed and dated as reviewed.
- 15 Sub-Vendor Audit Reports did not separate contract operations in the audit period.
- One Sub-Vendor required audit was not performed.
- Variances totaling $1,511 were identified between sub-vendor MDH 440s and MSBH General Ledger.

See the schedule below for more details:

MidShore Behavioral Health, Inc.
Schedule of Disallowed Sub-Vendor Expenditures

Fiscal Year	Contract Number	Finding Description	Disallowed Amount
2022	BH355OTH	Sub-Vendor Reported Expenditures (440) did not agree to GL	$ 54
2022	BH123SOR	Sub-Vendor Reported Expenditures (440) did not agree to GL	1,454
2022	BH123SOR	Sub-Vendor Reported Expenditures (440) did not agree to GL	2
2022	BH120SUP	Sub-Vendor Reported Expenditures (440) did not agree to GL	1
Total Cost Disallowances			**$1,511**

Criteria
The Standards for Audit of Human Services Sub-Vendors Section III.C.1 states: *"Vendor responsibilities: The standards set forth in this document shall apply to all MDH human services vendors that award all or a portion of their funds received from MDH to sub-vendors to provide services. Vendors are to comply with these requirements and to communicate them to their sub-*

vendors. These standards shall also apply when a sub-vendor contracts with its own sub-vendor....

a. *Audits of sub-vendors: Each vendor is responsible for conducting or contracting for regular audits of sub-vendors as set forth in sections D. (2) and E. (1 through 4) and consistent with the requirements of these standards.*
b. *Controls over sub-vendors: Each vendor is responsible for having adequate controls and monitoring procedures over its sub-vendors. These controls should include, but not be limited to, properly executed sub-vendor contracts, periodic progress and fiscal reports, review of audit reports and site visits to sub-vendors..."*
c. *Review of other audits: The vendor shall document annually that it has determined whether the sub-vendor has had an audit performed. (Even if DHMH does not require an audit, a sub-vendor may have had an audit performed to meet the requirements of another funding source.) If a vendor determines that a sub-vendor has had an audit performed, they shall document that they have requested and reviewed the audit report and any Standards for Audit of Human Services Sub-Vendors 4 management letter prepared in conjunction with it. The vendor should review the audit findings to determine if conditions exist that might prevent the sub-vendor from delivering services or fulfilling the terms and conditions of its contract with the vendor.*

The Standards for Audit of Human Services Sub-Vendors Section III.D.2 states: *"Cost reimbursement contracts:*

a. *Sub-vendors with cost-reimbursement contracts of any amount must submit the MDH 440 (Annual Report) to the vendor and must certify that the reported expenditures and revenues are true and correct. The vendor shall carefully review the sub-vendor's MDH 440 to determine that it is correct and reasonable, and that the sub-vendor stayed within budgetary limits....*
b. *Cost reimbursement contracts totaling over $100,000 must be audited by the vendor as set forth in paragraph E below."*

The Standards for Audit of Human Services Sub-Vendors Section III.E.3 states*: "Vendors responsibilities for sub-vendor audits:*

a. *(i) Selection of auditors: Auditors may be chosen from one of three sources: vendor's in-house staff, independent auditors under contract with the vendor, or independent auditors under contract with the sub-vendor....*
b. *(ii) Scope of Audit: Each audit of a sub-vendor should include the following areas: verification of the information reported on the MDH 440....*
c. *(iii) Content of audit report...Each report issued for a sub-vendor audit should provide sufficient schedules, forms, analysis, etc., to allow the reader to evaluate the results of the subcontracted service during each of the contract fiscal years (ending June 30) separately and isolated from the sub-vendor's total operations.; The audit report must provide a statement of revenues and expenditures that details total revenues and allowable expenditures and the amount due to the vendor for each contract that the sub-vendor has with the vendor....." The Standards for Audit of Human Services Sub-Vendors Section III.E.4 states: "Vendors review of sub-vendor audit: The vendor is responsible for reviewing the audit report and management letter after each sub-vendor audit is completed...The vendor should determine if: i. the sub-vendor utilized MDH funds in the appropriate manner as detailed in the approved budget....the vendor should retain audit reports and written documentation of follow-up results for five years after the due dates.....c. Vendor's requirement to submit a revised 440: If a sub-vendor audit reveals that adjustment to the financial information reported on the MDH 440 is necessary, it is*

the vendor's responsibility to submit a revision of its own 440 to the Division of Program Cost and Analysis (DPCA) within 60 days of the issuance of the final report..... if funds are due back to MDH, the vendor shall return the funds along with the revised 440 and an explanatory letter..."

