Audit Report

Department of General Services
Office of State Procurement

December 2025

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 a reference to cybersecurity information from this public report.

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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

December 19, 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 fiscal compliance audit of the Department of General Services (DGS) – Office of State Procurement (OSP) for the period beginning November 1, 2021 and ending January 31, 2025. OSP is responsible for managing the centralized procurement of commodities, services, and construction on behalf of most State agencies.

Our audit disclosed that OSP did not effectively manage the *eMaryland Marketplace Advantage (eMMA)* implementation contract that was ultimately cancelled after the State paid $32.5 million because the system did not function as intended. OSP did not attempt to recover any of these costs or assess liquidated damages related to this contract. In addition, an OSP employee improperly used a Minority Business Enterprise (MBE) subcontractor on the *eMMA* contract to circumvent State procurement regulations and MBE participation goals, in return for administrative fees up to 106 percent of the services billed. OSP also had not established procedures to ensure contracts procured through *eMMA* included the administrative fee authorized by State law and did not verify that those fees were remitted. This condition was commented upon but not corrected in three preceding audit reports dating back to December 2016. Our test of 6 contracts procured through *eMMA* disclosed that OSP did not collect at least $2 million in administrative fees from the vendors.

Our audit also noted that OSP did not ensure that procurements delegated to State agencies were procured properly and agencies did not exceed their delegated authority, a condition commented upon in our four preceding audit reports dating back to November 2013 but not corrected. OSP also did not ensure that contract awards were published on *eMMA* within 30 days after the execution and approval of the contract, a condition commented upon but not corrected in three preceding audit reports dating back to December 2016.

Our audit further disclosed that OSP could not document critical components of its procurements to support the propriety of the awards and did not justify and obtain Board of Public Works approval for certain sole source contracts. In addition, OSP did not document its justification for approving intergovernmental cooperative purchasing agreements, raising concerns that the use of these agreements was in the State's best interest.

Finally, our audit disclosed OSP did not monitor its vendor responsible for coordinating State contracts with businesses owned by, or operated in the interest of, individuals with disabilities. As a result, contracts were awarded that did not benefit disabled individuals including 8 contracts with payments totaling $16.5 million that had no hours worked by disabled individuals during fiscal year 2024. Similar conditions with the monitoring of the vendor have been commented upon but not corrected in our four preceding audit reports dating back to November 2013.

DGS' response to this audit, on behalf of OSP, is included as an appendix to this report. In accordance with State law, we have reviewed the response and, while DGS generally agrees with the recommendations in this report, we identified certain instances in which statements in the response disagree or appear to be inconsistent with a report finding and recommendation. In each instance, we reviewed and reassessed our audit documentation, and reaffirmed the validity of our finding. In accordance with generally accepted auditing standards, we have included "auditor's comments" within DGS' response to explain our position. We will advise the Joint Audit and Evaluation Committee on any outstanding issues that we cannot resolve with DGS. We wish to acknowledge the cooperation extended to us during the audit by DGS and OSP, and the agreement to implement the audit recommendations.

Respectfully submitted,

Brian S. Tanen

Brian S. Tanen, CPA, CFE
Legislative Auditor

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* **Denotes item repeated in full or part from preceding audit report**

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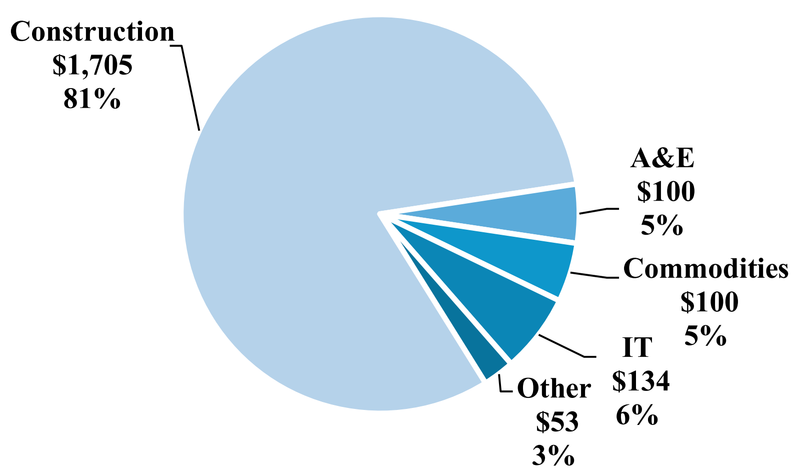
Background Information

Agency Responsibilities

State law consolidates most Executive Branch procurement activities under the Department of General Services (DGS). The DGS – Office of State Procurement (OSP) is the primary procurement unit for procurements delegated by the Board of Public Works and is responsible for managing the centralized procurement of commodities and services, and certain capital construction on behalf of most State agencies (see Exhibit 1 for a summary of each procurement unit's areas of responsibility).

Commodities include a wide range of items including energy, fuel, vehicles, auto parts, office and cleaning supplies, medical supplies, equipment, and food. Services include architectural and engineering (A&E), construction, professional services such as information technology (IT), and facilities maintenance. According to the State's records, during fiscal year 2024, OSP awarded procurements totaling approximately $2.1 billion which primarily consisted of construction totaling $1.7 billion as depicted in Figure 1. This amount reflects the total not to exceed values of the procurements and may not reflect the actual expenditures.

Figure 1
Fiscal Year 2024 Procurement Activity by Category
(in millions)



Source: State financial records

According to the State's records, during fiscal year 2024, OSP's expenditures totaled approximately $13.6 million (see Figure 2).

Figure 2
OSP Positions, Expenditures, and Funding Sources

Full-Time Equivalent Positions as of June 30, 2024	
	Positions
Filled	92
Vacant	5
Total	**97**

Fiscal Year 2024 Expenditures	
	Expenditures
Salaries, Wages & Fringe Benefits	$13,086,043
Technical and Special Fees	165,366
Operating Expenses	396,618
Total	**$13,648,027**

Fiscal Year 2024 Funding Sources	
	Funding
General Fund	$11,210,160
Special Fund	1,709,559
Reimbursable Fund	728,308
Total	**$13,648,027**

Source: State financial and personnel records

Audit Scope Disclaimer

In November 2022, OSP began using *eMaryland Marketplace Advantage (eMMA)* to create purchase orders and process payments on the related invoices. As further described primarily in Findings 1 and 2, there were numerous issues with *eMMA* impacting the integrity of the procurement data. Despite multiple attempts, OSP was unable to provide us with reliable *eMMA* data for the period from November 1, 2021 to January 31, 2025. Specifically, we could not verify that all data in the State's accounting records was included in the *eMMA* dataset. For example, our review disclosed that our dataset contained overwritten document numbers preventing a match with the State's accounting records.

Accordingly, all purchase orders and related disbursement transactions processed through *eMMA* may not have been subject to our audit testing.

Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of the seven findings contained in our preceding audit report dated May 3, 2023. In addition, our audit included a review to determine the status of one of the eight findings applicable to OSP contained in our audit report of Department of General Services – Office of the Secretary and Other Units dated January 27, 2022. See Figure 3 for the results of our review.

Figure 3 Status of Preceding Findings		
Preceding Finding	**Finding Description**	**Implementation Status**
DGS Office of State Procurement		
Finding 1	OSP did not ensure that the *eMMA* vendor had a comprehensive implementation plan and did not maintain sufficient records to track contract expenditures, which we believe may have contributed to project delays and increased costs.	Not repeated
Finding 2	OSP did not require certain bidders on State contracts to utilize available functions in *eMMA* to take advantage of security features intended to ensure the integrity of the bidding process and did not always publish contract awards as required.	**Repeated** (Current Finding 5)
Finding 3	OSP did not adequately monitor certain State agency procurements that were specifically subject to its oversight.	**Repeated** (Current Finding 4)
Finding 4	OSP lacked documentation that it independently determined and published the fair market prices of MCE goods and services.	Not repeated
Finding 5	OSP did not monitor Maryland Works to ensure it coordinated contracting activity in accordance with the EWP.	**Repeated** (Current Finding 8)
Finding 6	Redacted cybersecurity-related finding.[1]	Status Redacted[1]
Finding 7	During the COVID-19 pandemic, OSP did not always conduct emergency procurements in compliance with State procurement regulations.	Not repeated
DGS Office of the Secretary and Other Units		
Finding 5	DGS did not ensure that it received all administrative fees due from vendors providing goods and services to State agencies under Statewide contracts; and our review of selected contracts disclosed uncollected fees of at least $227,300.	**Repeated** (Current Finding 3)

[1] The finding description as well as the implementation status of this cybersecurity-related finding have been redacted from the publicly available report in accordance with State Government Article, Section 2-1224(i) of the Annotated Code of Maryland.

