Audit Report

# Maryland Insurance Administration

May 2025

**OFFICE OF LEGISLATIVE AUDITS**
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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**Department of Legislative Services**
Office of Legislative Audits
Maryland General Assembly

Victoria L. Gruber
Executive Director

Brian S. Tanen, CPA, CFE
Legislative Auditor

May 2, 2025

Senator Shelly L. Hettleman, Senate Chair, Joint Audit and Evaluation Committee
Delegate Jared Solomon, House Chair, Joint Audit and Evaluation Committee
Members of Joint Audit and Evaluation Committee
Annapolis, Maryland

Ladies and Gentlemen:

We have conducted a fiscal compliance audit of the Maryland Insurance Administration (MIA) for the period beginning January 21, 2020 and ending November 30, 2023. MIA is responsible for licensing and regulating insurers, insurance agents, and brokers, who conduct business in the State and for monitoring the financial solvency of licensed insurers. MIA is also responsible for collecting taxes levied on all premiums collected by insurance companies within the State.

Our audit disclosed that MIA's continued use of electronic spreadsheets to record and compile premium tax data did not provide sufficient controls to ensure the propriety of recorded data and the results of premium tax audits. This condition has been included in our two prior audits dating back to May 2018. In addition, MIA did not conduct timely reconciliations of its premium tax revenue, did not ensure they were comprehensive, and did not ensure issues identified in the reconciliations were corrected, conditions noted but not corrected from our prior report. MIA also did not always conduct comprehensive supervisory reviews of premium tax refunds resulting in the failure to identify improper refunds totaling approximately $800,000.

We also found MIA did not timely transfer all Health Care Access Assessment revenue to other State agencies as required by law and did not establish proper controls over certain critical financial transactions. Finally, we reviewed an allegation regarding the failure to cancel corporate purchasing cards timely when employees left MIA and were able to substantiate certain aspects of the allegation.

MIA's response to this audit is included as an appendix to this report. We reviewed the response to our findings and related recommendations, and have concluded that the corrective actions identified are sufficient to address all audit issues.

We wish to acknowledge the cooperation extended to us during the audit by MIA.

Respectfully submitted,

Brian S. Tanen

Brian S. Tanen, CPA, CFE
Legislative Auditor

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* **Denotes item repeated in full or part from preceding audit re**port

# Background Information

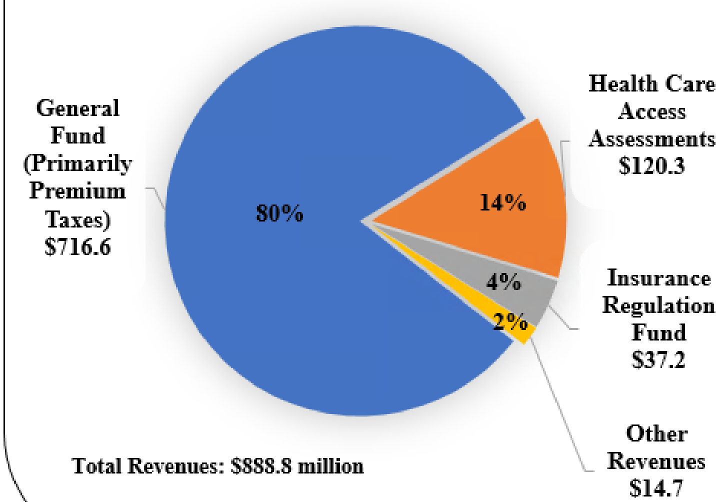
## Agency Responsibilities

The Maryland Insurance Administration (MIA) operates under the authority of the Insurance Article, Title 2, of the Annotated Code of Maryland. MIA is responsible for licensing and regulating insurers, insurance agents, and brokers who conduct business in the State and for monitoring the financial solvency of licensed insurers. MIA is also responsible for collecting taxes levied on all premiums collected by insurance companies within the State. According to MIA's records as of November 30, 2023, there were 1,893 insurers authorized to conduct business in the State. MIA's records also indicated that direct premiums written by domestic (based in Maryland) and foreign (based in other states) companies operating in Maryland during calendar year 2023 totaled approximately $48.9 billion.

