

Audit Report

Judiciary

May 2017



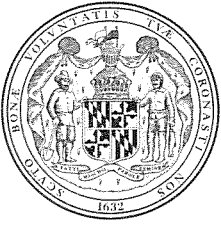
OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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

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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Warren G. Deschenaux
Executive Director

Thomas J. Barnickel III, CPA
Legislative Auditor

May 8, 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 Judiciary for the period beginning July 1, 2012 and ending December 20, 2015. The Judiciary, as established by the State Constitution, is responsible for the administration of justice in Maryland. The Judiciary comprises the courts and various other agencies (such as the Administrative Office of the Courts and the State Law Library) that support the administrative and regulatory functions of the Judicial Branch of government.

Our audit disclosed that sufficient documentation was not available to support four contract awards totaling \$26 million. Certain documentation of the bid evaluation processes and the award decisions was not maintained for three contracts totaling \$5 million. A decision to award a \$21 million sole source contract to the incumbent vendor for internet services was not sufficiently documented. Consequently, there was a lack of assurance the State received the best value for these awards.

Controls over the processing of traffic citations and the related collections by the Judiciary's Traffic Processing Center were not sufficient to ensure that all citations were recorded and all related collections were deposited. During fiscal year 2016, collections processed by the Center totaled \$28 million.

Numerous individuals were granted system access capabilities to the Judiciary's financial management system, allowing them to unilaterally perform critical purchasing and/or payment functions. Monitoring of the system's application and database security was also not sufficient to prevent or detect inappropriate activity. Finally, adequate procedures and controls were not established over the Judiciary's equipment.

The Judiciary's response to this audit is included as an appendix to this report. We wish to acknowledge the cooperation extended to us during the course of this audit by the Judiciary.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "TJ Barnickel III". The signature is written in a cursive style with a large initial "TJ" and a stylized "Barnickel III".

Thomas J. Barnickel III, CPA
Legislative Auditor

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

Background Information

Agency Responsibilities:

The Judiciary is established by the State Constitution as a separate branch of government responsible for the administration of justice in Maryland. The Judiciary comprises the courts and various other agencies that support the administrative and regulatory functions of the Judicial Branch of government. The Maryland Judiciary includes the

- Appellate Courts, consisting of the Court of Appeals and the Court of Special Appeals;
- Circuit Courts, one of which is located in each of the State's 24 local subdivisions;
- District Courts of which there are 34 locations, with at least one in each local subdivision and which are organized into 12 geographic districts; and
- Court-related agencies such as the Administrative Office of the Courts (AOC), Maryland Judicial Conference, State Law Library, State Reporter, Commission on Judicial Disabilities, and State Board of Law Examiners.

The AOC provides services supporting certain financial activities of other units of the Maryland Judiciary, including personnel administration, preparation and administration of the Judiciary's budget and related accounting records, payroll processing, and invoice payment processing. Accordingly, certain of these services provided to the 24 Offices of the Clerk of Circuit Courts (such as payroll and invoice payment processing, and maintenance of budgetary accounting and equipment records) are included in the scope of this audit. We also conduct separate audits of the fiscal activities administered by each of the Offices of the Clerk of Circuit Courts, such as the collection of funds relating to court filings.

This Judiciary audit also includes a review of information controls for the financial systems supporting AOC operations; we conduct a separate audit of the Judicial Information Systems that includes controls related to the Judiciary's data center and wide area network.

The Judiciary's internal audit staff performs periodic scheduled audits of District Court operations on which we rely to reduce the scope of our work regarding cash receipts and revenue processing within that Court system. According to the State's records, these revenues totaled \$165.5 million during fiscal year 2015.

According to the State's accounting records, during fiscal year 2016, the Judiciary's operating expenditures, including expenditures for the district and circuit courts, totaled approximately \$507 million.

Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of the two findings contained in our preceding audit report dated July 16, 2013. We determined that the Judiciary satisfactorily addressed one of these findings. The remaining finding is repeated in this report.

Findings and Recommendations

Procurements and Disbursements

Finding 1

The Judiciary lacked adequate documentation to support that certain bid evaluations and contract award decisions were appropriate and certain vendor invoices were verified.

Analysis

The Judiciary lacked documentation to support that evaluations of vendor bids and contract award decisions were appropriate for the four contracts selected for testing. These contracts were procured by the Judiciary during the period from July 2012 through July 2015 and totaled approximately \$26 million. For one of these contracts, the Judiciary could not substantiate that vendor invoices were verified prior to payment.

