



DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Victoria L. Gruber
Executive Director

Brian S. Tanen, CPA, CFE
Legislative Auditor

April 25, 2025

Senator Guy J. Guzzone, Chair
Senate Budget and Taxation Committee
Miller Senate Office Building, 3 West Wing
11 Bladen Street
Annapolis, Maryland 21401

Delegate Benjamin S. Barnes, Chair
House Appropriations Committee
Lowe House Office Building, Room 121
6 Bladen Street
Annapolis, Maryland 21401

Dear Senator Guzzone and Delegate Barnes:

The Office of Legislative Audits (OLA) has reviewed the actions taken by the Maryland Uninsured Employer's Fund (UEF) to resolve the two repeat audit findings (that were addressed by five recommendations) in our September 14, 2021 audit report. This review was conducted in accordance with a requirement specified in the April 2024 *Joint Chairmen's Report* (JCR), page 10. The JCR required that, prior to the release of \$150,000 of its administrative appropriation for fiscal year 2025, UEF must take corrective action on all repeat audit findings on or before November 1, 2024.

The JCR language further provided that OLA submit a report to the budget committees listing each repeat audit finding along with a determination that each repeat finding was corrected. The OLA report is required to be submitted to allow 45 days for the budget committees to review and release the funds prior to the end of the fiscal year.

In accordance with the April 2024 JCR requirement, UEF provided a status report to OLA, dated October 12, 2024, detailing corrective actions that had been implemented with respect to the two repeat audit findings (**Exhibit 1**). We reviewed the written response and concluded that UEF believes that corrective actions had been completed for the recommendations on both repeat findings (findings 1 and 3).

We reviewed the implementation status for the two findings that UEF reported as complete on the status report. Specifically, we reviewed the related documentation, performed

limited tests and analyses of the information, and held discussions with UEF personnel as necessary to assess the implementation status of the related recommendations. Our review did not constitute an audit conducted in accordance with generally accepted government auditing standards. As summarized in **Exhibit 2**, our review determined that although UEF had implemented certain elements of the recommendations for these findings, the actions to date did not address the entirety of the findings as further described in **Exhibit 3**.

After discussing our review results, UEF generally agreed with the accuracy of the information presented. We wish to acknowledge the cooperation extended to us during the review by UEF. We trust our response satisfactorily addresses the JCR requirement. Please contact me if you need additional information.

Sincerely,

Brian S. Tanen

Brian S. Tanen, CPA, CFE
Legislative Auditor

cc: Senator Shelly L. Hettleman, Senate Chair, Joint Audit and Evaluation Committee
Delegate Jared Solomon, House Chair, Joint Audit and Evaluation Committee
Joint Audit and Evaluation Committee Members and Staff
Senator William C. Ferguson IV, President of the Senate
Delegate Adrian A. Jones, Speaker of the House of Delegates
Governor Westley W. Moore
Comptroller Brooke E. Lierman
Treasurer Dereck E. Davis
Attorney General Anthony G. Brown
Secretary Helene T. Grady, Department of Budget and Management
Martin E. Lewis, Chair, Uninsured Employers' Fund Board
Michael W. Burns, Executive Director, UEF
Joan M. Peacock, Manager, Audit Compliance Unit, Department of Budget and Management
Victoria L. Gruber, Executive Director, Department of Legislative Services
Micah R. Richards, Policy Analyst, Department of Legislative Services

Exhibit 1 to April 25, 2025 Letter to Joint Chairmen

WES MOORE
GOVERNOR

STATE OF MARYLAND

MARTIN E. LEWIS
CHAIR

MICHAEL W. BURNS
Director
michael.burns1@maryland.gov



CASEY BRYANT
DONCELLA S. WILSON
MEMBERS

STATE OF MARYLAND
UNINSURED EMPLOYERS' FUND

300 East Joppa Road, Suite 402
Towson, MD 21286
PHONE - (410) 321-4136
FAX - (410) 321-3975

October 12, 2024

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

RE: Joint Chairmen's Report 2024 Legislative
Session
Response of the Uninsured Employers' Fund