Findings and Recommendations

eMaryland Marketplace Advantage (eMMA)

Background

The Department of General Services (DGS), Department of Budget and Management (DBM), and Department of Information Technology (DoIT) worked together to draft a solicitation for the procurement and maintenance of a new eProcurement system that was issued in March 2018. DGS, in participation with the Office of the Comptroller and the State Treasurer's Office, evaluated vendor proposals and on March 6, 2019, the Board of Public Works (BPW) approved a 10-year contract totaling approximately $38.2 million for the new eProcurement system called *eMaryland Marketplace Advantage* (*eMMA)*.

eMMA was to include several enhancements over the prior *eMaryland Marketplace (eMM)* system including an interface with the State's Financial Management Information System (FMIS), document management, and search and reporting capabilities. The integration with FMIS was a feature included in the original *eMM* contract and was intended to address concerns noted in the 2007 Governor's Transition Report; however, *eMM*'s implementation stalled in early development and was never interfaced with FMIS. As a result, employees were required to enter information redundantly into both *eMM* and FMIS. *eMM* also lacked document management capabilities and therefore vendors were required to upload the same documents for every procurement action. Additionally, *eMM* lacked robust search and reporting capabilities which limited comprehensive monitoring of statewide purchasing activity and strategic sourcing efforts.

State laws and regulations generally provide that *eMMA* is to be used by State agencies, counties, municipalities, public institutions of higher education, local public school systems, and certain other entities to publish awards greater than $50,000. In addition, registered vendors may utilize *eMMA* to receive notices of bid opportunities and securely submit bids to the aforementioned entities.

Finding 1
OSP did not effectively manage the *eMMA* implementation contract resulting in the State paying $32.5 million for a system that did not function as intended and incomplete and inaccurate State procurement records. OSP ultimately terminated the contract but did not attempt to recover damages or recoup the cost of the system from the vendor.

Analysis
OSP did not effectively manage the *eMMA* implementation contract resulting in the State paying for a system that did not function as intended and incomplete and inaccurate State procurement records. OSP ultimately terminated the contract but did not attempt to recover damages or recoup the cost of the system from the vendor. As of February 2025, (six years into the ten-year contract period), OSP had paid the *eMMA* vendor $32.5 million (85 percent) of the $38.2 million contract.

<u>OSP did not Ensure Contract Deliverables were Received</u>
OSP did not document that it had validated that the contract deliverables functioned as intended. In this regard, the system had major flaws including the inability to properly interface with State accounting records and primarily functions as a bid board. The integration with State accounting records was one of the components that failed in one or more prior contracts and ultimately resulted in inaccurate purchasing records and additional costs to the State as further described below.

- *eMMA* improperly changed FMIS purchase order numbers when the purchase order was closed. As a result, FMIS expenditures could not readily be reconciled to the related purchase orders. In November 2022, DGS, DBM, DoIT, and the Department of Veterans and Military Families piloted the use of *eMMA* to create purchase orders and pay invoices. Our analysis of FMIS expenditures for these agencies from November 2022 to January 2025 disclosed that the purchase order associated with approximately 1,100 FMIS purchase orders with expenditures totaling $35.6 million did not match an existing *eMMA* purchase order. The ability to match purchase orders to the related payments is one of the key system controls.

- *eMMA* purchase orders were not updated for disbursements made in FMIS against statewide contracts by non-pilot agencies. In addition, *eMMA* did not have the ability to record encumbrances in FMIS associated with open purchase orders. As a result, the State had to contract with an accounting firm to determine the actual balances on outstanding contracts and the related amounts to be encumbered in fiscal years 2023 through 2025 for OSP and the other pilot agencies. As of September 2025, payments for the accounting services totaled $1.6 million.

- *eMMA* payments could be cancelled after interfacing with FMIS, resulting in inconsistencies and raising questions about the propriety of the payments. Specifically, during the aforementioned accounting firm's review, they identified approximately 2,100 invoices that were cancelled in *eMMA* after payment had been issued through FMIS. As of May 2025, OSP has not investigated these payments to determine if they were proper.

- A July 2022 OSP review in response to performance issues identified approximately $740,000 paid to the vendor for deliverables that were determined to be deficient. For example, OSP paid $202,600 for one deliverable that was never validated or deployed in *eMMA*. In addition, as of May 2025, OSP had not reviewed payments totaling $26.7 million related to work performed after the aforementioned July 2022 review to determine whether additional payments were made for deficient deliverables.

<u>OSP Did Not Verify the Propriety of Invoices</u>

OSP did not ensure that payments to the vendor were properly supported and in accordance with the contract terms. Our test of five invoices between July 2022 and August 2024 totaling approximately $2.3 million[2] disclosed that for three invoices totaling $719,700,[3] OSP did not obtain signed timesheets, as required by the contract.

In addition, two of the unsupported invoices totaling approximately $499,100 included $382,700 for labor categories and rates that were not included in the contract. For example, the vendor billed $33,600 for one individual to function as a Software Test Manager even though this role was not included in the contract. Although these positions and rates were included in the approved work orders, they were not part of the vendor proposal or the contract and OSP did not modify the contract to include these positions.

<u>OSP Terminated the eMMA Contract but Did Not Pursue Damages</u>

OSP terminated the *eMMA* vendor's contract in June 2025 because of significant deficiencies with the system including those noted above. In May 2025, the BPW approved a $19.8 million contract with a different vendor to complete the procure-to-pay functionality in *eMMA* including its integration with FMIS. OSP also separately procured a $5.7 million contract with the system platform

[2] Test items were judgmentally selected based on materiality and risk.
[3] The three invoices were dated from October 2023 through July 2024.

provider, a service which had previously been included in the system integrator contract. Although the *eMMA* vendor's contract provided for liquidated damages if certain delivery dates were not met, as of October 2025 OSP had not assessed any such damages or attempted to recover funds for the failed deliverables and unsupported charges and the costs paid to the accounting firm due to the system issues.

OSP legal counsel advised that generally liquidated damages should be assessed if warranted. We noted that OSP frequently adjusted the delivery dates rather than assessing liquidated damages. In addition, OSP advised that it did not plan to pursue funds identified in its July 2022 review because it believed the State was partially responsible for the overall failure of the system implementation. However, as of October 2025, OSP had not consulted with its legal counsel specifically about this matter.

Recommendation 1
We recommend that OSP

a. **ensure contract deliverables are validated and function as intended, and vendor payments are properly supported in accordance with contract terms;**
b. **ensure *eMMA* properly interfaces with FMIS;**
c. **investigate discrepancies between the two systems (including those noted above) and take appropriate corrective action; and**
d. **in consultation with legal counsel, perform a comprehensive review to identify amounts to be recovered from the vendor (including the amounts noted above) and pursue recovery of these amounts to the extent practical.**

Finding 2
OSP improperly used a Minority Business Enterprise (MBE) subcontractor on the *eMMA* contract to obtain services from certain vendors circumventing State procurement regulations and MBE participation goals, and incurring unnecessary and excessive administrative costs.

Analysis
OSP improperly used an MBE subcontractor on the *eMMA* contract to obtain services from certain vendors circumventing State procurement regulations and MBE participation goals and incurring unnecessary and excessive administrative costs. OSP's contract with the *eMMA* vendor included an MBE participation goal of 10 percent and designated a specific MBE subcontractor to perform this work.

According to agency records, as of February 2025, OSP payments to the *eMMA* vendor for services billed by the MBE subcontractor totaled $3.6 million.

Our review disclosed that OSP improperly used the MBE subcontractor to obtain the services of another vendor. Specifically, during the period between April and December 2023 a senior OSP management employee directed the *eMMA* vendor to route invoices from several non-MBE subcontractors through the MBE subcontractor. DGS became aware of this in December 2023 and conducted an investigation[4] which determined that the MBE subcontractor had not performed any work on the contract as of December 2023 other than paying these subcontractors and billing the *eMMA* vendor. OSP continued to pay the *eMMA* vendor for services ostensibly performed by the MBE subcontractor from January 2024 until the contract was terminated in June 2025 (after OSP became aware of these concerns).

The aforementioned improper use of the MBE subcontractor arrangement resulted in OSP paying unnecessary and excessive administrative fees to both the *eMMA* vendor and MBE subcontractor. OSP could not readily quantify how much of the payments to the *eMMA* vendor and MBE subcontractor consisted of administrative fees paid for these improperly obtained services. However, our review of four invoices received in June and July 2023 totaling approximately $215,100[5] disclosed that $59,600 was for administrative fees (ranging from 15 to 106 percent). For example, one subcontractor's hourly rate of $82.50 per hour was ultimately billed to OSP at $170 per hour.

