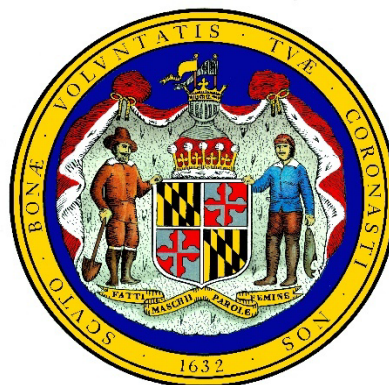


Special Review

State Department of Assessments and Taxation

Allegations Related to Possible Violations of State Laws, Regulations, and
Policies Involving a DAT Employee

October 2025



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

October 6, 2025

Senator Shelly L. Hettleman, Senate Chair, Joint Audit and Evaluation Committee
Delegate Jared Solomon, House Chair, Joint Audit and Evaluation Committee
Members of Joint Audit and Evaluation Committee
Annapolis, Maryland

Ladies and Gentlemen:

We have conducted a review of a referral received through our fraud, waste, and abuse hotline regarding the State Department of Assessments and Taxation (DAT). The allegation related to possible violations of State laws, regulations, and policies including questionable corporate purchasing card (CPC) purchases involving a DAT employee. Our review disclosed certain matters that we referred to the Office of the Attorney General – Criminal Division. Our review also identified CPC procedural deficiencies that require corrective action by DAT.

Specifically, our review disclosed that DAT could not document that it investigated questionable CPC charges processed by one DAT cardholder and did not identify certain questionable transactions. Our review of the cardholder's CPC activity identified questionable and unsupported payments, including payments for vacation rental properties processed on behalf of two DAT management employees. For example, the cardholder processed at least 230 payments totaling \$41,400 for which DAT was unable to provide documentation. DAT also did not take appropriate follow-up action after it identified the questionable activity. For example, DAT did not refer the matter to the Office of the Attorney General – Criminal Division, as required.

Our review also disclosed that DAT did not establish comprehensive procedures and controls over CPC activity, which may have contributed to the aforementioned questionable activity going undetected. For example, DAT supervisors approved 23 months of the cardholder's logs despite missing and illegible documentation, including one month where 16 of the 33 transactions were not properly supported.

DAT's response to this review is included as an appendix to this report. We have reviewed the response to our findings and related recommendations, and have concluded that the corrective actions identified are sufficient to address all issues.

We wish to acknowledge the cooperation extended to us during the review by the DAT.

Respectfully submitted,

Brian S. Tanen

Brian S. Tanen, CPA, CFE
Legislative Auditor

Scope, Objectives, and Methodology

We conducted a review of a referral received through our fraud, waste, and abuse hotline regarding the State Department of Assessments and Taxation (DAT). The purpose of our review was to determine whether the allegations were valid and the extent to which the related activities violated State laws, regulations, and policies. This review was performed in accordance with State Government Article, Section 2-1220 of the Annotated Code of Maryland. Our review did not constitute an audit conducted in accordance with generally accepted government auditing standards.

The allegations related to questionable corporate purchasing card (CPC) purchases involving an individual employed at DAT's headquarters during the period from May 2019 through August 2024. Accordingly, the scope of our review included CPC purchases made by this employee during the period from May 8, 2019 through August 17, 2024. We also reviewed CPC purchases made by other DAT employees during the period from September 1, 2022 through January 31, 2025. Finally, we reviewed certain personnel records related to the employee referenced in the allegation.

Our review consisted of tests, analyses, observations, inspections of documents and records, and discussions with DAT personnel and others, as we deemed necessary, to achieve our objectives. Our review was conducted during the period from March 2025 through June 2025.

The Comptroller of Maryland's General Accounting Division (GAD) provides administration for the State Corporate Purchasing Card Program and manages the related contract. According to the Comptroller of Maryland's *Corporate Purchasing Card Program Policies and Procedures Manual*, each agency is responsible for establishing its own internal policies, managing cardholders, assigning authorized reviewers to every cardholder, maintaining required supporting documentation, and determining if purchases under this program complies with state law and regulations. This review did not include GAD administrative services provided to DAT as part of the Corporate Purchasing Card Program.

