

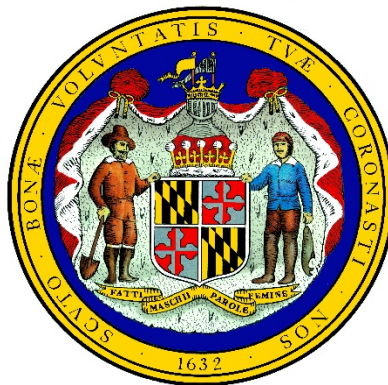
Audit Report

Maryland Department of Planning

April 2026

Public Notice

In compliance with the requirements of the State Government Article Section 2-1224(i), of the Annotated Code of Maryland, the Office of Legislative Audits has redacted cybersecurity information from this public report.



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DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

April 10, 2026

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 fiscal compliance audit of the Maryland Department of Planning (MDP) for the period beginning May 1, 2021 and ending September 15, 2025. MDP provides information and services that improve the ability of State and local governments, community development organizations, and environmental organizations to support desirable growth in Maryland.

Our audit disclosed that MDP did not ensure that Historic Revitalization Tax Credits (HRTC) were properly certified and recipients maintained compliance with HRTC requirements. For example, we noted two projects with awarded tax credits totaling \$3.3 million that were not certified by a certified public accounting firm, as required by State regulations. State law established HRTC within MDP, under which a commercial entity or homeowner may claim a credit against a percentage of the expenditures incurred for a certified historic structure revitalization project. Noncompliance with the terms of the tax credits could result in recapture of the credit from the recipient.

MDP's response to this audit is included as an appendix to this report. We reviewed the response to our finding 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 audit by MDP.

Respectfully submitted,

Brian S. Tanen

Brian S. Tanen, CPA, CFE
Legislative Auditor

Background Information

Agency Responsibilities

The Maryland Department of Planning (MDP) provides information and services that improve the ability of State and local governments, as well as community development and environmental organizations, to support growth that fosters vibrant, livable communities; preserves and protects the environment; and makes efficient use of State resources. MDP provides services such as planning and urban design, computer application development, and technical studies.

According to the State's records, MDP's expenditures totaled approximately \$56.1 million during fiscal year 2025 (see Figure 1).

Figure 1
MDP Positions, Expenditures, and Funding Sources

Full-Time Equivalent Positions as of June 30, 2025	
	Positions
Filled	130
Vacant	12
Total	142
Fiscal Year 2025 Expenditures	
	Expenditures
Salaries, Wages & Fringe Benefits	\$18,195,320
Technical and Special Fees	1,023,727
Operating Expenses	36,898,267
Total	\$56,117,314
Fiscal Year 2025 Funding Sources	
	Funding
General Fund	\$42,346,593
Special Fund	8,104,349
Federal Fund	4,617,329
Reimbursable Fund	1,049,043
Total	\$56,117,314

Source: State financial and personnel records

Findings and Recommendations

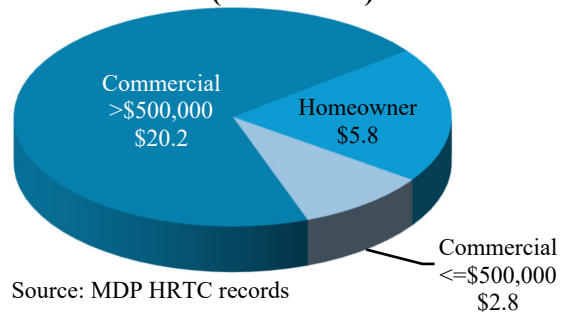
Historic Revitalization Tax Credit

The Maryland Department of Planning (MDP) administers the Historic Revitalization Tax Credit (HRTC) program. State law provides that a commercial entity or homeowner may claim an HRTC equal to 20 to 27.5 percent of qualified expenditures incurred for a certified historic structure revitalization project. The commercial entity or homeowner must apply for the HRTC prior to starting the project and MDP must approve the work and estimated expenditures.

Upon completion of the project, applicants must submit evidence of the project to MDP to obtain HRTC certification. State regulations require any commercial applicant with \$100,000 or more in expenditures for a historic project to provide financial statements certified by a certified public accountant (CPA) demonstrating the expended amounts were for qualified expenditures in accordance with the application. State law further provides that any disqualifying changes to the property (changes that would make the property ineligible for HRTC) within five years of the project completion could result in recapture of the credit. In addition, commercial HRTCs with projected expenditures for the historic project greater than \$500,000 are subject to recapture if the property is sold within five years of project completion.