Recommendation 2
We recommend that OSP

a. **ensure that State procurement regulations are not circumvented to obtain the services of vendors,**
b. **ensure all administrative fees paid to vendors are proper,**
c. **ensure MBE compliance reviews include review of support showing workers are employed by the MBE vendor, and**
d. **work with legal counsel to determine if administrative fees improperly paid to the *eMMA* vendor and MBE subcontractor under this arrangement can be recovered.**

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[4] OSP terminated the employee and referred the matter to the Office of the Attorney General and the Governor's Legal Counsel in December 2023.
[5] Invoices were selected for review based on limited available documentation from OSP.

Vendor Administrative Fees

Finding 3
OSP did not establish procedures to ensure contracts procured through *eMMA* included the administrative fee authorized by State law or ensure that the fees were remitted. As a result, it did not collect at least $2 million from six contracts tested.

Analysis
OSP did not establish procedures to ensure contracts procured through *eMMA* included the administrative fee authorized by State law or verify the fees were remitted. State law authorizes DGS to assess administrative fees on contracts procured through *eMMA* based on the vendor's sales revenue or volume to cover the cost of administering the contracts. According to State accounting records, OSP collected approximately $1.8 million in administrative fees during fiscal year 2024.

Our review disclosed that OSP had not established formal policies and procedures specifying the fees to be assessed and the documentation to be obtained and reviewed to ensure all the fees were remitted. OSP advised that a one percent administrative fee should be included in all statewide contracts for commodities and information technology, and contracts less than $5 million for architectural, engineering, and construction services. According to State records, there were 1,360 active contracts[6] in these categories between January 2022 and May 2025.

OSP also did not ensure that it received the fees when it was included in the contract. Specifically, OSP did not consistently and timely ensure vendors submitted required sales reports or compare the sales reports that were received to the State's accounting records to verify that the vendors remitted all the required administrative fees. In addition, OSP did not obtain expenditure data from agencies that do not utilize FMIS, such as the Maryland Department of Transportation and State universities.

Our test of seven of these contracts[7] disclosed that two contracts (for fuel and security equipment) did not include the administrative fee.[8] According to State

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[6] The figures represented are directly from ADPICS of FMIS, the purchasing module of the State's accounting system. As referenced in our Scope Disclaimer, we were unable to determine the total amount of DGS's contract awards.
[7] Test items were selected based on materiality and risk from the State's accounting system and *eMMA*. As noted in the Background Information, certain transactions may not have been subject to test selection because OSP could not provide us with reliable *eMMA* data.
[8] One contract was awarded in 2021 and one was awarded in 2023.

accounting records, statewide payments for these two contracts totaled approximately $199 million between January 2022 and May 2025 which would have resulted in OSP collecting administrative fees totaling at least $2 million during this period. In addition, OSP did not obtain sales reports and payments for two other contracts that took effect in August 2024 and December 2024, respectively. As of July 2025, payments for these contracts totaled $787,700, and therefore, OSP should have collected at least $7,900 in administrative fees during this period. We did not obtain access to any alternate accounting systems as part of this audit and therefore were not readily able to determine whether additional administrative fees should have been remitted by these vendors.

Similar conditions regarding OSP not obtaining all required sales reports and fees and not verifying reported sales to supporting documentation were commented upon in our two preceding audit reports[9] dating back to December 2016. DGS' response to our prior report indicated that it would take the recommended corrective action by October 2022. However, as noted above, DGS still did not obtain required sales reports and payment and did not verify the associated reported sales. In addition, OSP could not document that it collected certain of the administrative fees noted in our two prior reports. For example, although OSP attempted to collect administrative fees from a vendor that provided State vehicles it could not document that it ultimately collected the administrative fees due despite the vendor having an ongoing contract with the State.

Recommendation 3
We recommend that OSP

a. develop written policies and procedures to ensure the administrative fee clause is included on all applicable contracts;
b. ensure that all required sales reports and related contract fees, including those noted above, are received and collected (repeat); and
c. verify reported sales to supporting documentation (repeat) including for agencies that do not use FMIS.

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[9] Specifically, the finding appeared in our audit report of DGS – Office of Procurement and Logistics, dated December 7, 2016, and our audit report of DGS – Office of the Secretary and Other Units, dated January 27, 2022. DGS' response to the January 2022 report indicated that OSP would be responsible for corrective action consequently we reviewed this finding during our current OSP audit.

State Agency Procurement Monitoring

Finding 4
OSP did not ensure that delegated procurements were proper and that agencies did not exceed their delegated authority.

Analysis
OSP did not ensure that delegated procurements were proper and that agencies did not exceed their delegated authority. As permitted by State regulations, OSP has delegated authority to State agencies for procurements under $100,000 (other than vehicle leases) and up to $200,000 for facilities maintenance contracts and contracts to preferred providers.[10] Our fiscal compliance audit reports routinely identify deficiencies with other State agencies' procurements, including delegated procurements that were not in accordance with State procurement regulations and procurements that exceed agencies' delegated authority.

- OSP did not review delegated procurements to ensure the procurements were in accordance with State procurement regulations, including the use of competitive procurements. OSP policy provided that it was to review at least nine delegated procurements each quarter. OSP did not conduct any quarterly reviews between November 2021 and January 2025, during which State agencies made approximately 66,000 delegated procurements totaling $4.7 billion. OSP management advised us that the reviews were not conducted due to personnel turnover.

- OSP did not have effective procedures to ensure that agencies did not exceed their delegated procurement authority. Specifically, while OSP periodically generated FMIS output reports to identify transactions requiring OSP approval, these reports excluded numerous procurement categories. For example, the reports excluded procurements over $200,000, which totaled $3.1 billion in fiscal year 2024 according to State records. OSP could not readily explain why the reports did not include all procurements subject to their approval.

A similar condition regarding the lack of oversight of delegated procurements was commented upon in our four preceding audit reports dating back to November 2013, and the lack of sufficient monitoring to identify improper non-delegated procurements was commented upon in our prior audit report. OSP's response to

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[10] Other individual agencies have been delegated specific authority for construction, services, and information technology contracts.

our prior report indicated that it would implement the recommended corrective actions by December 2023. As noted above, OSP was still not adequately monitoring delegated procurements.

Recommendation 4
We recommend that OSP establish effective procedures to ensure that delegated procurements were proper and that agencies did not exceed their delegated authority. Specifically, OSP should

a. **review delegated procurements as stated in its policy and procedures and as required by regulations (repeat), and**
b. **ensure reports used to identify procurements that exceed their delegated authority include all applicable procurement categories and values.**

Procurement and Disbursements

Finding 5
OSP did not always publish contract awards on *eMMA* as required by State procurement regulations.

Analysis
OSP did not always publish contract awards on *eMMA* as required by State procurement regulations. According to State records,[11] OSP awarded 3,393 contracts totaling approximately $3.6 billion from November 2021 to January 2025. Our test of 40 contracts[12] awarded during this period totaling approximately $946.6 million, disclosed that 13 contract awards totaling $249 million were not published on *eMMA* as required. Specifically, 7 contracts totaling $40.9 million had not been published as of June 2025, and 6 contracts awarded between January 2022 and August 2024 totaling $208 million were published between 2 to 8 months after the award.

State procurement laws and regulations require that contract awards greater than $50,000 be published on *eMMA* within 30 days after the execution and approval of the contract. Publishing awards provides transparency regarding winning

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[11] The figures represented are directly from ADPICS of FMIS, the purchasing module of the State's accounting system. As referenced in our Scope Disclaimer, we were unable to determine the total amount of DGS's contract awards.
[12] We judgmentally selected material commodities, information technology, construction contracts, and intergovernmental cooperative purchasing agreements from the State's accounting system and *eMMA*. As noted in the Background Information, certain transactions may not have been subject to test selection because OSP could not provide us with reliable *eMMA* data.

bidders and award amounts. A similar condition was commented upon in our three preceding audit reports dating back to December 2016. OSP's response to our prior report indicated that it would implement procedures to ensure contract awards were published on *eMMA* by December 2023. However, as noted above, contracts awarded after December 2023 were still not always published in accordance with State procurement regulations.

Recommendation 5
We recommend that OSP comply with State procurement laws and regulations by publishing contract awards on *eMMA* within 30 days of the contract award (repeat).

Finding 6
OSP could not document critical components of procurements to support the propriety of the awards, and did not justify and obtain BPW approval for certain sole source contracts.