According to the State's records, during fiscal year 2023 MIA's revenues totaled approximately $888.8 million (see Figure 1), the majority of which related to premium and Health Care Access Assessment revenue. As required by State law, MIA transferred $716.6 million in revenue to the State's General Fund and $37.2 million to the State's Insurance Regulation Fund in fiscal year 2023.

According to the State's records, during fiscal year 2023, MIA's expenditures totaled approximately $36.2 million (see Figure 2).

**Figure 1**
**MIA Revenues Fiscal Year 2023**
**(In Millions)**




Source: State records

**Figure 2**
**MIA Positions, Expenditures, and Funding Sources**

| Full-Time Equivalent Positions as of June 30, 2023 | |
|---|---|
| | **Positions** |
| Filled | 233 |
| Vacant[1] | 27 |
| **Total** | **260** |

| Fiscal Year 2023 Expenditures | |
|---|---|
| | **Expenditures** |
| Salaries, Wages, and Fringe Benefits | $28,381,636 |
| Technical and Special Fees | 2,466,898 |
| Operating Expenses | 5,315,636 |
| **Total** | **$36,164,170** |

| Fiscal Year 2023 Funding Sources | |
|---|---|
| | **Funding** |
| Special Fund | $36,128,604 |
| Federal Fund | 35,566 |
| **Total** | **$36,164,170** |

Source: State financial and personnel records

## Referral to Our Fraud, Waste, and Abuse Hotline

We received a referral to our fraud, waste, and abuse hotline alleging, in part, that MIA was not deactivating corporate purchasing cards held by employees who have left employment with the agency.  Based on our review, we were able to substantiate certain aspects of the allegation (see Finding 6).  Our review did not identify any matters that warranted a referral to the Office of the Attorney General's Criminal Division.

[1] The majority of the vacancies were for positions that would not have a direct impact on the findings in this report.

## Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of the eight findings contained in our preceding audit report of MIA dated March 30, 2021. See Figure 3 for the results of our review.

| **Figure 3<br>Status of Preceding Findings** | | |
|---|---|---|
| **Preceding Finding** | **Finding Description** | **Implementation Status** |
| Finding 1 | MIA continued to use premium tax spreadsheets that lacked adequate controls to ensure the propriety of tax data recorded and the results of premium tax audits performed. | **Repeated**<br>(Current Finding 1) |
| Finding 2 | MIA did not ensure that certain premium tax collections received from HMOs and MCOs were properly recorded and transferred to the Maryland Department of Health as required, and significant recording errors occurred. | Not repeated |
| Finding 3 | Reconciliations of MIA's premium tax revenue records to the States accounting records were not conducted timely and did not ensure that all tax revenue had been credited to the appropriate fund. | **Repeated**<br>(Current Finding 2) |
| Finding 4 | MIA did not prepare its overall assessment calculation for the Fund in accordance with its procedures, could not support certain estimates used in the calculation, and could not document that the calculation was reviewed and approved by supervisory personnel. | Not repeated |
| Finding 5 | Allocations of assessments to insurance companies were not always made as required or, when made, were sometimes incorrect. | Not repeated |
| Finding 6 | MIA could not readily explain a growing deficit in the Health Care Regulatory Fund, which had a deficit balance over $1.3 million as of June 30, 2020. | Not repeated |
| Finding 7 | MIA did not ensure that producer licensing fees collection by a third party were remitted and deposited into the Insurance Regulation Fund as required. | Not repeated |
| Finding 8 | Intrusion detection and prevention system coverage did not exist for traffic flowing into the MIA network from certain untrusted origin points. | Not repeated |

# Findings and Recommendations

## Premium Taxes

**Background**
The Insurance Article of the Annotated Code of Maryland generally provides for the imposition of an annual tax on insurance companies for premiums derived from insurance business transacted in the State. The Maryland Insurance Administration (MIA) assesses the tax on insurance companies at various rates. Insurance companies are required to make quarterly estimated tax payments to MIA and submit a tax return by March 15 of each year reporting premiums during the preceding calendar year along with a payment for any taxes due to the State. MIA completes approximately 1,600 premium tax audits annually to ensure the proper premium taxes were remitted.

