

Audit Report

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**Department of State Police**

January 2010

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**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**

January 20, 2010

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Executive Director

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

Ladies and Gentlemen:

We have audited the Department of State Police (DSP) for the period beginning May 1, 2006 and ending January 31, 2009. DSP comprises the Maryland State Police, the Office of the State Fire Marshal, and the State Fire Prevention Commission and is responsible for protecting the citizens of the State of Maryland from foreign and domestic security threats, fighting crime, promoting roadway safety, and safeguarding life and property from hazards of fire and explosion.

Our audit disclosed that DSP had not taken sufficient action to eliminate reimbursable and special fund deficit balances totaling approximately \$7.5 million, the majority of which was identified during fiscal year 2006. Additionally, DSP did not perform sufficient quality control reviews of handgun sales to help ensure that handguns were only sold to eligible individuals, nor ensure that required shell casings were received for all qualifying handguns sold in the State. Furthermore, DSP did not ensure that DNA samples from certain persons were collected and forwarded to its Crime Lab.

Finally, we noted various internal control and record keeping deficiencies related to DSP's procurements, payroll, cash receipts and receivables, and noted that security and controls over DSP's information systems could be improved.

An Executive Summary of our findings can be found on page 5. DSP's response to this audit is included as an appendix to this report. We wish to acknowledge the cooperation extended to us during the course of this audit by DSP.

Respectfully submitted,

Bruce A. Myers, CPA  
Legislative Auditor



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\* Denotes item repeated in full or part from preceding audit report

# Executive Summary

## Legislative Audit Report on the Department of State Police (DSP) January 2010

- **DSP had not taken sufficient action to resolve reimbursable and special fund deficit balances totaling approximately \$7.5 million, the majority of which was identified during fiscal year 2006.**

DSP should continue to work with the Department of Budget and Management to address the funding of these deficits.

- **DSP lacked adequate procedures and controls to ensure that handguns were only sold to eligible persons and all related shell casings were accounted for and recorded.**

DSP should comply with its written procedures for performing sufficient quality control reviews of handgun sales and establish procedures to expand testing when data entry errors are identified. DSP should also establish adequate procedures and controls to ensure that all required shell casings are received and entered into a database as required by State law and resolve pending contract issues related to the ballistic fingerprinting database.

- **DSP did not ensure that DNA samples were collected and forwarded to the Crime Lab for all persons convicted of qualifying crimes.**

DSP should obtain listings of all individuals required to provide DNA samples and verify that all samples collected by State and local agencies were forwarded to the Crime Lab for analysis.

- **Information system security and control could be improved. For example, we noted database, password, account, and program change controls over a critical system were inadequate.**

DSP should take the recommend actions to improve information system security and internal control, including establishing controls over the aforementioned system.

- **Internal control and recordkeeping deficiencies were noted over procurements, payroll, cash receipts and receivables, and federal funds.**

DSP should take the recommended actions to improve controls in these areas.



## **Background Information**

### **Agency Responsibilities**

The Department of State Police (DSP) operates under the provisions of Title 2 of the Public Safety Article of the Annotated Code of Maryland. The Code provides that DSP shall safeguard the lives and the safety of all persons within the State, protect property, and assist in securing to all persons the equal protection of the laws. DSP provides these services through a headquarters unit located in Pikesville, Maryland and 22 barracks located throughout the State. In addition, DSP includes the State Fire Marshal and the State Fire Prevention Commission. According to the State's records, during fiscal year 2008, DSP's operating expenditures totaled approximately \$317 million.

### **Status of Convicted Offender DNA Backlog**

DSP's Crime Lab has made progress in reducing the number of convicted offender DNA samples awaiting analysis or entry into State and Federal DNA databases. Our preceding audit report identified approximately 26,800 DNA samples that had not been collected from convicted offenders or that had not been analyzed and entered into the DNA database. In response to our preceding audit report, DSP contracted with several labs to analyze the DNA samples and expanded the use of correctional facility staff to help collect the required DNA samples on DSP's behalf. These procedures have reduced the aforementioned backlog and, as of January 19, 2009, there were approximately 5,000 samples that needed to be sent to the vendors, analyzed, and entered into the statewide DNA database. However, as noted in Finding 3, a process was not in place to ensure the collection of all required samples. Consequently, DSP was unable to readily determine the number of samples awaiting collection from several sources within the Department of Public Safety and Correctional Services.

### **Status of Findings From Preceding Audit Report**

Our audit included a review to determine the status of the 20 findings contained in our preceding audit report dated February 13, 2007. We determined that DSP satisfactorily addressed 15 of the findings. The 5 remaining findings are repeated in this report.



