

Audit Report

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**Maryland Department of Transportation  
Maryland Transit Administration**

March 2022

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**OFFICE OF LEGISLATIVE AUDITS**  
DEPARTMENT OF LEGISLATIVE SERVICES  
MARYLAND GENERAL ASSEMBLY

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Office of Legislative Audits  
The Warehouse at Camden Yards  
351 West Camden Street, Suite 400  
Baltimore, Maryland 21201  
Phone: 410-946-5900  
Maryland Relay: 711  
TTY: 410-946-5401 · 301-970-5401  
E-mail: [OLAWebmaster@ola.state.md.us](mailto:OLAWebmaster@ola.state.md.us)  
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DEPARTMENT OF LEGISLATIVE SERVICES  
OFFICE OF LEGISLATIVE AUDITS  
MARYLAND GENERAL ASSEMBLY

Victoria L. Gruber  
Executive Director

Gregory A. Hook, CPA  
Legislative Auditor

March 11, 2022

Senator Clarence K. Lam, M.D., Senate Chair, Joint Audit and Evaluation Committee  
Delegate Carol L. Krimm, House Chair, Joint Audit and Evaluation Committee  
Members of Joint Audit and Evaluation Committee  
Annapolis, Maryland

Ladies and Gentlemen:

We have conducted a fiscal compliance audit of the Maryland Department of Transportation – Maryland Transit Administration (MTA) for the period beginning December 23, 2016 and ending June 30, 2020. MTA is responsible for the construction, operation, and maintenance of the Baltimore metropolitan area transit system and for commuter services in suburban areas of the State.

Our audit disclosed MTA lacked sufficient controls to ensure that union payroll and pension payments were proper. Specifically, personnel transactions, such as changes to pay rates, were not always reviewed by an independent employee. In addition, MTA lacked procedures to ensure timesheets were approved by employees' immediate supervisors or to ensure pension payments were not made to deceased individuals (either retirees or beneficiaries). Furthermore, MTA did not periodically review user access to the automated personnel and payroll system to identify employees with unnecessary or incompatible access and it had not obtained the most recent report on the results of the independent control review of the union payroll and pension processing services. MTA also did not take comprehensive steps to ensure that programming errors in its new cloud-based union payroll and pension processing system were corrected or that it had recovered related overpayments.

Our audit also disclosed that MTA did not perform an independent verification of bus fare collections from the initial record of receipt to amounts deposited in its bank account to ensure collections were deposited intact and timely.

Based on our current audit assessment of significance and risk to our audit objectives, our audit included a review to determine the status of 7 of the 11 findings contained in our preceding audit report. We determined that MTA satisfactorily addressed 6 of these findings. The remaining finding is repeated in the report.

The Maryland Department of Transportation's response to this audit, on behalf of MTA, is included as an appendix to this report. We reviewed the response to our findings and related recommendations, and have concluded that the corrective actions identified are sufficient to address the audit issues. While MTA generally agrees with the recommendations in this report, we identified two areas in the response questioning certain conclusions included in our analysis. Consequently, we have included "auditor's comments" to further explain our position.

We wish to acknowledge the cooperation extended to us during our audit by MTA. We also wish to acknowledge the Maryland Department of Transportation's and MTA's willingness to address the audit issues and to implement appropriate corrective actions.

Respectfully submitted,

A handwritten signature in black ink that reads "Gregory A. Hook". The signature is written in a cursive, flowing style.