Contract awards to two vendors were not adequately justified and complete documentation supporting the bid evaluation process and contract award decisions for three procurements was not maintained. Without such documentation, there is reduced assurance that the Judiciary received the best value for goods and services procured. Under State law, the Judiciary is exempted from State procurement regulations but had established its own procurement policies. According to State records, the Judiciary awarded contracts totaling \$110 million from July 2012 through July 2015.

- The Judiciary did not sufficiently document its justification to award a \$21 million, five-year, sole source contract for internet services to its incumbent vendor. The sole source justification stated that a change in providers would require an overhaul of its existing infrastructure, which would be time consuming and affect other significant projects. The *Maryland Judiciary Procurement Policy* allows for a sole source procurement when the compatibility of equipment, accessories, or replacement parts is the paramount consideration. However, the Judiciary could provide no analysis to support this award decision, such as a description of the necessary infrastructure changes and related estimated costs, the projects affected, and the related time estimates.

In addition, there was a lack of documentation that the Judiciary verified vendor monthly invoices to ensure that amounts billed agreed with the corresponding contract rates, and that contract-negotiated discounts were

received. Contract rates varied by location and there were approximately 100 Judiciary locations receiving these services. As of June 2016, the Judiciary had paid the vendor approximately \$6.6 million for services related to this contract.

- The Judiciary did not adequately document its decision to award a four-year contract for a digital court recording system (hardware, software, and services) to its incumbent vendor at a cost of approximately \$2.1 million – a cost which was almost three times the value of the other responsive bidder (\$736,000). The award recommendation noted the incumbent vendor’s clear superiority of qualifications and background, and specifically emphasized the vendor’s ability to continue recording in the event of a power outage, citing the losing vendor’s inability to do so as a “shortcoming that was not equivalent to the financial savings.”

However, the Judiciary had not prepared a cost/benefit analysis, documented the frequency of past power outages, nor conducted any analysis of possible alternatives to address an outage. The request for proposals stated that the technical proposal would be weighed more heavily in the evaluation of the proposals; nevertheless, in view of the significant difference in cost, a more extensive analysis should have been performed to assure the State received the best value.

- The Judiciary had not retained on file the financial and technical proposals from all losing bidders for the three competitively awarded contracts totaling approximately \$5 million (including for the aforementioned digital court recording system). The technical evaluations prepared by the selection committee members were also not retained for these three contracts. The *Maryland Judiciary Procurement Policy* states that all bids and proposals shall be available for public inspection. Nevertheless, Judiciary management advised us it routinely destroyed proposals from losing bidders and that evaluation documentation was destroyed after the contract appeals period to protect committee member confidentiality. However, State law prohibits the destruction of any record that relates to the financial operation of a unit of State government until the audit requirements are met by the Office of Legislative Audits. Without this information, the propriety of the Judiciary’s award decisions cannot be assured. As of August 2016, the Judiciary had paid these vendors \$3 million for contract goods and services.

Recommendation 1

We recommend that the Judiciary

- a. sufficiently analyze and thoroughly document its procurement decisions, including sole source justifications;
- b. adequately document the verification of vendor invoices, including assurances that rates were paid and discounts were applied in accordance with contract provisions; and
- c. retain bidding documentation for all procurements, including documentation of evaluations conducted by selection committee members and all technical and financial proposals received, as required by State law.

Finding 2

Numerous individuals were granted system capabilities allowing them to unilaterally perform certain purchasing and/or disbursement functions; supervisory approval for the access granted was not always on file.

Analysis

Numerous individuals were granted system access capabilities allowing them to unilaterally perform critical purchasing and/or payment functions on the Judiciary's automated financial management system. Also, the Judiciary did not perform periodic reviews of critical access granted nor maintain a record supporting supervisory approval for the system access granted to each user. Consequently, there was a lack of assurance that only authorized transactions were processed.

Our review disclosed 91 individuals with improper access to initiate and approve purchasing or payment transactions, including 20 individuals whose access capabilities allowed them to process both purchases and the related payments without supervisory review and approval. These 20 individuals could initiate and approve a purchase through an express purchase order, record the related goods or services as received, and initiate and approve the required payment. Express purchase orders are used primarily for purchases from a Statewide or Judiciary-wide contract.

