

Audit Report

**Department of Transportation
Financial Management Information System
Centralized Operations**

December 2008



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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Karl S. Aro
Executive Director

DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Bruce A. Myers, CPA
Legislative Auditor

December 2, 2008

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 centralized operations of the Financial Management Information System (FMIS) as administered by the Department of Transportation – Secretary's Office. FMIS is used to support the Department's purchasing, accounting and payment functions. According to the State's accounting records, expenditures processed through FMIS for fiscal year 2008 totaled approximately \$2.5 billion.

Our audit disclosed that FMIS contained many essential internal controls that were functioning properly. However, our audit did disclose that the monitoring of critical security reports could be improved.

The response from the Department of Transportation – Secretary's Office 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 the Office.

Respectfully submitted,

Bruce A. Myers, CPA
Legislative Auditor

Background Information

General Information

The Department of Transportation's Financial Management Information System (FMIS) is an integrated database system with purchasing and accounting components. FMIS' purchasing and accounting components are operational in all Department agencies. FMIS runs on the Department's Office of Transportation Technology Services' (OTTS) mainframe computer. According to the State's accounting records, expenditures processed through FMIS for fiscal year 2008 totaled approximately \$2.5 billion.

A separate version of FMIS (known as Statewide FMIS) is maintained by the Department of Budget and Management and the Comptroller of the Treasury's General Accounting Division for the use of most executive branch agencies and is outside the scope of this audit. Because of the unique needs of the Department of Transportation, particularly with respect to Federal grants and projects, it maintains its own version of FMIS.

FMIS Responsibilities

The FMIS Unit, within the Department's Secretary's Office, and the Department's OTTS are responsible for daily FMIS administration, including maintenance, operation, security, and backup of related database records and the computer programs, which perform online and overnight processing. The agencies within the Department are responsible for establishing and monitoring their employees' security accesses to FMIS.

The Office of Legislative Audits separately audits the Secretary's Office and all Departmental agencies. Our most recent audits of these entities included a review of their agency-based FMIS responsibilities. This central audit included elements of the FMIS' operation and internal control not included in the aforementioned agency audits (for example, 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

The Department interfaces certain FMIS financial information to the Statewide FMIS for recordation, payment processing, and reporting. This audit included a review of the controls and processing over financial information interfaced to and recorded on Statewide FMIS.

Status of Findings From Preceding Audit Report

We reviewed the status of the two findings included in our preceding audit report dated December 20, 2004. We determined that the Department satisfactorily addressed these findings.

Findings and Recommendations

Computer Security

Finding 1

Monitoring of critical security reports was inadequate.

Analysis

Reports of modifications to key FMIS data and program files and of changes made to the security rules governing access to these data and program files were not reviewed. Security event reporting and review is integral to an organization's information systems controls and inadequate reporting and review can impair system security controls.

The significance of the data maintained in the FMIS database and the magnitude of the expenditures and revenues processed through FMIS necessitates that access to the data and related FMIS programs be adequately restricted. Critical FMIS data and programs on the Department's mainframe computer can be modified using different tools and by online transaction screens. To provide access control over the FMIS data and programs, the Department uses a mainframe software security product, the Department's database management software, and FMIS application program controls. The system produces daily security reports which identify critical security events.

Recommendation 1

We recommend that critical security reports be reviewed on a daily basis and that such reviews be documented and retained for future verification.

Audit Scope, Objectives, and Methodology

We have audited the centralized operations of the Department of Transportation Financial Management Information System (FMIS). Fieldwork associated with our review was conducted during the period from November 2007 to May 2008. 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 FMIS is a vital procurement and accounting application in all Department agencies, internal control over FMIS is critical to the user agencies. Since we are responsible for auditing these agencies and evaluating their internal control structure, we periodically evaluate FMIS' internal control structure. The State of Maryland maintains its own statewide version of FMIS, which is not included in the scope of this audit.

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 Department's overall internal control structure (for example, database and security controls) and to examine compliance with applicable State laws, rules, and regulations not included in our individual audits of the Department's agencies. 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 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.

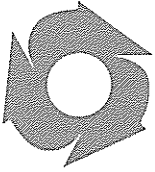
The Department's management is responsible for establishing and maintaining effective internal control over FMIS operations. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records, effectiveness and efficiency of operations 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.

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

The response from the Department of Transportation – Secretary's Office 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 the Department regarding the results of our review of its response.



Maryland Department of Transportation
The Secretary's Office

APPENDIX

Martin O'Malley
Governor

Anthony G. Brown
Lt. Governor

John D. Porcari
Secretary

Beverley K. Swaim-Staley
Deputy Secretary

November 25, 2008

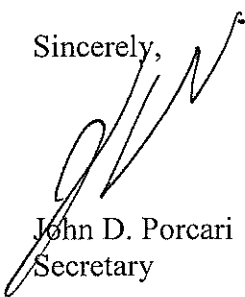
Bruce A. Myers, CPA
Legislative Auditor
Office of Legislative Audits
Department of Legislative Services
Room 1202
301 West Preston Street
Baltimore MD 21201

DAVE:
Dear Mr. Myers:

Enclosed please find the Department's response to the draft Legislative Auditor's Report dated November 2008 for the Department of Transportation – Financial Management Information System - Centralized Operations. Additionally, an electronic version of this document has been sent to your office via e-mail (file name: MDOT-FMISDraftReport2008) to response@ola.state.md.us.

Thank you again for your letter. If we may be of further assistance, please do not hesitate to contact me or Mr. David L. Fleming, Director of the Office of Finance, Maryland Department of Transportation (MDOT) at 410-865-1035, toll-free 888-713-1414 or via email at dflaming@mdot.state.md.us.

Sincerely,


John D. Porcari
Secretary

cc: Mr. David L. Fleming, Chief Financial Officer, Office of Finance, MDOT
Mr. Joseph J. Lambdin, Director, Office of Audits, MDOT
Ms. Beverley K. Swaim-Staley, Deputy Secretary, MDO



Maryland Department of Transportation
Financial Management Information System - Centralized Operations
Draft Audit Report Responses
November 2008

Computer Security

Finding 1

Monitoring of critical security reports was inadequate.

Response:

We concur with the auditor's recommendation. The reports are now being automatically stored electronically. Access to the storage system, as well as a method for electronically noting the review of the reports will be developed. This process should be accomplished and in place by December 1, 2008.

AUDIT TEAM

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