# Findings and Recommendations

## Deficit Balances

### **Finding 1**

**DSP had not taken sufficient action to resolve longstanding reimbursable and special fund deficit balances totaling approximately \$7.5 million.**

### **Analysis**

DSP had not taken sufficient action to resolve longstanding reimbursable and special fund deficit balances totaling approximately \$7.5 million. The majority of the deficit balances was identified as early as fiscal year 2006 and the deficits have been reported upon in our budget closeout reviews each budget year since 2006. As of September 2, 2009, the deficits have not been resolved. Specifically, our review disclosed the following conditions:

- During the fiscal year 2005 budget closeout, DSP mistakenly transferred special funds to the General Fund<sup>1</sup> instead of reversing a previously recorded accrued revenue transaction when the funds were received. When this mistake was discovered during fiscal year 2006, DSP was left with a deficit special fund balance of \$5.6 million (as the related revenue to offset previously existing special fund expenditures was effectively gone, having been transferred to the General Fund). Since then, there has been no significant change to the negative special fund balance.
- DSP recorded unsubstantiated reimbursable and special fund revenues of approximately \$2 million during fiscal year 2008 relating to unattainable revenue from the Maryland Emergency Management Agency (MEMA) and from other entities. During our fiscal year 2008 budget closeout review, DSP management acknowledged that funds totaling \$1.2 million were not due from MEMA and that a deficiency appropriation was needed to resolve this issue. The remaining \$798,000 related to DSP providing services to other entities during fiscal year 2008 for which accounting records were not available to either substantiate this assertion or to identify the other entities that owed this amount to DSP.

DSP management advised us that it has held discussions with the Department of Budget and Management (DBM), and is attempting to obtain a deficiency appropriation to resolve these issues.

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<sup>1</sup>DSP made the transfer to the general fund because it did not have legal authority to retain any balance in this particular special fund.

## **Recommendation 1**

**We recommend that DSP**

- a. continue to work with the DBM to address the funding of the aforementioned deficits,**
- b. comply with State policy by maintaining proper documentation to support all accounting entries, and**
- c. ensure that expenditures do not exceed the related revenue attainment.**

## **Handgun Registrations**

### **Finding 2**

**DSP did not perform the number of quality control reviews of handgun applications required by its policy.**

### **Analysis**

A sufficient number of quality control reviews of handgun applications were not performed as required by DSP policies to help ensure that handguns were sold to only eligible individuals. Furthermore, when deficiencies were identified in the reviews conducted, other appropriate corrective measures, such as increasing the number of reviews performed or taking appropriate personnel actions, were not implemented.

DSP's written procedures require that quality control reviews consist of repeating the majority of the investigation conducted by the clerk in approving the handgun application and reviewing the data entered in the Maryland Automated Firearms Services System (MAFSS). According to DSP policy, these reviews are to be performed on no less than 10 percent of approved handgun applications received during each workweek. However, our review disclosed that DSP did not perform the number of reviews required by its policy. For example, during March 2008 DSP only performed reviews of 73 of the 2,946 (2.5 percent) approved applications processed. In addition, DSP did not expand testing or take appropriate action when reviews disclosed that clerks entered improper information (for example, date of birth) into MAFSS when processing handgun applications. In this regard, one clerk made 15 data entry errors during the period from January through June 2008, but no additional cases were selected for review and no documented corrective measures were taken to address these errors.

DSP management informed us that the failure to conduct the reviews and perform the related corrective action was due to staffing shortages and a significant increase in the number of handgun applications received during calendar years 2008 and 2009. The reviews are critical to help ensure that handguns were sold to

only eligible individuals and to ensure the propriety of information entered into MAFSS because clerks generally have sole responsibility for processing handgun applications including performing the related criminal background checks. Inaccurate information in MAFSS may impede criminal investigations involving handguns and could result in a firearm being sold to an ineligible person.

## **Recommendation 2**

### **We recommend that DSP**

- a. comply with its written procedures to perform the required quality control reviews of handgun applications, and**
- b. establish procedures to expand testing and take appropriate corrective action when handgun registration data entry errors are identified.**

### **Finding 3**

**DSP did not ensure that shell casings were received and entered into the database for all qualifying handguns sold in the State and discontinued using the Maryland Integrated Ballistics Identification System due to performance issues.**

DSP did not ensure that shell casings were received and entered into the database for all qualifying handguns sold in the State, and DSP discontinued using the Maryland Integrated Ballistics Identification System (IBIS). Specifically, our review disclosed the following conditions:

- DSP did not reconcile shell casings received at the crime lab and entered into DSP's internal shell casing database to related handgun registrations recorded on MAFSS for all but one month during the audit period. As a result, there was a lack of assurance that a shell casing was received for all qualifying guns sold and recorded in the database. In this regard, our test of 12 new handgun sales during the period from January 2008 through January 2009 disclosed that 5 handguns' shells were not recorded in DSP's internal shell casing database. DSP management could not readily determine the disposition of these shell casings.
- In April 2007, DSP discontinued scanning shell casings from new handgun sales into IBIS and discontinued entering shell casings from crime scenes into IBIS in September 2008. Since this time, DSP maintained a listing of the shell casings in an internal database and retained the original shell casings.

IBIS is an image analysis system that was intended to acquire, store, and analyze the images of spent cartridge casings for use in criminal investigations. DSP management advised us that it discontinued using IBIS because it did not perform as intended. For example, IBIS failed to recognize a match when the same shell casing was intentionally scanned into the system twice. As a result, DSP is attempting to recover approximately \$2.3 million paid to the vendor to install and maintain IBIS.

State law requires handgun manufacturers that ship or transport a handgun to the State to include with the handgun a shell casing of a projectile fired from that handgun, which is to be forwarded to DSP by the dealer upon the sale of the handgun. The law further requires DSP to establish a database of these casings for use in subsequent criminal investigations. This law became effective October 1, 2000, and the term of the contract with the IBIS vendor began August 15, 2000. According to DSP personnel, as of April 2009, approximately 26,800 new shell casings have been catalogued into the internal database since April 2007.