For 20 other individuals with financial management system access, the Judiciary could not provide the security forms used to document the specific access granted and related supervisory approvals. After our inquiries, the Judiciary subsequently prepared these forms for 9 system users and removed the access for the remaining 11 users.

Transactions processed on the financial management system are subsequently submitted to the Comptroller of Maryland's General Accounting Division to be

interfaced with the State's Financial Information Management System (FMIS) for recordation and payment. During fiscal year 2016, transactions that were interfaced with FMIS totaled approximately \$175 million.

Recommendation 2

We recommend that the Judiciary

- a. restrict access to its financial management system so that critical procurement and disbursement functions cannot be unilaterally performed by the same individual;**
- b. ensure that a security form is completed, approved by the appropriate supervisor, and maintained for each user granted system access; and**
- c. periodically conduct reviews of employee access and remove system access on a timely basis from individuals who do not require it.**

Traffic Citations and Related Collections

Finding 3

Controls over the processing of traffic citations and the related collections were not sufficient to ensure all citations were recorded and all collections were deposited.

Analysis

Adequate controls were not established at the Judiciary's Traffic Processing Center (TPC), which was responsible for processing traffic citations issued by certain law enforcement agencies and collections received from offenders. Specifically, TPC did not ensure that these citations were properly recorded and that collections were deposited.

While personnel at certain law enforcement agencies electronically recorded citations directly into the Maryland Automated Traffic System (MATS) when issued, other agencies mailed the citations to TPC for recording into MATS. Fines from traffic citations were either collected by the courts, or mailed to TPC if offenders decided to not pursue adjudication for the citation. According to the State's records, citation collections processed by TPC totaled approximately \$28 million during fiscal year 2016.

- The Judiciary lacked procedures to ensure that all citations received in the mail at TPC were accurately recorded in MATS. The daily log of citations received in the mail was not compared to MATS to ensure that all citations received had been recorded. Furthermore, there was no independent

verification, even on a test basis, that certain critical information, such as driver's license and violation data, was accurately recorded for these citations.

- The Judiciary did not have a procedure to ensure that all citations were reestablished in MATS when the related payment checks were returned by the bank, such as for insufficient funds. One employee was responsible for reestablishing the citations, and these transactions were not subject to supervisory review. According to the Judiciary's records, returned checks relating to collections at TPC during our audit period totaled \$882,693.
- Voided citation transactions were not subject to independent supervisory review and approval. Nine TPC employees had been granted access to process voids, which did not require independent approval in MATS. Furthermore, the Judiciary did not generate system output reports of voided citations, which could be used by supervisory personnel to review and verify their propriety.
- The Judiciary had not established procedures to ensure that all TPC collections had been deposited. Specifically, the initial record of collections received, which was generated upon the initial entry of checks into MATS, was not agreed to the corresponding validated bank documentation of deposits made. Such verifications should be performed by employees independent of the cash receipts processing functions.

Recommendation 3

We recommend that the Judiciary improve its controls over the processing of traffic citations and the related collections. Specifically, we recommend that the Judiciary

- a. use the daily log of citations received at TPC to ensure that all citations are accurately recorded in MATS,**
- b. ensure that an independent supervisor verifies that all citations related to returned checks are reestablished in MATS,**
- c. independently verify the propriety of voided citations through the use of system output reports of voids processed, and**
- d. ensure that recorded collections are independently verified to validated bank documentation of deposits made.**

Information Systems Security and Control

Background

The Judicial Information Systems develops and maintains State court applications, which are accessed across a statewide computer network. The Administrative Office of the Courts (AOC) utilizes a variety of these applications for support of ongoing judicial operations. Significant applications included in our review were the Maryland Electronic Courts System, the Uniform Court System and the Judiciary's automated financial management and human resources systems.

Finding 4

Monitoring of the security of the financial management system's application and database was not sufficient.

Analysis

Monitoring the security of the financial management system's application and database was not sufficient.

- Additions, changes, and deletions to application profiles, roles, and permission lists were not logged. In addition, changes to various security settings over accounts and passwords were not logged.
- Direct changes to 25 critical database tables were not logged. Also, the use of numerous critical database privileges by several database administrators and users was not logged.

As a result of these conditions, unauthorized or inappropriate activities affecting the integrity of the Judiciary's financial management system's production data could occur and go undetected.

