TO: Ms. Kathi Ruffin, Vice President, Finance and Chief Financial Officer
Behavioral Health System Baltimore

FROM: Shelly Marie Martin – *Shelly Marie Martin,*
Inspector General

DATE: August 26, 2025

RE: Audit Report – Behavioral Health System Baltimore.

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.

Behavioral Health System Baltimore (BHSB), located in Baltimore City, Maryland, is a nonprofit organization established to perform the function of managing Baltimore City's behavioral health system which is the system of care that addresses emotional health and well-being and provides services for individuals with substance use and mental health disorders. During the audit period (July 1, 2020 to June 30, 2023), BHSB received $121,209,319 from MDH in support of its mission.

Results of Review

The OIGH determined that $36,591 is due to MDH based on unallowable costs, sub-vendor controls and missing equipment. 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. BHSB's response is included as an appendix to this report.

The BHSB's responses to this audit are included as an appendix to this report. We have reviewed the response and identified statements in the response that conflicted with or disagreed with the report finding. 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 acknowledge the cooperation of BHSB staff during this audit. We also wish to acknowledge BHSB'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

August 26, 2025

Behavioral Health System Baltimore

July 1, 2020 through June 30, 2023

Maryland Office of the Inspector General for Health

Audit Report: Behavioral Health System Baltimore

The Maryland Office of the Inspector General for Health (OIGH)'s External Audit Division has performed an audit of the accounts and records of Behavioral Health System Baltimore (BHSB) 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, 2023.

Objectives of the Examination
The OIGH conducted the audit to:

- Determine the amount of program revenue received and allowable expenditures incurred by the program for the contracts.
- Determine any amount due to the State or to the provider resulting from the operation of the programs during the audit period.
- Determine whether financial matters were conducted in accordance with the MDH's Human Services Agreements Manual (HSAM).
- Provide recommendations for improving internal control, ensuring fiscal compliance, or increasing efficiency.
- Determine the status of any recommendations contained in our 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 Unallowable Costs
- Schedule of Sub-vendor Cost Disallowances
- Schedule of Missing Equipment
- Schedule of MDH-DGLHD Unreconciled MDH Form 440s
- Schedule of MDH Form 440 Reconciliations Contained Errors

Internal Control

BHSB 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 12 recommendations contained in our preceding audit report. Our review determined that six recommendations were corrected, four recommendations were not corrected and are repeated in this report, and two recommendations are not applicable in this audit period.

Conclusion

As a result of procedures performed, in accordance with the examination objectives set forth above, the OIGH determined that $36,591 is due to MDH. The following is a summary of the amounts due:

Behavioral Health System Baltimore Summary of Amount Due to MDH			
Finding Number	**Finding Description**	**Amount**	**Report Page Reference**
4	Unallowable Costs	$ 1,448	9
5	Subvendor Controls	34,000	10
6	Missing Equipment	1,143	12
	Total Due to MDH	**$ 36,591**	

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 September 26, 2025.

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*** Denotes item was not corrected from the preceding audit report.**

Schedule SC

BEHAVIORAL HEALTH SYSTEM BALTIMORE
SCHEDULE OF CONTRACTS AUDITED
BEHAVIORAL HEALTH ADMINISTRATION
FISCAL YEARS 2021 THROUGH 2023