DAT's response to our findings and recommendations is included as an appendix to this report. As prescribed in State Government Article, Section 2-1224 of the Annotated Code of Maryland, we will advise DAT regarding the results of our review of its response.

Background Information

Agency Responsibilities and Financial Information

The State Department of Assessments and Taxation (DAT) is responsible for administering the State's real and personal property tax laws and various functions applicable to corporations (for example, issuing corporate charters and collecting certain taxes, such as gross receipts tax). DAT also administers programs that provide property tax credits primarily to homeowners and renters who meet the related eligibility requirements (such as gross income limitations). According to State records, during fiscal year 2024, DAT's expenditures totaled approximately \$166.9 million.

Overview

Our Special Investigation Unit reviewed an allegation received by our fraud, waste, and abuse hotline relating to questionable corporate purchasing card (CPC) purchases (such as purchases made for personal use) by an individual employed at DAT's headquarters during the period from May 2019 through August 2024. Our review substantiated the allegation that the employee had made questionable CPC purchases, including questionable CPC payments made on behalf of two senior management employees. Our review also identified deficiencies with DAT's procedures and controls over CPC activity that enabled questionable activity to go undetected.

Based on our review, certain of these matters were referred to the Office of the Attorney General's Criminal Division. A referral to the Criminal Division does not mean that a criminal act has actually occurred or that criminal charges will be filed.

Findings and Recommendations

Questionable Corporate Purchasing Card (CPC) Activity

Background

According to the State Department of Assessments and Taxation’s (DAT’s) records, during the period from July 1, 2021 through June 30, 2025, DAT processed approximately 7,650 CPC transactions totaling \$2.3 million (Figure 1). As of January 2025, there were 37 CPC cardholders.

According to DAT records, the employee referenced in the allegation made approximately 530 CPC payments totaling \$118,000 during the period from May 2019 through August 2024. We reviewed all payments during this period to determine the extent of payments that had been made by the DAT employee that were not properly supported with documentation, were approved by a supervisor, and/or appeared questionable. We also tested five¹ CPC logs and the related supporting documentation for five other cardholders to determine if the logs and payments were properly supported and approved by a supervisor.

Figure 1
DAT CPC Activity
July 1, 2021 through June 30, 2025

Fiscal Year	Transactions	Charges
2022	2,128	\$ 597,000
2023	1,955	593,000
2024	2,101	593,000
2025	1,465	519,000
Total	7,649	\$2,302,000

Source: DAT records

Finding 1

DAT could not document that it investigated questionable CPC charges processed by one DAT cardholder, did not identify certain questionable transactions, and did not take appropriate follow-up action.

Analysis

DAT could not document that it investigated questionable CPC charges processed by one DAT cardholder, did not identify certain questionable transactions, and did not take appropriate follow-up action. In August 2024, while preparing for an audit by the Comptroller of Maryland – General Accounting Division (GAD), DAT identified questionable purchases made by one DAT cardholder. DAT management advised us that they investigated the cardholder’s CPC activity during the period from July 1, 2023 to July 25, 2024 and identified at least \$300

¹ We selected these logs for testing because the cardholders worked at DAT’s headquarters, which is where the individual referenced in the allegation was employed.

in questionable payments for personal utilities, gas, and phone bills. Based on the investigation DAT terminated the cardholder in August 2024.

DAT Could Not Document Its Investigation

Our review disclosed that DAT could not document its investigation. Specifically, DAT could not document the methodology for its investigation, the specific transactions tested, or the results of its review of those transactions. Furthermore, there was no evidence that DAT attempted to contact vendors to obtain missing receipts and determine the nature of the purchases. Rather, the documentation provided to us by DAT generally included a list of the cardholder's CPC payments with limited transaction information, five of the cardholder's CPC logs with examples of illegible receipts, and the cardholder's termination letter.

DAT management advised us that it stopped investigating the cardholder's CPC activity and terminated the cardholder after it identified \$300 in questionable transactions, the threshold requiring automatic termination of employment.² DAT management further advised us that it did not expand the investigation following the cardholder's termination because the cardholder and the cardholder's prior supervisors were no longer employed at DAT and unable to provide context for the transactions. The lack of documentation from DAT's investigation is significant because of the numerous other questionable and unsupported transactions we identified.

