Audit Report

Maryland State Board of Contract Appeals

May 2013



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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DEPARTMENT OF LEGISLATIVE SERVICES
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Legislative Auditor

May 6, 2013

Senator James C. Rosapepe, Co-Chair, Joint Audit Committee
Delegate Guy J. Guzzone, Co-Chair, Joint Audit Committee
Members of Joint Audit Committee
Annapolis, Maryland

Ladies and Gentlemen:

We have audited the Maryland State Board of Contract Appeals for the period beginning February 22, 2010 and ending March 19, 2013. The Board's primary responsibility is to hear and decide appeals made by contractors regarding disputes over the formation of contracts with the State, as well as disputes arising under executed contracts with the State.

Our audit did not disclose any findings.

We wish to acknowledge the cooperation extended to us by the Board during the course of this audit.

Respectfully submitted,

Thomas J. Barnickel III, CPA
Legislative Auditor

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Background Information

Agency Responsibilities

The Maryland State Board of Contract Appeals consists of three members appointed by the Governor with the advice and consent of the Senate. The primary responsibility of the Board is to hear and decide appeals made by contractors regarding disputes over the formation of contracts with the State and/or disputes arising under executed contracts with the State. The Board's responsibility does not include certain disputes, such as those concerning the formation of contracts to procure architectural or engineering services, which may be appealed to the Board of Public Works. The Board also lacks jurisdiction over labor disputes and/or certain disputes relating to a lease of real property. According to the State's records, during fiscal year 2012, the Board had five authorized positions (including the three Board members), and operating expenditures totaling approximately $622,000.

Findings and Recommendations

Our audit did not disclose any significant deficiencies in the design or operation of the Board's internal control. Nor did our audit disclose any significant instances of noncompliance with applicable laws, rules, or regulations.

A draft copy of this report was provided to the Board. Since there are no recommendations in this report, a written response was not necessary.

Audit Scope, Objectives, and Methodology

We have audited the Maryland State Board of Contract Appeals for the period beginning February 22, 2010 and ending March 19, 2013. 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 the Board's financial transactions, records and internal controls, 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 materiality and risk. The areas addressed by our audit included cash disbursements, payroll, and equipment. Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of the Board's operations. We also tested transactions and performed other auditing procedures that we considered necessary to achieve our objectives. Data provided in this report for background or informational purposes were deemed reasonable, but were not independently verified.

The Board'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 the safeguarding of assets, and compliance with applicable laws, rules, and regulations are achieved.

Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

Our reports are designed to assist the Maryland General Assembly in exercising its legislative oversight function and to provide constructive recommendations for improving State operations. As a result, our reports generally do not address activities we reviewed that are functioning properly.

AUDIT TEAM

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