Contract Number	Contract Description	2021	2022	2023
AS019SAS	General Fund Treatment Grant	$ 6,275,087	$ 6,275,087	$ 6,275,087
AS084TCA	Temporary Cash Assistance (TCA)	1,125,579	1,125,579	1,125,579
AS182DCT	Drug Court Treatment Services	371,123	371,123	371,123
AS259FED	Federal Substance Abuse Treatment	3,344,998	2,719,806	2,475,406
AS366ADM	Administrative LAA	7,987,355	8,021,987	8,282,702
AS418WTI	Peer Workforce Training Initiative	199,073		
BH003BUP	Buprenorphine Initiative	1,000,000	1,000,000	1,000,000
BH031SAR	FBG ARPA Substance Use Service			872,500
BH032SOR	State Opiod Response (SOR) III-Year 1			2,679,689
BH100OCC	Outpatient Civil Commitment	494,827	494,827	494,827
BH101ICC	Intensive Care Coordination	50,000	50,000	50,000
BH112SOR	State Opioid Response	2,313,760	2,313,760	2,313,760
BH118CRS	Crisis Serviced	894,144	894,144	894,144
BH118SUP	SOR-Supplement	811,263	811,263	811,263
BH293MCS	FBGCovid19 Supp. MH Services- BH Assisted Living Pilot			500,000
BH522GBR	GBRICS MD Services			2,000,000
BHS01STC	988 State and Territory Cooperative Agreements			93,131
MH327OTH	Core Public Health Services	12,161,256	12,161,256	12,161,256
MH334OTH	Path Grant	320,746	320,746	320,746
MH344OTH	Federal Block Grant	1,426,439	1,426,439	1,426,439
MH594OTH	Money Follows the Person	100,000	100,000	100,000
	Total Dollars Audited by Fiscal Year	**$ 38,875,650**	**$ 38,086,017**	**$ 44,247,652**
	Total Number of Contracts Audited	**51**		
	Total Contract Dollars Audited	**$ 121,209,319**		

Findings and Recommendations

Procurement

Finding 1 – Consultant Contract Deficiencies
BHSB did not always consistently maintain contract documentation or clearly define contract amounts for consultants.

Analysis
The OIGH's review of consultant agreements revealed the following**:**

- Missing contract documentation: BHSB did not provide contract documentation for one of the eight consultants for Fiscal Year (FY) 2022. The BHSB indicated that this documentation could not be located.

- Undefined Contract Amount: One of the eight consultants for FY2023 did not specify the total contract amount.

Criteria
The Human Service Agreement Manual (HSAM) 2050.03 Specifications states:" *When selected, a private vendor will be asked to sign a contract; a government agency will be asked to sign an MOU or will be issued in award letter. The agreement or award letter will include, at a minimum, the following: a) Standard contract clauses, as appropriate, from COMAR Title 21 (contract only). If award is over $24,000 publication in Maryland Register is required, (b) Name of Vendor/Vendor-of-record, (c) Award Number and the federal tracking number (when federal funds are used for all or part of the grant/contract), (d) Project Number (in the case of grants to Local Health departments), (e) Amount of Award, (f) Source(s) of Funding, (g) Fiscal Years for which the award is made, (h) Detail if any, of matching fund requirements of any other contribution. 51 (i) The specification of all deliverables (with deadlines as appropriate), (j) A line-item detail budget (for each year of funding)*

HSAM 2050.04 Award Letter states: *"When a contract is used, an award letter summarizing the agreement will be prepared by the program administration and released by the Division of Contracts. It should contain items b, c, d, e and g in Section 2050.03 noted above. For Local Health Departments a unified grant award letter will summarize all DHMH grants/MOUs. These will be updated monthly as required by the Division of Program Cost and Analysis.*

HSAM, section 2240.03 Contractual Agreements*, states: "All human services Agreement or Award contract must contain all mandatory provisions and clauses of the MDH 4133, all necessary identifying information, and sufficient specificity to afford no ambiguity as to the terms of the contract, including but not necessarily limited to: start/end date, units of measure, deliverables, method and amount of payment (s), restrictions prohibitions, penalties and provisions for continuity of care."*

Recommendation 1
The OIGH recommends that BHSB:

a) **Strengthen its contract retention and tracking processes to ensure all agreements are properly documented and accessible.**

b) **Ensure all award contracts clearly specify the total contract award amount, including the method and amount of payment.**

Finding 2 – Vendor Legal Status
BHSB did not document the verification process of its vendors' legal status with the Maryland Department of Assessments and Taxation (MDAT).

