Summary of Reports Issued and Recommended Committee Action

September 1, 2012 to November 30, 2012

Presentation to Joint Audit Committee

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December 5, 2012

Reports Issued September 1, 2012 to November 30, 2012

Summary

Total Reports Issued	23
Reports Recommended for Action	4

Agency	Recommended Action
1. Department of Information Technology and Selected State Agencies – Information System Data Security (Performance)	JAC Hearing [1]
2. Baltimore City Public School System (Financial Management Practices Audit Report)	JAC Letter of Concern
3. Department of Transportation – State Highway Administration	JAC Hearing
4. Department of Transportation – Maryland Aviation Administration	JAC Hearing

[1] Presented to Joint Audit Committee in October 2012

Summary of Recommended Action

Joint Audit Committee (JAC) Hearing	3
JAC Letter of Concern	1
Total	4

REPORTS ISSUED
SEPTEMBER 1, 2012 TO NOVEMBER 30, 2012

Agency	Report Date	Number of Pages
Department of Labor, Licensing and Regulation – Division of Unemployment Insurance	9/19/12	14
Montgomery County – Office of the Register of Wills	9/20/12	5
Review of Local Government Audit Reports – Fiscal Year Ending June 30, 2011 (Special)	9/24/12	13
Maryland Automobile Insurance Fund	9/24/12	7
Department of Information Technology and Selected State Agencies – Information System Data Security (Performance)	9/27/12	41
Baltimore City Public School System (Financial Management Practices Performance Audit)	9/28/12	52
Maryland Technology Development Corporation	10/11/12	7
Baltimore City – Office of the Register of Wills	10/12/12	11
Video Lottery Operations Revenue – Small, Minority, and Women-Owned Businesses Account (Performance)	10/16/12	6
Property Tax Assessment Appeals Boards	10/19/12	4
Wicomico County – Office of the Register of Wills	10/23/12	5
Review of Community College Audit Reports – Fiscal Year Ending June 30, 2011 (Special)	11/01/12	6
Department of Transportation – Secretary's Office	11/02/12	13
Department of Health and Mental Hygiene – Spring Grove Hospital Center	11/02/12	10
Department of Health and Mental Hygiene – Western Maryland Hospital Center	11/02/12	4
Department of Disabilities	11/05/12	7
Department of Public Safety and Correctional Services – Office of the Secretary and Other Units	11/07/12	6
Department of Human Resources – Child Support Enforcement Administration Follow-up – Response to the April 2012 Joint Chairmen's Report (Special)	11/09/12	7
Wicomico County – Office of the Clerk of Circuit Court	11/14/12	5
Queen Anne's County – Office of the Clerk of Circuit Court	11/14/12	5
Department of Transportation – State Highway Administration	11/15/12	24
Department of Transportation – Maryland Aviation Administration	11/16/12	18
Maryland Public Broadcasting Commission	11/28/12	12

Total Number of Reports Issued: **23**

Reports Recommended for Committee Action
Significant Audit Findings
September 1, 2012 to November 30, 2012

1) Department of Information Technology (DoIT) and Selected State Agencies – Information System Data Security (Performance) (9/27/12 – 41 pages – 12 findings)

We conducted a performance audit to assess State law and policies governing information security as compared to industry and government best practices and determined compliance with certain aspects of the Department of Information Technology's (DoIT) *Information Security Policy* by selected State agencies.

We evaluated State law and the September 2010 *Information Security Policy* (in existence during our audit) against industry information security best practices and federal and other states' practices.

- Current State law governing certain protections for personal identifiable information (PII) did not apply to State agencies and certain requirements established in State law also were not addressed in the DoIT *Policy*.
- DoIT did not have a formal process in place to monitor and enforce the provisions of its *Policy*.
- Some enhancements should be made to DoIT's *Policy*. For example, the *Policy* provided only limited guidance to agencies for handling and reporting computer security incidents (such as unauthorized access or denial of service attacks).

We reviewed five State agencies' security policies and practices for compliance with seven specific requirements of the DoIT *Policy* and found that none of the five agencies had implemented all security program components required by DoIT.

- State agencies often had not determined and did not document the security levels for their information systems.
- Risk management processes were not fully implemented.
- State agencies were in various stages in implementing data loss prevention tools and techniques and had varied practices in implementing vulnerability scanning and penetration testing.

Recommended Committee Action – Hearing (Presented at the Committee's October 2012 Meeting)

2) Baltimore City Public School System (BCPSS) (Financial Management Practices Audit Report) (9/28/12 – 52 pages – 26 findings)

We conducted a performance audit to evaluate the effectiveness and efficiency of the school system's financial management practices in safeguarding assets and its use of financial resources. Our report contains 26 recommendations based upon the review of 11 functional areas.