### **Recommendation 3**

**We recommend that DSP**

- a. establish adequate procedures and controls to ensure that all required shell casings are received and entered into a database as required by State law; and**
- b. with the assistance of the Attorney General's Office, resolve the pending contract issues with the IBIS vendor.**

## **DNA Samples**

### **Finding 4**

**DSP did not have adequate procedures to ensure that DNA samples were collected and forwarded to the DSP Crime Lab for all persons convicted of qualifying crimes.**

### **Analysis**

Adequate procedures were not established to ensure that DNA samples were collected and forwarded to the DSP Crime Lab for all persons convicted of qualifying crimes. Specifically, although the Crime Lab received a listing of State correctional facility inmates required to submit a DNA sample (used by DSP to account for the receipt of all required samples), no such listing was received from 9 of the 12 local correctional facilities or from the Division of Parole and Probation (DPP), which collected its own samples.

Consequently, although DSP verified that all DNA samples collected by State correctional facilities were received by the Crime Lab and entered into the DNA database for those facilities that submit an inmate listing, no such verification could be performed for samples collected by the local correctional facilities and DPP which do not submit listings. As a result, there was a lack of assurance that a sample was obtained from all qualified individuals and that all DNA samples collected by these facilities were received by the Crime Lab for analysis and entry into the DNA database.

State law requires the collection of DNA samples from persons convicted of certain crimes and the recordation of the DNA profile in the statewide DNA database.

#### **Recommendation 4**

**We recommend that DSP establish procedures to ensure that DNA samples are collected for all persons convicted of qualifying crimes, and that those samples are forwarded to the Crime Lab for analysis and entry into the DNA database.**

## **Purchasing and Disbursements**

### **Finding 5**

**DSP did not process certain procurements and disbursements in accordance with State regulations.**

#### **Analysis**

Certain procurements and disbursements were not processed in accordance with State regulations. During fiscal year 2008, DSP processed disbursements totaling approximately \$111 million. For example, our review disclosed the following conditions:

- DSP prepared certain purchase orders after the related invoices and/or the goods or services had been received. Specifically, our test of 15 disbursements, totaling \$5 million, disclosed that for 2 disbursements totaling approximately \$439,000, the related purchase orders were not created until after the related invoices and/or the good or services had been received. A similar condition was commented upon in our preceding audit report.
- DSP divided certain procurements, bypassing applicable control entity approval. Specifically, our review disclosed one transaction that was split into two separate procurements totaling \$30,500 (for which three payments were

made to one vendor on the same day for the same goods). Accordingly, these procurements were not subject to approval by the Department of Information Technology (DoIT) which would otherwise have been required. A similar condition was commented upon in our three preceding audit reports.

State procurement regulations prohibit procurements from being intentionally split to circumvent procurement requirements. Furthermore, the regulations generally require that all procurements over \$2,500 be competitively bid and supported by written contracts and/or purchase orders. In addition, the DoIT hardware master contract requires that any computer hardware award over \$25,000 be submitted to DoIT for approval.

### **Recommendation 5**

**We recommend that DSP**

- a. prepare written purchase orders in accordance with State procurement regulations (repeat), and**
- b. not artificially divide procurements and obtain required control agency approvals (repeat).**

## **Cash Receipts and Receivables**

### **Finding 6**

**DSP lacked adequate procedures and controls over collections and related billings.**

### **Analysis**

DSP lacked adequate procedures and controls over collections and the related billings in the Licensing Division, the Finance Office, and the State Fire Marshal's Office (SFM). For example, our review disclosed the following conditions:

- DSP did not perform or document deposit verifications or properly segregate duties. Specifically, independent verifications that all Licensing Division, Finance Office, and SFM collections were subsequently deposited were not performed or were not documented. In addition, employees responsible for processing Licensing Division and SFM collections were also responsible for updating the related accounts receivable records. As a result, collections could be misappropriated and not readily detected. Similar conditions were noted in our preceding audit report as related to the SFM.

- Due to system deficiencies with DSP's automated licensing system, DSP did not periodically reconcile licenses issued as recorded on its automated licensing system with the related collections recorded on the State's accounting system. The only reconciliation performed during our audit period was based on a manual record of licenses issued for the quarter ended June 2006. In this regard, the reconciliation disclosed that collections recorded on the State's accounting system were \$5,000 less than what should have been collected based on the number of licenses issued. DSP management advised us that the differences were not investigated because it believed the licensing system collection data were unreliable. The automated licensing system is used to issue various licenses, such as handgun permits and security guard licenses.
- The Finance Office did not send delinquent notices and forward delinquent accounts to the State's Central Collection Unit (CCU) within 75 days of the initial invoice as required by State regulations. For example, our test of 15 Finance Office receivables totaling \$195,000, due between July 2007 and January 2009, disclosed that 13 receivables totaling \$145,000 were delinquent from 4 to 22 months and had not been referred to CCU and dunning notices had not been sent regarding 6 receivables.