Analysis
The OIGH's review of BHSB vendors' legal standing found no evidence indicating legal status was confirmed during contract signing for four consultant contracts reviewed. Verification of a vendor's legal status ensures vendor identity and information accuracy, decreases the risk of fraud, complies with regulatory standards, and identifies any risks related to the vendor.

Criteria
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 2
The OIGH recommends that BHSB:
Document the process of verifying vendors' legal status with the Department of Assessment and Taxation.

Expenditure

Finding 3 – Incorrect Account Classification
BHSB misclassified a software expenditure.

Analysis
The OIGH's review of expenditures identified that BHSB misclassified one software expenditure as a consultant line item. **(Repeated Finding)**

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 3:
The OIGH again recommends that BHSB:
Ensure that expenditures are correctly classified and recorded to the proper line item.

Finding 4 – Unallowable Costs
Unallowable costs were charged to MDH Contracts.

Analysis
The OIGH's review of BHSB expenditures in Fiscal Years 2021 and 2022 disclosed the following:

- Misclassified Delinquency Charges: Unallowable delinquency and late fees totaling $1,421 were incorrectly posted to the bank charges account and charged to Contract Number AS366ADM – Administrative LLA Program. **(Repeated Finding)**

- Improper Sales Tax Payment: An invoice in FY2022 included a $27 sales tax.

See the schedule below for details:

Behavioral Health System Baltimore Schedule of Unallowable Costs					
Fiscal Year	**Contract Number**	**Contract Description**	**Finding Description**	**Disallowed Amount**	
2021	AS366ADM	Administrative LAA	Unallowable costs - Delinquency charge/Late Fees	$	775
Total Cost Disallowances by FY2021				**$**	**775**
2022	AS366ADM	Administrative LAA	Unallowable costs - Delinquency charge/Late Fees	$	646
2022	AS366ADM	Administrative LAA	Unallowable costs - Sales Tax		27
Total Cost Disallowances by FY2022				**$**	**673**
Total Cost Disallwances Due to MDH				**$**	**1,448**

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".*
HSAM Section 2150.09- Unallowable Costs provides a list of costs considered to be unallowable for purposes of Departmental Grant/contract support. Among the unallowable costs are "*(j) Fines, Claim, Awards, Judgments, or Penalties*."

Recommendation 4:
The OIGH again recommends that BHSB:

a) **Ensure that expenditures are correctly classified and recorded to the proper line item.**
b) **Ensure that only allowable expenditures are charged to MDH Contracts.**

Cost disallowances resulting from the findings above total $1,448 due to MDH.

Sub-Vendors

Finding 5 – Deficiencies in Sub-vendor Controls
BHSB did not have adequate monitoring and controls over its sub-vendors.

Analysis
The OIGH's review of BHSB's sub-vendor monitoring process in the audit period disclosed that:

- Subvendor audits did not include a separate profit/loss activity schedule segregated by each MDH Contract and its related final sub-vendor MDH 440 Form. The cost disallowance total is $34,000. (**Repeated Finding)**
- Not all audit reports were reviewed in a timely manner. For example, in Fiscal Year 2023, it took BHSB more than a year after the report was issued to perform the review. (**Repeated Finding**)
- While documentation reviews were conducted, the audit review process had notable inconsistencies:
    - Audit review checklists were not consistently signed and dated for approval.

- Reviewers did not consistently date the audit review checklist, making it difficult to verify review timelines.
- Some audit review checklists were incomplete, with unanswered questions.