Analysis
OSP could not document critical components of procurements to support the propriety of the awards, and did not adequately justify and obtain BPW approval for certain sole source contracts. Our test of 27 contracts including 20 competitively awarded contracts totaling approximately $469.7 million,[13] 1 non-competitive contract totaling $40.5 million, and 6 sole source contracts totaling $27.5 million awarded between November 2021 and January 2025 disclosed the following conditions:

- OSP could not provide required procurement documentation, such as technical and financial proposals, and procurement officer's recommendations for three competitively awarded contracts totaling $178.2 million.[14] For example, OSP could not provide certain vendor proposals for these contracts tested to support the propriety of the awards including the proposals from two vendors ultimately awarded contracts. In addition, the procurement officer's determination to support the award was missing for two of the contracts tested. As a result, we could not determine the propriety of the award.

[13] Test items were selected from commodity, information technology, architecture, engineering and construction procurements based on materiality and risk from the State's accounting system and *eMMA*. As noted in the Background Information, certain transactions may not have been subject to test selection because OSP could not provide us with reliable *eMMA* data.
[14] One contract was awarded in 2023 and four contracts were awarded in 2024.

- OSP could not justify three sole source procurements totaling $5.9 million.[15] Specifically, OSP did not prepare the required written justification for one procurement and the justifications for the other two procurements did not document that no other vendors were available to provide the services. We noted that certain of these contracts may have had other potential vendors that could provide the service. For example, one sole source procurement for a State Medical Director and Statewide occupational medical services totaling $2.2 million was previously competitively solicited. OSP also did not obtain BPW approval for one of the three procurements totaling $200,000 which subsequently ended in June 2025.

State regulations require all critical procurement documentation be maintained in the procurement file. State regulations also provide that sole source procurements can only be used when no other vendors are available and that sole source contracts exceeding $100,000 be submitted for BPW approval.

Recommendation 6
We recommend that OSP comply with State procurement regulations. Specifically, we recommend that OSP

a. retain all required procurement documentation, including the technical and financial proposals and procurement officer's determinations;
b. ensure that the sole source procurement method is used when a requirement is available from only a single vendor and that a written justification is prepared; and
c. obtain BPW approval as required.

Intergovernmental Cooperative Purchase Agreements

Finding 7
OSP did not document its justification for approving Intergovernmental Cooperative Purchase Agreements (ICPAs) as required by State law.

Analysis
OSP did not document its justification for approving ICPAs in accordance with State law. OSP is responsible for approving the use of all ICPAs in the State. State law requires OSP provide a written determination that the ICPA provides cost benefits or provides administrative efficiencies, is in the State's best interest, and is not being used to evade procurement law. According to State records, there

[15] One sole source contract was awarded in 2022 and two were awarded in 2024.

were 358 ICPA contracts totaling $684.2 million entered into during the period of November 2021 through January 2025.

Our test of 18 ICPAs[16] valued at $451.9 million disclosed that OSP could not provide any documentation of its justification for approving 5 ICPAs totaling $174 million[17] and the justifications for 13 ICPAs was a generic statement.[18] Specifically, the justification indicated the ICPA would "provide cost benefits to the State, promote administrative efficiencies, or promote intergovernmental cooperation" without specifying the cost benefits or administrative efficiencies to be achieved. In addition, OSP could not document that 15 ICPAs totaling $263.1 million had been competitively procured in accordance with OSP's internal policy. As a result, we could not readily determine whether the use of these ICPAs was in the State's best interest.

Recommendation 7
We recommend that OSP ensure

a. **a determination is prepared for all approved ICPA usage, and**
b. **documentation is retained to support both assertions in determinations and verification of competitive procurement by the ICPA's initiating entity.**

Providers with Procurement Preferences

Finding 8
OSP did not monitor its vendor responsible for coordinating contracts between State agencies and businesses owned by, or operated in the interest of, individuals with disabilities. Certain contracts were awarded without required competition and were not compliant with the terms of the program including 8 contracts with $16.5 million in payments that had no hours worked by disabled individuals.

Analysis
OSP did not monitor its vendor responsible for coordinating contracting activity between the State and businesses owned by, or operated in the interest of,

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[16] Test items selected based on materiality and risk from the State's accounting system and *eMMA*. Of the 18 items selected, 12 had multiple vendors available on the ICPA. As noted in the Background Information, certain transactions may not have been subject to test selection because OSP could not provide us with reliable *eMMA* data.
[17] Two contracts were awarded in 2022, one was awarded in 2023 and two were awarded in 2024.
[18] One contract was awarded in 2022, four were awarded in 2023, seven were awarded in 2024, and one was awarded in 2025.

individuals with disabilities. State laws and regulations provide for procurement preferences to benefit disadvantaged individuals or representative organizations and established the Employment Works Program (EWP) to create and coordinate quality employment opportunities for community services providers and individuals with disabilities. OSP contracted with Maryland Works to identify potential EWP contracts for use by State agencies, establish procedures for the selection of EWP vendors, and monitor the contracts for compliance with program requirements.

According to Maryland Works' records, State agencies made payments totaling approximately $71.9 million for 164 EWP contracts in fiscal year 2024. Maryland Works received a percentage of these payments which totaled $2.3 million.[19] Our review disclosed that OSP did not ensure that Maryland Works was performing its required tasks resulting in certain contracts that were not awarded and/or in compliance with EWP requirements.

- Our test of six procurements[20] totaling $13 million disclosed that three procurements for janitorial and temporary staffing services totaling $5.3 million were awarded to the incumbent vendor without a competitive solicitation.[21] OSP also did not obtain required documentation to support that the six contracts were in the best interest of the State and that the prices did not exceed prevailing market rates.

- OSP did not document its review of semi-annual reports detailing the percentage of work performed by disabled workers for each contract. As a result, OSP did not identify that 52 of the 164 contracts were not in compliance with the contract minimums as of June 2024. For example, 8 contracts with payments totaling approximately $16.3 million had no hours worked by disabled individuals during fiscal year 2024.

Similar conditions regarding a lack of monitoring of Maryland Works have been commented upon in our four preceding audit reports dating back to November 2013. In response to our prior report, OSP disagreed with our recommendation. OLA continues to believe that since State law requires OSP to designate a coordinating entity, OSP should provide the necessary oversight to ensure Maryland Works is operating as intended. Following the end of our fieldwork,

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[19] We used Maryland Works reported data due to the Scope Disclaimer noted in our report background.

[20] We selected contracts based on materiality of contract value or risk from the State's accounting system and *eMMA*. As noted in the Background Information, certain transactions may not have been subject to test selection because OSP could not provide us with reliable *eMMA* data.

[21] Two contracts were awarded in 2024 and one in 2025.

State law was revised effective October 1, 2025 to transition the EWP to the Department of Social and Economic Mobility.

Recommendation 8

We recommend that OSP work with the appropriate State agency to facilitate the monitoring of Maryland Works to ensure that it is fulfilling its coordinating entity responsibilities as required by State law (repeat), including

a. ensuring providers recommended for contract awards are competitively selected,

b. that required documentation such as cost justifications are obtained to ensure awards are in the best interest of the State, and

c. that EWP vendors complied with requirements for minimum disability worker percentages.

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the Department of General Services (DGS) – Office of State Procurement (OSP) for the period beginning November 1, 2021 and ending January 31, 2025. The audit was conducted in accordance with generally accepted government auditing standards except for certain requirements related to obtaining 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 OSP'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 procurement of commodities and maintenance, information technology, and professional services, *eMMA*, OSP's use of the State's Financial Management Information System for performing Statewide procurement functions, Intergovernmental Cooperative Purchasing Agreements, and preferred procurement providers. We also determined the status of the findings contained in our preceding audit report and one finding included in our preceding audit report on DGS - Office of the Secretary and Other Units.

Our audit did not include certain support services provided to OSP by DGS – Office of the Secretary. These support services (such as payroll processing) are included within the scope of our audit of the DGS – Office of the Secretary.

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 November 1, 2021 to January 31, 2025, but may include transactions before or after this period as we considered necessary to achieve our audit objectives.

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 OSP'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). These 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. 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.

OSP'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 OSP, 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 findings related to conditions that we consider to be significant deficiencies in the design or operation of internal control that could adversely affect OSP's ability to maintain reliable financial records, operate effectively and efficiently, and/or comply with applicable laws, rules, and regulations. Our report also includes findings regarding significant instances of noncompliance with applicable laws, rules, or regulations. Other less significant findings were communicated to OSP 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 OSP and those parties responsible for acting on our recommendations in an unredacted audit report.

The response from DGS, on behalf of OSP, to our findings 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 DGS regarding the results of our review of its response.

