Audit Report

Prescription Drug Affordability Board

August 2026

OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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Victoria L. Gruber
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Brian S. Tanen, CPA, CFE
Legislative Auditor

DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

August 19, 2026

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 Prescription Drug Affordability Board (PDAB) for the period beginning July 1, 2022 and ending March 22, 2026. PDAB is tasked with protecting Maryland residents and the State's health care system from the high costs of prescription drug products.

Our audit disclosed that PDAB did not ensure annual fees assessed on health insurance carriers, pharmacy benefit managers, prescription drug manufacturers, and wholesale distributors who sell prescription drugs in Maryland were properly controlled and accounted for and did not adequately pursue outstanding fees.

PDAB's response to this audit is included as an appendix to this report. In accordance with State law, we have reviewed the response which indicates disagreement with certain aspects of the analysis and related recommendations. In each instance we reviewed and reassessed our audit documentation, and reaffirmed the validity of our finding. In accordance with generally accepted government auditing standards, we have included "auditor's comments" within PDAB's response to explain our position. We will advise the Joint Audit and Evaluation Committee of any outstanding issues that we cannot resolve with PDAB.

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

Respectfully submitted,

Brian S. Tanen

Brian S. Tanen, CPA, CFE
Legislative Auditor

Background Information

Agency Creation and Responsibilities

Chapter 692, Laws of Maryland 2019, effective July 1, 2019, established the Prescription Drug Affordability Board (PDAB) as an independent unit of State government to protect Maryland residents, State and local governments, and other stakeholders within the State's health care system from the high costs of prescription drug products. The Board consists of five members and five alternate members. The Governor, Senate President, House Speaker, and Attorney General each appoint one member and one alternate to five-year terms. The Senate President and House Speaker jointly choose the Chair. The Attorney General is the legal advisor to the Board.

In accordance with State law and regulations, PDAB conducts comprehensive reviews to identify drugs that pose affordability challenges or create access issues for Marylanders. For drugs found to be unaffordable, PDAB is authorized to take certain actions including establishing Upper Payment Limits (UPLs) for the drugs. As of May 2026, PDAB has proposed regulations to establish UPLs for two prescription drugs.

From July 1, 2019 to June 30, 2022, PDAB was staffed and funded by the Maryland Health Care Commission (MHCC). The activities of PDAB during this period were included in our audit of the Health Regulatory Commissions (which include MHCC). Activity since PDAB received its first independent budget in fiscal year 2023 is covered in the scope of this audit.

According to State records, PDAB's fiscal year 2025 expenditures totaled approximately $1.1 million (see Figure 1), which were funded entirely through annual fees assessed to health insurance carriers, pharmacy benefit managers, and prescription drug manufacturers and wholesale distributors who sell or offer for sale prescription drugs to persons in Maryland. During the period of June 30, 2023 through June 30, 2025, PDAB had vacancy rates that ranged from 20 percent to 40 percent. As of June 30, 2025, 40 percent of the five total positions were vacant. These vacancies may have contributed, at least in part, to the finding in this report.

Figure 1
PDAB Positions, Expenditures, and Funding Source

Full-Time Equivalent Positions as of June 30, 2025	
	Positions
Filled	3
Vacant	2
Total	**5**

Fiscal Year 2025 Expenditures	
	Expenditures
Salaries, Wages, and Fringe Benefits	$ 755,971
Technical and Special Fees	108,645
Operating Expenses	199,831
Total	**$1,064,447**

Fiscal Year 2025 Funding Source	
	Funding
Special Fund	$1,064,447
Total	**$1,064,447**

Source: State financial and personnel records

Findings and Recommendations

Annual Fees

Finding 1
The Prescription Drug Affordability Board (PDAB) did not ensure annual fees on health insurance carriers, pharmacy benefit managers, prescription drug manufacturers, and wholesale distributors were properly assessed and accounted for, and outstanding fees were adequately pursued.

Analysis
PDAB did not ensure annual fees on health insurance carriers, pharmacy benefit managers, and prescription drug manufacturers and wholesale distributors who sell or offer for sale prescription drugs to persons in Maryland, were properly assessed and accounted for, and outstanding fees were adequately pursued. PDAB periodically receives listings of these entities and the related addresses

from the Maryland Board of Pharmacy (Board) and the Maryland Insurance Administration (MIA). PDAB is responsible for sending out notices for the annual $1,000 fee assessed on each entity, processing the related collections, and pursuing outstanding fees.