See the schedule below for details:

Behavioral Health System Baltimore Schedule of Subvendor Cost Disallowances				
Fiscal Year	**Contract Number**	**Contract Description**	**Finding Description**	**Disallowed Amount**
2023	AS019SAS	General Fund Treatment Grant	Four Sub-vendor CPA reports did not separate grant operations from total operations	$ 8,000
2023	AS084TCA	Temporary Cash Assistance (TCA)	Two Sub-vendor CPA reports did not separate grant operations from total operations	4,000
2023	AS259FED	Federal Substance Abuse Treatment	Two Sub-vendor CPA reports did not separate grant operations from total operations	4,000
2023	BH003BUP	Buprenorphine Initiative	Two Sub-vendor CPA reports did not separate grant operations from total operations	4,000
2023	MH327OTH	Core Public Health Services	Seven Sub-vendor CPA reports did not separate grant operations from total operations	14,000
Total Cost Disallwances Due to MDH				$ 34,000

Details regarding sub-vendor names and contracts were furnished to BHSB during the audit.

Criteria

The Standards for Audit of Human Services Sub-Vendors Section III.C.1 c) 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....*
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 review 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.E.3 c) (iii)Vendors responsibilities for sub-vendor audits states: " *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 5
The OIGH again recommends that BHSB:

a) **Ensure that sub-vendor audits comply with section III of MDH's "Standards for Audit of Human Services Sub-Vendors", which includes providing a separate profit/loss activity schedule for each of the MDH Contract's related 440 Form to allow the reader to evaluate the results of the 440 audit separately and isolated from the sub-vendor's total operations.**
b) **Ensure that all sub-vendor audit reports are reviewed in a timely manner.**
c) **Ensure all audit review checklists are thoroughly completed, properly signed, and accurately dated to maintain clear documentation, strengthen oversight, and enhance accountability in the audit review process.**

Cost disallowances resulting from the findings above total $34,000 due to MDH.

Equipment

Finding 6 – Missing Equipment
One equipment item was missing.

Analysis
The OIGH's review of BHSB's detailed inventory records revealed that a computer equipment item, valued at $1,143 and funded by state contract AS366ADM, was not recovered from a former employee upon termination. The asset remained unaccounted for during the audit period.

See the schedule below for more details:

Behavioral Health System Baltimore Schedule of Missing Equipment				
Fiscal Year Purchase	**Contract Number**	**Contract Description**	**Finding Description**	**Disallowed Amount**
2023	AS366ADM	Administrative LAA	Missing - item tag # 0357 Computer Laptop	$ 1,143
Total Cost Disallowances Due to MDH				**$ 1,143**

Criteria
The DGS's Inventory Control Manual Section IV.02 Security Measures states: "A. Agencies shall take every precaution *that is practical or necessary to protect State property from being lost or stolen. B. Losses shall be investigated to determine the cause and to take corrective action to protect property against future loss occurrences.*

The DGS's Inventory Control Manual Section IV.03 I. States*: "Agencies shall absorb the full amount of property loss due to theft, except in specific cases where property may be insured under a special policy. Stolen property having special coverage shall be reported by letter to the State Treasurer.*

Recommendation 6:
The OIGH recommends BHSB:

a) **Ensure that the missing equipment items are thoroughly investigated and that Accountable Officers take proper control over the equipment inventory in their respective units.**
b) **Ensure that the Accountable Officers are held responsible for the use and care of State property in their custody or control, which includes the immediate reporting of losses.**

Cost disallowances resulting from the finding above total $1,143 due to MDH.

Other Matters – MDH Reconciliations

Other Matter 1– MDH-DGLHD did not timely reconcile MDH Form 440s submitted by BHSB
MDH-DGLHD did not complete the required reconciliations of MDH Form 440s, resulting in $8,577,267 in unspent funds pending resolution.

Analysis
The OIGH's review of BHSB'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 BHSB's timely submission of annual reports and multiple reminders. As a result, $8,577,267 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 BHSB. Therefore, no cost disallowances are associated with this finding.