Recommendation 8
The OIGH recommends that MSBH:

a. **Ensure all required sub-vendors MDH Form 440s are consistently provided.**
b. **Ensure all Sub-Vendor MDH 440s are reviewed and the review documented and saved for future reference.**
c. **Ensure that Sub-Vendor audits comply with section III.E.3 of MDH's Standard's for Audit of Human Service Sub-Vendor's. This includes providing a separate profit/loss activity schedule for each of the MDH contract's related Form 440, to allow for evaluation of the Form 440 audit results separately and isolated from the sub-vendor's total operations.**
d. **Ensure all cost-reimbursement contracts exceeding $100,000 are audited.**
e. **Obtain and timely review all Sub-Vendor MDH Form 440 expenditures before making payments to avoid potential overpayments or underpayments, and document and retain the review for future reference.**

Cost Disallowances resulting from the findings above total $1,511 due to MDH.

Information Technology Security

Finding 9 – Safeguarding Sensitive Data
MSBH does not document review of SOC 2 Type 2 Report.

Analysis
The OIGH's review of information technology security disclosed that MSBH did not document review of an independent security review (annual SOC 2 Type 2 report) from an external third party 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 AOBI, 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 9
The OIGH recommends that MSBH:
Document review of SOC 2 Type 2 Report and save review for future reference.

Finding 10 – Internal Control on Physical Access
MSBH Physical access devices are not inventoried annually.

Analysis

The OIGH's review of physical access control disclosed that MSBH has not routinely performed an annual inventory for its keys, locks, and card readers. Establishing a consistent annual inventory process for these access control assets could further strengthen MSBH's security protocol.

Criteria

The State of Maryland Information Technology Security Manual, version 1.2, section Physical Access Control states: *"The Maryland Agency must ensure that:*

A. *For environments containing systems categorized as Low and above:*
   - *Physical access authorizations are enforced for all physical access points including designated entry/exit facility access points and interior access points to the information system and components by:*
   - *Verifying individual access authorization before granting access to the facility.*

B. *For environments containing systems categorized as Medium and above:*
   - *Physical access audit logs for all physical access points including designated entry and exit facility points and interior access points where the information system resides are maintained.*
   - *Access to areas officially designated as publicly accessible is controlled as appropriate (in accordance with the conducted risk assessment) using organization defined safeguards (security cameras)*
   - *Visitors are escorted, and visitor activities are monitored when maintenance is performed on DoIT devices by outside vendors that do not have DoIT required access authorization.*
   - *Keys and other physical access devices are secured.*
   - *Controlling ingress/egress to the facility using methods including automated turnstiles, electronically locking doors, security cameras and/or guard stations.*
   - *Physical access devices including keys, locks, card readers etc. are inventoried at least annually.*
   - *Keys are changed when keys are lost, combinations are compromised, or individuals are transferred or terminated."*

Recommendation 10

The OIGH recommends that MSBH:

Ensure an annual inventory is conducted for all physical access devices, including keys, smart cards, and badge readers, and that inventory records are updated accordingly.

Finding 11 – Access Control

MSBH did not disable user accounts for terminated employees and individuals with guest permissions in a timely manner.

Analysis

The OIGH's review of MSBH's user account management system disclosed that two employee and four guest accounts remain active over 365 days after duties have ended.

Criteria

State of Maryland Information Security Policy, version 3.1, section 7.2.2 states, *"Agencies must manage user accounts assigned within its information systems. Effective user account management practices include (i) obtaining authorization from appropriate officials to issue*

user accounts to intended individuals; (ii) disabling users accounts, when no longer needed, (immediately upon user exit from employment, 60 days for inactive accounts.)"

Recommendation 11
The OIGH recommends that MSBH:
Ensure all employee and guest user accounts are deactivated immediately upon termination or completion of duties.

Finding 12 – Contingency Planning
MSBH does not test or exercise contingency plans on an annual basis and MSBH IT Disaster recovery plan needs to be improved and more detailed.

Analysis
The OIGH's review of MSBH's Information Security System disclosed that MSBH does not test or exercise its contingency plan on an annual basis and its current IT disaster recovery plan lacks sufficient detail. This represents a significant weakness in operational resilience. Without regular testing, MSBH cannot ensure that its contingency procedures are functional, effective, or aligned with evolving systems and threats. Moreover, a vague or incomplete disaster recovery plan hinders the organization's ability to respond efficiently to emergencies, increasing the risk of prolonged downtime, data loss, or failure to maintain critical services.