AOC's Judicial Information Systems' (JIS) *Information Security Policy* stipulates that JIS shall establish at a minimum an audit trail process to ensure accountability of system and security-related events for critical applications and a process for ensuring that security audit logs, incident reports and on-line reports are generated at least one time per business day.

Recommendation 4

We recommend that the Judiciary comply with the aforementioned *Information Security Policy*. Specifically, we recommend that the Judiciary

- a. log additions, changes and deletions to its financial management system's application profiles, roles, permission lists, and critical security settings;**

- b. log direct changes to all critical database tables and use of critical database privileges; and
- c. generate and review security reports of the aforementioned logged events, document these reviews, and any related follow-up investigations and retain the documentation for future reference.

Equipment

Finding 5

The Judiciary lacked adequate controls over equipment.

Analysis

The Judiciary lacked adequate controls over equipment which, according to its records, was valued at approximately \$97 million as of June 30, 2016. The Judiciary maintained two sets of equipment records—one for the equipment of the District Court, which totaled \$20.5 million, and one for the equipment of all remaining Judiciary units, which totaled \$76.5 million.

- Fourteen employees had access to the warehouse inventory for either the District Court or the other units, and had the capability to update the related automated detail equipment records. The two warehouses were used to store certain equipment, such as computer equipment, waiting to be issued or disposed of. As a result, these employees could potentially misappropriate equipment items located in the warehouse to which they had access and conceal the theft by deleting the items from the related detail equipment records. According to the Judiciary records, the cost of equipment in the two warehouses totaled \$2.6 million for the District Court and \$3.5 million for the other units as of July 2016. Similar conditions were commented upon in our two preceding audit reports.
- The equipment control accounts for both the District Court and the other units were not properly maintained. Specifically, reports of disposals generated from the related automated detail records were used to record disposals in the control accounts, rather than independently obtained disposal forms. As a result, the control accounts did not serve as independent records to ensure that all transactions have been properly recorded. A similar condition was commented upon in our preceding audit report.
- Physical inventories for non-District Court units were not conducted at least once every three years as required by the Judiciary’s policy. Although sensitive equipment was inventoried in fiscal year 2014, a physical inventory

of all equipment had not been completed since fiscal year 2011. (The Judiciary's policy was amended in 2016 to require an inventory of sensitive equipment every year.)

- Detail records for art and historical items within the Law Library did not allow for individual item identification, since many entries on the records represented groups of items. For example, the detail records as of June 2016 included a line item for certain artwork but did not individually identify the items.

As a result of these conditions, equipment could be lost or misappropriated without timely detection.

Recommendation 5

We recommend that the Judiciary establish adequate procedures and controls over equipment. Specifically, we recommend that

- a. employees who have routine physical access to the warehouse inventory not be allowed access to update the related detail records (repeat),**
- b. independent documentation be used to record transaction totals in the equipment control account (repeat),**
- c. periodic physical inventories of equipment be conducted as required by Judiciary policy, and**
- d. detail records be maintained for art and historical items in the Law Library that reflect individual items and related values.**

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the Judiciary for the period beginning July 1, 2012 and ending December 20, 2015. 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 Judiciary'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 procurements and disbursements, processing of traffic citations and related collections, payroll, equipment, information systems security, and special funds. We also determined the status of the findings contained in our preceding audit report.

Our audit included fiscal support services provided by the Judiciary on a centralized basis for the 24 Offices of the Clerks of the Circuit Courts (for example, payroll, processing of invoices, and maintenance of budgetary accounting and equipment records). During the audits of each Office of the Clerk of the Circuit Courts, we audit other fiscal activities that are administered by the Office, such as the collection of funds relating to court filings for real estate transactions. Separate audit reports are issued for each of these audits.

Our audit also included a review of information controls for the financial system which supports the Judiciary's Administrative Office of the Courts. Our audit included a review of the internal controls related to production data, programs and transactions, and certain general controls over the system. We also perform a separate audit of the Judicial Information Systems which includes reviewing internal controls over its data center, the related data center software, and the Judiciary's wide area network.

The Judicial Internal Audit Division performs audits of the District Courts approximately every three years. During the course of our audit, we judgmentally reviewed internal audit reports and related work papers and relied on the results to

reduce the scope of our audit work related to the District Courts' revenue and cash receipt processing functions.

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, observations of the Judiciary'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 revenue and 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 sources were sufficiently reliable for the purposes the data were used during this audit. We also extracted data from the Judiciary's financial systems for the purpose of testing certain areas, such as cash receipts and equipment. We performed various tests of the relevant data and determined that the data were sufficiently reliable for the purposes the data were used during the 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.