Gregory A. Hook, CPA  
Legislative Auditor

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

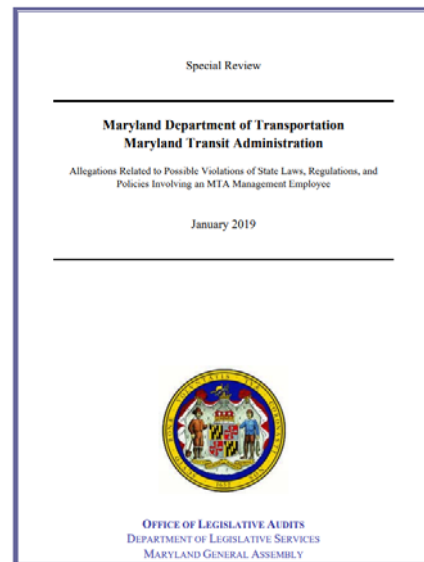
# Background Information

## Agency Responsibilities

The Maryland Transit Administration (MTA), a transportation business unit of the Maryland Department of Transportation, is responsible for the construction, operation, and maintenance of the Baltimore metropolitan area transit system and for commuter services in suburban areas of the State. Transit modes in operation primarily include the Metro subway, bus, light rail, and the Maryland Area Regional Commuter service. MTA is headquartered in Baltimore City and maintains a workforce of approximately 3,400 employees. According to State records, during fiscal year 2020, MTA’s operating and capital expenditures totaled approximately \$1.59 billion. These expenditures were funded by special funds totaling approximately \$812.2 million, federal funds totaling approximately \$766.5 million (including \$260.5 million in COVID-related funding), and reimbursable funds totaling approximately \$16.1 million.

## Special Review Report Update

We issued a special report, dated January 2019, on our examination of allegations received through our fraud, waste, and abuse hotline regarding possible violations of State laws, regulations, and policies involving an MTA management employee. The special report included four findings related to the aforementioned MTA management employee and a related vendor, including possible violations of State ethics law, violations of State procurement regulations and MTA policy, and poor contract administration procedures and controls. Based on the nature and entirety of these findings, we referred certain matters to the Office of the Attorney General – Criminal Division. After the issuance of the special report, the MTA management employee separated from State service in January 2019.



During our current audit, we reviewed three procurements totaling \$3.8 million that involved the aforementioned related vendor, as well as the contract monitoring process, and did not identify any reportable conditions.

## **Resource Sharing Agreements (RSAs)**

On August 3, 2018, we issued a performance audit report on *Telecommunication Resource Sharing Agreements* which contained several findings related to MTA. This audit report included a number of findings related to selected agencies, but emphasized the need for the Department of Information Technology to exercise greater oversight of the RSAs entered into by State agencies in general. The performance audit included the following select findings related to MTA.

- MTA did not maintain comprehensive lists of their agreements,
- MTA did not treat certain agreements as resource sharing resulting in lost opportunities to maximize compensation,
- MTA did always include adequate provisions in its agreements to protect the State,
- MTA executed and renewed resource sharing agreements without proper approvals, and
- MTA allowed telecommunications companies to continue using State resources after agreements had expired.

The Maryland Department of Transportation, on behalf of MTA, agreed to the findings and recommendations in the August 2018 report.

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

Based on our current assessment of significance and risk relative to our audit objectives, our audit included a review to determine the status of 7 of the 11 findings contained in our preceding audit report dated November 20, 2018 (prior audit findings 4, 6, 7, and 10 were not reviewed). As disclosed in Figure 1, we determined that MTA satisfactorily addressed 6 of those 7 findings. The remaining finding is repeated in this report.

**Figure 1**  
**Status of Preceding Findings**

<b>Preceding Finding</b>	<b>Finding Description</b>	<b>Implementation Status</b>
Finding 1	MTA used certain contracts as a means to obtain services that were outside the scope of those contracts, circumventing competitive procurement requirements, and related task orders lacked details of contract deliverables. Increases in hourly rates charged were excessive based on MTA guidelines.	Not repeated
Finding 2	MTA did not always adhere to State procurement regulations with respect to sole source procurements, contract award requirements, and bid documentation, and certain monitoring efforts were not adequate.	Not repeated
Finding 3	Proper internal controls were not established over the processing of purchasing and disbursement transactions.	Not repeated
Finding 4	MTA used interagency agreements to circumvent State procurement regulations that require competitive bidding.	Not repeated (Not followed up on)
Finding 5	MTA did not follow up on the results of a review conducted by its Office of Audits regarding payments made to and deliverables required from a State university under an interagency agreement. The review disclosed, for example, approximately \$725,000 in payments that should be recovered.	Not repeated
Finding 6	Interagency agreements were not adequately monitored. Task orders were not sufficiently detailed to allow for adequate monitoring and certain payments were not consistent with or were not provided for in the related task orders.	Not repeated (Not followed up on)
Finding 7	MTA lacked adequate controls to ensure that only eligible individuals received Program services.	Not repeated (Not followed up on)
Finding 8	MTA had not established adequate controls over its union payroll and pension processes. All payroll employees had capabilities granting them complete control over payroll transactions.	<b>Repeated</b> (Current Finding 1)
Finding 9	MTA did not adequately control and account for collections received at its Consignment Center and Transit Store, and bus fare collections were not always deposited timely.	Not repeated
Finding 10	MTA did not ensure that all equipment purchases were properly recorded in its detailed equipment records.	Not repeated (Not followed up on)
Finding 11	Malware protection for MTA's computers was not sufficient to provide the MTA with adequate assurance that its computers were properly protected.	Not repeated