- BCPSS had not sufficiently pursued collection of past due accounts, including amounts due from former employees.
- Procurement and disbursement processing duties were not properly separated. Also, BCPSS did not comply with procurement requirements for two large contracts and did not obtain supporting documentation to substantiate certain payments to contractors.
- Critical human resources and payroll transactions were not independently reviewed for propriety. Furthermore, certain overtime payments could not be substantiated and certain other payments were improperly calculated.
- BCPSS could not provide sufficient justification as to why salary reductions to certain administrators, in excess of $300,000, were not processed.
- Personnel policies were not sufficiently comprehensive.
- BCPSS did not adequately follow up on missing computer equipment.
- BCPSS did not adequately monitor and secure information systems, and had not developed a disaster recovery plan.
- A long-term facilities master plan had not been prepared to address issues such as facility conditions, utilization, and future needs.
- BCPSS did not ensure that contractors had properly completed maintenance projects prior to approving the related invoices for payment.
- BCPSS had not established comprehensive bus routing policies, documented the basis for the daily fixed route rates paid to contractors to operate school buses, and did not ensure the propriety of the billings.
- BCPSS did not ensure that amounts paid to organizations that operated charter schools were proper. Also, BCPSS could not provide lease agreements for the 14 charter schools that operated in buildings BCPSS owned.

Recommended Committee Action – Letter of Concern

3) Department of Transportation – Maryland Aviation Administration (MAA) (11/16/12 – 18 pages – 8 findings)

- MAA did not establish adequate monitoring controls over Architectural and Engineering (A&E) contracts and expenditures.
  - MAA did not establish adequate monitoring controls over costs incurred for individual A&E contracts, which precluded MAA from effectively monitoring contract expenditures and remaining balances.
  - For certain contracts, MAA did not provide the Board of Public Works (BPW) with complete and accurate information when it requested contract approvals.
  - MAA lacked procedures to ensure the propriety of overhead rates billed by A&E firms. MAA did not ensure A&E firms obtained annual independent audits of actual overhead rates, as required by the contracts.
  - MAA did not review and approve subcontractors hired by A&E firms after the initial contracts were procured.
  - MAA did not ensure that comprehensive task orders were established for A&E construction management and inspection services (CMI).
- MAA did not adequately restrict access and prevent unauthorized purchasing, disbursement, and adjustment transactions in the Financial Management Information System (FMIS). Numerous employees could process critical transactions without independent approval.
- MAA equipment items purchased were not always accurately recorded in the inventory records and were not identified timely as State property.
- MAA's records for snow removal chemicals did not include information necessary to effectively manage and control inventories, as required by State policies.

Recommended Committee Action – Hearing

4) Department of Transportation – State Highway Administration (SHA) (11/15/12 – 24 pages – 10 findings)

- SHA's policies and procedures for architectural and engineering (A&E) contracts did not provide the necessary safeguards to ensure compliance with certain State procurement regulations and Maryland Department of Transportation (MDOT) guidelines.
  - SHA had not documented the basis for the maximum values of A&E contracts submitted to the Board of Public Works (BPW) for approval.
  - SHA used unexpended balances from various A&E contracts to pay for work that was outside the scope of those contracts. As of August 2012, the preliminary results of a survey conducted by SHA identified services costing $21.7 million charged to 105 contracts that were for purposes outside the scope of those contracts.
  - SHA extended contract expiration dates without BPW approval, enabling SHA to retain unspent contract authorizations on contracts that otherwise would have expired.
  - SHA's post-audit process for determining the propriety of A&E contractor billings for direct labor costs selected only a limited number of contractors for audit.
- In August 2009, SHA established the Maryland SafeZones Program (that is, the automated speed monitoring program for highway work zones). Initially, a pilot program was conducted using an intergovernmental cooperative purchasing agreement with a local jurisdiction. Subsequently, SHA awarded a two-year contract to the sole bidder to operate the monitoring program.
  - SHA did not ensure that contractor performance benchmarks were established for the SafeZones pilot program.
  - SHA awarded the two-year contract to operate the program even though the contractor's proposal did not comply with certain requirements, and the tests conducted of the equipment did not conform to SHA requirements.
  - SHA did not have procedures to verify that the SafeZones contractor met a key performance measure.
- A management employee participated in the monitoring of a consulting services contract which was a potential violation of State ethics laws.

Recommended Committee Action – Hearing