By law, premium taxes collected are to be credited to the State's General Fund. Premium taxes collected from health maintenance organizations (HMOs) and managed care organizations (MCOs), were historically credited to the State's Health Care Provider Rate Stabilization Fund (RSF) administered by MIA. Effective July 2021, the RSF was repealed and these funds are now directed to the General Fund. MIA is required to report premium tax revenues quarterly to the Comptroller of Maryland - Bureau of Revenue Estimates (BRE) for its use in preparing revenue projections for the State. According to the State's records, during fiscal year 2023 MIA collected approximately $715.5 million in premium tax revenue.

**Finding 1**
**MIA continues to use spreadsheets that did not have adequate controls to track premium tax payments, premium tax audits, and to calculate penalties and interest.**

**Analysis**
MIA continues to use spreadsheets that did not have adequate controls to track premium tax payments, premium audits, and to calculate penalties and interest. MIA discontinued using its automated premium tax system in November 2014 and since then has used spreadsheets to track the receipt of quarterly estimated and annual tax payments, document the performance of the annual premium tax audits, and calculate any penalties and interest. There were 25 employees with access to one or more of these spreadsheets.

Our review disclosed that the spreadsheets did not have sufficient controls. For example, formulas used to automatically compile data and perform needed calculations were not protected and could be modified without any record of the change or the employee making the change. MIA also did not implement adequate compensating controls to ensure the integrity of the data. As a result, 23 of the aforementioned employees had the ability to modify the data without detection, including 18 that did not require modification access for their jobs.

Similar conditions have been noted in our two prior audit reports dating back to May 15, 2018. In response to our prior audit report, MIA stated that as of July 2020, it had implemented controls, such as password protecting the spreadsheet files, that fully addressed the deficiencies in our finding and that it was procuring a new system. However, our current audit noted that these controls had not been implemented and MIA has not yet implemented a new system.

**Recommendation 1**
**We recommend that MIA take appropriate action to control the propriety of premium tax data and audit activity. Specifically, we recommend that MIA implement an automated premium tax system with sufficient control capabilities or establish adequate controls within its existing use of spreadsheets (repeat).**

**Finding 2**
**MIA did not perform timely reconciliations of its premium tax revenue records to the State's accounting records and did not correct issues identified in the reconciliations.**

**Analysis**
MIA did not perform timely reconciliations of its premium tax revenue records to the State's accounting records and did not correct issues identified in the reconciliations.

- MIA did not complete monthly reconciliations timely and did not have adequate controls to ensure they were completed properly. Specifically, our test of 18 of the most recently completed reconciliations as of January 2024 disclosed that 12 reconciliations were conducted 1 to 11 months late. In addition, 11 of the 18 reconciliations were not reviewed or approved by a supervisor.

- MIA did not always correct issues noted in its reconciliations. Specifically, our test of six reconciliations for the period July to December 2023 disclosed that MIA did not correct a total of $11.8 million in funds identified in five reconciliations as being improperly credited to the General Fund instead of the

Health Care Access Assessment Fund until we questioned this matter in March 2024.

Similar conditions were commented upon in our preceding audit report. In response to that report, MIA stated that as of January 15, 2021, it had implemented procedural revisions to perform monthly premium tax reconciliations and that these reconciliations would be subject to supervisory review. Contrary to these assertions, during our current audit, we were advised that the revised procedures were not implemented because of insufficient staffing.

**Recommendation 2**
**We recommend that MIA**

a. **conduct premium tax revenue reconciliations on a timely basis (repeat);**
b. **ensure premium tax reconciliations are comprehensive (such as by conducting documented supervisory review), and that tax revenue has been properly applied to the appropriate funds (repeat); and**
c. **correct any issues identified during the reconciliations, including those noted above.**

**Finding 3**
**MIA did not always conduct comprehensive supervisory reviews of premium tax refunds resulting in the failure to identify improper refunds totaling approximately $800,000.**

**Analysis**
MIA did not always conduct comprehensive supervisory reviews of premium tax refunds resulting in the failure to identify improper refunds totaling approximately $800,000. According to MIA's records, during calendar years 2022 and 2023, MIA issued 643 refunds totaling $22.5 million. MIA's *Refund and Expense Reimbursement Procedures Manual* requires a supervisor review of all premium tax refunds to be verified to supporting documentation (refund request form) prior to the issuance of refunds.