## Findings and Recommendations

### Union Payroll

#### Background

The Maryland Transit Administration (MTA) maintains labor agreements with each of its three labor unions, which set forth employment terms for these employees (including wages and pension benefit calculations). MTA is responsible for all aspects of its union payroll and pensions, including tracking employee pay rates and hours worked, maintaining pension and leave records, posting adjustments to the payroll and pension records, and processing weekly payroll payments via check or direct deposit. As noted in Figure 2, during calendar year 2019, union payroll and pension expenditures totaled approximately \$240.6 million.

**Figure 2**  
**Union Payroll and Pension Expenditures**  
**Calendar Year 2019**

Labor Union	Number of Employees (as of 12/31/19)	Total Expenditures (in Millions)
Local 1300 – Bus and Rail Operators and Maintenance Employees	2,218	\$178.1
Local 1859 – MTA Police	169	14.1
Local 2 – Clerical Support Employees	168	8.7
<b>Total Union Payroll</b>	<b>2,555</b>	<b>\$200.9</b>
Pensions (Local 2 and Local 1300)*	1,990	39.7
<b>Total Union Payroll and Pension</b>	<b>4,545</b>	<b>\$240.6</b>

Source: MTA Payroll Reports

\* Excludes Local 1859, since MTA police participate in the Law Enforcement Officers' Pension System administered by the Maryland State Retirement Agency. The employers' pension contribution is billed by the Agency to MTA, and not processed through MTA's union payroll system.

MTA contracted with a vendor to operate and maintain a cloud-based system used to process payroll and pension payments for the MTA union employees and pensioners. MTA transitioned from its legacy payroll system to the service provider in April 2019. During the period October 2017 through June 2020 MTA paid the vendor approximately \$400,000 for these services.

**Finding 1****MTA had not established adequate controls over certain aspects of its union personnel, payroll, and pension processes.****Analysis**

MTA had not established adequate controls over certain aspects of its union personnel, payroll, and pension processes.

Supervisor Reviews of Personnel and Payroll Transactions Were Not Sufficient

MTA did not ensure that critical personnel and payroll transactions were subject to a documented independent supervisory review and approval. For example, the employee responsible for reviewing system reports of personnel transactions (such as, changes to pay rates) also processed 1,096 of the 6,642 personnel transactions occurring from May 2019 to June 2020. Furthermore, the reviews were not documented. A similar condition regarding a lack of independent supervisory review over payroll transactions was commented upon in our preceding audit report.

Time Records Were Not Always Approved by Immediate Supervisors

Although certain timesheets were approved by MTA Payroll Department employees in order to process payroll timely, MTA did not generate a report to identify timesheets needing subsequent electronic approval by the employee's immediate supervisor. We obtained payroll approval records for all 2,719 union employees for the pay period ending June 20, 2020. We selected 25 employees with timesheets that were approved by the Payroll Department and confirmed that none of the 25 timesheets were subsequently approved by the employee's immediate supervisor. Since the Payroll Department employees do not have direct knowledge of the employee's hours, the activity should be subject to retroactive review by the employee's immediate supervisor.

Terminated Employees Were Not Always Removed from Payroll Timely

Terminated employees were not always removed from the payroll system timely, resulting in certain individuals continuing to receive unwarranted payments after their termination dates. We obtained a report of 164 employees terminated during the period April 2019 through April 2020, who remained on the MTA payroll after termination, and selected 5 who remained on the payroll system for the longest duration after termination, while receiving payments subsequent to their termination date. These five employees were not removed from the payroll system from four to five months after their employment ended, and received payments totaling \$4,555, ranging from \$525 to \$1,326 each.

After we brought this issue to its attention, MTA agreed that these payments were improper. A similar condition was commented upon in our preceding audit report.

#### Reviews of User Access Were Not Performed

MTA did not periodically review user access to the cloud-based personnel and payroll system to identify employees with unnecessary or incompatible access. Our test of critical access capabilities assigned to approximately 3,100 employees as of November 2019 disclosed that 22 employees had the ability to prepare and approve their own timesheets with no independent review and approval. However, we were unable to obtain a system report to aid in identifying instances of any of the 22 employees preparing and approving their own timesheet. Our test of timesheets for these 22 employees for one pay period in June 2020 disclosed that they were all properly approved by an independent party.