Exhibit 1
Primary Procurement Units

Primary Procurement Unit	Category
State Treasurer	• Banking • Financial services • Insurance and insurance Services
Department of General Services	• Real property leases* • Commodities and supplies • Construction and construction-related services • Architectural and engineering services • Services • Leases of motor vehicles • Supplies, materials, and equipment to support construction and construction-related services for State correctional facilities • Information processing equipment, cloud computing equipment, and associated services • Information technology system modernization • Telecommunications equipment, systems, or services • Cybersecurity upgrades and modernization
Maryland Department of Transportation and Maryland Transportation Authority	• Transportation-related construction and construction services • Transportation-related architectural and engineering services • Rolling stock and other property peculiar to a transit system • Supplies and services for aeronautics-related activities
Maryland Port Commission	• Supplies and services for Port-related activities • Construction and construction-related services for a Port facility • Port-related architectural and engineering services • Leases of real property for Port-related activities unless lease payments are from the General fund

*Real property leases are included within the scope of our DGS – Office of the Secretary and Other Units audit.

APPENDIX

Maryland
DEPARTMENT OF
GENERAL SERVICES

Wes Moore, Governor | Aruna Miller, Lt. Governor | Atif Chaudhry, Secretary

December 18, 2025

Mr. Brian S. Tanen, CPA, CFE
Legislative Auditor
Office of Legislative Audits
351 West Camden Street, Suite 400
Baltimore MD, 21201

Dear Mr. Tanen:

Please find enclosed the Department of General Services Agency Response Form, which contains responses to the various recommendations provided by the Office of Legislative Audits in their draft report for the fiscal compliance audit of the Department of General Services - Office of State Procurement covering the period from November 1, 2021 and ending January 31, 2025.

Please do not hesitate to contact me at (410) 952-9006 or atif.chaudhry@maryland.gov if you require any additional clarification or information on our responses.

Sincerely,

Atif Chaudhry
Secretary

CC:
Joh Sedtal, Deputy Secretary, DGS
Wallace D. Sermons II, Chief Procurement Officer, OSP
Linda Dangerfield, Deputy Chief Procurement Officer, OSP
Amit Khardori, Deputy Chief Procurement Officer, OSP
Jamie Tomaszewski, Senior Procurement Director, OSP
Wyllie Tchantchou, Chief Financial Officer, DGS
Johnathan Medlock, Assistant Secretary for the Office of External Affairs
Tiana Beaudouin, Chief Compliance Officer

Department of General Services
Office of State Procurement

Agency Response Form

eMaryland Marketplace Advantage (eMMA)

Finding 1 **OSP did not effectively manage the *eMMA* implementation contract resulting in the State paying $32.5 million for a system that did not function as intended and incomplete and inaccurate State procurement records. OSP ultimately terminated the contract but did not attempt to recover damages or recoup the cost of the system from the vendor.**

We recommend that OSP

a. **ensure contract deliverables are validated and function as intended, and vendor payments are properly supported in accordance with contract terms;**
b. **ensure *eMMA* properly interfaces with FMIS;**
c. **investigate discrepancies between the two systems (including those noted above) and take appropriate corrective action; and**
d. **in consultation with legal counsel, perform a comprehensive review to identify amounts to be recovered from the vendor (including the amounts noted above) and pursue recovery of these amounts to the extent practical.**

Agency Response	
Analysis	
Please provide additional comments as deemed necessary.	DGS respectfully disagrees with the characterization that the eMMA system did not function as intended . The eMMA platform consists of two components: (1) **Upstream functionality** - this refers to pre-award procurement activities, which include sourcing, solicitation, vendor registration, and vendor certification. (2) **Downstream functionality** - this refers to post-award procurement activities, which include contract administration, invoicing, and payments. The eMMA platform was deployed as a fully functioning statewide eProcurement system supporting end-to-end sourcing, solicitation,

	vendor registration and certification, bid evaluation, and contract lifecycle management. This upstream functionality was implemented statewide and remains in active use across all State agencies, whereas downstream functionality was limited to four agencies as part of a phased production deployment to assess readiness and support controlled stabilization prior to statewide expansion. The audit identified challenges primarily related to the downstream functionality, specifically related to the procurement-to-payment functions and integration with the State's legacy Financial Management Information System (FMIS). These modules were introduced in a limited minimum viable product implementation with four early-adopter agencies, and did not perform as intended due to deficiencies in the work of the original Systems Integrator (SI). These issues reflected shortcomings in the implementation and project governance rather than in the eProcurement platform itself. When deficiencies emerged, the State required the SI and the software platform owner to participate in a remediation process. The SI failed to cooperate and continued to resist corrective actions, which was a contributing factor to the State terminating its contract for cause. The viable components delivered during that phase were retained, and a new SI was procured to continue the project under improved governance and quality-assurance protocols. Since that time, DGS has coordinated with the appropriate stakeholders in order to develop and implement a series of measures and corrective actions to strengthen oversight and system management, including the following: • DGS has developed a new agency-wide Office of Information Technology (OIT) and hired a Chief Information Officer to oversee all IT functions, operations, and projects within the agency, including the eMMA project. • DGS coordinated closely with the Maryland Department of Information Technology (DoIT) to address issues with the

	downstream eMMA implementation. DoIT performed an independent assessment of the eMMA implementation and provided recommendations for next steps moving forward. DGS has worked closely with DoIT to implement these recommendations. • DGS has established a Program Governance Board co-led by DGS OSP and DGS OIT to monitor milestones, risks, and deliverables related to the oversight of the eMMA implementation. • DGS has procured a new Systems Integrator with proven public-sector experience in implementing this eProcurement platform via a structured performance-based contract. • DGS has implemented enhanced documentation and validation procedures to ensure deliverables are properly reviewed, tested, and accepted before payment. • DGS has conducted an interagency remediation effort with the Comptroller's Office and the Maryland Department of Budget and Management that resolved the majority of identified issues and improved system stability. • DGS has aligned eMMA's technical implementation roadmap with the State's Enterprise Resource Planning (ERP) / FMIS modernization initiative led by the Comptroller's Office of State Financial Innovation.

Auditor's Comment: Although OSP agreed with our recommendations, OSP disagrees with our characterization that the *eMMA* system did not function as intended. As noted in the analysis, the system's significant deficiencies, which resulted in inaccurate purchasing records and additional costs to the State, were the primary reason the contract was terminated. Therefore, we continue to believe our finding is accurate based on the facts presented.

Department of General Services
Office of State Procurement

Agency Response Form

Recommendation 1a	Agree	Estimated Completion Date:	Completed
Please provide details of corrective action or explain disagreement.	Although a formal Deliverable and Payment Acceptance Form (DPAF) process existed under the original SI contract, deliverables were not consistently reviewed or validated before payment due to staffing limitations (including limited Program Management Office (PMO) resources), turnover, and inconsistent documentation practices. During subsequent reconciliations, DGS OIT confirmed that some deliverables invoiced by the SI could not be tied to correctly functioning components, reinforcing the decision to terminate the contract for cause. Since then, DGS has implemented enhanced documentation controls and validation procedures to ensure deliverables are properly reviewed, tested, and accepted before payment. The agency has also implemented stronger governance, and proper PMO and Program Governance Board oversight to ensure that all future contractor payments are tied to validated deliverables and functional outcomes before approval. These measures ensure that all contractor payments are properly supported and in accordance with the contract terms, and are also tied to validated deliverables and measurable outcomes. Despite the validation concerns, the eMMA platform's upstream functionality, including solicitation creation, vendor registration, certification management, bid submission, and contract management, was implemented statewide and continues to function as designed. Delivery sequencing for several features was adjusted to match available resources and program governance capacity. Downstream functionality was limited to four agencies as part of a phased production deployment to assess readiness and support controlled stabilization prior to statewide expansion, and paused when performance issues were identified. DGS has since strengthened governance and quality-assurance controls to ensure that all future deliverables are functionally verified and approved prior to payment authorization. In addition, DGS has established distinct workstreams, each supported by its own work order		

	outlining defined timelines, milestones, and specific deliverables to enhance accountability and project oversight.		
Recommendation 1b	**Agree**	**Estimated Completion Date:**	Conditional
Please provide details of corrective action or explain disagreement.	The downstream functionality issues noted in the audit are related to integration with FMIS, a legacy financial system operated by the Comptroller's Office. These issues are not defects in the eMMA platform, but stem from the need to integrate with an aging financial architecture that requires custom interfaces. DGS OIT and OSP are actively coordinating with the Comptroller's Office of State Financial Innovation (OSFI) as part of the State's ERP/FMIS modernization effort. Depending on the timing of that initiative, DGS OIT and OSP will ensure that eMMA is appropriately integrated with either the existing FMIS environment or the successor ERP platform, so that downstream functionality is supported regardless of the transition timeline.		
Recommendation 1c	**Agree**	**Estimated Completion Date:**	Completed
Please provide details of corrective action or explain disagreement.	The Comptroller's Office investigated the reported discrepancies between eMMA and FMIS. In collaboration with DGS OIT and the new SI, a detailed reconciliation was conducted to validate the reported data variances, including the reference to approximately 2,100 "cancelled" invoices in eMMA allegedly matched to FMIS payments. No verifiable source data or evidence supporting that claim could be located, and the new SI could not replicate the issue in testing. These discrepancies were determined to have likely resulted from prior misconfigurations, incomplete documentation, or user error under the original SI. OSP subsequently (after May 2025) investigated the discrepancies between the two systems (including the 2,100 invoices) and found that for each canceled invoice, there was a corresponding duplicate invoice. Therefore, OSP concluded that there were no improper payments, and no additional corrective actions needed.		
Recommendation 1d	**Agree**	**Estimated Completion Date:**	Conditional

Department of General Services
Office of State Procurement

Agency Response Form

Please provide details of corrective action or explain disagreement.	DGS consulted with the Office of the Attorney General (OAG) as soon as issues with the original SI became known to leadership, including throughout the contract termination process. The agency implemented initial corrective actions based on OAG's guidance, bringing the matter to a resolution in accordance with established legal and contractual requirements. DGS will continue to consult with legal counsel on the next steps regarding this specific matter.