During fiscal year 2008, Licensing Division, Finance Office, and SFM collections totaled \$1.5 million, \$13 million, and \$1.2 million, respectively. As of December 31, 2008, the Finance Office accounts receivable balances totaled \$7.7 million. The Comptroller of Maryland's *Accounting Procedures Manual* requires an employee independent of the collections function ensure that all collections were subsequently deposited. The *Manual* further requires that the cash receipt and accounts receivable responsibilities be separated.

#### **Recommendation 6**

**We recommend that DSP ensure that**

- an employee independent of the collections function verify and document that all recorded collections were subsequently deposited (repeat),**
- individuals with the responsibility for updating the accounts receivable records not have access to the related collections (repeat),**
- employees periodically reconcile the licenses issued with the related cash receipts and investigate any differences, and**
- delinquent accounts are pursued in accordance with State regulations.**

## Payroll

### **Finding 7**

#### **DSP paid overtime to certain civilian employees in violation of State laws and regulations and a Governor's Executive Order.**

#### **Analysis**

DSP paid overtime to certain civilian employees in violation of State laws and regulations and a Governor's Executive Order. Our review disclosed the following conditions:

- DSP policy provides for civilian employees to earn overtime for hours worked in excess of 8 hours per day regardless of the number of hours worked in a workweek. However, applicable State laws and regulations provide for monetary overtime only for hours worked beyond the normal 40 hour workweek. As a result, DSP improperly paid overtime to certain civilian employees. Our test of overtime paid to four civilian employees during a pay period in which the employees worked less than 80 hours disclosed that two employees were improperly paid overtime. In this regard, one of these employees only worked 34 and 30 hours in each workweek during a pay period, took 32 hours of leave without pay, and was still paid 16 hours of overtime. During calendar year 2008, this employee earned \$10,000 in overtime, which was 29 percent of the employee's regular salary.
- During fiscal year 2009, certain civilian employees were paid overtime during a workweek in which furlough leave was taken. An Executive Order and a DSP Special Order prohibited employees from earning overtime pay during a workweek in which furlough time was taken. However, our test of 15 employees that earned overtime during a pay period in which furlough leave was taken disclosed that 4 employees improperly were paid overtime. For example, one employee earned 6 hours of overtime during a workweek in which 8 hours of furlough leave was taken. Since the employee was paid for the equivalent of 9 hours of work (6 hours of overtime at time and a half), the overtime eliminated any savings that would have been realized by the State related to the 8 hours of furlough leave.
- As required by State regulations, DSP did not receive DBM approval for monetary overtime payments made to 21 civilian employees who were not eligible to receive such payments as required by State regulations. Specifically, DSP did not obtain DBM approval to pay monetary overtime during calendar years 2007 and 2008 totaling \$193,300 to 14 employees who were not eligible to receive such payments. In addition, DSP continued to pay

monetary overtime to 7 other employees for which DBM approval was obtained but had expired. For example, these employees earned over \$4,700 in monetary overtime compensation during the first two pay periods of calendar year 2009 although DBM approval was only obtained through May 2008.

During calendar year 2008, DSP paid overtime totaling \$7 million to 1,630 employees. This reflects overtime payments to both civilian and sworn personnel.

#### **Recommendation 7**

##### **We recommend that DSP**

- a. only award overtime to employees who work more than 40 hours per week in accordance with State laws and regulations,**
- b. prohibit employees from earning overtime in the same workweek that furlough leave was taken in accordance with the aforementioned Executive Order and DSP Special Order, and**
- c. request approval from DBM to pay overtime to the aforementioned employees and obtain DBM approval for any future overtime payments to employees who would otherwise be ineligible.**

## **Information Systems Security and Control**

### **Background**

DSP's Information Technology Division is responsible for information technology and communications management in support of field troopers, investigators, support personnel, allied law enforcement agencies, state and local government agencies, and the citizenry. DSP's information technology environment includes an integrated computer network that provides connections to a number of servers and workstations. Key network resources include email and the E-TIX system, which is used for citations, warnings, field observation reports, and vehicle safety equipment repair orders. Other key network resources include Internet connectivity and firewalls used to protect segments of the network; and the DSP's website that functions as an entry point to many of the DSP's services.

**Finding 8**

**Database, password, account, and program change controls over the E-TIX system were inadequate.**

**Analysis**

Database, password, account, and program change controls over the E-TIX system were inadequate. Specifically, we noted the following conditions:

- The database supporting the E-TIX system was not configured to log any database security activity. Examples of database activities which should be logged and analyzed include, but are not limited to, direct changes to critical data tables, changes to database security settings, and use of certain critical privileges.
- Database and system user accounts and passwords were not in compliance with the requirements established by DoIT's *Access Control Standard*. For example, maximum password age, password length and complexity requirements, and account lockout were not enforced for all system user accounts.
- The database supporting this system had not been updated for numerous critical security related updates issued by the database vendor.
- Program change control procedures over this application's computer programs did not include a comparison report of identified program changes for programs moved to production or a technical review of the related program source code for propriety. In addition, the programmer who performed the program changes moved the programs into production.

As a result of these conditions, there was a lack of assurance of the confidentiality and propriety of the data in this system. When using the E-TIX application, troopers enter information onto laptops mounted in their police cars. A copy of the citation is sent electronically to the E-TIX system when the laptop can connect to a wireless signal. Citations are sent electronically from the system to the District Court on a daily basis.

