Summary of Reports Issued and Recommended Committee Action

December 1, 2009 to October 31, 2010

Presentation to Joint Audit Committee

Bruce A. Myers, CPA

November 9, 2010

Reports Issued December 1, 2009 to October 31, 2010

Summary

Total Reports Issued	77
Reports Recommended for Action	10

	Agency	Recommended Action
1.	Department of Transportation – Maryland Aviation Administration	JAC Letter of Concern
2.	Department of State Police	JAC Letter of Concern
3.	University System of Maryland – University of Maryland, Baltimore	Presented to other Committees (1)
4.	St. Mary's College of Maryland	Presented to other Committees (1)
5.	Department of General Services – Office of Procurement and Logistics	JAC Letter of Concern
6.	State Board of Elections	JAC Letter of Concern
7.	University System of Maryland – Coppin State University	JAC Letter of Concern
8.	Department of Juvenile Services	JAC Hearing
9.	Department of Transportation – Motor Vehicle Administration	JAC Hearing
10.	Department of Public Safety and Correctional Services – Baltimore Region	JAC Hearing

(1) Presented to subcommittees of Senate Budget and Taxation Committee and House Appropriations Committee during the 2010 Session. No Joint Audit Committee action is recommended at this time.

Summary of Recommended Action

Joint Audit Committee (JAC) Hearing	3
JAC Letter of Concern	5
Presented to other Committees	2
Total	10

Reports Issued
December 1, 2009 to October 31, 2010

Agency	Report Date	Number of Pages
Worcester County – Office of the Clerk of Circuit Court	12/01/09	6
Charles County – Office of the Clerk of Circuit Court	12/01/09	9
Howard County – Office of the Register of Wills	12/10/09	4
Board of Public Works – Interagency Committee on School Construction	12/10/09	11
Wicomico County – Office of the Clerk of Circuit Court	12/14/09	7
Wicomico County – Office of the Register of Wills	12/15/09	6
University System of Maryland – Towson University	12/18/09	20
Department of Health and Mental Hygiene – Rosewood Center	12/22/09	9
Office of the State Prosecutor	12/23/09	4
Department of Transportation – Maryland Aviation Administration	12/29/09	18
Department of Public Safety and Correctional Services – Hagerstown Region	1/06/10	4
University System of Maryland – University of Maryland Biotechnology Institute	1/12/10	7
Howard County – Office of the Clerk of Circuit Court	1/12/10	6
Statewide Review of Budget Closeout Transactions for Fiscal Year 2009 (Special)	1/15/10	17
Department of State Police	1/20/10	26
Executive Department – Office of the Governor and Other Units	2/02/10	8
Maryland Technology Development Corporation	2/03/10	10
Property Tax Assessment Appeals Boards	2/04/10	5
University System of Maryland – Frostburg State University	2/04/10	18
University System of Maryland – University of Maryland, Baltimore	2/05/10	28
St. Mary's College of Maryland	2/16/10	28
Anne Arundel County – Office of the Register of Wills	2/23/10	5
Department of Agriculture	2/25/10	16
Baltimore City Police Department Death Relief Fund	3/01/10	5
Maryland Health Care Provider Rate Stabilization Fund – January 1, 2009 to December 31, 2009	3/05/10	6
Department of Health and Mental Hygiene – Spring Grove Hospital Center	3/08/10	14
Maryland Public Broadcasting Commission	3/08/10	18
Maryland State Board of Contract Appeals	3/12/10	4
Military Department	3/23/10	12
Somerset County Public Schools (Financial Management Practices Performance Audit)	3/25/10	64
Inmate Healthcare (Performance Follow-up Review)	3/26/10	15
Anne Arundel County – Office of the Clerk of Circuit Court	3/26/10	5
Maryland Agricultural Land Preservation Fund – Fiscal Year Ended June 30, 2009	3/31/10	11
Maryland Economic Development Corporation	3/31/10	9
Managing for Results – Performance Measures – Fiscal Responsibility – Department of Budget and Management (Performance)	3/31/10	17
Comptroller of Maryland – Revenue Administration Division	4/05/10	20
Maryland Tax Court	4/06/10	5

Reports Issued
December 1, 2009 to October 31, 2010
(continued)