Criteria
State of Maryland Information Security Policy, version 3.1*, section* 6.2 Contingency Planning, states "*Agencies shall develop, implement, and test an IT Disaster Recovery plan for all systems determined to be business critical. Creation, maintenance, and annual testing of a plan will minimize the impact of recovery and loss of information assets caused by events ranging from a single disruption of business to a disaster. Disaster Recovery Plan maintenance should be incorporated into the agency's change management process to ensure plans are up-to-date. Planning and testing provides a foundation for a systematic and orderly resumption of all computing services within an agency when disaster strikes.*
Primary Components of an IT Disaster Recovery Plan are;

- *Identification of a disaster recovery team;*
- *Definitions of recovery team member responsibilities;*
- *Documentation of each critical system including;*
    - *Purpose*
    - *Hardware*
    - *Operating System*
    - *Application(s)*
    - *Data*
    - *Supporting network infrastructure and communications*
    - *Identity of person responsible for system restoration*
- *System restoration priority list;*
- *Description of current system back-up procedures;*
- *Description of back-up storage location;*
- *Description of back-up testing procedures (including frequency);*
- *Identification of disaster recovery site including contact information;*
- *System Recovery Time Objective RTO;*
- *System Recovery Point Objective RPO (how current should the data be?); and*
- *Procedures for system restoration at backup and original agency site.*

State of Maryland Information Security Policy, version 3.1, section CP-4 Contingency Plan Testing states *"The Maryland Agency must ensure that:*
a. Contingency plans for the information system are tested and/or exercised at least annually using DoIT defined tests, or exercises to determine the plan's effectiveness and the Maryland Agency's readiness to execute the plans.
b. Contingency plan test/exercise are documented, and the results are reviewed.

c. Corrective actions are initiated as needed."

Recommendation 12
The OIGH recommends that MSBH:

a. Review and approve contingency plans on an annual basis.
b. Test the Contingency Plan annually, document the test and retain the documentation for future reference.
c. Ensure the contingency plan includes detailed step-by-step procedures for various emergency scenarios, clearly defining critical systems, recovery time objectives (RTOs), recovery point objectives (RPOs), responsible personnel, communication protocols, and alternate operational locations to enhance clarity and readiness during actual disruptions.

Finding 13 – Information Back-Up
MSBH does not test Back-Up Information annually to verify media reliability and information technology.

Analysis
The OIGH's review of the information technology security disclosed that back-up data was not tested at least annually for reliability and integrity.

Criteria
The State of Maryland Information Technology Security Manual version 1.2, section Information System Backup states: *"Back-up information must be tested at least annually to verify media reliability and information integrity".*

Recommendation 13
The OIGH recommends that MSBH:
Test backup data as a whole at least once annually for reliability and integrity, document the test and retain the documentation for future reference.

Other Matters – MDH Reconciliations

Other Matter 1– MDH-DGLHD did not timely reconcile MDH Form 440s submitted from MSBH

MDH-DGLHD did not complete the required reconciliations of MDH Form 440s, resulting in $6,960,378 in unspent funds pending resolution.

Analysis

The OIGH's review of MSBH's MDH Form 440s disclosed that the MDH Division of Grant and Local Health Department (MDH-DGLHD) did not complete all required reconciliations for the audit period, despite MSBH's timely submission of annual reports and multiple reminders. As a result, $6,960,378 in unspent funds remains pending resolution. MDH-DGLHD is currently in the process of finalizing reconciliation efforts. Accordingly, potential disallowances cannot be finalized as DGLHD retains responsibility for unspent amounts with MSBH. Therefore, no cost disallowances are associated with this finding.

See the schedule below for more detail:

MidShore Behavioral Health, Inc. Schedule of Unreconciled MDH 440s				
Fiscal Year	**Contract Number**	**Contract Description**	**Finding Description**	**Unspent (Unfunded) Amounts***
2021	AS434MDR	Maryland Recovery Net	No Initial MDH 440 Reconciliations was completed by MDH	$ 94,795
2021	BH120CRS	Crisis Services	No Initial MDH 440 Reconciliations was completed by MDH	44,034
2021	BH120SOR	State Opioid Response (SOR)	No Initial MDH 440 Reconciliations was completed by MDH	200,026
2021	BH123SORII	State Opioid Response (SOR) II	No Initial MDH 440 Reconciliations was completed by MDH	1,043,620
2021	BH114SOR - NCE	State Opioid Response (SOR) NCE Prime	No Initial MDH 440 Reconciliations was completed by MDH	-
2021	MH224OTH	Community Mental Health & Administration	No Initial MDH 440 Reconciliations was completed by MDH	418,793
2021	MH224OTH - Rollover	MH224OTH Rollover	No Initial MDH 440 Reconciliations was completed by MDH	3,284
2021	MH250OTH	Federal Block	No Initial MDH 440 Reconciliations was completed by MDH	28,477
2021	MH297OTH	Continuum of Care	No Initial MDH 440 Reconciliations was completed by MDH	-