See the schedule below for more detail:

Behavioral Health System Baltimore Schedule of MDH-DGLHD Unreconciled MDH Form 440s				
Fiscal Year	**Contract Number**	**Contract Description**	**Finding Descriptions**	**Unspent (Unfunded) Amount**
2023	AS019 Rollover	Treatment State Block FY22' Rollover	No initial reconciliation was done by MDH	$ 58,603
2023	BH122SOR	State Opiod Response	No initial reconciliation was done by MDH	233,025
2023	AS259FED	Federal Fund Treatment Grant	No initial reconciliation was done by MDH	21,305
2023	AS436MDR	Maryland Recovery Network (MDRN) Client	No initial reconciliation was done by MDH	34,377
2023	BH003BUP	Buprenorphine Initiative	No initial reconciliation was done by MDH	7,471
2023	BH100OCC	Outpatient Civil Commitment	No initial reconciliation was done by MDH	(143,659)
2023	BH118CRS	Crisis Services	No initial reconciliation was done by MDH	97,979
2023	MH327OTH	State MH Block Grant (Services)	No initial reconciliation was done by MDH	991,664
2023	MH327OTH-ROLLOVER	FY22 Rollover MH Services State Block Grant	No initial reconciliation was done by MDH	21,857
2023	MH334OTH	Projects For Assistance in Transition From Homelessness-PATH	No initial reconciliation was done by MDH	53,176
2023	MH344OTH	Federal Block	No initial reconciliation was done by MDH	139,542
2023	MH59OTH	Older Adult Behavioral Health PSARR	No initial reconciliation was done by MDH	45,721
	Total Unspent Funds in FY 2023			**$ 1,561,061**

Fiscal Year	Contract Number	Contract Description	Finding Descriptions	Unspent (Unfunded) Amount
2022	AS019SAS	General Treatment Grant	No initial reconciliation was done by MDH	$ 2,109,082
2022	AS019-F826N (Rollover)	General Treatment Grant-Rollover	No initial reconciliation was done by MDH	19,261
2022	AS084TCA	Temporary Cash Assistance	No initial reconciliation was done by MDH	32,733
2022	AS182DCT	Drug Court	No initial reconciliation was done by MDH	100,554
2022	AS259FED	Federal Substance Abuse Treatment	No initial reconciliation was done by MDH	281,191
2022	AS366ADM	BHSB Administrative	No initial reconciliation was done by MDH	718,179
2022	AS346MDR	Maryland Recovery Network (MDRN) Client	No initial reconciliation was done by MDH	199,255
2022	BH003BUP	Buprenorphine Initiative	No initial reconciliation was done by MDH	47,662
2022	BH100OCC	Outpatient Civil Commitment	No initial reconciliation was done by MDH	359,159
2022	BH116SOR1 & 2	Medical Patient Engagement - YR1	No initial reconciliation was done by MDH	113,342
2022	BH118CRS	Crisis Services	No initial reconciliation was done by MDH	94,994
2022	BH118SUP/SUP118	SOR NEC Supplement	No initial reconciliation was done by MDH	25,238
2022	BH122SOR	State Opiod response	No initial reconciliation was done by MDH	520,036
2022	MH327OTH	General Services MH Block Grant	No initial reconciliation was done by MDH	773,183
2022	MH327ROLLOVER	FY19 Rollover Funds-State Block (MH)	No initial reconciliation was done by MDH	33,651
2022	MH334OTH	PATH	No initial reconciliation was done by MDH	62,112
2022	MH344OTH	Federal Block	No initial reconciliation was done by MDH	90,802
2022	MH594OTH	Older Adult Behavioral Health PSARR Specialist.	No initial reconciliation was done by MDH	-
	Total Unspent Funds in FY 2022			**$ 5,580,434**
2021	AS019SAS	General Treatment Grant	No initial reconciliation was done by MDH	2,243,084
2021	AS019-F826N (Rollover)	Temporary Cash Assistance	No initial reconciliation was done by MDH	(1,271,168)
2021	AS084TCA	Temporary Cash Assistance	No initial reconciliation was done by MDH	118,068