The Judiciary'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.

This report includes findings relating to conditions that we consider to be significant deficiencies in the design or operation of internal control that could adversely affect the Judiciary'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 the Judiciary that did not warrant inclusion in this report.

The response from the Judiciary 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 the Judiciary regarding the results of our review of its response.

APPENDIX

Court of Appeals of Maryland
Robert C. Murphy Courts of Appeal Building
361 Rowe Boulevard
Annapolis, Maryland 21401-1699



MARY ELLEN BARBERA
Chief Judge

May 2, 2017

Thomas J. Barnickel III, CPA
Legislative Auditor
Office of Legislative Audits
301 West Preston Street, Room 1202
Baltimore, Maryland 21201

Dear Mr. Barnickel:

We have received the draft audit report pertaining to the Maryland Judiciary, for the period beginning July 1, 2012 and ending December 20, 2015. The attached document contains our responses to the findings and recommendations in the audit report.

We believe we have responded in full to the findings and recommendations.

Very truly yours,

Handwritten signature of Mary Ellen Barbera in cursive script.

Mary Ellen Barbera
Chief Judge of the Court of Appeals

Handwritten signature of Pamela Q. Harris in cursive script.

Pamela Q. Harris
State Court Administrator

cc: Hon. John P. Morrissey, Chief Judge of District Court
Roberta L. Warnken, Chief Clerk of the District Court
Faye D. Matthews, Deputy State Court Administrator
Stephane J. Latour, Managing Legal Counsel, Internal Affairs
Allen C. Clark III, Director of Budget and Finance
Solomon Ayele, Internal Audit Director

OLA Report - Fiscal Compliance Audit
Judiciary Response

Finding 1

The Judiciary lacked adequate documentation to support that certain bid evaluations and contract award decisions were appropriate and certain vendor invoices were verified.

Recommendation

We recommend that the Judiciary:

- a) sufficiently analyze and thoroughly document its procurement decisions, including sole source justifications;
- b) adequately document the verification of vendor invoices, including assurances that rates were paid and discounts were applied in accordance with contract provisions; and
- c) retain bidding documentation for all procurements, including documentation of evaluations conducted by selection committee members and all technical and financial proposals received, as required by State law.

Judiciary Response

- a) The Judiciary has followed the Judiciary policies for sole source and award determinations. However, the Judiciary will ensure that award decisions, including sole source awards, are thoroughly documented.
- b) A workgroup has been formed to develop guidelines to ensure invoices are thoroughly and consistently reviewed and that associated rates and discounts comport with contractual provisions. It is anticipated that the guidelines will be implemented by September 2017.
- c) The *Maryland Judiciary Procurement Policy* has been updated to clarify the retention period of the bid and proposal documents. Proposals received from unsuccessful offerors are retained until the protest period has passed. At the conclusion of the protest period, the aforementioned proposals may be destroyed. The successful offeror's proposal is retained until the conclusion of the next audit and then may be destroyed. An Evaluation Committee Award Recommendation form has been created that includes the signatures of all Evaluation Committee members to certify their participation in the evaluation, as well as the resulting scores. In addition, the Award Recommendation Form has been revised to include the signature of the Evaluation Committee Chairperson to further validate the Evaluation Committee award recommendation. Both forms will be retained with the procurement file until the completion of the next audit and then may be destroyed.

Finding 2

Numerous individuals were granted system capabilities allowing them to unilaterally perform certain purchasing and/or disbursement functions; supervisory approval for the access granted was not always on file.

Recommendation

We recommend that the Judiciary:

- a) restrict access to its financial management system so that critical procurement and disbursement functions cannot be unilaterally performed by the same individual;
- b) ensure that a security form is completed, approved by the appropriate supervisor, and maintained for each user granted system access; and
- c) periodically conduct reviews of employee access and remove system access on a timely basis from individuals who do not require it.

Judiciary Response

- a) As of April 2017, access has been restricted within financial management system so that critical procurement and disbursement functions cannot be unilaterally performed by the same individual.
- b) A procedure has been in place since the new system "Go-Live" date of July 2013 to ensure that a security form is completed; approved by the appropriate supervisor/Administrative Official; and maintained for each user who is granted system access. However, there were some forms not on file as a result of the initial implementation/set-up of the new system, but as of February 2017, the issue has been resolved.
- c) As of February 2017, the Administrative Officials are responsible to periodically review their staff's assigned roles in the financial system. In addition, as part of the planned financial system upgrade, which will be completed as of May 2017, financial system user accounts will be automatically disabled after 180 days of inactivity.