2021	MH597OTH	Older Adult Behavioral Hith PASRR Specialist	No Initial MDH 440 Reconciliations was completed by MDH	31,782
2021	MH578OTH	MD Healthy Transitions	No Initial MDH 440 Reconciliations was completed by MDH	25,011
Total FY 2021 Amount				**$ 1,889,822**
2022	AS434MDR	Maryland Recovery Net	No Initial MDH 440 Reconciliations was completed by MDH	$ 113,369
2022	BH001ECV	Regional Expansion of CAYA	No Initial MDH 440 Reconciliations was completed by MDH	184,041
2022	BH039MAM	Covid-19 Testing & Mitigation	No Initial MDH 440 Reconciliations was completed by MDH	13,708
2022	BH114SOR	State Opioid Response (SOR) NCE PRIME	No Initial MDH 440 Reconciliations was completed by MDH	3,485
2022	BH120CRS	Crisis Services	No Initial MDH 440 Reconciliations was completed by MDH	43,572
2022	BH120SOR	State Opioid Response (SOR)	No Initial MDH 440 Reconciliations was completed by MDH	61,790
2022	BH123SOR	State Opioid Response (SOR) II	No Initial MDH 440 Reconciliations was completed by MDH	254,142
2022	BH302MSC	Care Traffic Control System	No Initial MDH 440 Reconciliations was completed by MDH	40,715
2022	MH355OTH-Rollover	Core Service Agency Services (ROLLOVER)	No Initial MDH 440 Reconciliations was completed by MDH	6,803
2022	MH355OTH	Core Service Agency Services	No Initial MDH 440 Reconciliations was completed by MDH	107,489
2022	MH408OTH	PATH	No Initial MDH 440 Reconciliations was completed by MDH	-
2022	MH250OTH	Federal Block	No Initial MDH 440 Reconciliations was completed by MDH	(71,594)
2022	MH578OTH	MD Healthy Transitions	No Initial MDH 440 Reconciliations was completed by MDH	92,791
2022	MH597OTH	Older Adult Behavioral Hith PASRR Specialist	No Initial MDH 440 Reconciliations was completed by MDH	39,702
Total FY 2022 Amount				**$ 890,013**
2023	MH355CSA-Rollover	Core Service Agency Budget - Rollover	No Initial MDH 440 Reconciliations was completed by MDH	$ 14,000
Total FY 2023 Amount				**$ 14,000**
2024	BH001CTC	Care Traffic Control System	No Initial MDH 440 Reconciliations was completed by MDH	$ 201,812
2024	BH004CPP	Mobile Crisis Team Pilot	No Initial MDH 440 Reconciliations was completed by MDH	940,800
2024	BH007SCA	988 State and Territory Improvement	No Initial MDH 440 Reconciliations was completed by MDH	209,554
2024	BH025CSF	988 State Crisis System Funding	No Initial MDH 440 Reconciliations was completed by MDH	112,677

2024	BH025STS	Maryland 988 System Enhancement	No Initial MDH 440 Reconciliations was completed by MDH	68,307
2024	BH029MAR	Residential Rehab/988 Supplement	No Initial MDH 440 Reconciliations was completed by MDH	107,580
2024	BH123SOR-NCE	State Opioid Response (SOR) II NCE	No Initial MDH 440 Reconciliations was completed by MDH	40,598
2024	BH034SOR	State Opioid Response (SOR) III	No Initial MDH 440 Reconciliations was completed by MDH	561,380
2024	BH120CRS	Crisis Services	No Initial MDH 440 Reconciliations was completed by MDH	99,055
2024	BH290SCS	Mobile Response Stabilization Services	No Initial MDH 440 Reconciliations was completed by MDH	644,699
2024	HUB-24-007	Pilot HUB	No Initial MDH 440 Reconciliations was completed by MDH	157,783
2024	MH224OTH	Core Service Agency Administrative Budget	No Initial MDH 440 Reconciliations was completed by MDH	116,337
2024	MH250OTH	Federal Block	No Initial MDH 440 Reconciliations was completed by MDH	132,344
2024	MH355CSA	Core Service Agency State Programs	No Initial MDH 440 Reconciliations was completed by MDH	561,284
2024	MH597OTH	Older Adult Behavioral Hlth PASRR Specialist	No Initial MDH 440 Reconciliations was completed by MDH	26,755
2024	MH578OTH	Mid Shore Behavioral Health	No Initial MDH 440 Reconciliations was completed by MDH	185,578
Total FY 2024 Amount				**$ 4,166,543**
Total Unspent Amount *				**$ 6,960,378**

** The Unspent Amounts identified above do not reflect BHA approved rollover and carryover amount the MSBH was authorized to retain for use in the subsequent fiscal year*

Criteria

Human Services Agreement Manual (HSAM) 2190.01 Background states: "*Reconciliation is a fiscal resolution of the grant/contract pending audit and settlement, usually conducted at the termination of the grant/contract period or at the end of each fiscal year in the case of a multi-year agreement. The reconciliation operation is an arithmetic check of expenditures and incomes, a determination of net balances and disposition of those balances. Reconciliation is based upon reported expenditures and incomes, subject to correction by the Division of Program Cost and Analysis".*

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".*

Since this matter's root cause originated with MDH-DGLHD and does not reflect deficiencies within MSBH's operations, no recommendation is directed to MSBH.

