Audit Report

Financial Management Information System
Centralized Operations

November 2009

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

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Legislative Auditor

November 5, 2009

Delegate Steven J. DeBoy, Sr., Co-Chair, Joint Audit Committee
Senator Verna L. Jones, Co-Chair, Joint Audit Committee
Members of Joint Audit Committee
Annapolis, Maryland

Ladies and Gentlemen:

We have audited the centralized operations of the Financial Management Information System (FMIS) as administered by the Department of Information Technology (DoIT) and the Comptroller of Maryland's General Accounting Division (GAD). FMIS is used to support the State's purchasing, accounting, and payment functions. According to the State's accounting records, expenditures processed through FMIS for fiscal year 2009 totaled approximately $33 billion.

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 DoIT and GAD.

Respectfully submitted,

Bruce A. Myers, CPA
Legislative Auditor

Background Information

General Information

The Financial Management Information System (FMIS) is an integrated database system with purchasing and accounting components. FMIS's purchasing and accounting components are operational in virtually all Executive Branch agencies, with the exception of the University System of Maryland. In addition, the Maryland Department of Transportation maintains its own version of FMIS, which is not included in the scope of this audit. FMIS runs on the Comptroller of Maryland's Annapolis Data Center's computers, and supports individual agency and statewide purchasing and accounting operations. According to the State's accounting records, expenditures processed through and/or recorded in FMIS for fiscal year 2009, before fiscal year-end closing adjustments, totaled approximately $33 billion; this includes the aforementioned State agencies that use their own computer systems which interface with FMIS.

Control Agency Responsibilities

FMIS supports purchasing functions through the Advanced Purchasing and Inventory Control System (ADPICS) component, and supports the accounting operations through the Relational Standard Accounting and Reporting System (R*STARS) component. The integration of procurement and accounting processing within FMIS results in two primary agencies, the Department of Information Technology (DoIT) and the Comptroller of Maryland, having responsibility for separate aspects of FMIS.

Specifically, DoIT is responsible for daily FMIS administration, including maintenance, operation, security, and back-up of related database records and the computer programs that perform online and overnight processing. The Comptroller of Maryland's General Accounting Division (GAD) is primarily responsible for R*STARS operations, security, and reporting.

DoIT and GAD are separately audited by the Office of Legislative Audits with respect to their agency-specific FMIS responsibilities. This audit of the centralized FMIS operations included elements of FMIS operations relative to the State's overall internal control that are not included in the aforementioned agency audits, such as database and security controls. For an expanded explanation of the nature and purpose of this audit, see the Audit Scope, Objectives, and Methodology section of this report.

FMIS Interface

Because of unique requirements, certain State agencies process procurement, disbursement, and financial information on in-house computer systems that interface certain financial information to FMIS for recordation, payment processing, and reporting. The Judiciary and the University System of Maryland are the two largest entities operating internal systems that interface to FMIS. An additional interface entity is the Maryland Department of Transportation, which operates its own customized version of FMIS. With respect to interfaced data, our centralized audit included a review of the controls and processing of such data from the point of interface to FMIS through transaction processing and recordation.

Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of the one finding contained in our preceding audit report, dated October 10, 2006. We determined that this finding was satisfactorily addressed.

Findings and Recommendations

Our audit did not disclose any significant deficiencies in the design or operation of DoIT's and GAD's internal controls with respect to FMIS operations. Nor did our audit disclose any significant instances of noncompliance with applicable laws, rules, or regulations.

A draft copy of this report was provided to DoIT and GAD. Since there are no recommendations in this report, written responses were not necessary.

Audit Scope, Objectives, and Methodology

We have audited the centralized operations of the Financial Management Information System (FMIS). Fieldwork associated with our audit was conducted during the period from April 2009 to July 2009. 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.

The integration of procurement and accounting processing within FMIS results in two primary agencies (that is, the Department of Information Technology (DoIT) and the Comptroller of Maryland's General Accounting Division (GAD) having responsibility for separate aspects of FMIS. As FMIS is a vital procurement and accounting application in virtually all State agencies, internal control over FMIS is critical to these State agencies. Since we are responsible for auditing these agencies and evaluating their internal control, we periodically evaluate FMIS's internal control.

As prescribed by the State Government Article, Section 2-1221 of the Annotated Code of Maryland, the objectives of this audit were to examine the elements of FMIS operations, relative to the State's overall internal control (for example, database and security controls) and to examine compliance with applicable State laws, rules, and regulations not included in our individual audits of DoIT and GAD. The areas addressed by the audit included central FMIS security administration and maintenance, and the Advanced Purchasing and Inventory Control System (ADPICS) and the Relational Standard Accounting and Reporting System (R*STARS) component operations. We also determined the status of the finding 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. Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of FMIS 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.

The Maryland Department of Transportation (MDOT) maintains its own version of FMIS, which is not included in the scope of this audit. In addition, certain State agencies, including the Judiciary, University System of Maryland, and MDOT, process procurement, disbursement, and financial information on in-house computer systems that interface certain financial information to centralized FMIS for recordation, payment processing, and reporting. With respect to interfaced data, our centralized audit included a review of the controls and processing of such data from the point of interface to FMIS through transaction processing and recordation.

DoIT and GAD are responsible for establishing and maintaining effective internal control over FMIS operations. 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.

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