The State of Maryland *Information Technology Security Manual* requires agencies to perform system access reviews at least annually. The *Manual* also requires agencies to strictly control and audit the access to confidential information to support the concept of “least privilege.”

#### **Recommendation 1**

**We recommend that MTA**

- a. ensure that independent supervisory personnel perform a documented review to verify the propriety of critical personnel and payroll transactions (repeat);**
- b. institute a policy requiring immediate or retroactive supervisory approval of time recorded by its employees, including those initially approved by the Payroll Department;**
- c. establish a process that ensures terminated employees are immediately removed from the payroll system and take appropriate action to recover any related improper payments, including those noted above (repeat);  
and**
- d. perform periodic independent documented reviews of personnel and payroll system user access and take appropriate corrective action for any improper or unnecessary user access.**

**Finding 2**

**MTA did not ensure that programming errors in its new cloud-based system were corrected or recover related overpayments.**

**Analysis**

MTA did not take comprehensive steps to ensure that programming errors in its new cloud-based union payroll and pension processing system were corrected or recover related overpayments.

MTA advised us of certain programming errors it identified in May and July 2019 that had resulted in overpayments to 188 employees totaling approximately \$76,000. However, as of September 2020, MTA could not provide documentation showing these overpayments had been recovered. Further, since 172 of the aforementioned errors occurred during one pay-period, MTA could not document that it investigated the full extent of programming errors beyond the errors previously identified, resulting in the potential for additional errors from other pay-periods going undetected. Our limited review of 25 payroll transactions totaling \$126,979 to active employees during the period May 2019 through April 2020, disclosed questionable payments to 7 employees totaling \$17,850. For example, one employee was paid \$12,962; however, the documentation provided by MTA supported payment of \$1,178. Initially, in November 2020 MTA management advised us they were not able to explain the propriety of these payments, but they believed the primary cause to be programming errors. Ultimately, in October 2021 (11 months later) MTA management advised us that their investigation of the 7 payments concluded that they believed the payments were appropriate; although we did not assess the correctness of that conclusion.

**Recommendation 2**

**We recommend MTA determine the full extent of programming errors and recover any identified payroll overpayments caused by these errors.**

**Finding 3**

**MTA did not have sufficient procedures to ensure pension payments were not made to deceased individuals. We identified payments to 14 individuals totaling \$81,610 subsequent to their reported date of death.**

**Analysis**

MTA did not have sufficient procedures to ensure pension payments were not made to deceased individuals (either retirees or beneficiaries). MTA management advised us that they typically relied on notices from the public, for example the pensioners' dependent, to discontinue pension payments due to death, rather than

routinely obtaining death information from a reliable comprehensive source, such as a government agency. During our audit period MTA performed one match in June 2017 of its pensioner data to information maintained by the federal Social Security Administration to identify deceased pensioners, which found no deceased pensioners receiving pension payments.

We obtained MTA records of all pension payments as of April 30, 2020, and performed a match of MTA pensioner information with Maryland Department of Health – Vital Statistics Administration’s (VSA) death records as of September 3, 2020, which is limited to the deaths that occurred in Maryland. Our review disclosed MTA paid \$81,610 to 14 pensioners or beneficiaries for whom VSA records indicated had died between February 2019 and May 2020.

After we brought this issue to MTA’s attention, we were advised that MTA was unaware of the deaths of 10 of these individuals, with payments totaling approximately \$71,349. For the remaining 4 individuals, MTA advised us that they had previously been notified of their death. However, as of December 2020, MTA could not document that any effort had been made to recover payments totaling \$10,261 made subsequent to the 4 individuals’ dates of death.

### **Recommendation 3**

**We recommend that MTA**

- a. perform periodic (such as quarterly) matches to identify deceased individuals; and**
- b. investigate the match results in consultation with legal counsel, and pursue recovery of any improper payments (including those noted above), documenting the actions taken.**

### **Finding 4**

**MTA lacked assurance that adequate information technology security and operational controls existed over its union payroll and pension processing system that was hosted, operated, and maintained by a service provider.**

### **Analysis**

MTA lacked assurance that adequate information technology security and operational controls existed over its union payroll and pension processing system that was hosted, operated, and maintained by a service provider. Specifically, as of May 2020, MTA had not obtained the most recent report on the results of the independent control review (referred to as a System and Organization Control – SOC 2 Type 2 review) of MTA’s union payroll and pension processing services that were contracted with a service provider. At our request, MTA subsequently

obtained the most recent SOC 2 Type 2 review report, dated February 28, 2020. The report covered the period from October 1, 2018 to September 30, 2019. Our review concluded that the aforementioned SOC report did not disclose any significant control weaknesses.

