

**Summary of Reports Issued and  
Recommended Committee Action**

**December 1, 2015 to June 30, 2016**

Presentation to Joint Audit Committee

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August 3, 2016



# Reports Issued December 1, 2015 to June 30, 2016

## Summary

|                                |    |
|--------------------------------|----|
| Total Reports Issued           | 44 |
| Reports Recommended for Action | 4  |

| Agency  | Recommended Action    |
|---|-----------------------|
| 1. Department of Transportation – Secretary’s Office                    | JAC Letter of Concern |
| 2. Maryland Public Broadcasting Commission                              | JAC Letter of Concern |
| 3. Board of Public Works – Interagency Committee on School Construction | JAC Letter of Concern |
| 4. Maryland State Department of Education                               | JAC Hearing           |

| <u>Summary of Recommended Action</u> |                 |
|--------------------------------------|-----------------|
| Joint Audit Committee (JAC) Hearing  | 1               |
| JAC Letter of Concern                | <u>3</u>        |
| Total                                | <u><u>4</u></u> |

**REPORTS ISSUED  
DECEMBER 1, 2015 TO JUNE 30, 2016**

| <u>Agency</u>  | <u>Report Date</u> | <u>Number<br/>of Pages</u> |
|--|--------------------|----------------------------|
| Maryland School for the Deaf   | 12/11/15           | 7                          |
| Queen Anne's County – Office of the Clerk of Circuit Court   | 12/16/15           | 5                          |
| Queen Anne's County – Office of the Register of Wills  | 12/17/15           | 5                          |
| Department of Labor, Licensing and Regulation – Office of the Commissioner of Financial Regulation   | 12/22/15           | 6                          |
| Department of Public Safety and Correctional Services – Information Technology and Communications Division   | 1/06/16            | 9                          |
| Montgomery County – Office of the Clerk of Circuit Court   | 1/11/16            | 6                          |
| Maryland Economic Development Corporation  | 1/19/16            | 6                          |
| Department of Transportation – Secretary's Office  | 2/01/16            | 15                         |
| Certain Operational Aspects of the Blind Industries and Services of Maryland (Performance)   | 2/01/16            | 50                         |
| Statewide Review of Budget Closeout Transactions for Fiscal Year 2015 (Special)  | 2/02/16            | 15                         |
| Board of License Commissioners for Anne Arundel County (Performance)   | 2/03/06            | 16                         |
| Anne Arundel County – Office of the Register of Wills  | 2/05/16            | 5                          |
| Maryland Insurance Administration – Follow-up Review (Special)   | 2/10/16            | 10                         |
| Review of Community College Audit Reports – Fiscal Year Ending June 30, 2014 (Special)   | 2/11/16            | 6                          |
| Maryland Health Insurance Plan   | 2/16/16            | 8                          |
| Anne Arundel County – Office of the Clerk of Circuit Court   | 2/24/16            | 5                          |
| Maryland Longitudinal Data System Center   | 2/26/16            | 11                         |
| Review of the Actions Taken by the Maryland Department of Agriculture to Resolve Repeat Audit Findings in Response to the April 2015 Joint Chairmen's Report (Special) | 3/01/16            | 7                          |
| Wicomico County – Office of the Register of Wills  | 3/01/16            | 5                          |
| Howard County – Office of the Register of Wills  | 3/03/16            | 5                          |
| University System of Maryland – Coppin State University  | 3/04/16            | 19                         |
| Review of the Actions Taken by the Maryland Insurance Administration to Resolve Repeat Audit Findings in Response to the April 2015 Joint Chairmen's Report (Special)  | 3/08/16            | 9                          |
| Military Department  | 3/09/16            | 7                          |
| Wicomico County – Office of the Clerk of Circuit Court   | 3/11/16            | 5                          |
| Howard County – Office of the Clerk of Circuit Court   | 3/11/16            | 5                          |
| University System of Maryland – University of Maryland, Baltimore County   | 3/23/16            | 21                         |
| Department of Health and Mental Hygiene – Laboratories Administration  | 3/25/16            | 8                          |
| Video Lottery Operation Licensees – Minority Business Participation (Performance)  | 4/05/16            | 19                         |
| Maryland Environmental Service   | 4/07/16            | 13                         |
| State Archives   | 4/12/16            | 6                          |
| Maryland Agricultural Land Preservation Fund – Fiscal Year Ended June 30, 2015   | 4/18/16            | 5                          |
| University System of Maryland – Frostburg State University   | 4/19/16            | 13                         |