Other Matter 2 – MDH Form 440 reconciliations contained errors
MDH-DGLHD incorrectly reconciled MSBH's MDH Form 440s.

Analysis
The OIGH's review of MDH Form 440s and MSBH's general ledger (GL) for the audit period revealed that there were several errors in the reconciled MSBH's MDH Form 440s:

- Interest income and other income reported by MSBH on submitted 440s, were excluded from MDH's Reconciliation. In accordance with HSAM, all non-MDH awarded income must be applied first before using MDH funds.
- DGLHD completed the reconciliation using the original MDH 440 for FY22 MH224OTH, rather than the revised version that MSBH submitted within the allowable timeframe.
- MSBH submitted two MDH 440s for grant MH578OTH covering the periods 7-1-22/3-31-23 and 4-1-23/6-30-23 concurrently at the end of the fiscal year, reporting expenditures of $347,810 and $76,955, respectively. However, during reconciliation, MDH only reconciled the MDH 440 for the period 7-1-22/3-31-23. The second submission was not reconciled, resulting in an underfund of $76,955.

MDH-DGLHD is currently in the process of revising these reconciliations. Accordingly, potential disallowances cannot be finalized as DGLHD retains responsibility for unspent amounts with MSBH. Therefore, no cost disallowances are associated with this finding.

See the schedule below for more details:

MidShore Behavioral Health, Inc. Schedule of Unreconciled MDH 440s				
Fiscal Year	**Contract Number**	**Contract Description**	**Finding Description**	**Errors from Initial MDH 440 Reconciliations**
2022	MH224OTH	Community Mental Health & Administration	1. Although MSBH reported interest income and other income on the submitted MDH 440, these amounts were excluded from MDH's initial reconciliation. Pursuant to the Health Services Allocation Manual (HSAM), all income other than MDH-awarded funds must be applied prior to the use of MDH funds. 2. DGLHD did not use the revised MDH 440 submitted within allowable period by MSBH to perform the reconciliation.	$ 29,598
Total FY 2022 Amount				**$ 29,598**
2023	BH034SOR	State Opioid Response (SOR) II	Although MSBH reported interest income and other income on the submitted MDH 440, these amounts were excluded from MDH's initial reconciliation. According to the HSAM, all income other than MDH-awarded funds must be applied prior to the use of MDH funds.	$ 16,780
2023	BH123SOR	State Opioid Response (SOR) II	Although MSBH reported interest income and other income on the submitted MDH 440, these amounts were excluded from MDH's initial reconciliation. According to the HSAM, all income other than MDH-awarded funds must be applied prior to the use of MDH funds.	591
2023	MH224OTH	Core Service Agency Administrative	Although MSBH reported interest income and other income on the submitted MDH 440, these amounts were excluded from MDH's initial reconciliation. According to the HSAM, all income other than MDH-awarded funds must be applied prior to the use of MDH funds.	129,532
2023	MH250OTH	Federal Block	Although MSBH reported interest income and other income on the submitted MDH 440, these amounts were excluded from MDH's initial reconciliation. According to the HSAM, all income other than MDH-awarded funds must be applied prior to the use of MDH funds.	5,041
2023	MH355CSA	Core Service Agency - State Programs	Although MSBH reported interest income and other income on the submitted MDH 440, these amounts were excluded from MDH's initial reconciliation. According to the HSAM, all income other than MDH-awarded funds must be applied prior to the use of MDH funds.	14,800
2023	MH578OTH	MD Healthy Transitions	MSBH submitted two MDH 440s for Grant MH578OTH covering the periods 7/1/22–3/31/23 and 4/1/23–6/30/23 concurrently at the end of the fiscal year, reporting expenditures of $347,810 and $76,955, respectively. However, during the initial reconciliation, MDH only reconciled the MDH 440 for the period 7/1/22–3/31/23. The second submission was not reconciled, resulting in an underfunding of $76,955.	(76,955)
2023	MH597OTH	Older Adult Behavioral Hlth PASRR Specialist	Although MSBH reported interest income and other income on the submitted MDH 440, these amounts were excluded from MDH's initial reconciliation. According to the HSAM, all income other than MDH-awarded funds must be applied prior to the use of MDH funds.	7,100
Total FY 2023 Amount				**$ 96,889**
Total Errors Amount				**$ 126,487**