**Recommendation 8**

**We recommend that DSP establish adequate controls over the E-TIX system. Specifically, we made detailed recommendations, which if implemented, should provide for adequate security over this system.**

**Finding 9**

**Critical devices used to secure the DSP network were not properly administered or monitored.**

**Analysis**

Critical devices which were used to secure the DSP network from third party networks, including the Internet, were not properly administered or monitored. We noted the following conditions:

- An insecure connection protocol was used for administrative access to two (identically configured) firewalls. In addition, remote administrative connections to these firewalls were not restricted to originating from only authorized firewall administrators.
- The firewalls' logs were stored on the devices and not recorded on a separate logging server. As a result, logs stored on the firewalls were overwritten when filled resulting in lost information, and these log files could be modified by an intruder before files could be used to assist in the review of an attack.
- We were advised that DSP personnel did not regularly review the firewall logs and documentation of any reviews that were performed was not retained.
- The intrusion prevention system (IPS) used to detect malicious traffic had not been updated since October 2008 when the IPS software contract expired. In addition, the IPS was set to ignore certain key security related events which should be blocked. Finally, the IPS was not set to send email alerts to network personnel of critical security events.

**Recommendation 9**

**We recommend that DSP**

- a. use only secure connection protocols for remote administrative connections to these firewalls;**
- b. restrict remote administrative connections to these firewalls to only authorized firewall administrators;**
- c. store the firewall logs on a separate secure server;**
- d. regularly review the firewall logs, document all reviews performed, and retain the documentation for verification purposes; and**
- e. operate licensed IPS devices and update the IPS on a timely basis, configure the IPS to react to significant security events, and activate IPS email alerts for critical security related events.**

**Finding 10**

**DSP did not have adequate backup procedures for critical network devices or an adequate disaster recovery plan.**

**Analysis**

DSP did not have adequate backup procedures for critical network devices or an adequate disaster recovery plan. Specifically, we noted the following conditions:

- DSP's firewalls and critical network devices were not backed up on a periodic basis. As of June 2009, the most recent backups were performed in August 2008 with two critical firewalls not having been backed up since March 2005. In addition, these backup copies were not stored at a secure off-site location.
- DSP did not have a complete disaster recovery plan (DRP) for recovering from disaster scenarios (for example, a fire). In accordance with the Department of Budget and Management's *IT Disaster Recovery Guidelines*, a complete DRP should address, at a minimum, concept of operations, notification and activation procedures, recovery strategies (including use of alternate sites), reconstitution procedures and periodic testing of the DRP. Without a complete DRP, a disaster could cause significant delays (for an undetermined period of time) in restoring information systems operations above and beyond the expected delays that would exist in a planned recovery scenario. A similar condition has been commented upon in our two preceding audit reports.

**Recommendation 10**

**We recommend that DSP**

- a. regularly backup its firewalls and other critical network devices and store the backup copies of these devices at a secure off-site location; and**
- b. develop and implement a comprehensive information systems disaster recovery plan in accordance with the aforementioned *IT Disaster Recovery Guidelines* that, at a minimum, addresses the required items noted above (repeat).**

## **Federal Funds**

### **Finding 11**

**Reimbursement requests for federal funds were not submitted timely.**

#### **Analysis**

DSP did not always submit reimbursement requests for federal grant expenditures on a timely basis. Specifically, our test of 24 reimbursement requests, processed during fiscal years 2007 through 2009 totaling \$1.4 million, disclosed that for 22 requests, totaling \$1.3 million, the federal funds were requested from 43 days to 369 days after the funds could have been requested. For example, expenditures totaling \$235,900 for the quarter ending September 30, 2007 were not requested until June 2008 (272 days after the request was allowed to be submitted). The failure to request the aforementioned funds in a timely manner resulted in lost investment income totaling \$12,100. A similar condition was commented upon in our preceding audit report. According to DSP records, federal fund expenditures totaled approximately \$3 million during fiscal year 2008.

#### **Recommendation 11**

**We again recommend that DSP submit federal fund reimbursement requests in a timely manner (for example, monthly).**

## **Equipment**

### **Finding 12**

**DSP did not establish adequate controls over its equipment.**

#### **Analysis**

Adequate controls were not established over DSP's computer equipment which, according to DSP records, had a book value of approximately \$16.9 million as of June 30, 2008. For example, DSP did not establish a control account for its computer equipment until November 2008 to ensure all equipment was accounted for. In addition, nine employees had access to the detail records for computer equipment and to the related inventory. We further noted that, as of April, 2009, computer equipment acquisitions had not been recorded since October, 2008 (including 200 mobile printers costing approximately \$200,000), and DSP had not disposed of approximately \$1.2 million in excess computer equipment for which it had obtained approval for disposal in November 2007.

We also noted that an employee had access to the detail records for firearms and the related inventory and was responsible for performing the physical inventory of firearms.

Similar conditions were commented upon in our four preceding audit reports. The Department of General Services' *Inventory Control Manual* requires that a control account and detail records be independently maintained to properly reflect all transactions for all categories of property and that these records be maintained on a current basis. The *Manual* also requires that the duties of inventory record keeping, inventory custody and physical inventory taking be segregated whenever practical.