Department of General Services
Office of State Procurement

Agency Response Form

Finding 2
OSP improperly used a Minority Business Enterprise (MBE) subcontractor on the *eMMA* contract to obtain services from certain vendors circumventing State procurement regulations and MBE participation goals, and incurring unnecessary and excessive administrative costs.

We recommend that OSP

a. ensure that State procurement regulations are not circumvented to obtain the services of vendors,

b. ensure all administrative fees paid to vendors are proper,

c. ensure MBE compliance reviews include review of support showing workers are employed by the MBE vendor, and

d. work with legal counsel to determine if administrative fees improperly paid to the *eMMA* vendor and MBE subcontractor under this arrangement can be recovered.

Agency Response	
Analysis	
Please provide additional comments as deemed necessary.	DGS acknowledges that an isolated instance of noncompliance did occur within OSP, however, it resulted from the actions of a single state actor during the early stages of the eMMA implementation. It is important to note that DGS was proactive, transparent, and forthcoming in properly notifying OLA of the actions and transgressions of the aforementioned OSP management employee and the agency actions taken, which were appropriately identified at the initiation of this audit, as well as the initiation of the DGS Office of the Secretary and Other Units audit in 2024. As with all state contracts, the State's contractual relationship for the eMMA project, and any other procurement, was and would be solely with the prime contractor, not with any subcontractors engaged by that prime. Under Division II Maryland Procurement Law, Annotated Code of Maryland State Finance and Procurement Article (SFP) §11-101, et seq., only the contractor is an interested party to the contract. There is no direct legal relationship between the State and subcontractors. The State is in privy of contract only to the prime contractor, who is responsible for the delivery, performance, and management of all contractual work.

	In accordance with SFP §11-101(et seq.) and relevant sections of COMAR Title 21, the State's obligation is to ensure that the prime contractor with whom a procurement contract is entered into is "responsible," meaning capable of performing the work and maintaining integrity and reliability throughout the contract term. The internal business or staffing arrangements between a prime contractor and its subcontractors fall within the contractor's discretion and are not subject to direct State management or approval. With respect to MBE compliance, the governing statutes (SFP §14-301 et seq.) and implementing regulations (COMAR 21.11.03) require agencies to ensure that certified MBEs listed in the participation schedule are actually performing work and receiving payment in accordance with contract terms. These requirements focus on verifying that the MBE is performing a commercially useful function, not on the specific personnel arrangements within the subcontractor's operations. OSP complied with the regulatory requirements and standards throughout contract administration.		
Recommendation 2a	**Agree**	**Estimated Completion Date:**	Completed
Please provide details of corrective action or explain disagreement.	The incident referenced in the OLA analysis and discussed above was an isolated occurrence that took place under specific early contract conditions and was not repeated. After the agency received notification of the incident, staff directly involved in the matter were terminated. Since that time, OSP has strengthened its procurement review, approval, and contract oversight processes to ensure full compliance with state procurement laws and to prevent any recurrence of similar issues.		
Recommendation 2b	**Agree**	**Estimated Completion Date:**	Completed
Please provide details of corrective action or explain disagreement.	DGS agrees with the contention that it should ensure that all administrative fees paid to vendors are appropriate. Administrative fees associated with the eMMA project were paid to the prime contractor in accordance with the contract's terms and conditions. These fees were contractually defined and applied based on the structure of the work orders and deliverables. Any administrative fees charged by subcontractors to the prime contractor fall outside the State's contractual review authority, as there is no direct contractual relationship or financial obligation between the State and those subcontractors.		

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	DGS OSP has implemented enhanced contract oversight procedures to ensure that all future administrative or service fees paid under State contracts are supported by documentation and validated against contract terms.		
Recommendation 2c	**Disagree**	**Estimated Completion Date:**	
Please provide details of corrective action or explain disagreement.	The State has no contractual authority over subcontractor personnel under a prime contract. The MBE compliance requirements focus on verifying that the MBE is performing a commercially useful function. The regulations do not require DGS to review specific personnel arrangements within the subcontractor's operations. Nevertheless, during the audit period, OSP provided OLA with documentation, including an invoice from the prime contractor that identified work performed by the subcontractor's personnel, demonstrating that the MBE was performing work consistent with its contractual role.		
Recommendation 2d	**Disagree**	**Estimated Completion Date:**	
Please provide details of corrective action or explain disagreement.	While DGS agrees with the contention that it should ensure all administrative fees paid to vendors are appropriate, as stated above, DGS maintains that the administrative fees were paid in accordance with the contract terms and thus were not improperly paid. However, DGS agrees to work with the Office of the Attorney General on this matter.		

Auditor's Comment: Although OSP indicated disagreement with recommendation 2c, the response does not contradict the facts presented in the finding. While OSP did provide documentation to show that the MBE was performing work consistent with its contractual role, this documentation related to work performed after December 2023, when OSP became aware that the MBE subcontractor was not performing any work.

Although OSP disagrees with recommendation 2d, the response indicates it will work with its legal counsel as recommended.

Department of General Services
Office of State Procurement

Agency Response Form

Vendor Administrative Fees

Finding 3 **OSP did not establish procedures to ensure contracts procured through *eMMA* included the administrative fee authorized by State law or ensure that the fees were remitted. As a result, it did not collect at least $2 million from six contracts tested.**

We recommend that OSP

a. develop written policies and procedures to ensure the administrative fee clause is included on all applicable contracts;

b. ensure that all required sales reports and related contract fees, including those noted above, are received and collected (repeat); and

c. verify reported sales to supporting documentation (repeat) including for agencies that do not use FMIS.

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 3a	**Agree**	**Estimated Completion Date:**	7/1/2026
Please provide details of corrective action or explain disagreement.	DGS will update its policies and procedures to ensure that the administrative fee clause is included in all applicable contracts. The one percent administrative fee language is available to Procurement Officers in the DGS OSP Policies and Best Practices repository. However, inclusion of the fee language was not consistently verified during solicitation development due to the absence of a standardized checkpoint in the approval workflow. To address this, OSP is formalizing the requirement through an updated Procurement Plan checklist and procedures. This will require verification of the one percent fee language prior to contract approval, embedding the step as a mandatory compliance measure. By standardizing this process, OSP will reduce missed fee collection opportunities and ensure all eligible contracts properly remit the fee going forward.		

Department of General Services
Office of State Procurement

Agency Response Form

<table>
<tr><td>Recommendation 3b</td><td>Agree</td><td>Estimated Completion Date:</td><td>12/31/2027</td></tr>
<tr><td>Please provide details of corrective action or explain disagreement.</td><td colspan="3">DGS OSP is collaborating with the new eMMA System Integrator (SI) to automate the collection of the one percent administrative fee for contracts processed through the eMMA platform. Once downstream functionality is fully implemented, the system will calculate, track, and trigger the fee automatically for eligible procurements.

In the interim, the new SI has implemented a structured tracking process to improve oversight, including:

● Verifying that all vendor contracts subject to the one percent fee are consistently reflected across the DGS website, eMMA, and FMIS;
● Tracking which vendor contracts should be assessed the fee;
● Monitoring supplier self-reported usage reports submitted to the DGS inbox;
● Entering key identifying information into eMMA to verify payment of the fee;
● Conducting outreach to vendors when discrepancies are identified; and
● Maintaining and updating an Excel-based tracker to reconcile reporting and payments.

A portion of the one percent fee is tied to external invoices generated outside of the eMMA platform, particularly when local governments or other non-DGS users utilize statewide contracts. These invoices are not captured in eMMA or connected to FMIS, so tracking and assessing these fees must remain manual until the statewide FMIS financial system is modernized under a new ERP system. The long-term solution will align eMMA downstream functionality with the Comptroller's modernization effort to enable centralized tracking of all relevant invoices.