Criteria.
HSAM 20601.01 General states: "*The DHMH human service funding system is generally one of contributory funding to support health related services which derive income from user fees, insurance payments, charitable contributions and endowments, other government programs and other third-party incomes. DHMH FUNDING IS GENERALLY NOT A FULL-COST REIMBURSEMENT SYSTEM. Should a program administration wish to support all costs (or all costs less those covered by a specified type of other income) the funding agreement should contain an explicit provision to that effect. In the absence of an explicit disclaimer, the fundamental principle is that Departmental monies are spent last and recovered first".*

Since this matter's root cause originated with MDH-DGLHD and does not reflect deficiencies within MSBH's operations, no recommendation is directed to MSBH.

Appendix: Provider Responses

September 10, 2025

Charles L. Thomas, Chief
External Audit Division
Office of the Inspector General
Maryland Department of Health
201 W. Preston Street, Room L-7
Baltimore, MD 21201

RE: Mid Shore Behavioral Health, Inc.
FY2021-FY2024 Audit Response
Audit Job No: 327

Dear Mr. Thomas:

Mid Shore Behavioral Health, Inc. (MSBH) has received the draft audit report from the Office of the Inspector General (OIG). We have reviewed the findings and are providing our response below.

Finding 1 – Untimely Voiding of Outstanding Checks
MSBH does not always void outstanding checks in a timely manner.

MSBH concurs with this finding and brought this to the auditors' attention along with a schedule of all outstanding checks, the journal entry addressing this, and the amount due back to BHA. MSBH has implemented the following plan of correction: Upon the completion of each month's bank reconciliation, the CFO provides to the Finance Coordinator a list of all checks exceeding 90 days outstanding. The Finance Coordinator will:

a. Investigate each outstanding check
b. Contact the payee to determine the check's status.
c. If no resolution is reached within the review period, the check is voided and reissued if necessary.

Finding 2 – Deficiencies in Procurement Practices and Policies
MSBH did not always comply with its Procurement Policy and Procurement Policy requires improvement.

MSBH concurs with this finding and had taken steps in the planning of updating all finance policies and procedures prior to this audit engagement. MSBH is currently working on updating, revising, developing and implementing all financial policies including procurement, purchasing,

bidding, proposals, etc. per the Human Services Manual and the auditors' guidance and recommendations.

Finding 3 – Deficiencies in Contract Monitoring
MSBH did not consistently monitor its vendor contracts.

MSBH concurs that in some cases a formal contract was not executed with certain providers and that MSBH failed to verify the business standing with SDAT for all providers. Some of the providers cited for missing contract documentation were providing administrative services, small purchases, for emergency procurement or sole source. MSBH is currently updating policies to capture and provide guidance regarding these types of services/purchases. MSBH now has a dedicated Grants Manager which has implemented tracking sheets for all phases of the contracting process including complete and executed contracts/MOUs. The current contracting process also includes the review and verification of all providers' business standing with the SDAT and all FY26 contractors' standing with the state have been reviewed and recorded.

Finding 4 – Incomplete Procurement Documentation
MSBH did not consistently maintain adequate supporting documentation.

MSBH acknowledges that one invoice related to an FY21 credit card charge could not be located, in some instances an approved quote was processed as opposed to an invoice and agrees that other supporting documentation was provided to substantiate all credit card expenditures for this review period and that there is no cost disallowance. MSBH has put in place additional safeguards to ensure that all invoices will be obtained and available going forward including updating all accounts with a new credit card which the Finance Coordinator has sole access to and use of.

Finding 5 – Improper Sales Tax Charged on MDH Contract
Sales tax totaling $13 was improperly charged to a MDH Contract.

MSBH concurs with this finding that out of the $52 million audited over four years that $13 of sales tax was expensed. However, we find this amount to be immaterial and do not agree that it should be a finding in this audit report, rather a discussion item. The audit team has explained that any amount over $1 must be included in a finding. MSBH will be diligent in reviewing invoices to ensure no sales tax is paid and charged to the state contracts.

Finding 6 – Expenditure Charged to Incorrect Fiscal Year
MSBH did not consistently record expenditures in the correct fiscal year.

MSBH concurs with this finding that out of the $52 million audited over four years that $1,280 of one FY23 invoice was expensed to FY24. However, we find this amount to be immaterial and do not agree that it should be a finding in this audit report, rather a discussion item. The audit team has explained that any amount over $1 must be included in a finding. MSBH will be diligent in reviewing invoices to ensure all expenses are recorded on the correct fiscal year.

