

Audit Report

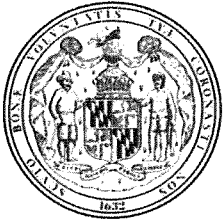
**Department of Transportation
Financial Management Information System
Centralized Operations**

April 2012



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

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Karl S. Aro
Executive Director

DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

April 18, 2012

Bruce A. Myers, CPA
Legislative Auditor

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 centralized operations of the Financial Management Information System (FMIS) as administered by the Department of Transportation – Secretary's Office. FMIS is used to support the Department's purchasing, accounting, and payment functions. According to the State's accounting records, expenditures processed through the Department of Transportation's FMIS for fiscal year 2011 totaled approximately \$2.6 billion.

Our audit did not disclose any findings that warrant mention in this report.

We wish to acknowledge the cooperation extended to us during the audit by the Department of Transportation – Secretary's Office.

Respectfully submitted,

A handwritten signature in black ink that reads "Bruce A. Myers".

Bruce A. Myers, CPA
Legislative Auditor

Background Information

General Information

The Department of Transportation's Financial Management Information System (FMIS) is an integrated database system with purchasing and accounting components. The FMIS purchasing and accounting components are operational in all Department agencies. FMIS runs on the Department's Office of Transportation Technology Services' (OTTS) mainframe computer. According to the State's accounting records, expenditures processed through the Department of Transportation's FMIS for fiscal year 2011 totaled approximately \$2.6 billion.

A separate version of FMIS (known as Statewide FMIS) is maintained by the State's Department of Information Technology and the Comptroller of Maryland's General Accounting Division for the use of most Executive Branch agencies and is outside the scope of this audit. Because of the unique needs of the Department of Transportation, particularly with respect to federal grants and projects, it maintains its own version of FMIS.

FMIS Responsibilities

The FMIS Unit, within the Department's Secretary's Office, and the Department's OTTS are responsible for daily FMIS administration, including maintenance, operation, security, and backup of related database records, and the computer programs, which perform online and overnight processing. The agencies within the Department are responsible for establishing and monitoring their employees' security accesses to FMIS.

The Office of Legislative Audits separately audits the Secretary's Office and all Department agencies. Our most recent audits of these entities included a review of their agency-based FMIS responsibilities. This central audit included elements of FMIS operation and internal control not included in these agency audits (for example, database and security controls). For an expanded explanation of the nature and purpose of this audit, see the Audit Scope, Objectives, and Methodology section of this report.

FMIS Interface

The Department interfaces certain FMIS financial information to the Statewide FMIS for recordation, payment processing, and reporting. This audit included a review of the controls and processing over financial information interfaced to and recorded on Statewide FMIS.

Status of Finding From Preceding Audit Report

Our audit included a review to determine the status of the finding contained in our preceding audit report dated December 2, 2008. We determined that the Department satisfactorily resolved this finding.

Findings and Recommendations

Our audit did not disclose any significant deficiencies in the design or operation of the Department's internal control. Nor did our audit disclose any significant instances of noncompliance with applicable laws, rules, or regulations. Other less significant findings were communicated to the Department that did not warrant inclusion in this report.

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

Audit Scope, Objectives, and Methodology

We have audited the centralized operations of the Department of Transportation Financial Management Information System (FMIS). Fieldwork associated with our review was conducted during the period from April 2011 to December 2011. 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 FMIS is a vital procurement and accounting application in all Department agencies, internal control over FMIS is critical to the user agencies. Since we are responsible for auditing these agencies and evaluating their internal control, we periodically evaluate FMIS' internal control. The State of Maryland maintains its own Statewide version of FMIS, which is not included in the scope of this audit.

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 elements of FMIS operations, relative to the Department's overall internal control, and to

evaluate compliance with applicable State laws, rules, and regulations not included in our audits of the Department's agencies. We also determined the status of the finding contained in our preceding audit report.

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 the audit included central FMIS security administration and maintenance, database and security controls, and the Advanced Purchasing and Inventory Control System (ADPICS) and the Relational Standard Accounting and Reporting System (R*STARS) component operations. Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of FMIS 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 Department's management is responsible for establishing and maintaining effective internal control over FMIS operations. 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.

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.

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