To: Scott R. Brennan, Esq. CHC, Director, Compliance, Audit, and Privacy, MHBE

From: Shelly Marie Martin-*Shelly Marie Martin, OIGH*
Inspector General

Subject: Special Review Report – MDH-OHR Unauthorized Payroll Charges

Date: March 25, 2026

Background and Objective

This review is initiated based on a complaint received from the Maryland Health Benefit Exchange (MHBE), a public corporation and independent unit of state government, detailing significant concerns regarding unauthorized and erroneous payroll charges originating from the Maryland Department of Health (MDH). The complaint highlights a recurring, systemic failure in MDH's financial controls related to contractor payments.

Core Concerns

MHBE's complaint emphasizes that these two specific incidents are part of a broader pattern. The ongoing requirement for MHBE to manually intervene, specifically to stop and reissue payments for MDH personnel, demonstrates a systemic control weakness that exceeds the scope of isolated human error. The central control failure requiring immediate review is: How were MDH personnel able to post, charge, and generate payments for MDH contractors using MHBE's cost center or payroll department code without MHBE's authorization or validation?

This review will focus on MDH's Human Resources and Fiscal controls to identify the root cause, determine accountability, and ensure robust, verifiable corrective action is implemented to protect state finances.

The primary objective of this review is to determine the nature, extent, and root cause of the unauthorized payment misdirection incidents involving the Department of Health (MDH) and the MHBE, and to evaluate the adequacy of MDH's financial controls and corrective actions to prevent recurrence.

Based on these details, the OIGH External Audit Team will conduct a thorough investigation concerning unauthorized and erroneous payroll charges originating from the Maryland Department of Health (MDH).

Results of Review

The Office of Inspector General for Health (OIGH) conducted a comprehensive review of the Maryland Department of Health's (MDH) Human Resources payroll processes related to charges billed to the Maryland Health Benefit Exchange (MHBE). Based on our review, the unauthorized payroll charges billed to MHBE resulted from errors primarily attributable to actions performed by an external party during the processing of a request submitted by the MDH Office of Human Resources (MDH-OHR). Specifically, MDH-OHR submitted a ticket to the SPS Support Service within the Department of Budget and Management (DBM) to create 45 new Position and Identification Numbers (PINs) in Workday as part of the requisition process for hiring new contractual employees. Within this request, DBM incorrectly assigned the MHBE cost center to two PINs instead of the appropriate MDH cost center, resulting in payroll expenditures being improperly charged to MHBE.

Additionally, OIGH determined that MDH-OHR did not have established policy and procedures requiring a review of newly created PINs to verify that the appropriate MDH cost center was assigned. As a result, two newly created PINs were incorrectly assigned to MHBE cost center during the hiring process. These errors were not identified until payroll payments had already been issued to two employees, resulting in unauthorized payroll charges being billed to MHBE.

CC: Tony Armiger, Chief Financial Officer, MHBE
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Office of the Inspector General for Health

Special Review

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Confidential

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Maryland

OFFICE OF THE INSPECTOR GENERAL FOR HEALTH

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Background

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This review will focus on MDH's Human Resources and Fiscal controls to identify the root cause, determine accountability, and ensure robust, verifiable corrective action is implemented to protect state finances.

Review Objectives

The primary objective of this review is to determine the nature, extent, and root cause of the unauthorized payment misdirection incidents involving the Department of Health (MDH) and the MHBE, and to evaluate the adequacy of MDH's financial controls and corrective actions to prevent recurrence.

Review Scope:

- Maryland Department of Health (MDH) - Fiscal, Human Resources, and specific units involved in contractor management and payment processing.
- Payroll transactions and contractor payments involving MDH personnel coded under MHBE for FY2025 and prior fiscal years (as necessary).
- MDH's process for contractor setup, assignment of cost center/department codes, approval workflow for payments, and system interface logic between MDH and the central payroll/financial system (which interfaces with MHBE).

Review Methodology

The methodology will combine interviews, document review, and transaction data analysis, focusing on a deep dive into system logic and internal control documentation.