Fiscal Year	Contract Number	Contract Description	Finding Descriptions	Unspent (Unfunded) Amount
2021	AS182DCT	Drug Court	No initial reconciliation was done by MDH	118,805
2021	AS366ADM	BHSB Administrative	No initial reconciliation was done by MDH	915,620
2021	BH003BUP	Buprenorphine Initiative	No initial reconciliation was done by MDH	51,002
2021	BH100OCC	Outpatient Civil Commitment	No initial reconciliation was done by MDH	372,413
2021	BH116SOR1 & 2	Medical Patient Engagement - YR1	No initial reconciliation was done by MDH	-
2021	BH116SOR1 & 2	Medical Patient Engagement - YR2	No initial reconciliation was done by MDH	-
2021	BH118SUP/SUP118	SOR NEC Supplement	No initial reconciliation was done by MDH	-
2021	BH122SORII	State Opiod response	No initial reconciliation was done by MDH	(1,774,035)
2021	MH327OTH	General Services MH Block Grant	No initial reconciliation was done by MDH	627,497
2021	MH327ROLLOVER	FY19 Rollover Funds-State Block (MH)	No initial reconciliation was done by MDH	30,066
2021	MH594OTH	Older Adult Behavioral Health PSARR Specialist.	No initial reconciliation was done by MDH	4,420
	Total Unspent Funds in FY 2021			**$ 1,435,772**
	Total Unspent Funds			**$ 8,577,267**

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 BHSB's operations, no recommendation is directed to BHSB.

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

Analysis
Analysis The OIGH's review of MDH Form 440s for the audit period revealed that MDH-DGLHD incorrectly reconciled BHSB's MDH Form 440s, for FY2023. Specifically, interest income and other income reported by BHSB 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. 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 BHSB. Therefore, no cost disallowances are associated with this finding.

See the schedule below for more details:

Behavioral Health Systems Baltimore
Schedule of MDH Form 440 Reconciliations Contained Errors

Fiscal Year	Contract Number	Contract Description	Finding Descriptions	Mistaken Amount
2023	AS019SAS	General Fund SUD Services	Interest Income and Other Income were not considered during the Initial Reconciliation - According to HSAM all incomes have to be utilized first before the State Grant	$ 143,612
2023	AS084TCA	Temporary Cash Assistance	Interest Income and Other Income were not considered during the Initial Reconciliation - According to HSAM all incomes have to be utilized first before the State Grant	5,166
2023	AS182DCT	Drug Court	Interest Income and Other Income were not considered during the Initial Reconciliation - According to HSAM all incomes have to be utilized first before the State Grant	1,703
2023	AS366ADM	BHSB Administrative	Interest Income and Other Income were not considered during the Initial Reconciliation - According to HSAM all incomes have to be utilized first before the State Grant	477,843
2023	BH031SAR	FBG ARPA Substance Use Service	Interest Income and Other Income were not considered during the Initial Reconciliation - According to HSAM all incomes have to be utilized first before the State Grant	4,005
2023	BH522GBR	GBRICS MD SERVICES	MDH stated no amount due . Receipts to BHSB are more than the reported expenditures.	5,355
2023	BHS01TSC	Mobile Crisis Hotline 988 Expansion State and Territor Cooperative Agreements	MDH stated no amount due . Receipts to BHSB are more than the reported expenditures. Interest Income and Other Income were not considered during the Initial Reconciliation	14,927
	Total Amounts			**$ 652,611**

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 BHSB's operations, no recommendation is directed to BHSB.

Appendix 1: Provider Responses

Behavioral Health System Baltimore

Office of the Inspector General for Health
Draft Audit Report June 30, 2025
Behavioral Health System Baltimore July 1, 2020, through June 30, 2023
Management Responses

Finding 1 – Consultant Contract Deficiencies
BHSB did not always consistently maintain contract documentation or clearly define contract amounts for consultants.
Analysis
The OIGH's review of consultant agreements revealed the following:
- Missing contract documentation: BHSB did not provide contract documentation for one of the eight consultants for Fiscal Year (FY) 2022. The BHSB indicated that this documentation could not be located.
- Undefined Contract Amount: One of the eight consultants for FY2023 did not specify the total contract amount.