Our review disclosed that the required supervisory reviews were not always conducted, and did not always include an examination of the supporting documentation. Our test of 11 refunds[2] totaling approximately $1.3 million during calendar years 2022 and 2023 disclosed a supervisory review was not performed for 2 refunds resulting in duplicated refunds totaling $30,900 going undetected. For another refund that was reviewed by a supervisor, the employee

[2] These refunds were selected based on risk (such as multiple refunds to the same company) and materiality.

conducting the review did not identify a significant error resulting in a refund for an improper amount being refunded to a wrong recipient. Specifically, MIA refunded approximately $768,700 more to one company when it was supposed to refund $76,700 to another company.

We brought these improper refunds to the attention of MIA management in May 2024. However, as of March 2025, $17,900 of the improper refunds had not been recovered.

**Recommendation 3**
**We recommend that MIA**

a. **ensure required supervisory reviews of premium tax refunds are performed and include supporting documentation in accordance with its established written procedures; and**
b. **take appropriate action to recover any improper refunds, including those noted above.**

## Health Care Access Assessments

**Background**
The Insurance Article of the Annotated Code of Maryland provides for the imposition of a Health Care Access Assessment (HCAA) on companies for health insurance premiums derived from business transacted in the State beginning January 1, 2019. MIA is responsible for administering the HCAA which includes the annual assessment and the related collection. As of June 2023, the HCAA rate is one percent[3] of gross health insurance premiums. By March 15th of each year, companies are required to file a final tax return and to remit the HCAA due to MIA.

State law provides that annually MIA distribute HCAA revenues to the Maryland Health Benefit Exchange (MHBE), the Maryland Department of Health (MDH),[4] and the Community Health Resources Commission (CHRC).[5] According to the agency's records, MIA collected approximately $803.5 million during fiscal years 2019 through 2023 including $120.3 million from 151 companies during fiscal year 2023.

[3] The rate assessed has fluctuated in that in calendar year 2019 the HCAA was 2.75 percent on gross health premiums attributable to insurance business in Maryland (Md. Insurance Code Ann. § 6-102.1).
[4] MDH distributions were required for fiscal years 2021 and 2022.
[5] CHRC distributions were required for fiscal years 2023 and 2024.

**Finding 4**
**MIA did not timely transfer $657 million in HCAA revenue to other State agencies as required.**

**Analysis**
MIA did not timely transfer $657 million of HCAA revenue to other State agencies, as required. Specifically, our analysis of MIA's distribution of HCAA revenue to MHBE, MDH, and CHRC during fiscal years 2019 through 2023 disclosed that, as of September 30, 2023, MIA had not distributed $649 million to MHBE and $8 million to CHRC, as required. MIA management advised that the funds were not distributed because MHBE and CHRC had not specifically requested the funds. However, this explanation is inconsistent with State law and, during our MHBE audit, we identified multiple requests to transfer the funds between 2019 and 2021.[6]

As noted in our audit report of MHBE dated January 28, 2025, subsequent to our inquiries during that audit, in January 2024, MHBE requested, and MIA transferred, $641 million in HCAA revenue to MHBE. In addition, $16 million was subsequently transferred to CHRC for fiscal years 2023 and 2024 distributions. The transfer to MHBE was $8 million less than the amount we calculated in our analysis because MIA transferred $8 million of fiscal year 2023 HCAA revenue to CHRC for the fiscal 2024 distribution.

**Recommendation 4**
**We recommend that MIA timely transfer all HCAA revenue in accordance with State law.**

## Critical Financial Transactions

**Finding 5**
**MIA could not document and/or did not establish adequate controls over critical financial transactions such as accounts receivable and cash receipts.**

**Analysis**
MIA could not document and/or did not establish adequate controls over critical financial transactions such as accounts receivable and cash receipts.

[6] MHBE submitted at least three requests to MIA for the HCAA revenue between January 2019 and June 2020. In March 2023, the Department of Budget Management instructed MIA to transfer the HCAA revenue to MHBE after the annual Budget Reconciliation and Financing Act.