### **Recommendation 12**

**We again recommend that DSP comply with the requirements of the *Inventory Control Manual*.**

## **Fire Safety Inspections**

### **Finding 13 (Policy Issue)**

**DSP did not conduct unannounced fire safety inspections of day care facilities as permitted by State law.**

### **Analysis**

Unannounced fire safety inspections of day care facilities were not generally conducted as permitted by State law. Specifically, State law prohibits any advance notice of fire safety inspections without the written approval of the State Fire Marshal. However, the State Fire Marshal issued two General Orders in February 1994 and July 2009 that provided broad approval to conduct scheduled (announced) inspections. As allowed by these orders, DSP generally provided advance notification of inspections to large day care facilities by scheduling inspections within 90 days of the expiration of the facilities' license. In addition, DSP routinely contacted smaller family day care homes and centers to schedule the fire safety inspections.

Providing advance notice of the inspections allows the facilities to conceal or correct systemic deficiencies prior to the inspection. Furthermore, the use of unannounced inspections, at least for a portion of the inspections conducted, appears appropriate since State regulations require another State agency, which is responsible for monitoring other aspects of day care, to conduct at least one unannounced inspection of each child care facility per 12-month period. We were advised by DSP management that the inspections are scheduled to avoid

inspectors traveling to facilities that are closed and, as previously noted, the State Fire Marshal had approved the use of scheduled inspections. However, this approach may not be the most effective means to ensure day care facilities maintain ongoing compliance with fire safety requirements. According to DSP's records, during fiscal year 2008 DSP conducted approximately 2,500 fire safety inspections of day care facilities.

### **Recommendation 13**

**We recommend that the State Fire Marshal revise its policy to provide for unannounced inspections of day care facilities, at least for some of the inspections conducted.**

## **Confiscated and Forfeited Property**

### **Finding 14**

**DSP did not have adequate procedures for the sale of confiscated property.**

### **Analysis**

DSP did not have adequate procedures for the sale of confiscated property. Specifically, our review disclosed the following conditions:

- Confiscated assets were not forwarded from the barracks to DSP's Asset Forfeiture Unit (AFU) or Property Unit in a timely manner. Specifically, our review of 91 barrack submissions of confiscated funds to the AFU during fiscal year 2009, totaling \$1 million, disclosed that 51 submissions, totaling \$389,000, were held by the barracks between 11 and 58 days after seizure before being forwarded to the AFU. In addition, barracks would often wait until there was no more space at the barracks before forwarding non-cash confiscations to the Property Unit for sale. For example, a non-cash confiscation received at one barrack in January 2007 was not forwarded to the Property Unit until May 2008. DSP's Patrol Manual requires that confiscated cash funds be forwarded to the AFU within 10 days of seizure, but did not address the timely submission of non-cash confiscations.
- DSP paid commissions of 10 to 50 percent to online auction vendors for the sale of non-cash confiscations even though the Department of General Services had an existing statewide contract for such services for which commissions were only 7.5 percent. In addition, DSP paid a credit card processing fee for each transaction. For example, in September 2008, DSP sold one item via the online auction for \$285 for which the vendor was paid \$148 (a \$10 credit card fee and a commission of \$138) leaving DSP with only

\$137 (or 48 percent of the sales price). Had DSP used the statewide vendor during the audit period, the State would have saved approximately \$20,500 in commission expenses and an unknown amount in credit card charges.

**Recommendation 14**

**We recommend that**

- a. confiscated funds be forwarded to the AFU in accordance with the DSP policy,**
- b. DSP establish a policy for the timely submission of non-cash confiscations to the Property Unit for sale, and**
- c. DSP use the statewide contract to dispose of non-cash confiscations.**

## **Audit Scope, Objectives, and Methodology**

We have audited the Department of State Police (DSP) for the period beginning May 1, 2006 and ending January 31, 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.

As prescribed by the State Government Article, Section 2-1221 of the Annotated Code of Maryland, the objectives of this audit were to examine DSP's financial transactions, records and internal control, and to evaluate its compliance with applicable State laws, rules, and regulations. The areas addressed by the audit included procedures and controls over handgun registrations and DNA samples, vehicle inspection facilities, as well as payroll, cash receipts, accounts receivable, information systems, confiscated and forfeited property, and equipment inventories. 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. Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of DSP'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.

DSP 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.

This report includes findings that we consider to be significant deficiencies in the design or operation of internal control that could adversely affect DSP'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 DSP that did not warrant inclusion in this report.

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

## APPENDIX



MARTIN O'MALLEY  
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ANTHONY G. BROWN  
LT. GOVERNOR

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**COLONEL**  
TERRENCE B. SHERIDAN  
SUPERINTENDENT

January 12, 2010

Bruce A. Myers, CPA  
Legislative Auditor  
Department of Legislative Services  
Office of Legislative Audits  
301 West Preston Street, Room 1202  
Baltimore, MD 21201

## APPENDIX

Dear Mr. Myers:

Thank you for the opportunity to review the draft findings and recommendations for the final audit report for the Maryland Department of State Police for the period May 1, 2006 to January 31, 2009. The Department's audit team within the Inspection and Compliance Division has worked closely with all appropriate stakeholders to ensure that the recommendations were considered and corrective actions immediately addressed as appropriate.

Attached please find a copy of the Department's responses to the draft findings report. This document highlights actions that have been taken by the Department to direct and ensure compliance towards mandated policies and procedures.