DAT Did Not Identify Questionable and Unsupported Payments

Our review identified questionable and unsupported payments (such as payments for vacation rental properties processed on behalf of two DAT management employees) that were not identified by DAT due to the control deficiencies noted in Finding 2.

- The cardholder processed at least 230 payments (43 percent) totaling approximately \$41,400 for which DAT was unable to provide documentation, such as itemized receipts, to support the payments and 16 payments totaling \$1,400 that had illegible documentation. Based on our review of available Level-3 data and other information, certain of the transactions appeared questionable. For example, we identified a purchase from one vendor totaling \$376 that included items DAT management advised were questionable, such as dog food and steaks.

² According to Section 11-105 of the State Personnel and Pensions Article, Annotated Code of Maryland, theft of State property of a value greater than \$300 is a cause for automatic termination of State employment.

- The cardholder processed at least six transactions totaling \$190 that were questionable based on the supporting documentation provided by the cardholder. For example, a purchase totaling \$23 included tumblers, nail polish, and other personal items. The supervisors approved the logs for these transactions despite the questionable nature of the items that were listed in the supporting documentation.
- The cardholder paid for two vacation rental properties in Ocean City, Maryland with related costs totaling approximately \$6,800 that was questionable. Our review of available documentation disclosed that two management employees directed the cardholder to pay for the rentals where they attended a conference, and one of the management employees approved the transaction log related to these purchases. However, the conference ran from August 17, 2022 to August 20, 2022, while the vacation properties were rented from August 13, 2022 to August 20, 2022 (an additional 4 nights). In addition, each vacation rental property was reserved for two adults and two children. DAT could not provide justification for the nights rented prior to the conference and/or whether the cost of the vacation rental property with the additional guests was consistent with the cost of a standard hotel room.

DAT Did Not Take Sufficient Action

DAT did not take sufficient corrective action to address the questionable activity. Although DAT terminated the cardholder, it did not process the termination as a “termination with prejudice” as indicated in its termination letter. As a result, the cardholder was eligible to be rehired by another State agency. Based on our review of available State records, this cardholder had not been rehired as a regular employee by the State as of March 2025. In addition, DAT did not refer the matter to the Office of the Attorney General – Criminal Division and the Governor’s Chief Counsel, as required. Finally, DAT could not document that it attempted to recover the improper payments identified.

The Governor’s Executive Order, *Standards of Conduct for Executive Branch Employees*, requires that all departments and agencies of the State immediately refer any instances of possible criminal or unethical conduct by an employee to the Office of the Attorney General and Governor’s Chief Legal Counsel. In addition, the Comptroller of Maryland’s *Corporate Purchasing Card Program Policies and Procedures Manual (Manual)* requires state agencies to contact the Attorney General’s Office to investigate card misuse.

Based on our review and the conditions noted above, we referred certain of these matters to the Office of the Attorney General – Criminal Division. A referral to

the Criminal Division does not mean that a criminal act has actually occurred or that criminal charges will be filed.

Recommendation 1

We recommend that DAT

- a. consult with the Office of the Attorney General – Criminal Division before taking any action related to the questionable activity identified above;**
- b. ensure all terminations are accurately processed in the State’s records, including for the employee identified above; and**
- c. ensure any future instances of possible criminal or unethical conduct are subject to documented investigation and referred to the Office of the Attorney General – Criminal Division and the Governor’s Chief Legal Counsel, as required.**

Finding 2

DAT did not establish comprehensive procedures and controls over CPC activity as required by the *Manual*, which may have contributed to the aforementioned questionable activity going undetected.

Analysis

DAT did not establish comprehensive procedures and controls over CPC activity, which may have contributed to the aforementioned questionable activity going undetected. As previously noted, agencies are required to establish their own procedures to supplement the aforementioned *Manual*. Our review of DAT’s CPC procedures disclosed the following:

- DAT did not ensure that the aforementioned cardholder prepared the required monthly CPC logs. The logs list the transactions processed and the nature of each purchase and are to be signed by the cardholder and a supervisor. Our review disclosed that DAT could not provide logs for 27 of the 68 months we reviewed for the cardholder, which accounted for most of the unsupported transactions noted in Finding 1. Our review of other cardholders’ activity on 5 monthly logs disclosed that the logs were prepared as required.
- DAT supervisors routinely approved the aforementioned cardholder’s CPC logs despite the lack of adequate supporting documentation, raising questions about the legitimacy of the supervisory reviews and approvals. Specifically, our review disclosed that supervisors approved the cardholder’s logs for 23 months despite missing and illegible documentation. For example, a supervisor approved the cardholder’s May 2024 log even though 16 of the 33

transactions had illegible or no supporting documentation. Our review of other cardholders' activity disclosed that the transactions tested were properly supported.