Management concurs with this finding. BHSB Inc. is strengthening internal controls related to consultant contracts funded by the Administrative Grant by enhancing current procedures. This includes implementing a formal process to track consultant budgets and payments against executed contracts which will also include a secondary review to ensure all budgeted amounts are reflected in the contract.

Finding 2 – Vendor Legal Status
BHSB did not document the verification process of its vendors' legal status with the Maryland Department of Assessments and Taxation (MDAT).
Analysis
The OIGH's review of BHSB vendors' legal standing found no evidence indicating legal status was confirmed during contract signing for four consultant contracts reviewed. Verification of a vendor's legal status ensures vendor identity and information accuracy, decreases the risk of fraud, complies with regulatory standards, and identifies any risks related to the vendor.

Management concurs with this finding. BHSB has historically verified sub-vendors by requiring a Good Standing certificate from the MD Secretary of State business portal. Consultants were not included in this process, as most are sole proprietors and not registered corporations. Moving forward, BHSB will extend this verification process to include consultants who are registered as corporations, to ensure they are in good standing with the State of Maryland.

Finding 3 – Incorrect Account Classification
BHSB misclassified a software expenditure.
Analysis
The OIGH's review of expenditures identified that BHSB misclassified one software expenditure as a consultant line item. **(Repeated Finding)**

Management does not concur with this finding. The invoice in question is for services delivered by a software development firm, and the associated expense was both budgeted and recorded as software consultants. While the nature of the work is considered a consulting function, we recognize that BHA requires a formal contract for any item budgeted under the consultant line item. This vendor invoices on an as needed basis after the work is completed and verified. For that reason, BHSB will categorize this service as a software development expense in the future to ensure alignment with BHA's expectations.

Finding 4 – Unallowable Costs
Unallowable costs were charged to MDH Contracts.
Analysis
The OIGH's review of BHSB expenditures in Fiscal Years 2021 and 2022 disclosed the following:
- Misclassified Delinquency Charges: Unallowable delinquency and late fees totaling $1,421 were incorrectly posted to the bank charges account and charged to Contract Number AS366ADM – Administrative LLA Program. **(Repeated Finding)**

- Improper Sales Tax Payment: An invoice in FY2022 included $27 in sales tax.

Management concurs with this finding. BHSB implemented a process as a result of the recommendation from the last MDH Audit dated September 2022. The unallowed costs that were charged to the grant were posted before the MDH Audit of FY18 - FY20 ended, and by the time a new process was put into place, the fiscal year was closed, and expense corrections could not be made. Since then, the organization has used the new process to properly distinguish unallowable costs and there were no errors found in FY2023.

Finding 5 – Deficiencies in Sub-vendor Controls

BHSB did not have adequate monitoring and controls over its sub-vendors.

Analysis

The OIGH's review of BHSB's sub-vendor monitoring process in the audit period disclosed that:

- Subvendor audits did not include a separate profit/loss activity schedule segregated by each MDH Contract and its related final sub-vendor MDH 440 Form. The cost disallowance total is $34,000. (Repeated Finding)
- Not all audit reports were reviewed in a timely manner. For example, in Fiscal Year 2023, it took BHSB more than a year after the report was issued to perform the review. (Repeated Finding)

While documentation reviews were conducted, the audit review process had notable inconsistencies:

- Audit review checklists were not consistently signed and dated for approval.
- Reviewers did not consistently date the audit review checklist, making it difficult to verify review timelines.
- Some audit review checklists were incomplete, with unanswered questions.

Management concurs with this finding. BHSB has consistently communicated audit requirements to subvendors through email, meetings, and contractual language. Despite these efforts, it has been challenging to ensure full compliance. To encourage adherence moving forward, BHSB will begin passing related fines to subvendors when noncompliance occurs.