The American Institute of Certified Public Accountants has issued guidance for various reviews of service organizations. Based on this guidance, service organizations (like the aforementioned service provider) may contract for an independent review of controls and the resultant independent auditor's report is referred to as a SOC report. The aforementioned SOC 2 Type 2 report includes the results of the auditor's review of controls placed in operation and tests of operating effectiveness for the period under review and could include an evaluation of system security, availability, processing integrity, confidentiality, and/or privacy.

#### **Recommendation 4**

**We recommend that MTA, for its union payroll and pension processing system,**

- a. timely obtain and review copies of SOC 2 Type 2 reports, and verify that the related service provider implemented all critical report recommendations; and**
- b. document the aforementioned reviews and retain them for future reference.**

### **Bus Fare Collections**

#### **Finding 5**

**MTA did not perform an independent verification that all bus fare collections were subsequently deposited.**

#### **Analysis**

MTA did not perform an independent verification of bus fare collections from the initial record of receipt to amounts deposited in its bank account. Bus fare collections are placed into locked safes, which are transported daily to MTA's secured central money room where they are opened and the funds are counted and prepared for bank deposit. According to MTA records, during fiscal years 2019 and 2020, cash bus fare collections totaled \$25.6 million and \$16.8<sup>1</sup> million, respectively.

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<sup>1</sup> MTA halted bus fare collections during March 2020 through the end of the fiscal year due to COVID-19 concerns.

Three MTA employees performed various tasks, which collectively were intended to serve as a deposit verification. One employee compared the original recordation of collections to documentation of the money room cash count, a second employee compared the cash count to the deposit ticket prior to deposit, and a third employee compared the bank records to the deposit amount recorded in the State's Financial Management Information System. However, the second employee had access to the related cash and the ability to alter the documentation of the cash count, and therefore was not independent. As a result, there was a lack of assurance that all collections were deposited intact.

The Comptroller of Maryland's *Accounting Procedures Manual* requires that a reconciliation of the initial record of collections to the amounts deposited be performed by an employee independent of the cash receipts function.

**Recommendation 5**

**We recommend that MTA perform and document an independent verification of bus fare collections from the initial record of receipt to amounts deposited in its bank account. We advised MTA how to achieve the necessary segregation of duties using existing personnel. For example, Finance Department personnel could perform an independent verification since its employees do not have access to collections.**

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

We have conducted a fiscal compliance audit of the Maryland Department of Transportation – Maryland Transit Administration (MTA) for the period beginning December 23, 2016 and ending June 30, 2020. 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 MTA's financial transactions, records, and internal control, and to evaluate its compliance with applicable State laws, rules, and regulations.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of significance and risk. The areas addressed by the audit included procurements and disbursements for capital projects and operating expenditures, cash receipts, payroll, and information security and control. The scope of the work performed in each of these areas was based on our assessments of significance and risk. Therefore, our follow-up on the status of the findings included in our preceding audit report was limited to those findings that were applicable to the current audit scope for each area. Further, we reviewed certain procurements and contract monitoring to follow up on the findings in our *Special Review on Allegations Related to Possible Violations of State Laws, Regulations, and Policies Involving an MTA Management Employee* dated January 7, 2019.

Our audit did not include certain payroll support services (such as processing of personnel transactions and maintenance of employee leave records) provided by the Maryland Department of Transportation – Secretary's Office (MDOT) to MTA for its non-union management payroll. These payroll support services are included within the scope of our audit of MDOT. Our audit also did not include an evaluation of internal controls over compliance with federal laws and regulations for federal assistance programs and an assessment of MTA's compliance with those laws and regulations because the State of Maryland engages an independent accounting firm to annually audit such programs administered by State agencies, including MTA.

Our assessment of internal controls was based on agency procedures and controls in place at the time of our fieldwork. Our tests of transactions and other auditing procedures were generally focused on the transactions occurring during our audit period of December 23, 2016 to June 30, 2020, but may include transactions before or after this period as we considered necessary to achieve our audit objectives.