- There was no documentation that DAT used available Level-3 data to help ensure the propriety of CPC purchases. This data, when reported by merchants, provides detailed purchasing information, including invoice-level line-item details (such as item descriptions and item quantities).

The *Manual* requires that cardholders complete a log of all CPC purchases and provide itemized receipts for all transactions. The *Manual* also requires authorized reviewers to ensure that purchases were proper and not for personal use, to document supervisory reviews of the logs, and to ensure documentation is maintained supporting that the CPC requirements have been followed. Finally, the *Manual* requires State agencies to verify Level-3 data to CPC logs and document monthly reviews of Level-3 data as part of transaction monitoring.

Failure to comply with the *Manual* may result in the suspension and/or termination of either individual purchasing cards or program benefits for an entire State agency. In addition, according to the agreement signed by all authorized reviewers, failure to follow established procedures may result in disciplinary action, reimbursement of unauthorized purchases, loss of leave time, suspension and/or termination of employment, fines, and/or criminal prosecution.

Recommendation 2

We recommend that DAT comply with the *Manual*. Specifically, DAT should establish and follow comprehensive procedures to

- a. ensure CPC cardholders prepare and complete accurate CPC logs and include documentation to support the related transactions;**
- b. perform documented independent supervisory reviews of all CPC logs and transactions, including reviews of supporting documentation;**
- c. use available Level-3 data as part of the monthly supervisory review to aid in the assessment of the propriety of CPC transactions; and**
- d. take appropriate action when supervisors approve CPC logs that lack required support or contain questionable purchases.**

APPENDIX

WES MOORE
Governor

ARUNA MILLER
Lt. Governor



BOB YEAGER
Director

MARIA MATHIAS
Associate Director

October 03, 2025

Brian S. Tanen, CPA, CFE
Legislative Auditor
Office of Legislative Audits
351 West Camden Street, Suite 400
Baltimore, MD 21291

Re: Special Review of the State Department of Assessments and Taxation – Allegations
Related to Possible Violations of State Laws, Regulations, and Policies Involving a DAT
Employee

Dear Mr. Tanen:

The State Department of Assessments and Taxation (SDAT) has received the special review audit report submitted by the Department of Legislative Services, Office of Legislative Audits, for the period from May 2019 through August 2024.

SDAT would like to extend sincere appreciation for the thorough and professional work carried out during this recent audit. I am attaching our formal response, which addresses the observations and recommendations outlined in the audit report.

Sincerely,

A handwritten signature in black ink, appearing to read "R. Yeager", is written over a light blue horizontal line.

Bob Yeager
Director, State Department of Assessments and Taxation

cc: Aubrey Bascombe, Chief Financial Officer
Kanchana Wijeratne, Compliance Director

State Department of Assessments and Taxation

Allegations Related to Possible Violations of State Laws, Regulations, and
Policies Involving a DAT Employee

Agency Response Form

Questionable Corporate Purchasing Card (CPC) Activity

Finding 1
DAT could not document that it investigated questionable CPC charges processed by one DAT cardholder, did not identify certain questionable transactions, and did not take appropriate follow-up action.

We recommend that DAT

- a. consult with the Office of the Attorney General – Criminal Division before taking any action related to the questionable activity identified above;
- b. ensure all terminations are accurately processed in the State’s records, including for the employee identified above; and
- c. ensure any future instances of possible criminal or unethical conduct are subject to documented investigation and referred to the Office of the Attorney General – Criminal Division and the Governor’s Chief Legal Counsel, as required.