Dear Mr. Tanen,

Please accept this letter as the Maryland Uninsured Employers' Fund (UEF) supplemental report to the report dated October 20, 2022 to the Office of Legislative Audits (OLA) for the Audit Report dated September 21, 2021 (2021 Audit) as required by the Joint Chairmen's Report (JCR) for the 2024 Legislative Session. As outlined on p.10 (Operating Budget) of the JCR, the Legislature enacted the following:

C96J00.01 General Administration

Add the following language to the special fund appropriation:, provided that since the Uninsured Employers' Fund (UEF) had unresolved repeat audit findings in the most recent fiscal compliance audit issued by the Office of Legislative Audits (OLA), \$150,000 of this agency's administrative appropriation may not be expended unless:

(1) UEF has taken corrective action with respect to all repeat audit findings on or before November 1, 2024; and

(2) a report is submitted to the budget committees by OLA listing each repeat audit finding along with a determination that each repeat finding was corrected. The budget committees shall have 45 days from the receipt of the report to review and comment to allow for funds to be released prior to the end of fiscal 2025

Explanation: Due to serious repeat audit findings regarding a lack of oversight of UEF's third-party administrator, a portion of its budget will be withheld pending the adoption of corrective action by the agency and a determination by OLA that each finding was corrected. OLA shall submit reports to the budget committees on the status of UEF's response.

Information Request - Status of corrective actions related to the most recent fiscal compliance audit

Author - OLA

Due Date 45 days before the release of funds

The relevant Two Audit Findings and Recommendations remaining to be addressed are:

Finding 1-

UEF did not ensure that payments to its TPA were adequately supported and consistent with the contract terms. As a result, we identified payments totaling \$521,083 for which the rate paid by UEF was not included in the contract or exceeded the rates specified in the contract.

Recommendations 1-

We recommend that UEF

- a. ensure that invoiced amounts are supported and agree to contract approved rates and level of services prior to approving invoices for payment (repeat), and discontinue payments not provided for in the contract;
- b. establish a process for monitoring TPA performance for claims processing and related functions (repeat)

and

Finding 3-

UEF did not adequately monitor and pursue collection of all delinquent accounts. As of November 30, 2020, there were 1,920 delinquent accounts totaling \$14.5 million that, based on their age, should have been referred to the State's Central Collection Unit (CCU).

Recommendations 3 –

We recommend that UEF

- a. investigate and take the necessary corrective actions to resolve the noted deficiencies (generate dunning notices and produce accurate accounts receivable aging reports) to ensure that the accounting system provides sufficient information to monitor and pursue collection activities (repeat),
- b. refer all delinquent accounts to CCU for collection in accordance with the amended CCU regulations (repeat)

In addition to the written response from the UEF in the October 20, 2022, the Agency has established a detailed Policy and Procedures to resolve both Audit Findings. These Policies and Procedures are in effect currently and all relevant Agency Staff are familiar with them.

These two Policies and Procedures are as follows:

As pertains to Audit Finding One and remaining Recommendations thereto:

UEF Policies and Procedures for Monitoring Agency Third-Party Administrator Billing and Operations

In response to the 2021 Audit Finding One, the Uninsured Employers' Fund has prepared, and operates under, the following relevant Policy regarding "UEF Policies and Procedures for Monitoring Agency Third-Party Administrator Billing and Operations" (we emphasize these policies and procedures are now in effect):

All staff will be familiar with the following policies and procedures.

Administrative Fee –

- The TPA will send Administrative Fee bill monthly to the CFO.
- A weekly report of hours worked by TPA personnel will be provided to the Contract Monitor to ensure compliance with contracted staffing.
- The Assistant Attorneys General (AAGs) for the UEF will interact with the Claims Investigators and Adjusters regularly on their cases.