Finding 7 – Untimely Vendor Reimbursement Returns
MSBH did not return two vendor reimbursement amounts to the State in a timely manner.

MSBH concurs with this finding. During this audit engagement, the CFO discovered this oversight and brought it to the auditors' attention. In these two instances the credits from the providers were not properly coded to an award in our accounting system and therefore was not present in any year end awards' reporting. This has been addressed with the responsible finance staff and a review will be included and implemented at the end of each fiscal year to ensure that there are no transactions posted that do not correspond to an award.

Finding 8 – Weakness in Sub-Vendor Controls
MSBH did not always have adequate controls in place over its sub-vendors.

MSBH concurs with this audit finding. The amount of disallowed expenditures ($1,511) ties to the MSBH reviewed and submitted FY22 440 reporting. Since FY21, the CFO has reviewed and signed each sub vendor 440 submission. MSBH has ensured that the audit requirements are included in each sub-vendor contract exceeding $100k including the requirement to break out and provide verification of the 440 reporting. In addition, prior to submitting final expense reimbursement, all sub vendor 440s are reconciled to the GL.

IT Correction Action Plans (CAP)

Finding 9 – Safeguarding Sensitive Data
MSBH does not document review of SOC 2 Type 2 Report.
Recommendation 9:
The OIGH recommends that MSBH document review of SOC 2 Type 2 Report and save review for future reference.

CAP:
MSBH will develop a tracking form to document receipt and review of SOC 2 Type 2 Reports. The tracking form will include a screenshot of the document's receipt (verifying the date received) and will include the name and signature of the person who reviewed the document.

Finding 10 – Internal Control on Physical Access
MSBH Physical access devices are not inventoried annually.
Recommendation 10:
The OIGH recommends that MSBH ensure an annual inventory is conducted for all physical access devices, including keys, smart cards, and badge readers, and that inventory records are updated accordingly.

CAP (Part One of Two):
Criteria cited from the State of Maryland Information Technology Security Manual, version 1.2, section Physical Access Control:
Keys and other physical access devices are secured; Controlling ingress/egress to the facility using methods including automated turnstiles, electronically locking doors, security cameras and/or guard stations; Physical access devices including keys, locks, card readers etc. are

inventoried at least annually; Keys are changed when keys are lost, combinations are compromised, or individuals are transferred or terminated.

Before 2021, MSBH issued metal keys to the organization's office located at 28578 Mary's Court, Suite 1. From 2021 and beyond, MSBH has utilized an internet cloud-based access system with Brivo at which point, MSBH installed an automatic locking mechanism. Every time the main door closes, it automatically locks.

Since 2021, MSBH has issued a keycard to each new employee, enabling access. The keycard has an identifiable number allowing anyone with access to the Brivo portal to identify the card number with the employee issued the card. Currently, those who have access to the Brivo portal are the Administrative Specialist, the Administrative and Communications Manager, and the Administrative Director. This allows MSBH to track who enters the building and what date and time. When an employee ends employment with MSBH, the card is returned, and MSBH deactivates the number. This ensures that the employee will no longer have access to the facility. When employees are hired before 2021 leave, they are required to return the metal key originally issued. MSBH tracks receipt of the key as a part of the exit process. All employees employed before 2021 and who have left the organization since 2021 have returned their metal keys.

Moving Forward:
MSBH will contact all current employees hired before 2021 to retrieve metal keys that had been issued before the installation of the Brivo system.

Regardless of efforts to retrieve metal keys, MSBH will change the lock on the front door. Keys to the front door will be issued only to the Administrative Specialist and members of senior leadership. This is to ensure that in the event of a power or internet outage, identified employees can gain access to the building.

MSBH will develop a tracking spreadsheet that lists the following:

- Name of Employee issued a card
- Card #
- Date of issuance
- Date of deactivation
- Reason for deactivation
- Date of Employee termination

The spreadsheet will be updated in real time and will be reviewed quarterly to support accuracy. The spreadsheet will contain a cell for the reviewer's initials and the date of review.

CAP (Part Two of Two):

Criteria cited from the State of Maryland Information Technology Security Manual, version 1.2, section Physical Access Control:
Physical access audit logs for all physical access points including designated entry and exit facility points and interior access points where the information system resides are maintained; Access to areas officially designated as publicly accessible is controlled as appropriate (in accordance with the conducted risk assessment) using organization defined safeguards (security cameras); Visitors are escorted, and visitor activities are monitored when maintenance is performed on DoIT devices by outside vendors that do not have DoIT required access authorization.