Agency	Report Date	Number of Pages
Department of Health and Mental Hygiene – Walter P. Carter Community Mental Health Center	4/12/10	6
Public Service Commission	4/15/10	11
Department of Health and Mental Hygiene – Western Maryland Center	4/23/10	16
Potomac River Fisheries Commission – Report for the Year Ended June 30, 2009 (Examination)	4/27/10	5
Caroline County Public Schools (Financial Management Practices Performance Audit)	4/27/10	62
Department of General Services – Office of Procurement and Logistics	5/05/10	18
Garrett County – Office of the Register of Wills	5/17/10	5
Maryland Stadium Authority	5/25/10	16
Department of Health and Mental Hygiene – Clifton T. Perkins Hospital Center	6/09/10	16
State Archives	6/10/10	6
State Board of Elections	6/10/10	26
Allegany County – Office of the Register of Wills	6/14/10	5
Allegany County – Office of the Clerk of Circuit Court	6/14/10	5
Garrett County – Office of the Clerk of Circuit Court	6/16/10	5
University System of Maryland – Coppin State University	6/28/10	26
Charles County Public Schools (Financial Management Practices Performance Audit)	7/01/10	64
Department of Health and Mental Hygiene – Potomac Center	7/07/10	5
Department of Public Safety and Correctional Services – Jessup Region	7/13/10	10
Cecil County – Office of the Register of Wills	7/19/10	4
Comptroller of Maryland – Motor-fuel, Alcohol and Tobacco Tax Division	7/28/10	8
Cecil County – Office of the Clerk of Circuit Court	7/30/10	7
State Department of Assessments and Taxation	8/04/10	20
Maryland Higher Education Commission	8/13/10	20
Department of Labor, Licensing and Regulation – Office of the Commissioner of Financial Regulation	8/17/10	10
Department of Veterans Affairs	8/17/10	10
Judiciary	8/24/10	16
Canal Place Preservation and Development Authority	8/27/10	6
Maryland African American Museum Corporation	9/01/10	11
Maryland Thoroughbred and Harness Horse Racing Tracks	9/02/10	8
Department of Public Safety and Correctional Services – Office of the Secretary and Other Units	9/15/10	18
Review of Local Government Audit Reports – Fiscal Year Ending June 30, 2009 (Special)	9/15/10	14
Frederick County – Office of the Clerk of Circuit Court	9/16/10	5

Reports Issued
December 1, 2009 to October 31, 2010
(continued)

Agency	Report Date	Number of Pages
Garrett County Public Schools (Financial Management Practices Performance Audit)	9/17/10	58
Department of Juvenile Services	9/29/10	36
John L. Gildner Regional Institute for Children and Adolescents	9/30/10	4
Frederick County – Office of the Register of Wills	10/01/10	5
Department of Transportation – Motor Vehicle Administration	10/13/10	26
Department of Labor, Licensing and Regulation – Division of Occupational and Professional Licensing	10/22/10	13
Office of the State Treasurer	10/27/10	28
Department of Public Safety and Correctional Services – Baltimore Region	10/29/10	24

Total Number of Reports Issued: 77

1) Department of Transportation – Maryland Aviation Administration (MAA) (12/29/09 – 18 pages – 8 findings)

- Federal funding totaling $2.4 million had not been obtained by MAA because it had not fulfilled certain requirements relating to its noise compatibility program, which provides funding for residential sound insulation projects and for the acquisition of properties in areas exposed to significant aircraft noise.
- MAA did not have procedures to ensure that incentive payments totaling $7.9 million made to an airline during the audit period were proper.
- MAA did not comply with State travel regulations related to foreign travel. Prices paid for airline tickets for foreign travel appeared to be excessive. The regulations require that such tickets are to be purchased with the same care that a prudent person would entail when traveling for personal reasons.
- Control deficiencies were noted over certain purchasing transactions because some employees could perform automated functions that allowed them to change transactions after independent approval.
- MAA's specifications for an ambulance purchase solicitation appeared to have been written to favor a particular vendor, in violation of State law. Additionally, inaccurate information explaining why there was only one bid received in response to this solicitation was presented to the Board of Public Works.
- Inventories of certain materials and supplies and of sensitive equipment items were not adequately controlled.

