

Audit Report

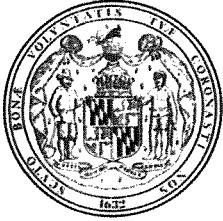
**Comptroller of Maryland
General Accounting Division**

July 2012



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

Karl S. Aro
Executive Director

July 27, 2012

Bruce A. Myers, CPA
Legislative Auditor

Senator James C. Rosapepe, Co-Chair, Joint Audit Committee
Delegate Guy J. Guzzone, Co-Chair, Joint Audit Committee
Members of Joint Audit Committee
Annapolis, Maryland

Ladies and Gentlemen:

We have audited the Comptroller of Maryland – General Accounting Division (GAD) for the period beginning February 2, 2009 and ending October 11, 2011. GAD is responsible for maintaining the State's accounting records, processing vendor invoice payments, and distributing checks prepared by the State Treasurer's Office.

Our audit did not disclose any findings that warrant mention in this report.

We wish to acknowledge the cooperation extended to us during the course of this audit by GAD.

Respectfully submitted,

A handwritten signature in black ink that reads "Thomas J. Barnickel III".

Thomas J. Barnickel III, CPA
Acting Legislative Auditor

Background Information

Agency Responsibilities

The General Accounting Division (GAD), which is a unit of the Comptroller of Maryland, is primarily responsible for maintaining the State's accounting records, centrally processing vendor invoice payments, and distributing checks prepared by the State Treasurer's Office. GAD administers the State's corporate purchasing card system, and is also responsible for annually preparing the State's general-purpose financial statements. According to the State's accounting records, GAD's expenditures totaled approximately \$4.7 million during fiscal year 2011.

Audit of the State's General Purpose Financial Statements

An independent accounting firm is engaged by the Comptroller of Maryland for the purpose of expressing an opinion on the State's annual general-purpose financial statements. In the related audit reports for fiscal years ended June 30, 2009, 2010, and 2011, the firm stated that the State's general-purpose financial statements presented fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State, and the respective changes in financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of the two findings contained in our preceding audit report dated September 14, 2009. We determined that GAD satisfactorily addressed these findings.

Findings and Recommendations

Our audit did not disclose any significant deficiencies in the design or operation of GAD's internal controls. Nor did our audit disclose any significant instances of non-compliance with applicable laws, rules, or regulations. Less significant findings were communicated to GAD that did not warrant mention in this report.

A draft copy of this report was provided to GAD. Since there are no recommendations in this report, a written response was not necessary.

Audit Scope, Objectives, and Methodology

We have audited the Comptroller of Maryland – General Accounting Division (GAD) for the period beginning February 2, 2009 and ending October 11, 2011. 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 GAD's financial transactions, records, and internal control, and to evaluate its compliance with applicable State laws, rules, and regulations. We also determined the status of the findings contained in our preceding audit report.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of materiality and risk. The areas addressed by the audit included State agency vendor payment processing, vendor table maintenance, the corporate purchasing card program, and disbursements. Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of GAD's operations. We also tested transactions and performed other auditing procedures that we considered necessary to achieve our objectives. Data provided in this report for background or informational purposes were deemed reasonable, but were not independently verified.

Our audit did not include certain support services provided to GAD by the Comptroller of Maryland – Office of the Comptroller. These support services (such as processing of invoices for GAD's operating expenses, maintenance of

accounting records, and related fiscal functions) are included in the scope of our audits of the Office of the Comptroller. Our audit also did not include certain other support services provided to GAD by the Comptroller of Maryland – Information Technology Division related to the procurement and monitoring of information technology equipment and services. These support services are included in the scope of our audits of the Information Technology Division.

GAD’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.

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.

AUDIT TEAM

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