The manual process will continue until the full implementation is completed. This includes documenting certain administrative fees noted in the reports.</td></tr>
<tr><td>Recommendation 3c</td><td>Agree</td><td>Estimated Completion Date:</td><td>12/31/2027</td></tr>
<tr><td>Please provide details of corrective action or explain disagreement.</td><td colspan="3">All Statewide Contracts are recorded in FMIS; however, agencies not using FMIS generate purchase orders that reflect anticipated usage rather than actual invoice payments. Since the one percent administrative fee is</td></tr>
</table>

	assessed on actual payments, OSP relies on contractors to submit monthly Vendor Usage Reports for fee calculation. Validating the accuracy of these reports is currently a manual process due to the lack of centrally available invoice data. Until external invoice data can be captured within the statewide financial systems and linked to eMMA, full automation of fee collection cannot occur. Despite this limitation, the interim process ensures active monitoring and collection of administrative fees, providing a structured and consistent approach while long-term system improvements are implemented.

Department of General Services
Office of State Procurement

Agency Response Form

State Agency Procurement Monitoring

Finding 4 **OSP did not ensure that delegated procurements were proper and that agencies did not exceed their delegated authority.**

We recommend that OSP establish effective procedures to ensure that delegated procurements were proper and that agencies did not exceed their delegated authority. Specifically, OSP should

a. review delegated procurements as stated in its policy and procedures and as required by regulations (repeat), and

b. ensure reports used to identify procurements that exceed their delegated authority include all applicable procurement categories and values.

Agency Response	
Analysis	
Please provide additional comments as deemed necessary.	DGS acknowledges the importance of ensuring strong oversight of delegated procurement authority and agrees that maintaining robust monitoring and review mechanisms is essential to the integrity of the State's procurement framework. However, DGS notes that the finding does not accurately reflect an oversight process that is continuously being strengthened and improved. OSP revised its Program Manual to enhance the oversight framework governing procurement authority delegated to State agencies. Under this revised framework, OSP's Compliance Team conducted oversight reviews of fifteen (15) agencies during the OLA review cycle and initiated reviews of three (3) additional agencies. These reviews examined delegated procurement activities not otherwise captured through existing statewide oversight mechanisms or automated reporting, confirmation of other procurement activities, and the structure of the agency's procurement organization. OSP continues to refine its oversight approach to ensure alignment with the Code of Maryland Regulations (COMAR) Title 21 and internal policies, while ensuring that delegated procurement authority is exercised consistently, transparently, and within established thresholds.

Department of General Services
Office of State Procurement

Agency Response Form

Recommendation 4a	Agree	Estimated Completion Date:	07/01/2026
Please provide details of corrective action or explain disagreement.	OSP is committed to ensuring that it reviews delegated procurements appropriately in accordance with its policies and procedures, as well as all applicable regulations. During the current audit cycle, OSP made significant progress in revising the Program Manual and completing multiple agency reviews. OSP will continue updating the manual on a periodic basis to maintain its relevance and reflect evolving best practices and regulatory requirements. Going forward, OSP will select agencies for procurement reviews based on compliance performance indicators, such as procurements exceeding delegated authority, the accuracy and timeliness of Board of Public Works (BPW) submissions, and other risk-based criteria determined by leadership, as identified in the previous year. This structured review process ensures that delegated procurement authority is being used appropriately and that all agencies remain in compliance with State procurement laws and policies.		

Recommendation 4b	Agree	Estimated Completion Date:	12/31/2025
Please provide details of corrective action or explain disagreement.	During the audit, OSP determined that certain procurement categories were not being captured in delegated procurement reports due to legacy reporting parameters. These reporting parameters have since been updated to ensure inclusion of all procurement types and values, in accordance with regulatory and policy requirements. Additionally, OSP has established the above-described methodology to identify agencies that exceed their delegated authority. This methodology integrates data analytics, reporting, and risk indicators to proactively flag potential overages and guide future agency review and audit selection criteria. These enhancements strengthen OSP's capacity to monitor delegated activity effectively and ensure full compliance with the State's procurement oversight framework.		

Auditor's Comment: OSP disagrees with the factual accuracy of our comments regarding the quarterly reviews of delegated procurements and indicated that it performed oversight reviews of 15 agencies during our audit period. Although we were aware of the reviews referenced in OSP's response, as of the time of our fieldwork, only 9 reviews had been performed but none of the resulting reports were issued to the respective agencies. Furthermore, the focus of these reviews was not delegated procurements and as a result, the coverage of delegated procurements was not consistent with OSP's policy (for example, one of the reviews did not include any delegated procurements). In addition, we noted other deficiencies with the reviews, such as incomplete documentation and inconsistencies between the test results and the related reports. Accordingly, we did not consider these reviews in our analysis. Therefore, we continue to believe our analysis is factually accurate.

Department of General Services
Office of State Procurement

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Procurement and Disbursements

Finding 5
OSP did not always publish contract awards on *eMMA* as required by State procurement regulations.

We recommend that OSP comply with State procurement laws and regulations by publishing contract awards on *eMMA* within 30 days of the contract award (repeat).

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 5	**Agree**	**Estimated Completion Date:**	7/1/2026
Please provide details of corrective action or explain disagreement.	Manual timing dependencies in contract award posting are common across public procurement environments. The timing delays identified in the audit primarily occurred because portions of the procurement process were, and still are, managed outside of eMMA, requiring manual entry of award data. Where award postings relied on manual steps, posting timelines were dependent on staff workflow rather than system automation. For procurements fully processed through eMMA, there was a significant reduction in late postings, demonstrating that the system functions as intended when the end-to-end functionality of the eProcurement system is utilized. As DGS moves forward with the full implementation of the eMMA platform, posting contract awards will become a system-driven requirement rather than a manual process, which will eliminate timing delays and ensure automatic compliance with state posting requirements. Full implementation of downstream eMMA functionality will automate contract award postings, removing the manual dependency and ensuring consistent, timely compliance with State requirements. In the interim, we will reinforce the importance of using the timeline checklists to complete the procurement process and post the awarded		

	contracts in eMMA, and provide additional training for procurement officers on using the timeline checklists.

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Finding 6 **OSP could not document critical components of procurements to support the propriety of the awards, and did not justify and obtain BPW approval for certain sole source contracts.**

We recommend that OSP comply with State procurement regulations. Specifically, we recommend that OSP

a. retain all required procurement documentation, including the technical and financial proposals and procurement officer's determinations;

b. ensure that the sole source procurement method is used when a requirement is available from only a single vendor and that a written justification is prepared; and

c. obtain BPW approval as required.

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 6a	**Agree**	**Estimated Completion Date:**	7/1/2026
Please provide details of corrective action or explain disagreement.	OSP acknowledges that certain historical procurements lacked centralized supporting documentation, which resulted in gaps when documentation was later requested for audit review. In accordance with Governor's Executive Order 01.01.2024.38, OSP is now implementing the fully end-to-end eMMA eProcurement system, which will capture all procurement documentation in a single, traceable record. This will ensure that supporting materials, including justifications, sole source documentation are more easily accessible in a centralized location. This modernization effort directly addresses the root cause identified in the finding by eliminating the reliance on individual users to manually retain documents, which can be problematic with employee turnover. The full implementation of the procurement solution will make documentation capture a required, non-bypassable step. In doing so, OSP not only addresses the deficiency but also actively creates a sustainable and auditable solution for the future.		