If you should need any further assistance, please do not hesitate to contact Lieutenant Kelly Testerman, Acting Commander of the Inspection and Compliance Division. She may be reached by telephone at 410-653-4272 or by email at [ktesterman@mdsp.org](mailto:ktesterman@mdsp.org).

Sincerely,

Terrence B. Sheridan  
Superintendent

TBS:kt

Attachment

cc: Lieutenant K. Testerman, Acting Commander, Inspection and Compliance Division  
Mr. John Draa, Director, Office of Strategic Planning

*"Maryland's Finest"*

**Responses to Legislative Audit Findings and Recommendations**  
**Audit Period May 1, 2006 to January 31, 2009**

**Deficit Balances**

**Finding 1**

**DSP had not taken sufficient action to resolve longstanding reimbursable and special fund deficit balances totaling approximately \$7.5 million.**

**Recommendation 1**

**We recommend that DSP**

- a. continue to work with the DBM to address the funding of the aforementioned deficits,**
- b. comply with State policy by maintaining proper documentation to support all accounting entries, and**
- c. ensure that expenditures do not exceed the related revenue attainment.**

Agency Response: DSP concurs with the recommendations.

The Department will continue to press the Department of Budget and Management to address and fund the cited reimbursable and special fund deficit balances. Additionally, the Department will comply with State policy by maintaining proper documentation to support all accounting entries, and ensure that expenditures do not exceed the related revenue attainment.

**Handgun Registrations**

**Finding 2**

**DSP did not perform the number of quality control reviews of handgun applications required by its policy.**

**Recommendation 2**

**We recommend that DSP**

- a. comply with its written procedures to perform the required quality control reviews of handgun applications, and**
- b. establish procedures to expand testing and take appropriate corrective action when handgun registration data entry errors are identified.**

Agency Response: DSP concurs with the recommendations.

The Department has revised existing policy by identifying the quality assurance process to include a review of data entry errors by supervisory personnel and periodic reviews by command personnel. When repeated data entry errors occur, the appropriate disciplinary action will be taken in accordance with the Department's Administrative Manual.

**Finding 3**

**DSP did not ensure that shell casings were received and entered into the database for all qualifying handguns sold in the State and discontinued using the Maryland Integrated Ballistics Identification System due to performance issues.**

**Recommendation 3**

**We recommend that DSP**

- a. establish adequate procedures and controls to ensure that all required shell casings are received and entered into a database as required by State law; and**
- b. with the assistance of the Attorney General's Office, resolve the pending contract issues with the IBIS vendor.**

**Agency Response:** DSP concurs with the recommendations.

The shell casing compliance review has been completed. The Department has already placed adequate procedures and controls to ensure compliance as required by State law. Appropriate administrative sanctions have been pursued with personnel who failed to ensure the compliance with the agency's Special Order.

**DNA Samples****Finding 4**

**DSP did not have adequate procedures to ensure that DNA samples were collected and forwarded to the DSP Crime Lab for all persons convicted of qualifying crimes.**

**Recommendation 4**

**We recommend that DSP establish procedures to ensure that DNA samples are collected for all persons convicted of qualifying crimes, and that those samples are forwarded to the Crime Lab for analysis and entry into the DNA database.**

**Agency Response:** DSP concurs with the recommendations

The Department has contacted to the Department of Corrections and Department of Parole and Probation for their assistance in re-establishing the policy of generating lists for persons eligible for DNA collection. The Department of Parole and Probation has agreed to assist DSP and has recently provided the department with a listing of those eligible for collection.

## Purchasing and Disbursements

### **Finding 5**

**DSP did not process certain procurements and disbursements in accordance with State regulations.**

### **Recommendation 5**

**We recommend that DSP**

- a. prepare written purchase orders in accordance with State procurement regulations (repeat), and**
- b. not artificially divide procurements and obtain required control agency approvals (repeat).**

**Agency Response:** DSP concurs with the recommendations.

Recommendation a:

In some instances the department is required to send aviation parts for repair estimates prior to authorizing a purchase order. On one particular occasion, after sending aviation parts for a repair estimate, the repair was authorized over the phone and a purchase order was created subsequent to the work being completed. On a second occasion the department was in the process of acquiring two different procurements from the same vendor at the same time. The department received authorization from DGS for the one of the procurements; however, a second service was performed prior to a second purchase order being issued. The department has discussed the State procurement regulations with the new supervisor to ensure future procurement compliance.

Recommendation b:

The department was instructed by the DBM to separate procurements by utilizing grant funding and general funding for the purpose of securing the procurement. The procurement officer responsible for the transaction has since retired from the department and supporting documentation for this authorization is limited.

## Cash Receipts and Receivables

### **Finding 6**

**DSP lacked adequate procedures and controls over collections and related billings.**

### **Recommendation 6**

**We recommend that DSP ensure that**

- a. an employee independent of the collections function verify and document that all recorded collections were subsequently deposited (repeat),**
- b. individuals with the responsibility for updating the accounts receivable records not have access to the related collections (repeat),**
- c. employees periodically reconcile the licenses issued with the related cash receipts and investigate any differences, and**
- d. delinquent accounts are pursued in accordance with State regulations.**

**Agency Response:** DSP concurs with the recommendations.

The Department has implemented appropriate changes to comply with the recommendations.