Recommended Committee Action – Letter of Concern

2) Department of State Police (DSP) (1/20/10 – 26 pages – 14 findings)

- 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 lacked adequate procedures and controls to ensure that handguns were only sold to eligible persons. In addition, DSP did not ensure that required shell casings were received and entered into the shell casing database for all qualifying handguns sold in the State.
- DSP did not have adequate procedures to ensure that DNA samples were collected and forwarded to its Crime Lab for all persons convicted of qualifying crimes. A listing of correctional facility inmates required to submit a DNA sample was not received from certain local correctional facilities or the Division of Parole and Probation.
- DSP did not process certain procurements and disbursements in accordance with State regulations.
- DSP lacked adequate procedures and controls in certain of its offices over collections and the related billings.
- DSP paid overtime to certain civilian employees in violation of State laws and regulations and a Governor's Executive Order. For example, DSP did not obtain the approval of the Department of Budget and Management to pay monetary overtime during calendar years 2007 and 2008 totaling $193,300 to 14 employees who were not eligible to receive such payments.
- Security and controls over key DSP information technology operations need enhancement. For example, controls over database, password, account, and program changes for a critical system were insufficient.

Recommended Committee Action – Letter of Concern

3) University System of Maryland – University of Maryland, Baltimore (UMB) (2/05/10 – 28 pages – 13 findings)

- UMB made questionable compensation payments to a senior management employee totaling $410,000, and had not established policies for certain other compensation payments (such as bonuses) made to other employees. These compensation payments were in addition to the employees' regular salaries and were not disclosed in UMB's annual budget submissions to the General Assembly. In addition, the employment agreement for the aforementioned senior management employee was not submitted to the required entities for approval and/or review.
- UMB did not transfer certain delinquent accounts receivable to the Department of Budget and Management's Central Collection Unit timely, and did not always pursue timely collection of these outstanding accounts.
- Annual contracts with the University of Maryland Medical System Corporation for fiscal years 2007 through 2009 were executed as much as 23 months after the date required by State law. Additionally, payments from the Corporation and a local hospital during fiscal years 2006 to 2009 were not received timely, and UMB did not assess related late payment fees totaling $121,000.
- Written plans had not been established to address deficit balances totaling $2.9 million that existed in certain revolving fund accounts.
- Control deficiencies were noted over purchasing and disbursement transactions. In addition, UMB did not always request Board of Public Works approval for service contracts in excess of $500,000, as required. Corporate purchasing card transactions were not always properly reviewed and approved for a former employee who pled guilty in February 2009 to felony theft of $470,000 from UMB.
- Sufficient access and security controls were not in place over UMB's network and over significant computer applications. For example, password controls were inadequate, significant security events were not always logged, and the internal network was not properly protected from students and the public.

Recommended Committee Action – None at this time since the report was presented to budget subcommittees during the 2010 session.

4) St. Mary's College of Maryland (2/16/10 – 28 pages – 15 findings)

- The College acquired undeveloped land adjacent to its campus from an individual affiliated with the College based on an appraisal supplied by the seller, which was significantly greater in value than the College's own independent appraisals. Certain aspects of this sale were not disclosed to the Board of Public Works.
- Purchase orders were frequently prepared after the related invoices had been received, thus bypassing standard procurement processes designed to ensure that proper authorizations were obtained and appropriate procurement methods were used.
- The College did not establish adequate procedures to monitor and control expenditures paid to its food service contractor totaling $11.6 million and funds totaling $1.2 million that were transferred to an overseas fiduciary responsible for the College's international program in Italy.
- Adequate controls were not established over the College's collections. For example, independent verifications were not performed to ensure that all recorded collections were deposited.
- Certain controls over the College's automated system were not established. For example, student grade changes were not independently verified and the College did not timely reconcile its accounting records with the related State accounting records. Proper security was not instituted over the College's computer network.
- A written operating agreement had not been executed between the College and its affiliated foundation.

Recommended Committee Action – None at this time since the report was presented to budget subcommittees during the 2010 session.