Finding 3

Controls over the processing of traffic citation and the related collections were not sufficient to ensure all citations were recorded and all collections were deposited.

Recommendation

We recommend that the Judiciary improve its controls over the processing of traffic citations and the related collections. Specifically, we recommend that the Judiciary

- a) use the daily log of citations received at TPC to ensure that all citations are accurately recorded in MATS,

- b) ensure that an independent supervisor verifies that all citations related to returned checks are reestablished in MATS,
- c) independently verify the propriety of voided citations through the use of system output reports of voids processed, and
- d) ensure that recorded collections are independently verified to validated bank documentation of deposits made.

Judiciary Response

- a) As of December 2016, the practice of using the daily log of citations received at the Traffic Processing Center (TPC) to ensure that all citations are accurately recorded in MATS was implemented
- b) In December 2016, a process was implemented whereby the TPC Money Room Supervisor performs an independent review to ensure that all citations related to returned checks have been reestablished in the case management systems.
- c) As of January 2017, for all MDEC jurisdictions, the individual court locations are responsible for running a report to identify the voided citations and verifying that all appropriate documentation has been scanned into the electronic record. In addition, a verification event has been requested in MDEC that will permit the verifying court to document that the verification process has been completed. The additional event is expected to be in place in June 2017. For all non-MDEC jurisdictions, a report is being created to provide individual court locations a list of voided citations for independent verification. It is expected that the report will be completed in May 2017.
- d) In December 2016, an independent review of the deposit records and bank documentation was performed by the District Court Deputy Director of Finance. A procedure to address this issue going forward was implemented in December 2016.

Finding 4

Monitoring of the security of the financial management system's application and database was not sufficient.

Recommendation

We recommend that the Judiciary comply with the aforementioned Information Security Policy. Specifically, we recommend that the Judiciary

- a) log additions, changes and deletions to its financial management system's application profiles, roles, permission lists, and critical security settings;
- b) log direct changes to all critical database tables and use of critical database privileges; and
- c) Generate and review security reports of the aforementioned logged events, document these reviews, and any related follow-up investigations and retain the documentation for future reference.

Judiciary Response

- a) It is expected that as of December 2017, the Judiciary will have developed and implemented procedures and processes for logging, generating and reviewing changes to the financial system's profiles, roles and permission lists as well as for logging changes to the security parameters.
- b) As of December 2016, logging of direct modification to critical tables and use of critical system privileges for all individual accounts on the database has been enabled.
- c) It is expected that by December 2017, the generation and review of security reports of the aforementioned logged events, will be documented and any related follow-up investigations will be retained for future reference.

Finding 5

The Judiciary lacked adequate controls over equipment.

Recommendation

We recommend that the Judiciary establish adequate procedures and controls over equipment. Specifically, we recommend that

- a) employees who have routine physical access to the warehouse inventory not be allowed access to update the related detail records (repeat),
- b) independent documentation be used to record transaction totals in the equipment control account (repeat),
- c) periodic physical inventories of equipment be conducted as required by Judiciary policy, and
- d) detail records be maintained for art and historical items in the Law Library that reflect individual items and related values.

Judiciary Response

- a) As of December 2016, employees who have routine physical access to the warehouse inventory have had their database system access reduced to read-only.
- b) As of March 2017, a revised procedure is in place to ensure that independent documentation is being used to record transaction totals in the Judiciary's equipment control accounts.
- c) Full physical inventories and sensitive item inventories will be conducted in accordance with Judiciary policy.
- d) As of March 2017, the individual items listed in the Law Library's appraisal, including art and historic artifacts, have all been separately identified, barcoded, and inventoried.

AUDIT TEAM

Bekana Edossa, CPA, CFE
Audit Manager

Richard L. Carter, CISA
Information Systems Audit Manager

Sandra C. Medeiros
Edward A. Rubenstein, CPA
Senior Auditors

J. Gregory Busch
Information Systems Senior Auditor

Thomas L. Allen, III
Matthew P. Henry
Marc E. Merius
Michell Min
Staff Auditors

Bryan T. Marks
Staff Audit Intern