According to MDP's records, during the audit period, MDP certified approximately \$28.8 million in HRTCs,¹ the majority of which were for commercial applicants with historic project costs greater than \$500,000 (see Figure 2). We tested 32 HRTCs during our audit period totaling \$20.5 million including all 24 commercial HRTC's with expenditures greater than \$500,000, 3 commercial HRTCs with expenditures less than \$500,000, and 5 homeowner HRTCs.²

Figure 2
HRTCs During the Audit Period
(in millions)



¹ This dollar amount represents a total of 598 HRTCs certified by MDP, including 24 commercial projects with costs greater than \$500,000, 83 homeowner projects, and 491 commercial projects with costs less than or equal to \$500,000.

² Test items were generally selected based on an evaluation of materiality and risk; however, as noted, all HRTCs with expenditures greater than \$500,000 were included.

Finding 1

MDP did not ensure expenditures used to calculate commercial HRTCs were certified, as required, and did not monitor commercial and homeowner HRTC recipients to ensure they maintained compliance with the terms of the credit.

Analysis

MDP did not ensure expenditures used to calculate commercial HRTCs were certified, as required, and did not monitor commercial and homeowners HRTC recipients to ensure they maintained compliance with the terms of the credit.

- MDP did not ensure commercial applicants with historic project costs over \$500,000 obtained the required CPA certifications of expenditures. Our test of 24 of these HRTCs disclosed that 2 recipients awarded \$3.3 million in credits, did not have the required CPA certifications. Specifically, the financial statements submitted by 1 applicant had a disclaimed opinion³ on the reported \$15 million in expenditures used to support a \$3 million credit and the statement for another applicant was certified by an accounting firm in another country with no evidence they were a CPA.
- MDP did not monitor commercial and homeowner HRTC recipients to ensure they maintained compliance with the terms of the credit. Specifically, MDP did not ensure the 1,173 HRTC projects completed, that were subject to recapture during our audit period, did not make any changes that would make the property ineligible for the HRTC or ensure that commercial HRTC properties with project expenditures greater than \$500,000 were not sold. Our test of the 24 commercial HRTCs did not identify any properties sold within our audit period⁴ but we could not readily determine if any HRTCs made changes to the properties due to the lack of monitoring efforts.

Recommendation 1

We recommend that MDP

- ensure that commercial projects are appropriately certified, as required;**
- obtain the required certifications for the commercial properties noted above; and**

³ In general, a disclaimed opinion is issued when the CPA does not audit or review the supporting documentation necessary to express an opinion.

⁴ HRTCs with project expenditures over \$500,000 are subject to recapture if the property is sold within 5 years of project completion.

- c. monitor completed revitalization projects, including those noted above, to ensure they maintain their eligibility for the HRTC and recapture any credits for non-compliant recipients.**

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the Maryland Department of Planning (MDP) for the period beginning May 1, 2021 and ending September 15, 2025. 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 MDP'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, cash receipts, payroll, certain tax credit programs, intergovernmental planning services, loans, selected grants and information systems security and control.⁵

Our audit did not include an evaluation of internal controls over compliance with federal laws and regulations for federal financial assistance programs and an assessment of MDP's compliance with those laws and regulations by MDP because the State of Maryland engages an independent accounting firm to annually audit such programs administered by State agencies, including MDP.

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 May 1, 2021 to September 15, 2025, but may include transactions before or after this period, as we considered necessary to achieve our audit objectives.

⁵ The details of our information systems security and control review have been redacted from this publicly available report in accordance with State Government Article, Section 2-1224(i) of the Annotated Code of Maryland.

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 MDP's 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 (such as revenue and expenditure data) and the State's Central Payroll Bureau (payroll data), as well as from the contractor administering the State's Corporate Purchasing Card Program (credit card activity). 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 MDP's grants management system for the purpose of testing the propriety of grant disbursements. 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.

MDP'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 MDP, 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 a finding relating to conditions that we consider to be significant deficiencies in the design or operation of internal control that could adversely affect MDP's ability to maintain reliable financial records, operate effectively and efficiently, and/or comply with applicable laws, rules, and regulations. This finding is also considered a significant instance of noncompliance with applicable laws, rules, or regulations. Other less significant findings were communicated to the MDP that did not warrant inclusion in this report.

State Government Article Section 2-1224(i) requires that we redact in a manner consistent with auditing best practices any cybersecurity information before a report is made available to the public. This results in the issuance of two different versions of an audit report that contains cybersecurity information – a redacted version for the public and an unredacted version for government officials responsible for acting on our audit recommendations.