**REPORTS ISSUED  
DECEMBER 1, 2015 TO JUNE 30, 2016  
(Continued)**

| <u>Agency</u>  | <u>Report Date</u> | <u>Number<br/>of Pages</u> |
|--|--------------------|----------------------------|
| Review of the Actions Taken by the Department of Human Resources – Office of the Secretary to Resolve Repeat Audit Findings in Response to the April 2015 Joint Chairmen’s Report (Special)              | 4/20/16            | 11                         |
| Review of the Actions Taken by the Department of General Services – Office of Procurement and Logistics to Resolve Repeat Audit Findings in Response to the April 2015 Joint Chairmen’s Report (Special) | 4/20/16            | 6                          |
| Department of Transportation – State Highway Administration  | 4/20/16            | 11                         |
| Historic St. Mary’s City Commission  | 4/29/16            | 6                          |
| Department of Agriculture  | 5/05/16            | 7                          |
| Review of the Actions Taken by the Department of Juvenile Services to Resolve Repeat Audit Findings in Response to the April 2015 Joint Chairmen’s Report (Special)                                      | 5/09/16            | 8                          |
| Review of the Actions Taken by the Maryland Higher Education Commission to Resolve Repeat Audit Findings in Response to the April 2015 Joint Chairmen’s Report (Special)                                 | 5/10/16            | 9                          |
| Montgomery County Public Schools (Financial Management Practices Audit)  | 5/19/16            | 35                         |
| Maryland Public Broadcasting Commission  | 6/13/16            | 16                         |
| Board of Public Works – Interagency Committee on School Construction   | 6/15/16            | 11                         |
| Potomac River Fisheries Commission – Report for the Year Ended June 30, 2015 (Examination)   | 6/21/16            | 6                          |
| Maryland State Department of Education   | 6/22/16            | 22                         |

**Total Number of Reports Issued: 44**

## Reports Recommended for Committee Action Significant Audit Findings

December 1, 2015 to June 30, 2016

### 1) Department of Transportation (MDOT) – Secretary’s Office (2/01/16 – 15 pages – 3 Findings)

- MDOT did not establish an adequate process to verify that operating and capital grants awarded to the Washington Metropolitan Area Transit Authority (WMATA) were properly calculated by WMATA. MDOT did not document its review of the annual calculations, could not explain the nature and extent of the reviews, and did not obtain certain documentation to verify the calculations. Also, MDOT’s most recent audit of the annual grant agreements was conducted for FY 2009. Operating and capital grant funds awarded to WMATA for FY 2014 totaled approximately \$409.6 million. OLA found that:
  - MDOT did not obtain appropriate documentation to support Metrobus ridership, which was one of the four factors used to determine a \$106.6 million portion of the 2014 subsidy for that service. WMATA used 2008 ridership data.
  - WMATA’s calculation of a \$63.7 million component of the operating subsidy for MetroAccess paratransit was inconsistent with the formula approved by the WMATA Board of Directors.
  - MDOT did not obtain documentation supporting certain 2014 adjustments, such as an \$11.6 million reduction in the overall MDOT subsidy purportedly related to 2011 and 2012 operating deficits disclosed in WMATA’s audited financial statements.
  - MDOT did not obtain detailed budget documentation to support a \$69.5 million component of the 2014 capital grant or a required reconciliation of WMATA’s 2013 budgeted and actual capital expenditures to support a \$10.7 million increase in the 2014 grant.
- MDOT did not always comply with State procurement regulations and awarded two contracts for amounts substantially higher than could be supported by the related bid documentation. OLA’s review of 5 competitive procurements, totaling approximately \$55.7 million, and all 9 sole source procurements awarded during the audit period, totaling \$17.3 million, found that:
  - MDOT did not properly secure vendor bids sent to MDOT email accounts for 3 information technology related contract awards totaling \$31.3 million.
  - MDOT could not provide any documentation (such as a date stamp or email) that bids had been received by the submission deadline for one contract totaling \$20.9 million.
  - For 2 competitively bid and 9 sole source contracts, totaling \$24.4 million and \$17.3 million, respectively, the awards were not published on *eMaryland Marketplace*, as required.
  - Two contracts totaling approximately \$10 million were awarded for amounts higher than could be supported by the winning vendor bids, which were \$5.6 million.
- MDOT did not monitor employment agreements with two individuals. As a result, payments to one individual exceeded the contract amount by \$142,000 and for the second individual, payments totaling \$249,000 were made for services provided after the related agreement had expired.