Review Procedures

- Document Review & System Tracing (MDH Procedures) to determine how the misallocation occurred, identify whether it resulted from a system or procedural flaw, and assess the adequacy of preventive controls.
- Accountability and Delegation Review to identify responsible personnel and assess the adequacy of internal oversight, segregation of duties, and accountability structures within MDH's HR and Fiscal operations.
- Corrective Action Review and Control Testing to evaluate corrective actions implemented following the incidents and determine whether new controls are effective in preventing recurrence.
- Remedial Process Evaluation To assess whether MDH's remediation approach aligns with applicable policies, adheres to State fiscal controls, and effectively mitigates risk of future misallocations.

Analysis

The OIGH conducted interviews with MDH Office of Human Resources (MDH-OHR) personnel, reviewed relevant documentation, and observed a walkthrough of the Workday data entry screens and interface points between MDH's internal systems and the State's centralized payroll and financial systems to confirm agency code and cost center configurations. Based on these procedures, OIGH confirmed that MDH personnel cannot manually modify the assigned agency cost center within Workday once it is established through the centralized configuration process.

Our review determined that the unauthorized and erroneous payroll charges billed to the Maryland Health Benefit Exchange (MHBE) resulted from errors occurring during the requisition process for adding new Position Identification Numbers (PINs) in Workday. Specifically, MDH-OHR submitted a ticket to the SPS Support Service within the Department of Budget and Management (DBM) to create 45 new Position Identification Numbers (PINs) in Workday as part of the requisition process for hiring new contractual employees. Within this request, DBM incorrectly assigned the MHBE cost center to two PINs instead of the appropriate MDH cost center, resulting in payroll expenditures being improperly charged to MHBE.

In addition, OIGH determined that the MDH-OHR had not established written policies and procedures requiring a review of newly created PINs after submission of the ticket to DBM to verify that the appropriate cost centers were assigned. Further, MDH-OHR did not maintain a secondary review step during the hiring process to confirm that the correct cost center was associated with newly hired contractual employees. The absence of these internal control procedures allowed the configuration errors to remain undetected from the PIN creation stage through the hiring process, ultimately resulting in payroll expenditures being incorrectly charged to MHBE when payments were processed.

OIGH noted that, effective September 2025, MDH-OHR implemented a revised Business Process Tracking Sheet and enhanced hiring procedures designed to strengthen internal controls over the employee onboarding process. The updated process includes formalized checklists for both HR

Officers and HR Coordinators, with a specific control requiring verification of costing allocations in Workday to ensure that the cost centers are accurately assigned to the PIN prior to finalizing the hire transaction. This control activity, along with additional documentation, review, and certification requirements, introduces a structured review point intended to detect and correct configuration errors originating from the PIN creation process before payroll is processed. While this corrective action represents a significant improvement in internal controls and establishes accountability, it does not explicitly establish a formal review control immediately following PIN creation by DBM, which was the root cause of the initial error.

Recommendations

The OIGH recommends that MDH-OHR:
a) Establish a documented procedure requiring verification of cost center assignments for all newly created/added PINs upon receipt from DBM, with evidence of review retained.

b) Establish a monitoring and oversight process to ensure the updated Business Process Tracking Sheet implemented in September 2025 is properly executed and consistently followed. This should include periodic supervisory review of completed checklists, verification that the cost center validation steps are performed and documented, and corrective action for any identified noncompliance.

c) Develop written policies and procedures incorporating the Business Process Tracking Sheet, clearly defining required review steps and responsibilities for cost center validation.

Conclusion

OIGH determined that unauthorized payroll charges billed to MHBE resulted from control deficiencies in the PIN creation and hiring processes, specifically the lack of formal review procedures to verify cost center assignments that allowed the errors to remain undetected from the PIN creation stage through the hiring process, ultimately resulting in payroll expenditures being incorrectly charged to MHBE. While MDH-OHR has implemented corrective actions effective September 2025, including enhancing hiring procedures and Business Process Tracking Sheet, these controls are primarily detective in nature and require consistent execution to be effective. OIGH recommends that MDH-OHR strengthen internal controls by implementing a formal review of newly created PINs, ensuring consistent application and oversight of the updated hiring procedures, formalizing policies and responsibilities. Implementation of these recommendations will improve the environment control and reduce the risk of future misallocation of payroll expenditures.

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