

Audit Report

Maryland State Board of Contract Appeals

January 2017



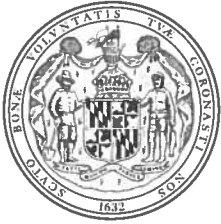
OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

For further information concerning this report contact:

Department of Legislative Services
Office of Legislative Audits
301 West Preston Street, Room 1202
Baltimore, Maryland 21201
Phone: 410-946-5900 · 301-970-5900
Toll Free in Maryland: 1-877-486-9964
Maryland Relay: 711
TTY: 410-946-5401 · 301-970-5401
E-mail: OLAWebmaster@ola.state.md.us
Website: www.ola.state.md.us

The Office of Legislative Audits operates a Fraud Hotline to report fraud, waste, or abuse involving State of Maryland government resources. Reports of fraud, waste, or abuse may be communicated anonymously by a toll-free call to 1-877-FRAUD-11, by mail to the Fraud Hotline, c/o Office of Legislative Audits, or through the Office's website.

The Department of Legislative Services does not discriminate on the basis of age, ancestry, color, creed, marital status, national origin, race, religion, gender, gender identity, sexual orientation, or disability in the admission or access to its programs, services, or activities. The Department's Information Officer has been designated to coordinate compliance with the nondiscrimination requirements contained in Section 35.107 of the Department of Justice Regulations. Requests for assistance should be directed to the Information Officer at 410-946-5400 or 410-970-5400.



DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Warren G. Deschenaux
Executive Director

Thomas J. Barnickel III, CPA
Legislative Auditor

January 11, 2017

Senator Craig J. Zucker, Co-Chair, Joint Audit Committee
Delegate C. William Frick, Co-Chair, Joint Audit Committee
Members of Joint Audit Committee
Annapolis, Maryland

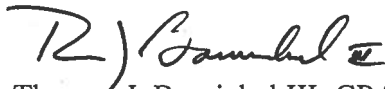
Ladies and Gentlemen:

We have conducted a fiscal compliance audit of the Maryland State Board of Contract Appeals for the period beginning March 20, 2013 and ending June 30, 2016. The Board's primary responsibility is to hear and decide appeals made by contractors regarding disputes over the formation of contracts with the State, as well as disputes arising under executed contracts with the State.

Our audit did not disclose any findings.

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

Respectfully submitted,


Thomas J. Barnickel III, CPA
Legislative Auditor

Background Information

Agency Responsibilities

The Maryland State Board of Contract Appeals consists of three members appointed by the Governor with the advice and consent of the Senate. The primary responsibility of the Board is to hear and decide appeals made by contractors regarding disputes over the formation of contracts with the State and/or disputes arising under executed contracts with the State. The Board's responsibility does not include certain disputes, such as those concerning the formation of contracts to procure architectural or engineering services, which may be appealed to the Board of Public Works. The Board also lacks jurisdiction over labor disputes and/or certain disputes relating to a lease of real property. According to the State's records, during fiscal year 2016, the Board had five authorized positions (including the three Board members), and operating expenditures totaled approximately \$733,000.

Organizational Change

Chapter 143, Laws of Maryland 2016, effective July 1, 2016, established the Board as a program under the Executive Department – Boards, Commissions, and Offices. Prior to that date, the Board was a separate budgetary unit within Executive and Administrative Control. As a result of this change, this will be our final audit of the Board as a separate entity. In the future, the Board will be subject to audit during our audits of the Executive Department – Boards, Commissions, and Offices.

Findings and Recommendations

Our audit did not disclose any significant deficiencies in the design or operation of the Board's internal control. Our audit also did not disclose any significant instances of noncompliance with applicable laws, rules, or regulations.

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

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the Maryland State Board of Contract Appeals for the period beginning March 20, 2013 and ending June 30, 2016. The audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

As prescribed by the State Government Article, Section 2-1221 of the Annotated Code of Maryland, the objectives of this audit were to examine the Board's financial transactions, records, and internal 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. Based on these assessments, the only area addressed by the audit was payroll.

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, observations of the Board's operations, and tests of transactions. Generally, transactions were selected for testing based on auditor judgment, which primarily considers risk. Unless otherwise specifically indicated, neither statistical nor non-statistical audit sampling was used to select the transactions tested. Therefore, the results of the tests 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 expenditure data) and the State's Central Payroll Bureau (payroll data). The extracts are performed as part of ongoing internal processes established by the Office of Legislative Audits and were subject to various tests to determine data reliability. We determined that the data extracted from these various 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 objectives. The reliability of data used in this report for background or informational purposes was not assessed.

The Board's management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable

assurance that objectives pertaining to the reliability of financial records, effectiveness and efficiency of operations, including safeguarding of assets, and compliance with applicable laws, rules, and regulations are achieved.

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

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

AUDIT TEAM

Bekana Edossa, CPA, CFE
Audit Manager

Lisa M. DeCarlo
Senior Auditor