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	OSP will continue to implement the centralized eMMA system to capture all required documentation in a consistent and traceable manner. This system will ensure that documentation supporting the propriety of procurements is available for review at any time, eliminating the previous gaps caused by inconsistent local storage practices. Until the system is stabilized and procurement officers are trained in the new process, OSP will conduct periodic manual reviews of procurement files to ensure that all documentation is appropriately captured in the current electronic filing system.		
Recommendation 6b	**Agree**	**Estimated Completion Date:**	7/1/2026
Please provide details of corrective action or explain disagreement.	OSP acknowledges that, while processes existed for documenting sole source procurements, justification was not consistently recorded in accordance with the applicable statutory (SFP §13-107) requirements, and which provide clear regulatory criteria (COMAR 21.05.05) for when a sole source award is permissible, including: • When only one source exists that meets the requirements; • When compatibility of equipment, accessories, or replacement parts is the paramount consideration; • When a sole vendor's item is needed for trial use or testing; • When a sole vendor's item is to be procured for resale; and • When certain public utility services are procured. Going forward, OSP will retrain procurement officers on the correct application of regulatory criteria and ensure that justification documentation is both created and stored in the centralized eMMA record at the time of award. This includes updating procedures to require that the corresponding COMAR justification be attached immediately, rather than after the fact, so there is a clear audit trail supporting the propriety of each sole source procurement. Additional compliance measures will ensure that documentation is validated at submission and cannot be bypassed, aligning with the Executive Order's initiative to create a complete end-to-end record within the eMMA system.		
Recommendation 6c	**Agree**	**Estimated Completion Date:**	Completed
Please provide details of corrective action or explain disagreement.	For any contract that remains active or enforceable, and in which the State determines that compliance shortcomings occurred, DGS OSP will evaluate whether the contract should be submitted for ratification by the Board of Public Works under the provisions of SFP § 11-204 and		

	COMAR 21.03.01.03. If the contract is voidable (rather than void), and the parties have acted in good faith, DGS OSP may recommend that the contract be ratified as being in the best interest of the State. However, the specific contract cited in the finding has been fully performed and paid. Under the legal doctrine quantum meruit (compensating a party for the value of the work performed or delivered) and regulatory framework, once performance is completed and the contract is no longer active or enforceable; the opportunity for ratification or retroactive BPW approval is not practicable. Therefore, DGS OSP did not pursue retroactive BPW approval for that matter.

Department of General Services
Office of State Procurement

Agency Response Form

Intergovernmental Cooperative Purchase Agreements

Finding 7
OSP did not document its justification for approving Intergovernmental Cooperative Purchase Agreements (ICPAs) as required by State law.

We recommend that OSP ensure

a. a determination is prepared for all approved ICPA usage, and

b. documentation is retained to support both assertions in determinations and verification of competitive procurement by the ICPA's initiating entity.

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 7a	**Agree**	**Estimated Completion Date:**	7/1/2026
Please provide details of corrective action or explain disagreement.	OSP has existing processes to ensure that appropriate justifications and determinations are prepared for all ICPA approvals, which include the Procurement Officer's Determination. As indicated in the response below, OSP will enhance its processes to include retaining the research or supporting analyses behind the determination. Additional training will be provided to procurement staff to emphasize the requirement that all ICPA approvals must have a formal determination documenting the justification for their use.		
Recommendation 7b	**Agree**	**Estimated Completion Date:**	7/1/2026
Please provide details of corrective action or explain disagreement.	Under SFP §13-110(b)(2)ii, the Procurement Officer's Determination serves as the formal statement confirming that the use of an ICPA is in the best interest of the State and is not intended to circumvent SFP Division II procurement requirements. While the law does not currently mandate retaining the research or supporting analyses behind the determination, nor does it require retaining documentation of the lead agency's supporting verification of a competitive procurement, OSP recognizes that retaining and including		

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	the documentation and the supporting rationale in the procurement file is a best practice that enhances transparency, accountability, and ensures the State can verify that the cooperative procurement met competitive standards. OSP is exploring processes to streamline the retention of supporting information for future determinations Additional training will be provided to procurement staff to ensure that all ICPA approvals have a formal determination, along with the supporting documentation for the justification.

Department of General Services
Office of State Procurement

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Providers with Procurement Preferences

Finding 8 **OSP did not monitor its vendor responsible for coordinating contracts between State agencies and businesses owned by, or operated in the interest of, individuals with disabilities. Certain contracts were awarded without required competition and were not compliant with the terms of the program including 8 contracts with $16.5 million in payments that had no hours worked by disabled individuals.**

We recommend that OSP work with the appropriate State agency to facilitate the monitoring of Maryland Works to ensure that it is fulfilling its coordinating entity responsibilities as required by State law (repeat), including

a. **ensuring providers recommended for contract awards are competitively selected,**
b. **that required documentation such as cost justifications are obtained to ensure awards are in the best interest of the State, and**
c. **that EWP vendors complied with requirements for minimum disability worker percentages.**

Agency Response	
Analysis	
Please provide additional comments as deemed necessary.	OSP did monitor Maryland Works to ensure it met its responsibilities under the Memorandum of Understanding (MOU) through quarterly reviews and bi-annual Employment Data Reviews (EDR). These reviews identified deficiencies and required corrective action plans for underperforming Preferred Providers, including Community Service Providers (CSPs). Additionally, the Pricing and Selection Committee (PSC) reviews the Preferred Provider contract award recommendations to ensure adequate competition and fair pricing. SFP §14-102(a) states: "Notwithstanding any other provision of this Division II, a State or State aided or controlled entity shall buy supplies and services in accordance with §14-103 of this subtitle." In the context of this specialized socioeconomic procurement program, pricing is one of the key competitive factors.

	Preferred Provider award recommendation packages are carefully evaluated through PSC review and annual pricing reviews. Evaluation of best value and fair pricing incorporates market research, trade-offs, non-price factors, and considerations such as quantity, quality, timing, and location. Contracts obtained through Preferred Provider procurements support the broader program objectives, and statutes allow for limited market rate comparisons. SFP §14-102(b) clarifies that Employment Works Program (EWP) procurements are not subject to certain cost savings requirements of those that are set forth in the State Personnel and Pensions Article §13-405, further emphasizing the program's specialized socioeconomic purpose.		
Recommendation 8a	**Disagree**	**Estimated Completion Date:**	
Please provide details of corrective action or explain disagreement.	OSP actively monitored Maryland Works to ensure it fulfilled its Coordinating Entity (CE) responsibilities, including supporting competitive selection of Preferred Providers for contract awards. The Pricing and Selection Committee (PSC) reviews all proposed award packages and requires that supporting documentation, including cost and non-cost justifications, be complete before advancing contracts for approval. In addition, the PSC and OSP collaborate to ensure best value contracting based on timing, location, quantity, quality, and other relevant factors. These measures are part of an ongoing process to strengthen transparency, compliance, and the effectiveness of the Preferred Provider Program. In accordance with the Procurement Reform Act of 2025 (HB 500), as of October 1, 2025, the Employment Works Program (EWP) transitioned from DGS to the Department of Social and Economic Mobility (DoSEM), Office of Small, Minority, and Women Business Affairs (OSBA), previously the Governor's Office of Small, Minority, and Women Business Affairs (GOSBA). This organizational change positions the program within an office dedicated to oversight of socially and economically focused programs.		
Recommendation 8b	**Disagree**	**Estimated Completion Date:**	
Please provide details of corrective action or explain disagreement.	Following the transition of the EWP from DGS to DoSEM OSBA on October 1, 2025, OSBA leadership has engaged with Maryland Works to reaffirm expectations for contract documentation and compliance with MOU requirements. The PSC continues to conduct rigorous reviews of proposed contract awards, ensuring that background information, pricing analyses, and any non-price justifications are documented thoroughly.		

	These reviews support best value determinations while also maintaining the integrity and transparency of the Preferred Provider Program. This process ensures that documentation supports fair and reasonable procurement decisions and aligns with State law and program goals.		
Recommendation 8c	**Disagree**	**Estimated Completion Date:**	
Please provide details of corrective action or explain disagreement.	OSP previously monitored Maryland Works to ensure compliance with the CE responsibilities, including adherence to minimum disability worker requirements. Employment Data Reviews (EDRs) are conducted bi-annually, and corrective action plans are implemented when performance does not meet program standards. For example, recent EDRs identified contracts with staffing below the required thresholds; these providers are actively working with PSC and OSP to meet program standards. As the program transitions, OSBA continues to collaborate with Maryland Works to support consistent compliance and to enhance opportunities for individuals with disabilities within the Preferred Provider Program. Fluctuations in staffing are expected due to turnover in this workforce, and the ongoing reviews and engagement help ensure that the program fulfills its intended social and economic objectives. Moving forward, the oversight and monitoring of Maryland Works, including compliance with minimum disability worker requirements, now resides with DoSEM's OSBA. This organizational realignment ensures that program management is strategically positioned within the Department of Social and Economic Mobility to support both social and economic equity objectives. Under DoSEM OSBA, bi-annual Employment Data Reviews, ongoing PSC monitoring, and active engagement with Maryland Works will continue to ensure that program requirements are met, corrective actions are implemented when needed, and opportunities for individuals with disabilities are maximized. This structure provides a sustainable framework for compliance, transparency, and program effectiveness.		

Auditor's Comment: Although OSP disagrees with our finding and recommendations, the response does not contradict the facts presented in the finding. Our analysis clearly indicates that responsibility for the EWP was transferred to DoSEM effective October 1, 2025. In addition, OSP's response indicated that it did monitor Maryland Works prior to October 1, 2025. However, as noted in our analysis, OSP did not identify that Maryland Works was not fulfilling its coordinating entity responsibilities and that certain contracts were not compliant with the terms of the program. Accordingly, we continue to believe our finding is factually accurate as presented.

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