- MIA did not always retain supporting documentation for critical financial transactions, such as adjustments to accounts receivable and cash receipts records. Accordingly, we were unable to determine the propriety of these transactions. For example, MIA made $62.4 million in adjustments to its accounts receivable records during fiscal years 2021 through 2023. Our test of 20 adjustments[7] totaling $11.9 million, disclosed that MIA could not support the propriety of 12 adjustments totaling $2.4 million, including support for a $929,000 reduction in one receivable.

- MIA did not conduct independent verifications that recorded collections were deposited and could not always document the verifications. Specifically, our test of 10 deposits totaling $17.4 million[8] noted 2 deposits totaling $9.3 million lacked documentation of an independent deposit verification, and another deposit totaling $1.1 million, the employee who verified the deposit to collections also deposited the related funds. We confirmed that collections were deposited intact for these deposits.

**Recommendation 5**
**We recommend that MIA**
**a. maintain adequate documentation for all financial transactions, and**
**b. conduct independent deposit verifications.**

## Corporate Purchasing Cards

**Background**
We received a referral to our fraud, waste, and abuse hotline alleging, in part, that MIA did not cancel CPCs for employees that separated from MIA. Based on our review, we were able to substantiate the allegation. We did not identify any issues that warranted a referral to the Office of the Attorney General's Criminal Division but did identify certain deficiencies that require corrective action by MIA as further described in the finding below.

[7] The test items were selected based on the materiality of adjustment amount and/or the risk of adjustment type (e.g. potential for error in assessment calculation, or error in posting).
[8] The test items were selected based on the materiality of deposit in fiscal years 2023 and 2024.

**Finding 6**
**Corporate purchasing cards (CPC) were not promptly cancelled for employees who separated from MIA.**

**Analysis**
CPCs were not promptly cancelled for employees who separated from MIA. During the period January 21, 2020 through November 30, 2023, MIA's corporate purchasing card transactions totaled approximately $781,000. Our review identified nine cardholders who separated from MIA during our audit period of which eight were not cancelled timely. Specifically, six cards were cancelled between 73 and 467 days after the employee separated from MIA and two cards were still active as of December 2023, between 81 and 173 days after the employees' separation.

Our review further disclosed that three of the cards had been used to process 16 charges totaling approximately $4,000 after the employee separated from MIA. MIA could not provide supporting documentation for one charge totaling approximately $1,600. Based on our review of the support provided by MIA for the remaining transactions, they appeared to be for appropriate business expense (such as recurring subscription services).

The Comptroller of Maryland's *Corporate Purchasing Card Policies and Procedures Manual* requires the closure of accounts for employees who are retiring or leaving State service. Timely compliance with this policy helps reduce the risk that the cards will be used improperly.

**Recommendation 6**
**We recommend that MIA**
a. **promptly cancel CPCs when employees separate from MIA, including those noted above; and**
b. **obtain documentation for the aforementioned unsupported charge and take any necessary corrective action.**

# Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the Maryland Insurance Administration (MIA), for the period beginning January 21, 2020 and ending November 30, 2023. The audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

As prescribed by the State Government Article, Section 2-1221 of the Annotated Code of Maryland, the objectives of this audit were to examine MIA's financial transactions, records, and internal control, and to evaluate its compliance with applicable State laws, rules, and regulations.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of significance and risk. The areas addressed by the audit included premium taxes, certain programs associated with Insurance Regulation and the Health Care Regulatory Funds, procurement and disbursements, payroll, cash receipts, and accounts receivables. Our information systems security and control review addressed general controls, personally identifiable information, system access and authentication, firewall security and intrusion prevention, malware prevention, and software vulnerability assessment. We also determined the status of the findings contained in our preceding audit report.

Our audit did not include an evaluation of internal controls over compliance with federal laws and regulations for federal financial assistance programs and an assessment of MIA's compliance with those laws and regulations because the State of Maryland engages an independent accounting firm to annually audit such programs administered by State agencies, including MIA.

Our assessment of internal controls was based on agency 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 of January 21, 2020 to November 30, 2023 but may include transactions before or after this period as we considered necessary to achieve our audit objectives.