By the nature of the Agency's mission, cases and clients, there are not adequate/relevant/rational objective measures to evaluate TPA performance except for potential claims, where coverage is found (which is measured monthly). However, subjective failures in the performance in the areas of claims investigation and adjusting would be best recognized by the AAGs. A meeting of the Agency Director, Contract Monitor and a quorum of AAGs (TPA Monitoring Committee) will be held on the Third Wednesday of every month to discuss any performance issues that arise with the TPA.

- Concerns raised by the TPA Monitoring Committee will be addressed with the TPA Supervisor On-Site.
- Ongoing performance will be tracked by the TPA Monitoring Committee.
- Performance issues that rise to the level of a breach of contract will be reported to the Procurement Officer and Director. The Procurement Officer and/or Director shall respond to and resolve any such issues as appropriate.

Itemized Bills

The Custom Payment Report (CPR) – a spreadsheet for all fixed price bills of the TPA (not administrative fees) and reimbursable payments paid by the TPA will be provided by the TPA every Wednesday to the CFO and Financial Technician II.

- CFO and Financial Technician II will have full familiarity with all contract prices.
- Upon receipt, before payment, CFO does a review of CPR and checks to ensure that prices are consistent with the contract prices including the fixed-price items in the TPA contract.
- Fiscal Technician II does second review, specifically looking at the CPR report for anomalous bill amounts. For any anomalous line item, Fiscal Technician will investigate TPA claims database for supporting documentation.
- Fiscal Technician will also do random review of approximately 10% of all line items on the bills and find supporting documentation.
- Once Fiscal Technician II has completed their review of the Bills, CFO will approve payment of bill to TPA less any disputed amounts withheld.
- Any payment disputes will be brought to the attention of the contract monitor and Director for review and resolution.

Payments Made by Award

- For all Workers Compensation Commission (WCC) Awards made where the triggering criteria for the UEF has been met, the appropriate Claims Adjuster will seek written approval from the CFO before payment can be made by the TPA. This request for approval will include the Award and demand letter.
- Any payment disputes will be brought to the attention of the contract monitor and Director for review and resolution.

Alive and Well Checks

- For all Claimants receiving ongoing repetitive disability payments, a meeting with the TPA and agency personnel and AAGs will be held quarterly to discuss mitigation strategies and results of Alive and Well checks performed by the TPA.

UEF Staff General Oversight

- UEF Staff are authorized and encouraged to bring any and all performance or payment issues discovered during the course of their employment to the attention of the contract monitor/Director for investigation and resolution.

As pertains to Audit Finding Three and remaining Recommendations thereto:

UEF Policies and Procedures for Collection of Outstanding Debt

In response to the 2021 Audit Finding Three, the Uninsured Employers' Fund has prepared, and operates under, the following relevant policy regarding "UEF Policies and Procedures for Collection of Outstanding Debts" (we emphasize these policies and procedures are now in effect):

All staff will be familiar with the following policies and procedures.

Collections from Insurers

- Every 5 weeks, Fiscal Department will print out Monthly Delinquent Notices (30/60/90 days past due).
- Once printed out, Fiscal Department will break out to 30/60/90-day group.
- Each delinquent account is sent corresponding dunning letters.
- 1 st letter notes that account is late
- 2 nd letter states that if debtor doesn't pay, debt be sent to CCU
- 3 rd letter (will be based on those delinquent 30 days after 60-days notice. Sent via certified mail.
- 8 weeks after final Dunning letter sent, Fiscal Department will check if those receiving 90 days letters are still delinquent.
- If still delinquent at 150 days, send to Office Manager for final review
- Office Manager sends delinquent accounts to CCU liaison to send debts to Central Collection Unit (CCU). It is sent via an excel spreadsheet containing debtor name, debt amount, debt address in accordance with CCU requirements.
- 2 days after sending debts, CCU Liasson double checks via email that CCU debts were received by CCU.
- Once debt verified to be at CCU, CCU liaison notifies Fiscal department which will note on AS400 that the debt had been sent to CCU.
- CCU Liaison verifies in AS400 and maintains paper copies of the transactions.
- Every 6 months (August and February), Fiscal Department will run 105-day delinquent list and check for debt that was not transferred to CCU and for in-house collection efforts. The 105-day delinquent list does not include debts that have been (fully) sent to CCU.