According to the State's accounting records, PDAB collected approximately $4.6 million between July 2022 and March 2026 including checks totaling $3.6 million and electronic collections totaling $969,000. According to PDAB's records, as of April 2026, outstanding fees totaled $1.4 million, including $338,000 that had been referred to the State's Central Collection Unit (CCU). As noted in the background of this report, PDAB's operations are funded entirely by these fees.[1]

- PDAB did not follow up with the Board and MIA to obtain valid addresses when fee assessment letters were returned as undeliverable. Between fiscal year 2023 and 2026, PDAB received undeliverable notices for 169 entities with annual fees totaling $342,000. As of April 2026, PDAB had not contacted the Board or MIA to obtain valid addresses and, consequently, these funds had not been pursued for collection. PDAB management advised that the Board or MIA would not be helpful in obtaining correct addresses because this is who originally provided that information. However, an updated list is provided by the Board every two years and by MIA annually, and they may have updated address information.

- PDAB did not segregate collection and accounts receivable duties and did not independently verify that fees were properly deposited. Specifically, the employee responsible for preparing checks for deposit was also responsible for updating the related accounts receivable records and a different employee who was responsible for scanning checks for deposit was also responsible for verifying the funds were deposited. In addition, the deposit verification did not verify that the funds were actually deposited in the bank and instead reconciled the recorded checks to a manual listing of deposits. As a result, collections could be misappropriated and not be readily detected. Based on our test of 15 arbitrarily selected assessments, we noted that these assessments tested were received and deposited intact.[2]

- PDAB did not refer all delinquent accounts to CCU as required by State regulations. PDAB management advised that the Board approved the decision not to refer delinquent accounts to CCU but could not provide any documentation of the Board's approval or that CCU exempted them from

[1] PDAB maintains the Prescription Drug Affordability Fund, which as of June 30, 2025, had an ending balance of $1.6 million.

[2] Tested fees were deposited between October 2023 and October 2025.

referring accounts. According to PDAB's records as of April 2026, there were 572 delinquent accounts totaling $673,000 that, based on their age, should have been referred to CCU. This included 210 accounts with delinquent fees assessed in fiscal year 2023 totaling $210,000. Delays in the pursuit of delinquent accounts may decrease the likelihood of collecting the funds.

The Comptroller of Maryland's *Accounting Policies and Procedures Manual* requires that receipts recorded on initial source documents be traced to deposit by an employee independent of the cash receipts function. In addition, the *Manual* requires segregation of the cash receipts handling duties and accounts receivable recordation duties. Furthermore, State regulations require that delinquent accounts be referred to CCU after three written demands at 30-day intervals.

Recommendation 1
We recommend that PDAB

a. work with the Board and MIA to obtain correct addresses when assessment notices are returned, including those noted above;
b. segregate the duties of processing collections, maintaining accounts receivable records and verifying collections were deposited;
c. perform and document an independent verification of collections from the initial record of receipt to amounts deposited per the bank; and
d. refer delinquent accounts to CCU as required, including those noted above.

We advised PDAB on how to achieve the necessary segregation of duties using existing personnel.

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the Prescription Drug Affordability Board (PDAB) for the period beginning July 1, 2022 and ending March 22, 2026. 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 PDAB'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 cash receipts, accounts receivable, board operations, and payroll.

Our audit did not include certain support services provided to PDAB by the Maryland Health Benefit Exchange (MHBE) and the Department of Budget and Management (DBM). These support services (such as human resources, certain payroll activities, purchasing, and maintenance of accounting records) are included within the scope of our audits of MHBE and DBM.

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 July 1, 2022 to March 22, 2026, 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 PDAB'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), 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.

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

PDAB'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 PDAB regarding the results of our review of its response.

APPENDIX

MARYLAND
Prescription Drug Affordability Board

16900 Science Drive
Suite 112-114
Bowie, MD 20715
pdab.maryland.gov

August 11, 2026

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

Dear Mr. Tanen:

Enclosed, please find the responses to the draft audit report concerning the Maryland Prescription Drug Affordability Board (PDAB) for the period beginning July 1, 2022 and ending March 22, 2026.

The Prescription Drug Affordability Board appreciates the opportunity to respond to the audit findings and values accountability, continuous improvement, and responsible stewardship of State resources while fulfilling its duty to make prescription drugs more affordable.

As outlined in the responses that follow, the PDAB acknowledges opportunities to strengthen the fee assessment process and certain internal controls. At the same time, it is important to emphasize the unique context in which these findings originated. The PDAB is a very small state agency with limited resources, tasked with developing and managing a fee assessment that is time and labor intensive. The fee assessment applies to entities that the PDAB does not directly license or regulate. The PDAB has continued to improve this process over time.

PDAB has already implemented process improvements to address the finding and recommendations and initiated corrective action where applicable. The agency will continue to implement and test sustainable improvements while continuing to fulfill its mission.

If you have any questions, please contact Andrew York at 410-804-0251 or email at andrew.york@maryland.gov.