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, tests of transactions, and to the extent practicable, observations of MIA's operations. 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. As a matter of course, we do not normally use sampling in our tests, so unless otherwise specifically indicated, neither statistical nor non-statistical audit sampling was used to select the transactions tested. Therefore, unless sampling is specifically indicated in a finding, the results from any tests conducted or disclosed by us cannot be used to project those results to the entire population from which the test items were selected.

We also performed various data extracts of pertinent information from the State's Financial Management Information System (such as revenue and expenditure data) and the State's Central Payroll Bureau (payroll data), as well as from the contractor administering the State's Corporate Purchasing Card Program (credit card activity). The extracts are performed as part of ongoing internal processes established by the Office of Legislative Audits and were subject to various tests to determine data reliability. We determined that the data extracted from these sources were sufficiently reliable for the purposes the data were used during this audit. Finally, we performed other auditing procedures that we considered necessary to achieve our audit objectives. The reliability of data used in this report for background or informational purposes was not assessed.

MIA's management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records; effectiveness and efficiency of operations, including safeguarding of assets; and compliance with applicable laws, rules, and regulations are achieved. As provided in *Government Auditing Standards*, there are five components of internal control: control environment, risk assessment, control activities, information and communication, and monitoring. Each of the five components, when significant to the audit objectives, and as applicable to MIA, were considered by us during the course of this audit.

Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, 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.

Our reports are designed to assist the Maryland General Assembly in exercising its legislative oversight function 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.

This report includes findings relating to conditions that we consider to be significant deficiencies in the design or operation of internal control that could adversely affect MIA's ability to maintain reliable financial records, operate effectively and efficiently, and/or comply with applicable laws, rules, and regulations. Our report also includes findings regarding significant instances of noncompliance with applicable laws, rules, or regulations. Other less significant findings were communicated to MIA that did not warrant inclusion in this report.

MIA's response to our findings and recommendations is included as an appendix to this report. As prescribed in the State Government Article, Section 2-1224 of the Annotated Code of Maryland, we will advise MIA regarding the results of our review of its response.

# APPENDIX

WES MOORE
Governor

ARUNA MILLER
Lt. Governor

Maryland
INSURANCE ADMINISTRATION

MARIE GRANT
Commissioner

JOY Y. HATCHETTE
Deputy Commissioner

SEAN J. MCEVOY
Associate Commissioner
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May 1, 2025

Brian S. Tanen, CPA, CFE
Legislative Auditor
Office of Legislative Audits
The Warehouse at Camden Yards
351 West Camden Street, Suite 400
Baltimore, Maryland 21202

Dear Mr. Tanen,

Thank you for your draft audit report for the Maryland Insurance Administration for the period beginning January 21, 2020 and ending November 30, 2023. Enclosed is our agency response.

We appreciate the thoughtful and collaborative approach of your team throughout the audit process. Please do not hesitate to contact Sean McEvoy at 410-468-2455 or sean.mcevoy2@maryland.gov if you require additional information or clarification.

Sincerely,

Marie Grant

Marie Grant
Commissioner
Maryland Insurance Administration

CC: Joy Y. Hatchette, Deputy Commissioner
Sean J. McEvoy, Association Commissioner, Operations

# Maryland Insurance Administration

## Agency Response Form

### Premium Taxes

**Finding 1**
**MIA continues to use spreadsheets that did not have adequate controls to track premium tax payments, premium tax audits, and to calculate penalties and interest.**

**We recommend that MIA take appropriate action to control the propriety of premium tax data and audit activity. Specifically, we recommend that MIA implement an automated premium tax system with sufficient control capabilities or establish adequate controls within its existing use of spreadsheets (repeat).**

| Agency Response | | | |
|---|---|---|---|
| **Analysis** | | | |
| **Please provide additional comments as deemed necessary.** | | | |
| **Recommendation 1** | Agree | **Estimated Completion Date:** | No later than end of Fiscal Year 2027 |
| **Please provide details of corrective action or explain disagreement.** | MIA has begun a search for a suitable automated premium tax system solution. We have prepared a scope of work and have conducted preliminary due diligence to source an appropriate technology solution that will control the propriety of premium tax data and audit activity as identified by the OLA. MIA expects to finalize a technology solution and to source a qualified vendor and initiate a solution in FY26. We expect that full implementation will occur by the end of FY27. MIA is consulting with DBM and Government Finance Officers Association (GFOA) for their input and advice as a part of our due diligence process.<br><br>In the meantime, MIA has limited access to the respective directory for the Premium Tax Payment Schedule to necessary staff that need access. We have password protected the three documents identified by the OLA. We will share the password only with staff requiring access to these documents for their job duties and we will not allow write access to any staff responsible for the approval of the work. | | |