Collections from Uninsured Employers

- Once a week Third-Party Administrator (TPA) sends spreadsheet to CFO which includes all benefits paid. The benefits paid by TPA on behalf of UEF are entered into AS400 via an in-house data merging program. Fiscal
- Department reconciles the TPA Spreadsheet with AS400 for accuracy.
- Once in AS400, assessments are run and given to Office Manager.
- Every 5 weeks, Fiscal Department will print out Monthly Delinquent Notices (30/60/90 days past due).
- The notices are generated via the Auto Awards.
- Once printed out, Office Manager will break out to 30/60/90-day group.
- Each delinquent account is sent corresponding Dunning letters by Office Manager.
- 1 st letter notes that account is late
- 2 nd letter states that if debtor doesn't pay, debt be sent to CCU. Sent via Certified mail
- 3 rd letter (will be based on those delinquent 30 days after 60 days notice) by regular mail.
- 8 weeks after final Dunning letter sent, Office Manager will check if those receiving 90 days letters are still delinquent.
- If still delinquent at 150 days, Office Manager will do a final review
- Office Manager sends delinquent accounts to CCU liaison to send debts to CCU. It is sent via an Excel spreadsheet containing debtor name, debt amount, debt address in accordance with CCU requirements.
- 2 days after sending debts, CCU liaison double checks via email that CCU debts were received by CCU.
- Once debt verified to be at CCU, CCU liaison notifies Fiscal department which will note on AS400 that the debt had been sent to CCU.
- CCU liaison verifies in AS400 and maintains paper copies of the transactions.
- Every 6 months (August and February), Fiscal Department will run 105-day delinquent list and check for debt that was not transferred to CCU and for in-house collection efforts. The 105-day delinquent list.
- does not include debts that have been (fully) sent to CCU.

Show Cause Order debts

- Pursuant to Labor 9-407 (c) the WCC sends all Show Cause Orders payable to the UEF via email to UEF Collections with orders and summary spreadsheet attached.
- UEF Collections sends out first Dunning letter with addresses used by Commission upon receipt.

-UEF Collections will begin looking for licenses for possible suspensions (see License suspension policies and procedures)

-After 30 days, UEF collections sends out second letter via regular mail to addresses used by Commission or addresses updated through investigation.

-At 60 days, Collections will look for Resident Agent on SDAT and update addresses for third letter if necessary. Third letter is sent certified. License suspensions notices will be then sent to respective agencies.

-Any orders that are rescinded are noted on the spreadsheet. Monies paid are also indicated on the spreadsheet.

-There is a file kept for each delinquent account by UEF with letters sent and investigative info.

-At 120 days delinquent, settled debts will be removed from Commission summary spreadsheet and the remaining delinquent debts will be forwarded to CCU liaison who will forward to CCU for collections via the updated Commission Summary Spreadsheet.

As noted, these Policies and Procedures are currently in effect at the Agency. They were prepared with the active participation of all relevant staff and with the guidance and assistance of the Agency's Assistant Attorney Generals.

The Policies and Procedures were reviewed in preparation for this report and represent the Agency's response to the 2021 Audit Report Findings One and Three and remaining relevant recommendations.

It is the Agency's position that these Policies and Procedures Comply with the Audit Recommendations regarding Findings One and Three and satisfy the concerns expressed by the Legislature in the JCR and by the OLA as well.

We request that you report to the Legislature that each of the two remaining Findings has been corrected.

Thank you for your cooperation and assistance with this matter.

Sincerely,

Michael W. Burns

Michael W. Burns, Esq.