Sincerely,

Andrew York, Executive Director
Maryland Prescription Drug Affordability Board
Cc: Bonnie Cullison, Board Chair

Prescription Drug Affordability Board

Agency Response Form

Annual Fees

Finding 1
The Prescription Drug Affordability Board (PDAB) did not ensure annual fees on health insurance carriers, pharmacy benefit managers, prescription drug manufacturers, and wholesale distributors were properly assessed and accounted for, and outstanding fees were adequately pursued.

We recommend that PDAB

a. work with the Board and MIA to obtain correct addresses when assessment notices are returned, including those noted above;
b. segregate the duties of processing collections, maintaining accounts receivable records and verifying collections were deposited;
c. perform and document an independent verification of collections from the initial record of receipt to amounts deposited per the bank; and
d. refer delinquent accounts to CCU as required, including those noted above.

We advised PDAB on how to achieve the necessary segregation of duties using existing personnel.

Agency Response	
Analysis	
Please provide additional comments as deemed necessary.	a. The Board of Pharmacy licenses wholesale distributors, including certain manufacturers, to sell prescription drug products directly in the state. The license is good for two years and expires in May. *See* https://health.maryland.gov/pharmacy/Pages/Establishments.aspx PDAB obtains the list of licensed entities after that renewal period/expiration date to coincide with its process for issuing assessments in August. Thus, PDAB obtains the most recently available addresses to issue the assessment. PDAB also obtains addresses from MIA for the August assessment. b. PDAB is budgeted for 5 FTE, but 1 position is the Assistant Attorney General, who is not assigned collections and accounts receivable work. For much of the covered time period, only 2 staff persons (and the Assistant Attorney General) were working. There simply were no other staff to perform segregated functions. d. For an account to be declared delinquent, there must be a confirmed debt and a demand for payment that is “properly addressed and delivered to the debtor.”

Prescription Drug Affordability Board

Agency Response Form

Recommendation 1a	Disagree	**Estimated Completion Date:**	9/1/2026
Please provide details of corrective action or explain disagreement.	Given that the MIA's and the Board of Pharmacy's recent records are the original source of addresses for distributors/manufacturers and carriers, PDAB disagrees with the assumption that better (correct) addresses may be obtained from these agencies a few months later. However, PDAB is working to establish a process to obtain address updates from MIA and BoP when notices are returned, and to provide the Board of Pharmacy and MIA with the addresses for which the assessment has been returned as undeliverable.		
Recommendation 1b	Disagree	**Estimated Completion Date:**	9/1/2026
Please provide details of corrective action or explain disagreement.	The PDAB worked with state experts to develop a process, consistent with PDAB's small staff (4 staff and 1 Assistant Attorney General), that was understood to comply with the applicable state policies, processes, and procedures. However, given the high vacancy rate (40%) and small staff (2 staff and 1 Assistant Attorney General for much of the covered time period) , PDAB lacked sufficient personnel to staff all segregable functions. Based on this feedback, PDAB has updated its policies and procedures and will continue to work with the Office of the Comptroller to assign roles that meet the Comptroller of Maryland's *Accounting Policies and Procedures Manual* and other applicable state policies. The PDAB will continue to work with other state experts to navigate the unique staffing constraints to meet applicable state policies related to the segregation of the processing of collections, maintaining accounts receivable records, and verifying deposits duties.		
Recommendation 1c	Agree	**Estimated Completion Date:**	6/1/2026
Please provide details of corrective action or explain disagreement.	The PDAB has updated its cash receivables process to include an independent verification of collections from the initial record of receipt to amounts deposited per the bank. Complete.		
Recommendation 1d	Disagree	**Estimated Completion Date:**	6/1/2026
Please provide details of corrective action or explain disagreement.	In accordance with law, the PDAB declares an account delinquent and refers it to CCU when the PDAB can confirm the entity, the obligation to pay, notice of the obligation to pay, and non-payment. That is, when PDAB confirms that: (1) the assessed entity is a qualifying entity and has been sent three notices of the Fee Assessment at an address of record which have not been returned; and (2) any issue (request for waiver or exemption) regarding the applicability of the assessment has been resolved. Where the PDAB could not confirm the identity, obligation or address of the entity, such accounts were not declared delinquent and referred to CCU. As the fee assessment process and exemption process		

	developed over time, the PDAB was able to confirm these elements, declare the account delinquent, and refer the account for collection. Starting in FY25, almost all accounts, except those with incorrect addresses (returned undeliverable), have been declared delinquent and referred to CCU. The PDAB expects to maintain a effective close-out rate moving forward.

Auditor's Comment: PDAB's response indicates disagreement with several recommendations. However, the ensuing comments do not contradict our analysis and indicate that they agree to implement each of the recommendations. In each instance we reviewed and reassessed our audit documentation, and reaffirmed the validity of our finding. Accordingly, we stand by the factual accuracy of the finding and the related recommendations.

AUDIT TEAM

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