5) Department of General Services – Office of Procurement and Logistics (OPL) (5/05/10 – 18 pages – 7 findings)

- OPL had not ensured that the State's contract for commercial fuel services, which has been with the same vendor since 1989, represented the best value to the State. When the current contract was renewed in 2007, OPL did not perform any analysis to determine if the renewal was in the State's best interest. Such an analysis would be prudent given that the solicitation used by OPL when it last awarded this contract in 2002 included certain restrictive requirements that effectively prohibited other vendors from being able to compete for the contract.
- OPL did not conduct a market analysis prior to continuing to participate in a multi-state purchasing alliance for the procurement of pharmaceuticals, and did not take action to assist State agencies in monitoring the invoiced costs, which totaled $14.2 million during fiscal year 2009.
- OPL did not ensure that it reviewed and approved State agency contracts for printing services, as required by State law. According to the State's accounting records, State agencies spent approximately $21 million for printing and duplicating services during fiscal year 2009.
- OPL did not obtain authorization from the Board of Public Works for a significant contract modification, totaling approximately $750,000, to a vendor that provides energy and utility usage and bill tracking services for State agencies.
- Control deficiencies were noted over statewide purchasing transactions.

Recommended Committee Action – Letter of Concern

6) State Board of Elections (SBE) (6/10/10 – 26 pages – 14 findings)

- SBE's procedures were not sufficient to ensure the propriety of the Statewide voter registration database. For example, procedures put in place to ensure the propriety of critical database changes (such as to add or delete voter registrations) processed by the local boards were not comprehensive, and SBE did not ensure that local boards removed convicted felons from the voter registration database.
- SBE had not obtained an audit of system controls over the Statewide voter registration database, even though such an audit is required by SBE's contract with the system consultant. Without such an audit, SBE is essentially relying on the contractor's assertion that this critical database is secure and properly functioning.
- SBE did not periodically conduct formal comprehensive reviews of the local boards' compliance with election laws and regulations, such as those related to absentee and provisional balloting. Although SBE conducted certain oversight activities to help ensure local board compliance with select laws and regulations, in general, such procedures were done on an ad hoc basis.
- Unfunded liabilities totaling $2 million were not reported to the Comptroller of Maryland - General Accounting Division during the fiscal year 2009 budget closeout process.
- SBE's controls over cash receipts and accounts receivable were seriously deficient. For example, certain critical duties were not separated and the accounts receivable records were not properly maintained.
- Control deficiencies were noted over purchases and disbursements because one employee could initiate and approve certain purchasing and disbursement transactions without independent approval.
- SBE's firewall used to help secure its headquarters local area network was not properly configured or monitored.

Recommended Committee Action – Letter of Concern

7) University System of Maryland (USM) – Coppin State University (CSU) (6/28/10 – 26 pages – 14 findings)

- CSU frequently did not take appropriate actions to collect outstanding student account balances. Specifically, CSU did not refer delinquent accounts to the State's Central Collection Unit in a timely manner, and students with outstanding balances were permitted to register for classes at CSU in violation of USM's Board of Regents policy. As of June 30, 2009, the aggregate balance student accounts receivable records totaled approximately $4.5 million, of which $2.3 million related to approximately 2,500 student accounts with balances owed from the Fall 2004 semester through the Fall 2008 semester.
- Sufficient controls were not established over student refunds, non-cash credit adjustments made to student accounts, student residency status determinations and subsequent changes, and tuition waivers.
- CSU information systems were not adequately secured. For example, CSU did not ensure that user access to certain critical system applications was appropriate.
- CSU did not adequately control electronic transfers of certain federal financial aid to ensure that such funds were properly credited to CSU, and did not always submit federal reimbursement requests in a timely manner, resulting in lost interest income of $127,800.
- CSU did not adequately monitor or control corporate purchasing card activity, resulting in alleged fraudulent activity.

Recommended Committee Action – Letter of Concern

8) Department of Juvenile Services (DJS) (9/29/10 – 36 pages – 14 findings)