# Maryland Insurance Administration

## Agency Response Form

**Finding 2**

**MIA did not perform timely reconciliations of its premium tax revenue records to the State's accounting records and did not correct issues identified in the reconciliations.**

**We recommend that MIA**

**a. conduct premium tax revenue reconciliations on a timely basis (repeat);**
**b. ensure premium tax reconciliations are comprehensive (such as by conducting documented supervisory review), and that tax revenue has been properly applied to the appropriate funds (repeat); and**
**c. correct any issues identified during the reconciliations, including those noted above.**

<table>
<tr><th colspan="4">Agency Response</th></tr>
<tr><td>Analysis</td><td colspan="3"></td></tr>
<tr><td>Please provide additional comments as deemed necessary.</td><td colspan="3"></td></tr>
<tr><td>Recommendation 2a</td><td>Agree</td><td>Estimated Completion Date:</td><td>April 2025</td></tr>
<tr><td>Please provide details of corrective action or explain disagreement.</td><td colspan="3">MIA will conduct premium tax revenue reconciliations on a timely basis. Monthly premium tax reconciliation are now being reviewed by the Fiscal Services supervisor on a monthly basis.<br><br>As of April 2025, MIA now performs a daily entry and review of its cash receipts and has developed separate checklists for paper checks and electronic fund transfers which will improve the review of the recordation of those receipts. MIA's monthly general ledger reconciliation of the premium tax data will be improved by this process.</td></tr>
<tr><td>Recommendation 2b</td><td>Agree</td><td>Estimated Completion Date:</td><td>April 2025</td></tr>
<tr><td>Please provide details of corrective action or explain disagreement.</td><td colspan="3">MIA will ensure that premium tax reconciliations are comprehensive and will conduct documented supervisory reviews. We will also ensure that the tax revenue collected will be properly applied to the appropriate funds.</td></tr>
<tr><td>Recommendation 2c</td><td>Agree</td><td>Estimated Completion Date:</td><td>April 2025</td></tr>
</table>

# Maryland Insurance Administration

## Agency Response Form

| | |
|---|---|
| **Please provide details of corrective action or explain disagreement.** | MIA will correct any issues identified during the tax revenue reconciliation process. |

# Maryland Insurance Administration

## Agency Response Form

**Finding 3**

**MIA did not always conduct comprehensive supervisory reviews of premium tax refunds resulting in the failure to identify improper refunds totaling approximately $800,000.**

**We recommend that MIA**

**a. ensure required supervisory reviews of premium tax refunds are performed and include supporting documentation in accordance with its established written procedures; and**

**b. take appropriate action to recover any improper refunds, including those noted above.**

| Agency Response | | | |
|---|---|---|---|
| **Analysis** | | | |
| **Please provide additional comments as deemed necessary.** | | | |
| **Recommendation 3a** | Agree | **Estimated Completion Date:** | February 2024 |
| **Please provide details of corrective action or explain disagreement.** | MIA will ensure required supervisory reviews of premium tax refunds are performed and include supporting documentation in accordance with its established written procedures. Our procedures include documentation of a supervisory review and sign off of premium tax refunds from the Financial Regulation Unit.<br><br>In addition there is  a further periodic internal audit performed by the Financial Regulation Unit.<br><br>Fiscal Services has also implemented a new recordation process in accounts payable, which will improve the verification, posting and tracking and approval of refund transactions in FMIS. | | |
| **Recommendation 3b** | Agree | **Estimated Completion Date:** | June 2025 |
| **Please provide details of corrective action or explain disagreement.** | MIA has taken appropriate action to recover any improper refunds. As of March 2025, two of the three refunds that were brought to our attention have been recovered ($797,255 and $12,983.18 respectively). The return of the third and final repayment of $17,930.70 has been complicated by liens that were processed against each of the duplicate payments that | | |

| | |
|---|---|
| | were made by MIA, but we are currently in the process of collecting this last payment. |