### Recommended Committee Action – Letter of Concern

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**Reports Recommended for Committee Action**  
**Significant Audit Findings**  
December 1, 2015 to June 30, 2016

**2) Maryland Public Broadcasting Commission (MPBC) (6/13/16 – 16 pages – 6 Findings)**

- MPBC's procurement policy did not contain certain provisions required by State law for entities with exemptions from State procurement regulations, including critical provisions regarding solicitation requirements and when competitive bidding should be used, and revisions to this policy were not approved by its governing commission. For seven contracts tested, totaling \$8 million, that were awarded under MPBC's procurement exemption between January 2012 and October 2014, documentation did not exist to support that four contracts individually valued over \$500,000 had been approved by MPBC's commission and the three other contracts valued between \$50,000 and \$500,000 had been reported to MPBC's commission.
- MPBC did not always comply with State procurement regulations for non-exempt sole source and competitively bid contract awards. Our test of three sole source procurements totaling approximately \$1.4 million and four competitively bid procurements totaling \$2.7 million related to contracts awarded between January 2013 and April 2015 disclosed certain deficiencies for each of these procurements. For example, MPBC did not prepare formal justifications to support that only the contracted vendors could provide the necessary services for two sole source contract procurements totaling \$928,000 for television ratings statistics and market research analysis services.
- MPBC significantly understated the approximate quantity of mailings in its contract procurement solicitation for direct marketing and fundraising services, which could have affected the vendors' bidding decisions as well as the outcome of the bid evaluation process. MPBC had solicited competitive bids for these services, received two bids, and determined the incumbent vendor was the only qualified bidder. However, nine months after the contract began, MPBC noticed that its authorized contract funding of \$476,500 (of which \$188,325 was for the initial 18-month period of the contract) was almost fully spent and that it had made a significant error in its estimated mailings in its procurement solicitation, which affected the contract value. In August 2015, MPBC obtained Board of Public Works' approval to increase the value of the initial 18-month contract from \$188,325 to \$524,133 (an increase of 178 percent).
- MPBC did not adequately monitor contract terms and payments for three contracts tested related to fundraising services and did not obtain relevant support to evaluate the reasonableness of the amount it was charged by the Public Broadcasting Service for its annual subscription dues, which exceeded \$3 million.
- MPBC did not periodically review user access capabilities for critical fundraising systems, and numerous users had unnecessary access to donor information that is required to be kept confidential by State law.

**Recommended Committee Action – Letter of Concern**

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## **Reports Recommended for Committee Action Significant Audit Findings**

December 1, 2015 to June 30, 2016

### **3) Board of Public Works (BPW) – Interagency Committee on School Construction (IAC) (6/15/16 – 11 pages – 3 Findings)**

- IAC had a significant backlog of school maintenance inspection results that had not been finalized and formally issued to Local Education Agencies (LEA). IAC's intended practice was to report to each LEA the inspection results for the entire year at one time, generally at the end of the fiscal year. However, as of December 31, 2015, IAC had not issued inspection reports to the applicable LEAs for 489 of the 679 maintenance inspections (approximately 72 percent) performed during FYs 2013, 2014, and 2015. Of the remaining 190 inspection results that were issued, the reports for 114 were issued 12 to 30 months past the end of the fiscal years in which the inspections were performed.