BHSB aims to complete the Audit Review Forms within a timely manner. Subvendor audits are due 9 months after the fiscal year, so there may be times when the review process extends beyond 12 months from the report issue date. Additionally, significant updates were made to the Subvendor Monitoring Plan in fiscal year 2024, including a revised Audit Review Form designed to strengthen follow-up procedures. Fiscal year 2023 forms were due in March 2024, and the MDH audit began in June 2024. At the time of the audit, forms were under review by the CFO as part of the implementation of these changes and to conduct related training. As a result, not all forms were completed and/or signed prior to the start of the audit. BHSB has since finalized the updated procedures and will ensure that all required forms are completed and signed in accordance with the policy going forward.

Finding 6 – Missing Equipment

One equipment item was missing.

Analysis

The OIGH's review of BHSB's detailed inventory records revealed that a computer equipment item, valued at $1,143 and funded by state contract AS366ADM, was not recovered from a former employee upon termination. The asset remained unaccounted for during the audit period.

Management does not concur with this finding. BHSB tracks equipment issued to employees upon hire and prior to issuing an employee's final paycheck, BHSB reviews the issues to ensure all equipment is returned prior to receiving final pay. Management was made aware of the missing equipment by the HR department, who made several attempts to contact the employee. Because this employee abandoned their job, and did not complete a time sheet, they were not issued a final paycheck, which most likely would have exceeded the value of the lost equipment. Furthermore, BHSB does not recall being interviewed by the auditor on the specifics of the missing equipment or documentation would have been provided to show that the proper controls were in place at the time of the incident. The abandonment

occurred in May 2024, and the equipment was released from inventory in July 2024. The financial implications of this incident will be reflected in the fiscal year 2025 financials, which will not be issued until February 2026.

Appendix 2: Auditor Comments to Provider Responses

Finding Number	Brief Description	BHSB's Responses
3	Incorrect Account Classification	Management does not concur with this finding. The invoice in question is for services delivered by a software development firm, and the associated expense was both budgeted and recorded as software consultants. While the nature of the work is considered a consulting function, we recognize that BHA requires a formal contract for any item budgeted under the consultant line item. This vendor invoices on an as needed basis after the work is completed and verified. For that reason, BHSB will categorize this service as a software development expense in the future to ensure alignment with BHA's expectations.
Auditor Comments: The OIGH has reviewed the audit workpapers and maintains that the finding remains valid. Although management does not concur, the transaction was confirmed to be a software expense rather than an IT consultant. The vendor delivered completed software products billed upon completion—consistent with software development services. By contrast, consulting engagements typically involve formal contracts and time-based billing, such as timesheets, which were not applicable in this case.		
Finding Number	**Brief Description**	**BHSB's Responses**
6	One Equipment Item was Missing	Management does not concur with this finding. BHSB tracks equipment issued to employees upon hire and prior to issuing an employee's final paycheck, BHSB reviews the issues to ensure all equipment is returned prior to receiving final pay. Management was made aware of the missing equipment by the HR department, who made several attempts to contact the employee. Because this employee abandoned their job, and did not complete a time sheet, they were not issued a final paycheck, which most likely would have exceeded the value of the lost equipment. Furthermore, BHSB does not recall being interviewed by the auditor on the specifics of the missing equipment or documentation would have been provided to show that the proper controls were in place at the time of the incident. The abandonment occurred in May 2024, and the equipment was released from inventory in July 2024. The financial implications of this incident will be reflected in the fiscal year 2025 financials, which will not be issued until February 2026.
Auditor Comments: The OIGH reviewed the audit workpapers and supporting documentation, including HR correspondence, which clearly indicated that the equipment was unrecoverable. While management may not recall a direct interview regarding this item, the audit process was thorough and based on the evidence available at the time of fieldwoek. The explanation provided is understandable. However, it does not negate BHSB's responsibility to safeguard state-funded equipment. Therefore, the OIGH maintains that the finding remains valid.		

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Audit Job Number: 313