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, tests of transactions, and to the extent practicable, observations of MTA operations. Generally, transactions were selected for testing based on auditor judgment, which primarily considers risk, the timing or dollar amount of the transaction, or the significance of the transaction to the area of operation reviewed. As a matter of course, we do not normally use sampling in our tests, so unless otherwise specifically indicated, neither statistical nor non-statistical audit sampling was used to select the transactions tested. Therefore, unless sampling is specifically indicated in a finding, the results from any tests conducted or disclosed by us cannot be used to project those results to the entire population from which the test items were selected.

We also performed various data extracts of pertinent information from the State's Financial Management Information System, and MDOT's Financial Management Information System (such as revenue and expenditure data). The extracts are performed as part of ongoing internal processes established by the Office of Legislative Audits and were subject to various tests to determine data reliability. We determined that the data extracted from these sources were sufficiently reliable for the purposes the data were used during this audit.

We also extracted data from MTA's new automated union personnel, payroll, and pension system, as well as the bus fare system for the purpose of testing payroll, pension, and cash receipt transactions. We performed various tests of the relevant data and determined that the data were sufficiently reliable for the purposes the data were used during the audit. Finally, we performed other auditing procedures that we considered necessary to achieve our audit objectives. The reliability of data used in this report for background or informational purposes was not assessed.

MTA's management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records; effectiveness and efficiency of operations, including safeguarding of assets; and compliance with applicable laws, rules, and regulations are achieved. As

provided in *Government Auditing Standards*, there are five components of internal control: control environment, risk assessment, control activities, information and communication, and monitoring. Each of the five components, when significant to the audit objectives, and as applicable to MTA, were considered by us during the course of this audit.

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 relating to conditions that we consider to be significant deficiencies in the design or operation of internal control that could adversely affect MTA'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 MTA that did not warrant inclusion in this report.

The response from the Maryland Department of Transportation, on behalf of MTA, 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.

March 3, 2022

Gregory A. Hook, CPA  
Legislative Auditor  
Office of Legislative Audits  
The Warehouse at Camden Yards  
351 West Camden Street, Suite 400  
Baltimore MD 21201

Dear Mr. Hook: *G.A.G.*

Enclosed please find responses to the audit report from the Office of Legislative Audit for the Maryland Department of Transportation (MDOT) Maryland Transit Administration (MDOT MTA) for the period beginning December 23, 2016, and ending June 30, 2020.

If you have any additional questions or concerns, please contact Ms. Jaclyn D. Hartman, MDOT Chief Financial Officer, at 410-865-1035 or [jhartman1@mdot.state.md.us](mailto:jhartman1@mdot.state.md.us). Ms. Hartman will be happy to assist you. Of course, you may always contact me directly.

Sincerely,



James F. Ports, Jr.  
Secretary

Attachment

cc: Ms. Holly Arnold, Administrator, MDOT MTA  
Mr. Mark Crampton, Assistant Secretary of Operations, MDOT  
Ms. Jaclyn D. Hartman, Chief Financial Officer, MDOT  
Ms. Tecla Kellum, Director of Audits, MDOT MTA  
Mr. R. Earl Lewis, Jr., Deputy Secretary of Policy, Planning, and Enterprise Services,  
MDOT  
Mr. Sean Powell, Deputy Secretary of Operations, MDOT

**Maryland Department of Transportation  
Maryland Transit Administration**

**Agency Response Form**

**Union Payroll**

**Finding 1**  
MTA had not established adequate controls over certain aspects of its union personnel, payroll, and pension processes.

We recommend that MTA

- a. ensure that independent supervisory personnel perform a documented review to verify the propriety of critical personnel and payroll transactions (repeat);
- b. institute a policy requiring immediate or retroactive supervisory approval of time recorded by its employees, including those initially approved by the Payroll Department;
- c. establish a process that ensures terminated employees are immediately removed from the payroll system and take appropriate action to recover any related improper payments, including those noted above (repeat); and
- d. perform periodic independent documented reviews of personnel and payroll system user access and take appropriate corrective action for any improper or unnecessary user access.

Agency Response			
<b>Analysis</b>			
<b>Please provide additional comments as deemed necessary.</b>	None.		
<b>Recommendation 1a</b>	Agree	<b>Estimated Completion Date:</b>	01/01/2022
<b>Please provide details of corrective action or explain disagreement.</b>	MTA HR implemented monthly audits of critical data changes in the payroll system and transactions are reviewed by someone other than the processor.		
<b>Recommendation 1b</b>	Agree	<b>Estimated Completion Date:</b>	12/21/2021
<b>Please provide details of corrective action or explain disagreement.</b>	MTA engaged a cross functional team to implement a solution for timecard approvals. Implementation was 100% completed for the pay period ending December 18, 2021 and 100% of timecards have been field-approved since then. This process will continue for all future pay periods.		