Director

Exhibit 2 to April 25, 2025 Letter to Joint Chairmen

Status of Repeat Findings in OLA’s September 14, 2021, Audit Report on the Maryland Uninsured Employer’s Fund (UEF)

Prior Recommendations Pertaining to Repeat Findings	UEF Reported Status	Status Based on OLA Review
Third Party Administrator Contract		
1. We recommend that UEF <ul style="list-style-type: none"> a. ensure that invoiced amounts are supported and agree to contract approved rates and level of services prior to approving invoices for payment (repeat), 	Completed	Not Resolved (In Progress)
<ul style="list-style-type: none"> b. establish a process for monitoring TPA performance for claims processing and related functions (repeat). 	Completed	Resolved
Accounts Receivable		
3. We recommend that UEF <ul style="list-style-type: none"> a. investigate and take the necessary corrective actions to resolve the noted deficiencies (generate dunning notices and produce accurate accounts receivable aging reports) to ensure that the accounting system provides sufficient information to monitor and pursue collection activities (repeat). 	Completed	Not Resolved (In Progress)
<ul style="list-style-type: none"> b. refer all delinquent accounts to CCU for collection in accordance with the amended CCU regulations (repeat). 	Completed	Not Resolved (In Progress)
<ul style="list-style-type: none"> c. establish a process to identify and refer delinquent employers to applicable State and local licensing authorities for license or permit suspension (repeat). 	Completed	Not Resolved (In Progress)

Exhibit 3 to April 25, 2025 Letter to Joint Chairmen

Comments on Findings OLA Assessed as Unresolved

Prior Report Recommendation – Finding 1

We recommend that Uninsured Employer’s Fund (UEF)

- a. ensure that invoiced amounts are supported and agree to contract approved rates and level of services prior to approving invoices for payment.**

Status as determined by UEF – Completed

Office of Legislative Audits (OLA) Assessment of Status – Not Resolved

Although UEF conducted a review of contractor overpayments noted in our prior report and recovered the overpayments via billing reductions, they did not obtain and review supporting documentation for administrative personnel hours and rates, to support amounts invoiced subsequent to our prior report.

Prior Report Recommendation – Finding 3

We recommend that UEF

- a. investigate and take the necessary corrective actions to resolve the noted deficiencies (generate dunning notices and produce accurate accounts receivable aging reports) to ensure that the accounting system provides sufficient information to monitor and pursue collection activities.**

Status as determined by UEF– Completed

OLA Assessment of Status – Not Resolved

While UEF established a written procedure for collection of outstanding debts, our test disclosed that they did not send the required number of dunning notices for 14 out of 15 employers tested. In addition, the accounts receivable aging reports produced by UEF’s accounting system did not appear accurate for use in monitoring its accounts receivable because we noted material differences between the reports.

- b. refer all delinquent accounts to CCU for collection in accordance with the amended CCU regulations.**

Status as determined by UEF– Completed

OLA Assessment of Status – Not Resolved

UEF had not referred all delinquent accounts to CCU as required. Specifically, according to UEF’s records as of March 11, 2025, there were 389 delinquent accounts totaling \$2 million that, based on their age, should have been referred to CCU. This included 20 delinquent accounts with individual balances greater than \$20,000 that collectively totaled approximately \$1.5 million, which had been delinquent for periods ranging from 243 days to almost 16 years. While this represents a significant decrease from the 2021 audit, further work is needed to ensure that all delinquent accounts are referred to CCU as required.

- c. establish a process to identify and refer delinquent employers to applicable State and local licensing authorities for license or permit suspension.**

Exhibit 3 to April 25, 2025 Letter to Joint Chairmen

Status as determined by UEF– Completed

OLA Assessment of Status – Not Resolved

Although UEF created a written license suspension policy and advised that it attempted to identify delinquent employers, our testing did not support these assertions. Specifically, our test of five employers with UEF debts totaling approximately \$77,000, disclosed that UEF could not document that it attempted to identify a business or professional license or permit, for any of these employers. UEF only referred two licenses for suspension between January 2020 and October 2024.