Agency Response			
Analysis	Factually Accurate		
Please provide additional comments as deemed necessary.			
Recommendation 1a	Agree	Estimated Completion Date:	Completed
Please provide details of corrective action or explain disagreement.	The department has referred this matter to the Attorney General's Criminal Division. The department will consult with the Office of the Attorney General's Criminal Division before taking any action related to the questionable activity identified above.		
Recommendation 1b	Agree	Estimated Completion Date:	11/30/2025
Please provide details of corrective action or explain disagreement.	The department updated the State’s records to ensure that the termination for the identified employee is accurately reflected and is consistent with the employee’s termination letter. Additionally, the agency is reviewing all terminations to confirm they were processed correctly in the State’s records.		
Recommendation 1c	Agree	Estimated Completion Date:	Completed

State Department of Assessments and Taxation

Allegations Related to Possible Violations of State Laws, Regulations, and Policies Involving a DAT Employee

Agency Response Form

Please provide details of corrective action or explain disagreement.	The department has referred this matter to the Attorney General's Criminal Division. Additionally, the department will follow the Governor's Executive Order, Standards of Conduct for Executive Branch Employees, and the Comptroller of Maryland Corporate Purchasing Card Program Policy and Procedures Manual by ensuring that any future incidents involving potential criminal or unethical conduct are documented, investigated, and referred to the Office of the Attorney General – Criminal Division and the Governor's Chief Legal Counsel, as required.
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State Department of Assessments and Taxation

Allegations Related to Possible Violations of State Laws, Regulations, and Policies Involving a DAT Employee

Agency Response Form

Finding 2

DAT did not establish comprehensive procedures and controls over CPC activity as required by the *Manual*, which may have contributed to the aforementioned questionable activity going undetected.

We recommend that DAT comply with the *Manual*. Specifically, DAT should establish and follow comprehensive procedures to

- a. ensure CPC cardholders prepare and complete accurate CPC logs and include documentation to support the related transactions;
- b. perform documented independent supervisory reviews of all CPC logs and transactions, including reviews of supporting documentation;
- c. use available Level-3 data as part of the monthly supervisory review to aid in the assessment of the propriety of CPC transactions; and
- d. take appropriate action when supervisors approve CPC logs that lack required support or contain questionable purchases.

Agency Response			
Analysis	Factually Accurate		
Please provide additional comments as deemed necessary.			
Recommendation 2a	Agree	Estimated Completion Date:	Completed
Please provide details of corrective action or explain disagreement.	In August 2024, the department created a corporate purchasing card (CPC) training presentation that aligns with the Comptroller of Maryland’s Corporate Purchasing Card Program Policies and Procedures Manual. The department provided refresher training for cardholders and reviewers to reinforce proper submission procedures for the CPC log, as outlined in the Manual. CPC cardholders prepare and complete CPC logs, and the agency reviews CPC log submissions to ensure they are accurate and include supporting documentation transactions.		
Recommendation 2b	Agree	Estimated Completion Date:	Completed
Please provide details of corrective action or explain disagreement.	Documented independent supervisory reviews are performed of CPC logs and transactions, including reviews of supporting documentation. Additionally, the agency’s Fiscal Officer or Designee conducts an independent review of CPC logs to ensure that transactions are supported by documentation.		

State Department of Assessments and Taxation

Allegations Related to Possible Violations of State Laws, Regulations, and
Policies Involving a DAT Employee

Agency Response Form

Recommendation 2c	Agree	Estimated Completion Date:	11/30/2025
Please provide details of corrective action or explain disagreement.	The department will establish procedures to use available Level-3 data as part of the current monthly supervisory review process, helping assess the appropriateness of CPC transactions.		
Recommendation 2d	Agree	Estimated Completion Date:	Completed
Please provide details of corrective action or explain disagreement.	<p>The Department has implemented processes to mitigate the risk of questionable purchases and to ensure appropriate action is taken when supervisors approve CPC logs that lack required support or contain questionable purchases. These include, but are not limited to, the following:</p> <ul style="list-style-type: none"> • Training provided to authorized reviewers to ensure CPC logs are reviewed and certified in accordance with the Comptroller's CPC Program Policy and Procedures Manual. • The agency's Fiscal Officer or Designee independently reviews CPC logs to verify that transactions are supported by documentation and flags questionable purchases (if any) for further review and appropriate action in accordance with the Comptroller's CPC Program Policy and Procedures Manual. • Established a requisition process to ensure cardholders seek prior fiscal approval before making purchases. 		