Recommendation c. The Department submitted a grant application for funding to improve system deficiencies with licensing systems; however it was denied. The Department is in the process of developing a prioritized implementation plan that can be enacted incrementally as funding permits.

## **Payroll**

### **Finding 7**

**DSP paid overtime to certain civilian employees in violation of State laws and regulations and a Governor's Executive Order.**

### **Recommendation 7**

**We recommend that DSP**

- a. only award overtime to employees who work more than 40 hours per week in accordance with State laws and regulations,**
- b. prohibit employees from earning overtime in the same workweek that furlough leave was taken in accordance with the aforementioned Executive Order and DSP Special Order, and**
- c. request approval from DBM to pay overtime to the aforementioned employees and obtain DBM approval for any future overtime payments to employees who would otherwise be ineligible.**

**Agency Response:** DSP concurs with the recommendations.

The Department has changed the existing civilian overtime policy to comply with the recommendations. The Secretary of DBM has granted permanent authority for overtime payments to employees with classifications that would otherwise be ineligible to get overtime approval.

## **Information Systems Security and Control**

### **Finding 8**

**Database, password, account, and program change controls over the E-TIX system were inadequate.**

### **Recommendation 8**

**We recommend that DSP establish adequate controls over the E-TIX system.**

**Specifically, we made detailed recommendations, which if implemented, should provide for adequate security over this system.**

**Agency Response:** DSP concurs with the recommendations.

The Department has implemented appropriate changes to comply with the recommendations.

**Finding 9**

**Critical devices used to secure the DSP network were not properly administered or monitored.**

**Recommendation 9**

**We recommend that DSP**

- a. use only secure connection protocols for remote administrative connections to these firewalls;**
- b. restrict remote administrative connections to these firewalls to only authorized firewall administrators;**
- c. store the firewall logs on a separate secure server;**
- d. regularly review the firewall logs, document all reviews performed, and retain the documentation for verification purposes; and**
- e. operate licensed IPS devices and update the IPS on a timely basis, configure the IPS to react to significant security events, and activate IPS email alerts for critical security related events.**

**Agency Response:** DSP concurs with the recommendations.

The Department is working on making the appropriate changes to comply with the recommendations.

**Finding 10**

**DSP did not have adequate backup procedures for critical network devices or an adequate disaster recovery plan.**

**Recommendation 10**

**We recommend that DSP**

- a. regularly backup its firewalls and other critical network devices and store the backup copies of these devices at a secure off-site location; and**
- b. develop and implement a comprehensive information systems disaster recovery plan in accordance with the aforementioned *IT Disaster Recovery Guidelines* that, at a minimum, addresses the required items noted above (repeat).**

**Agency Response:** DSP concurs with the recommendations.

Recommendation a. The Department is currently in the implementation phase of this project.  
Recommendation b. The Department is working on making appropriate changes to comply with the recommendations.

## Federal Funds

### **Finding 11**

**Reimbursement requests for federal funds were not submitted timely.**

### **Recommendation 11**

**We again recommend that DSP submit federal fund reimbursement requests in a timely manner (for example, monthly).**

**Agency Response:** DSP concurs with the recommendations

The Department will request federal fund reimbursement requests in conjunction with the submission of the quarterly financial report.

## Equipment

### **Finding 12**

**DSP did not establish adequate controls over its equipment.**

### **Recommendation 12**

**We again recommend that DSP comply with the requirements of the *Inventory Control Manual*.**

**Agency Response:** DSP concurs with the recommendations

The Department has implemented procedures to ensure compliance with the requirements of the Inventory Control Manual with the respect to computer equipment and firearms.

## Fire Safety Inspections

### **Finding 13 (Policy Issue)**

**DSP did not conduct unannounced fire safety inspections of day care facilities as permitted by State law.**

### **Recommendation 13**

**We recommend that the State Fire Marshal revise its policy to provide for unannounced inspections of day care facilities, at least for some of the inspections conducted.**

**Agency Response:** DSP concurs with the recommendations

The Department will be making appropriate changes to existing policies that will include the performance of unannounced fire safety inspections of day care facilities as recommended.

## Confiscated and Forfeited Property

### Finding 14

**DSP did not have adequate procedures for the sale of confiscated property.**

### Recommendation 14

We recommend that

- a. **confiscated funds be forwarded to the AFU in accordance with the DSP policy,**
- b. **DSP establish a policy for the timely submission of non-cash confiscations to the Property Unit for sale, and**
- c. **DSP use the statewide contract to dispose of non-cash confiscations.**

**Agency Response:** DSP concurs in part with the recommendations

Recommendations a and b: The Department has revised its policy to comply with the recommendations.

Recommendation c:

- Under the COMAR 21.01.03.01 “(8) Disposal or surplus or excess real or personal property” is exempt from the state procurement regulations.
- COMAR 21.05.05.02 (3) is acceptable when a vendor is used for testing.
- State wide contract did not offer picking up property, disposal management and sale. The department had included this information in the sole source justification. DGS was contacted and explained the reasons for the sole source.
- DGS authorized the department to use the particular vendor for the disposal of the confiscated property only if the property is not purchased by the state.
- In May 2009, another vendor was awarded the state contract for the disposal of the department’s non-cash confiscated property for the next five years. This contract will provide the department with no less than 70% of the proceeds.

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