# Maryland Insurance Administration

## Agency Response Form

### Health Care Access Assessments

| |
|---|
| **Finding 4**<br>**MIA did not timely transfer $657 million in HCAA revenue to other State agencies as required.** |

**We recommend that MIA timely transfer all HCAA revenue in accordance with State law.**

| Agency Response | | | |
|---|---|---|---|
| **Analysis** | | | |
| **Please provide additional comments as deemed necessary.** | | | |
| **Recommendation 4** | Agree | **Estimated Completion Date:** | January 2024 |
| **Please provide details of corrective action or explain disagreement.** | MIA, as part of our annual fiscal year end (FYE) closing process, has instituted procedures to (a) notify the Maryland Health Benefit Exchange (MHBE) of the HCAA revenue balance collected by the MIA and (b) transfer that balance to the MHBE upon their request. MIA notified the MHBE of their FY24 balance of $141.2 million and that amount was subsequently transferred by the MIA to MHBE upon their request in October 2024. | | |

# Maryland Insurance Administration

## Agency Response Form

### Critical Financial Transactions

| |
|---|
| **Finding 5**<br>**MIA could not document and/or did not establish adequate controls over critical financial transactions such as accounts receivable and cash receipts.** |

**We recommend that MIA**

a. **maintain adequate documentation for all financial transactions, and**

b. **conduct independent deposit verifications.**

| Agency Response | | | |
|---|---|---|---|
| **Analysis** | | | |
| **Please provide additional comments as deemed necessary.** | | | |
| **Recommendation 5a** | Agree | **Estimated Completion Date:** | March 2025 |
| **Please provide details of corrective action or explain disagreement.** | MIA will maintain adequate documentation for all financial transactions. MIA reviewed the invoice payment recordation process with DBM's Audit and Financial Compliance Unit and as a result has changed the ACH recordation process of receipts against FMIS invoices. We now use a specific transaction code to record these receipts and include a reference to the Treasurer's Office Daily ACH report. | | |
| **Recommendation 5b** | Agree | **Estimated Completion Date:** | March 2025 |
| **Please provide details of corrective action or explain disagreement.** | MIA will conduct independent deposit verifications. We will review transactions for accuracy and a Fiscal Services supervisor, who did not enter the invoice payment transactions, will release those transactions in FMIS. In addition, we reconcile our cash on a monthly basis. | | |

# Maryland Insurance Administration

## Agency Response Form

### Corporate Purchasing Cards

**Finding 6**
**Corporate purchasing cards (CPC) were not promptly cancelled for employees who separated from MIA.**

**We recommend that MIA**

**a. promptly cancel CPCs when employees separate from MIA, including those noted above; and**

**b. obtain documentation for the aforementioned unsupported charge and take any necessary corrective action.**

| Agency Response | | | |
|---|---|---|---|
| **Analysis** | | | |
| **Please provide additional comments as deemed necessary.** | | | |
| **Recommendation 6a** | Agree | **Estimated Completion Date:** | February 2024 |
| **Please provide details of corrective action or explain disagreement.** | MIA has updated its employee exit procedures in our Human Resources (HR) Unit, to include the following: HR will send the Employee Transition list, which identifies any departing employees, to the Purchasing Card Program Administrator (PCPA) in Fiscal Services. The PCPA will then compare the Employee Transition List to the CPC Oversight-Profile Log, which identifies all CPC holders. If, after comparing these data sources, the PCPA determines that a departing employee is a CPC holder, the PCPA will cancel the CPC. As a back-up measure, HR will confirm in the final exit interview if a separating employee has a CPC, and if so, will record the CPC details, collect the CPC, and notify the PCPA, who will in turn terminate the CPC. | | |
| **Recommendation 6b** | Agree | **Estimated Completion Date:** | April 2025 |
| **Please provide details of corrective action or explain disagreement.** | MIA has located the supporting documentation for the $1,637.97 expense identified by the OLA. No corrective action is needed. | | |

## Audit Team

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