MSBH employees and all visitors enter and exit the facility via one main door. The main door locks automatically, requiring a key to enter. Upon entering, all employees and visitors are required to sign in and out on a log. The Administrative Coordinator is officed at the facility entrance and serves as the receptionist and gatekeeper. The Administrative Coordinator visually screens all visitors with a camera from their desk before pressing a button to unlock the door. Visitors are either escorted to a scheduled meeting space or wait in the lobby to be welcomed and then escorted. When the visit is over, visitors are escorted to the foyer where they sign out and exit the facility. Eight exits in the building are kept locked unless in the event of an emergency or an isolated special event. When setting the alarm to lock up after hours, MSBH personnel are alerted through the security system if any exit has been left unlocked.

Finding 11 – Access Control
MSBH did not disable user accounts for terminated employees and individuals with guest permissions in a timely manner.
Recommendation 11:
The OIGH recommends that MSBH ensure all employee and guest user accounts are deactivated immediately upon termination or completion of duties.

CAP:
Current practice is to issue a ticket to Corsica whenever an employee leaves to disable their login to Microsoft 365. This practice automatically ensures that they will no longer have access to user accounts within MSBH information systems.

Moving forward, MSBH will add the step of initiating a quarterly housekeeping clean-up to review and remove the email addresses from the list of users of any terminated employee.

Additionally, there are external partners (guest users) with whom MSBH provides limited access to specific folders outside of MSBH's operational folders. Examples are the Mid Shore Suicide Coalition, the MSBH Board of Directors, the MSBH Hub Program, and the Mid Shore Behavioral Health Planning Collaborative. These SharePoint folders were created to enable MSBH to collaborate in a protected and secure environment with external partners on specific projects and initiatives. The audit revealed the need to develop a protocol ensuring that external partners are removed upon leaving their respective groups.

Moving forward, MSBH will develop a process to identify all external partners who have been invited to access a working folder and verify if the partner is still active in the group. This review will occur twice per year. Please note, external partners are invited to have access only to folders that are outside of the MSBH operational portal, and only for collaborative work on designated projects and initiatives.

MSBH will meet with facilitators of each group noted to set up a system of notification when a group member leaves. Upon notification, the Administrative Director will remove the exiting member from the group and will update the spreadsheet.

MSBH is responsible for adding any new external partner to a designated folder for the purposes of collaborative work only.

Finding 12 – Contingency Planning

MSBH does not test or exercise contingency plans on an annual basis and MSBH IT Disaster recovery plan needs to be improved and more detailed.

Recommendation 12:

The OIGH recommends that MSBH:

a. Review and approve contingency plans on an annual basis.

b. Test the Contingency Plan annually, document the test and retain the documentation for future reference.

c. Ensure the contingency plan includes detailed step-by-step procedures for various emergency scenarios, clearly defining critical systems, recovery time objectives (RTOs), recovery point objectives (RPOs), responsible personnel, communication protocols, and alternate operational locations to enhance clarity and readiness during actual disruptions.

CAP:

MSBH will contract with Corsica Technologies to develop and lead the MSBH team in an IT contingency and recovery plan in the event of a disaster. Contingency plans will be reviewed and approved on an annual basis. Annual documentation will include:

- The date and time of the test
- Objectives of the test
- Who was involved and designated roles
- Outcome of the testing
- Debriefing to include resulting action items for remediation

MSBH will contract with Corsica Technologies to review and update the current IT component of the MSBH Operations Plan. The update will include the following:

- Detailed step-by-step procedures for various emergency scenarios
- Clear definition of critical systems
- Recovery time objectives (RTOs)
- Recovery point objectives (RPOs)
- Responsible personnel

- Communication protocols
- Alternate operational locations to enhance clarity and readiness during actual disruptions

Finding 13 – Information Back-Up
MSBH does not test Back-Up Information annually to verify media reliability and information technology.

Recommendation 13:
The OIGH recommends that MSBH test backup data as a whole at least once annually for reliability and integrity, document the test and retain the documentation for future reference.

CAP:
MSBH is currently in discussion with Corsica Technologies to implement an annual test of the backup system to verify media reliability and integrity of the MSBH IT system. Annual testing will be formally documented for reference as needed.

MSBH appreciates the productive and informative audit experience with particular thanks to Isis Powell, Chau Nguyen, and Demissie Gebremedhin. MSBH values the collaborative relationship that we have with the External Audit Division.

MSBH would like to express our gratitude for the guidance provided to our agency and the opportunity to respond to the audit report. Please let us know if additional information is needed to support our response and corrective action planning.

Very Respectfully,

Kathryn Dilley, LCSW-C
Chief Executive Officer

Audit Team

Chau Nguyen, CPA
Acting Chief Auditor

Isis Powell
Audit Supervisor

Demissie Gebremedhin
Staff Auditor

Audit Job Number: 327