The State Finance and Procurement Article, Section 3.5-301(c), states that cybersecurity is defined as “processes or capabilities wherein systems, communications, and information are protected and defended against damage, unauthorized use or modification, and exploitation.” Based on that definition, and in our professional judgment, we concluded that certain information in this report falls under that definition. Consequently, for the publicly available audit report all specifics as to the nature of this cybersecurity information has been redacted. We have determined that such aforementioned practices, and government auditing standards, support the redaction of this information from the public audit report. The specifics of the cybersecurity information have been communicated to MDP and those parties responsible for acting on our recommendations in an unredacted audit report.

MDP's response to our finding 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 MDP regarding the results of our review of its response.

Wes Moore
Governor
Aruna Miller
Lt. Governor



APPENDIX

Rebecca L. Flora
AICP, LEED ND / BD+C
Secretary
Kristin R. Fleckenstein
Deputy Secretary

April 7, 2026

Brian S. Tanen, CPA, CFE
Legislative Auditor
Department of Legislative Services
Electronic Transmittal to: response@ola.maryland.gov.

Dear Mr. Tanen,

In response to the draft audit report provided by your office on March 26, 2026, and in accordance with *Committee's Policy on Agency Responses to Reports Issued by the Office of Legislative Audits*, the Maryland Department of Planning (MDP) is submitting the attached Agency Response Form. This document addresses the one finding identified by the audit team for the time period of May 1, 2021 through September 15, 2025.

As you will note, my office is in agreement with the finding and has offered related corrective actions to address the matter. These are detailed within the accompanying Agency Response Form (ARF). We believe these actions will fully address the areas of concern and will become part of the way we handle such matters moving forward.

In closing, I would like to commend the audit team who worked closely with my staff over the last five months. We found them to be extremely professional and courteous, and valued the immense amount of time they put into addressing MDP's financial and operational policies and procedures. I am unsure how often people thank auditors, but in this case, I believe it is merited.

Sincerely,

Rebecca L. Flora
Secretary

Maryland Department of Planning

Agency Response Form

Historic Revitalization Tax Credit

Finding 1

MDP did not ensure expenditures used to calculate commercial HRTCs were certified, as required, and did not monitor commercial and homeowner HRTC recipients to ensure they maintained compliance with the terms of the credit.

We recommend that MDP

- a. ensure that commercial projects are appropriately certified, as required;
- b. obtain the required certifications for the commercial properties noted above; and
- c. monitor completed revitalization projects, including those noted above, to ensure they maintain their eligibility for the HRTC and recapture any credits for non-compliant recipients.

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 1a	Agree	Estimated Completion Date:	7/2026
Please provide details of corrective action or explain disagreement.	MDP will undertake three corrective actions to address this finding: 1. MDP will amend the tax credit program instructions to clarify the requirements for certified public accountants eligible to prepare financial statements for review by MHT, specifying that such accountants must demonstrate licensure in Maryland or, if licensed in another state, provide evidence of a Maryland firm permit or otherwise meet requirements established by the Maryland Board of Public Accountancy. 2. MDP will create a new form to be included with the financial documentation package. The form will include an attestation box for the CPA's signature and require backup documentation demonstrating that the firm is licensed in Maryland or, if licensed in another state, provide evidence of a Maryland firm permit or otherwise meet requirements established by the Maryland Board of Public Accountancy. 3.MDP will create a checklist for the tax credit reviewer to use when reviewing the Part 3 application to: a.) confirm that CPAs have		

Maryland Department of Planning

Agency Response Form

	demonstrated licensure in Maryland or, if licensed in another state, have submitted evidence of a Maryland firm permit or other documentation required by the Maryland Board of Public Accountancy and, b.) to confirm that the CPA has certified the project financial statement.		
Recommendation 1b	Agree	Estimated Completion Date:	9/2026
Please provide details of corrective action or explain disagreement.	MHT will request receipt of properly certified financial documentation from the two tax credit recipients identified as deficient by the auditors. If the applicants are unable to provide the required documentation to MHT within 6 months, then MHT will refer the cases to the Comptroller of Maryland Compliance Division.		
Recommendation 1c	Agree	Estimated Completion Date:	7/2026
Please provide details of corrective action or explain disagreement.	MDP will undertake three corrective actions in response to this finding. 1.MDP will create a disposition table going forward for each commercial project that receives a tax credit award. Ownership for each project will be identified in the table when a Part 3 application is approved. Ownership changes will be monitored using data provided by SDAT. In those cases where an ownership change has taken place within the 5-year recapture period, projects will be referred to the Comptroller Compliance Division. 2 MHT will develop written procedures for ensuring ongoing compliance of completed tax credit projects for five years following completion. This will likely take the form of an external inspection of a subset of properties during the five-year recapture period. 3. MHT will update HRTC guidelines to ensure that applicants are given clear instruction on how they can avoid potential recapture of tax credits during the five-year recapture period due to disqualifying work or sale or transfer of commercial properties.		

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