In addition, during the aforementioned three-year period, IAC inspections concluded that the overall conditions at 25 schools in three LEAs were "not adequate," including 8 inspections performed during the period between May 2013 and November 2014, for which the results had not been issued at the time of our review. Deficiencies that could affect the health and safety of students and staff at these schools, such as unsanitary conditions and fire safety issues, were identified. According to IAC records, as of January 5, 2016, there were 1,392 public schools in Maryland.

Similar conditions were commented upon in our preceding audit report.

- Four employees could record critical project information in the IAC's construction project accounting system, including new contracts, change orders, and contract expenditures, without independent supervisory review and approval. Also, as of the time of our review, no automated controls, such as on-line approvals of transactions, had been established in the construction project accounting system. The project accounting system is IAC's official record of the State's public school construction project activity, including project requirements, project costs, and vendor information. The system serves as a critical source during the invoice approval process for ensuring that disbursements for construction projects are proper and for controlling project budget allocations.
- IAC had not resolved a matter, commented upon in our prior report, involving an \$890,277 debt that was to be assumed by a local jurisdiction in 2008 for a school building that was no longer being used for school purposes. In 2008 BPW approved the school closure and transfer to the local jurisdiction, but we were advised that the State continued the debt payments and fully satisfied the debt in 2011. State law requires that the State shall require reimbursement of outstanding debt service for a school that is no longer being used for school purposes.

### **Recommended Committee Action – Letter of Concern**

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## **Reports Recommended for Committee Action Significant Audit Findings**

December 1, 2015 to June 30, 2016

### **4) Maryland State Department of Education (MSDE) (6/22/16 – 22 pages – 11 Findings)**

- MSDE did not revert to the State's General Fund \$12.3 million it had received from the federal government for the costs of central overhead services provided by other State agencies to support MSDE's federal grant activities for FYs 2012 to 2014. State law provides that funds recovered from federal sources for statewide indirect costs must be reverted to the General Fund and it prohibits granting any waiver or exemption to this requirement. MSDE did recover and appropriately retain approximately \$27 million of its own indirect costs during the aforementioned period, but advised us that these amounts were insufficient for its needs.
- MSDE did not timely recover \$10.4 million in federal funds for expenditures associated with one federal grant, resulting in lost interest income totaling \$140,000.
- MSDE improperly used interagency agreements with Towson University during November 2011 through June 2015 to staff its Chief Information Officer (CIO) position. Costs incurred by MSDE totaled approximately \$771,000, which MSDE estimates included University administrative fees of \$164,000. MSDE had an existing budgeted position for a CIO but did not believe the salary was sufficient to obtain highly qualified applicants, so the interagency agreement was used to procure the services of a CIO at enhanced salaries. During FY 2014, payments under the agreements exceeded the budgeted salary and benefits by \$58,000. In addition, the related agreements lacked sufficient details to facilitate effective MSDE monitoring of deliverables.
- Tests of nine service contracts totaling \$20.3 million found that bid evaluation documentation did not always support the related awards, effective contract monitoring was not always established, and bid solicitation periods were shorter than required by State regulations.
- MSDE did not adequately ensure that criminal background checks were obtained for all individuals employed at child care facilities and that the results of the initial background checks and any subsequent alerts were adequately pursued.
- MSDE did not restrict user access to the Child Care Subsidy Program features on the Child Care Administration Tracking System to those individuals requiring access to perform their jobs and to prevent the recording of improper transactions. Subsidies paid during FY 2014 using the System totaled \$81.5 million.
- Several conditions of inadequate security over MSDE's information technology infrastructure were identified. Contractors were provided unnecessary network level access to numerous critical MSDE servers and workstations unrelated to projects they were assigned. Also, appropriate safeguards were not established to protect sensitive personally identifiable information of students and teachers maintained in two databases.
- Certain collections were not promptly endorsed and recorded and MSDE did not make timely disclosures to appropriate legal authorities of certain questionable payroll and personnel activity related to five employees.

### **Recommended Committee Action – Hearing**