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<b>Recommendation 1c</b>	Agree	<b>Estimated Completion Date:</b>	3/31/2022
<b>Please provide details of corrective action or explain disagreement.</b>	MTA Human Resources processes terminations when properly completed personnel action forms are received. Human Resources will work with all supervisors and offices across MTA to ensure timely notification (and documentation) of terminations. There are circumstances allowed per the collective bargaining agreements that require an employee to remain active due to the grievance and appeal processes. As a result, we will ensure adequate documentation is maintained when these arise.		
<b>Recommendation 1d</b>	Agree	<b>Estimated Completion Date:</b>	3/31/2022
<b>Please provide details of corrective action or explain disagreement.</b>	MTA is working with the payroll system vendor to standardize working reports. MTA Payroll and Human Resources will review reports as necessary to make updates regularly as changes occur to staffing and develop a quarterly review process to complete a full access review. The expected first full review will be completed by the end of March 2022.		

**Maryland Department of Transportation  
Maryland Transit Administration**

**Agency Response Form**

**Finding 2**  
**MTA did not ensure that programming errors in its new cloud-based system were corrected or recover related overpayments.**

**We recommend MTA determine the full extent of programming errors and recover any identified payroll overpayments caused by these errors.**

Agency Response			
<b>Analysis</b>			
<b>Please provide additional comments as deemed necessary.</b>	MTA disagrees that there were programming errors in the payroll system which inappropriately paid employees. MTA reviewed the examples provided by OLA and provided OLA with documentation that the programming and payments for these employees were accurate.		
<b>Recommendation 2</b>	Agree	<b>Estimated Completion Date:</b>	6/30/2022
<b>Please provide details of corrective action or explain disagreement.</b>	MTA agrees that overpayments were made to the 188 employees noted; however, these payments were the result of not following standard protocols for updates which include a process of developing a project for all changes input into the payroll system, testing and formal approval followed by implementation. This particular payment issue occurred at the beginning of the payroll system implementation during the transitional period and the standard procedure may not have been followed, but that will not occur in the future now that processes have been standardized. In order to recover the payments, MTA is working with various State agencies and its legal counsel to develop a process for recouping these overpayments-		

**Auditor’s Comment:** Although MTA disagrees with our analysis, during our field work they advised us that the overpayments were the result of programming errors and they were not able to provide us support for the cause of these errors. Nonetheless, MTA does agree that errors occurred resulting in employee overpayments, and their response indicates they have corrected the issues that caused the errors.

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**Finding 3**  
**MTA did not have sufficient procedures to ensure pension payments were not made to deceased individuals. We identified payments to 14 individuals totaling \$81,610 subsequent to their reported date of death.**

**We recommend that MTA**

- a. perform periodic (such as quarterly) matches to identify deceased individuals; and**
- b. investigate the match results in consultation with legal counsel, and pursue recovery of any improper payments (including those noted above), documenting the actions taken.**

<b>Agency Response</b>			
<b>Analysis</b>			
<b>Please provide additional comments as deemed necessary.</b>	None.		
<b>Recommendation 3a</b>	Agree	<b>Estimated Completion Date:</b>	3/31/2021
<b>Please provide details of corrective action or explain disagreement.</b>	MTA Human Resources established an arrangement with a vendor to conduct periodic review of active pensioners to identify deceased individuals. The first audit was completed in March 2021 and will be completed semi-annually going forward.		
<b>Recommendation 3b</b>	Agree	<b>Estimated Completion Date:</b>	06/30/2022
<b>Please provide details of corrective action or explain disagreement.</b>	Once audit results are reviewed, payments will be immediately discontinued for deceased pensioners. A process for investigating and recovering any improper payments will be established according to the protocols for recovery of overpayments being developed by the Office of Finance as noted in Finding 2.		

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**Finding 4**  
**MTA lacked assurance that adequate information technology security and operational controls existed over its union payroll and pension processing system that was hosted, operated, and maintained by a service provider.**

We recommend that MTA, for its union payroll and pension processing system,  
 a. timely obtain and review copies of SOC 2 Type 2 reports, and verify that the related service provider implemented all critical report recommendations; and  
 b. document the aforementioned reviews and retain them for future reference.