- DJS did not maximize federal Medicaid funding for eligible youth placements in residential rehabilitation facilities. Primarily, this occurred because DJS did not always obtain a valid determination of needs assessment for each youth before services were provided. We estimated that DJS will be unable to recover most, if not all, of federal Medicaid-eligible claims totaling approximately $3 million for the period from June 2008 to August 2009.
- DJS did not effectively oversee Medicaid reimbursement activity to ensure that only valid claims were submitted and that all submitted claims were accepted and reimbursed. In this regard, a Medicaid funding request, totaling approximately $511,600 that was processed in March 2009, was not recovered until almost a year later.
- Significant deficiencies were noted with respect to youth care contract procurement and monitoring. For example, contractual agreements were not always executed by DJS prior to the contract start date and were not submitted to the Board of Public Works for approval. Furthermore, DJS did not monitor or maintain proper cost controls to ensure payments on certain contracts did not exceed the contract values and did not prepare contract modifications when contract values were exceeded. With respect to fixed rate contracts, DJS lacked procedures to determine whether liquidated damages should be assessed when contractors failed to comply with contract performance provisions, such as those relating to youth monitoring.
- DJS did not maintain a complete list of youth care contracts and did not have sufficient procedures to perform audits of youth care contract expenditures.
- DJS did not always timely implement or review youth treatment service plans in accordance with established policies and State law, and did not always document the required number of youth supervision contacts and youth progression through the Violence Prevention Initiative program.
- Access to the automated system for youth case management was not properly controlled or monitored. Control deficiencies were noted over purchasing and disbursement transactions and restitution recordkeeping functions.
- Certain employees improperly received overtime compensation or received duplicate salary payments.

Recommended Committee Action – Hearing

9) Department of Transportation – Motor Vehicle Administration (MVA) (10/13/10 – 26 pages – 13 findings)

- MVA did not verify for completeness the reports used to identify driving records requiring review to determine whether administrative actions should be taken due to the number of points accumulated for traffic-related convictions. As a result, MVA did not always take appropriate administrative actions, such as license suspension or revocation, against the drivers. In this regard, we identified 139 cases, with 12-point violations assessed by the courts, which were not subjected to the aforementioned review. As a result, some of these drivers (for example, 16 of these 20 drivers that we tested) were allowed to inappropriately retain their driving privileges even though State law requires revocation of a driver's license when 12 points are accumulated.
- MVA lacked adequate controls to ensure that proper penalties were recorded and that suspensions and revocations were properly removed from the driving records.
- A number of deficiencies were noted with respect to MVA's information systems security and control. For example, sensitive personal and financial information of certain *eMVA Store* customers was not fully protected.
- MVA lacked adequate controls (for example, custodians had access to the related inventory records) over its inventory of license plates and registration stickers, including those issued to a contractor for subsequent distribution to certain auto dealerships.
- MVA did not have adequate procedures for the monitoring of Ignition Interlock Program (IIP) cases. For example, caseworkers were allowed to override the IIP violations without supervisory review.
- Adequate controls had not been established over certain collections and the processing of disbursement transactions.
- Independent supervisory reviews were not always performed to ensure the proper processing of information regarding lapses in insurance coverage.
- MVA did not expand the testing for additional transactions during its internal investigations of potentially fraudulent activities when possible criminal or unethical conduct by MVA employees was identified.

Recommended Committee Action – Hearing

10) Department of Public Safety and Correctional Services – Baltimore Region (10/29/10 – 24 pages – 10 findings)

- The Region did not maintain critical accounting records for its general working fund and inmate working fund. Checking account balances were not maintained on a current basis, and bank reconciliations and fund compositions were either inaccurate or not prepared at all. Working funds totaling $29,900 were unaccounted for, and the Region incurred bank fees of $23,300 over a two-year period primarily related to checks written without sufficient funds on account .
- Inmate fund reconciliations were not being performed of the Region's records to the corresponding State records. As of May 31, 2009, total inmate funds per the Region's records exceeded the related balance on the State's records by approximately $227,000.
- Procedural controls necessary for ensuring the propriety of working fund transactions and records were either not in place or were ineffective. For example, access to both the blank general working fund checks and the signature plate was not properly restricted, and one employee exercised complete control over cash withdrawn from the inmate working fund.
- The Region periodically transferred funds between the general working fund and inmate working fund, which impaired accountability for the funds and circumvented the Comptroller of Maryland's approval process for establishing the amount authorized for each working fund. In addition, the Region made certain unsupported and questionable check disbursements and cash withdrawals from the working funds.
- Procedures and controls relating to the accountability and verification of cash receipts, which totaled $4.1 million in fiscal year 2009, were not sufficient.
- Payroll adjustments, such as processing overtime worked, were not adequately verified.
- Equipment records were not properly maintained. For example, acquired equipment was not always recorded in the equipment records and some equipment recorded in the records could not be located.

Recommended Committee Action – Hearing