Agency Response			
<b>Analysis</b>			
<b>Please provide additional comments as deemed necessary.</b>	None.		
<b>Recommendation 4a</b>	Agree	<b>Estimated Completion Date:</b>	6/25/2021
<b>Please provide details of corrective action or explain disagreement.</b>	The project manager for the payroll system and IT will annually request a SOC 2 report for the software and ensure all corrective actions for noted controls are addressed and critical recommendations implemented by the service provider.		
<b>Recommendation 4b</b>	Agree	<b>Estimated Completion Date:</b>	6/25/2021
<b>Please provide details of corrective action or explain disagreement.</b>	MTA will document the annual SOC reviews and retain the documentation for future reference.		

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**Bus Fare Collections**

**Finding 5**  
**MTA did not perform an independent verification that all bus fare collections were subsequently deposited.**

**We recommend that MTA perform and document an independent verification of bus fare collections from the initial record of receipt to amounts deposited in its bank account. We advised MTA how to achieve the necessary segregation of duties using existing personnel. For example, Finance Department personnel could perform an independent verification since its employees do not have access to collections.**

<b>Agency Response</b>	
<b>Analysis</b>	
<b>Please provide additional comments as deemed necessary.</b>	<p>MTA believes the background and analysis documented in the Finding does not depict the entire deposit verification and reconciliation process. There are more than three employees involved in the deposit verification and reconciliation that include multiple individuals preparing and confirming deposit values and reporting accuracy. Additionally, this in-depth process also includes procedures performed by individuals in separate areas and offices within MTA from receipt of funds to the reconciliation of funds to the bank account.</p> <p>Upon further discussions with OLA and MTA’s rebuttal of the finding, OLA advised that their main concern within the reconciliation process was what they perceive as a lack of independence due to the second employee’s access to cash and the spreadsheet documenting the count.</p> <p>With multiple individuals preparing and confirming deposit values and reporting accuracy, multiple failures would have to occur for one individual to circumvent the process to both take money from the count without being detected and adjust the financial reports without the discrepancy being identified. These controls, signoffs, and reviews establish a process where the ability of any employee to both access cash and alter documentation is extremely low.</p> <p>Observations or a physical walkthrough of the bus fare collections process would have assisted OLA in obtaining an understanding of the controls; however, safety protocols due to COVID while fieldwork was occurring did not allow for onsite observations.</p>

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<b>Recommendation 5</b>	Agree	<b>Estimated Completion Date:</b>	1/24/2022
<b>Please provide details of corrective action or explain disagreement.</b>	<p>While MTA Fare Collection does not agree with the description of the environment and basis of the recommendation, we have revised our procedure to provide additional independence in the reconciliation process.</p> <p>MTA will ensure the cash deposit amount represented by the actual deposit slip, independently obtained from Finance, is used by the Manager of Fare Services to verify the deposit records which are reconciled to the system reports. This process will provide further assurance that no cash shortages in the deposit are covered through altering counting records. This process was formally implemented on January 24, 2022, with verifications to be completed daily.</p>		

**Auditor's Comment:** MTA's response indicated that there are more than three employees involved in the deposit verification and reconciliation that include multiple individuals preparing and confirming deposit values and reporting accuracy. While we agree that MTA has multiple employees that perform various duties related to cash receipts, the three employees we noted had the primary duties which collectively were intended to serve as a deposit verification.

MTA's response indicates that observation or a physical walkthrough of the bus fare collections process would have assisted us in obtaining an understanding of the controls. Our conclusions were based on audit evidence including interviews with pertinent personnel, and obtaining documentation from MTA regarding the cash receipt processes. While observation is a form of audit evidence, we believe we obtained a sufficient understanding of the bus fare collection process, and our conclusions are valid.

Nonetheless, MTA agreed to implement our recommendation by making changes to the process that will provide the necessary independence in the reconciliation process.

AUDIT TEAM

**Mark S. Hagenbuch, CPA**  
Audit Manager

**Edwin L. Paul, CPA, CISA**  
Information Systems Audit Manager

**Karen J. Howes**  
**Joshua A. Naylor**  
Senior Auditors

**Peter W. Chong**  
Information Systems Senior Auditor

**Patrick J. Cavanaugh, CPA**  
**Jordan T. Duke**  
**Gary B. Staples, CPA**  
Staff Auditors