

Audit Report

Department of State Police

September 2019



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

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September 23, 2019

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Delegate Shelly L. Hettleman, 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 State Police (DSP) for the period beginning January 1, 2015 and ending May 20, 2018. DSP comprises the Maryland State Police, the Office of the State Fire Marshal, and the State Fire Prevention Commission.

Our audit disclosed a number of findings requiring corrective action on the part of DSP. DSP did not revise the indirect cost rates it billed for external services provided to other governmental units and private entities timely and instead continued to bill units using outdated rates. As a result, DSP failed to recover indirect costs totaling approximately \$2.7 million related to services provided for the period from fiscal years 2016 through 2018. According to DSP records, billings for these services during fiscal year 2017 totaled approximately \$60.9 million.

We also noted that DSP improperly transferred special funds to other accounts, used special fund revenues for purposes not specified by State law, and recorded unsupported revenues at fiscal year-end to address an unexplained \$2.5 million special fund deficit. In addition, DSP lacked adequate controls over the collections and the related accounts receivable due from the other governmental units. Furthermore, DSP did not determine the composition of a non-budgeted fund clearing account balance totaling \$821,000 nor report the balance to the Comptroller of Maryland – General Accounting Division as required.

DSP did not comply with State procurement regulations when procuring helicopter maintenance services and aviation fuel. Specifically, DSP's procurements of helicopter maintenance services totaling \$7.7 million were not consolidated to maximize DSP's purchasing power, and DSP did not obtain Department of Budget and Management and Board of Public Works

approvals for the purchases. We also noted that of the 261 contracts awarded by DSP for these services, 227 were procured as sole source, certain of which lacked written justifications to support the use of the sole source procurement method. Additionally, DSP made aviation fuel purchases totaling \$4.4 million from seven vendors without conducting competitive procurements and executing written agreements specifying the payment terms. As a result, there was a lack of assurance that DSP obtained the best prices for its aviation fuel purchases.

DSP did not have a comprehensive process to ensure the accuracy of all handgun registration data recorded in its automated record of regulated firearms, and did not conduct timely quality control reviews of approved handgun registration applications. With respect to information systems security and controls, we noted that sensitive personally identifiable information was stored without adequate safeguards, there was a lack of assurance that adequate security and operational controls existed over its recordkeeping system, and certain outdated software and security-related settings on DSP computers were not sufficient to provide DSP with adequate assurance that its computers were properly protected. DSP also did not verify the propriety of fuel dispensed into its State vehicles and properly complete annual counts of its sensitive equipment inventories.

Finally, our audit included a review to determine the status of the 12 findings contained in our preceding audit report. We determined that DSP satisfactorily addressed 9 of these findings, with the remaining 3 findings repeated in this report.

DSP's response to this audit is included as an appendix to this report. We reviewed the response to our findings and related recommendations, and have concluded that the corrective actions identified are sufficient to address all audit issues.

We wish to acknowledge the cooperation extended to us during the audit by DSP and its willingness to address the audit issues and implement appropriate corrective actions.

Respectfully submitted,



Gregory A. Hook, CPA
Legislative Auditor

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

Background Information

Agency Responsibilities

The Department of State Police (DSP) operates under the provisions of Title 2 of the Public Safety Article of the Annotated Code of Maryland. The Code provides that DSP shall safeguard the lives and the safety of all persons within the State, protect property, and assist in securing to all persons the equal protection of the laws. DSP provides these services through a headquarters unit located in Pikesville, Maryland and 23 barracks and detachments located throughout the State. In addition, DSP includes the State Fire Marshal and the State Fire Prevention Commission. According to the State's accounting records, during fiscal year 2018, DSP's operating expenditures totaled approximately \$389 million.

Resource Sharing Lease Agreements

On November 18, 2016, we issued a report on our *Special Review of Resource Sharing Lease Agreements* payments deposited into escrow accounts maintained outside of State control by a law firm. Under these agreements, DSP and two other State agencies received compensation from telecommunication companies for the use of the State's communications infrastructure, such as the installation of private communication systems on State-owned towers. From February 2001 through June 2016, the companies deposited lease payments totaling \$4.4 million into the escrow accounts, which were subsequently used by DSP and another State agency to acquire equipment and services totaling \$3.8 million. Our review concluded that agreements were not effectively monitored, sufficient accountability and control was not established for the lease payments, and purchases of equipment and services with these funds were not properly controlled and accounted for. The report contained findings and recommendations to all three State agencies including the following select findings related to DSP.

- DSP did not maintain comprehensive records of its resource sharing agreements.
- DSP did not establish effective oversight of escrow accounts.
- Purchases were not subject to any independent supervisory review and approval and were not made in accordance with State procurement regulations.

- DSP did not record, tag, and inventory equipment purchased with escrow account funds and could not provide a listing or identify the location of equipment purchased.

As a result of the concerns identified during the special review, we conducted a performance audit to evaluate the State's use and oversight of telecommunications resource sharing agreements between multiple State agencies (including DSP) and private companies. Our performance audit report, dated August 3, 2018, contained several additional findings related to DSP.

- DSP did not maintain comprehensive inventories of telecommunication towers,
- DSP executed resource sharing agreements without proper approvals, and
- DSP allowed telecommunications companies to continue using State resources after agreements had expired.

DSP agreed to the findings and recommendations in both the November 2016 and August 2018 reports.

Workforce Civilianization

In the April 2016 *Joint Chairmen's Report* (page 152), the committees requested OLA to study DSP's personnel policies and make recommendations on how to increase civilianization at DSP. Our study, issued December 28, 2016, identified 127 administrative and support positions filled by sworn troopers that could be filled by civilians. According to the April 2018 *Joint Chairmen's Report* (page 185), DSP agreed that 84 of those positions could be candidates for civilianization, and was in the process of reclassifying certain of these positions for civilianization.

Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of the 12 findings contained in our preceding audit report dated November 23, 2015. As disclosed in the following table, we determined that DSP satisfactorily addressed 9 of these findings. The remaining 3 findings are repeated in this report.

Status of Preceding Findings

Preceding Finding	Finding Description	Implementation Status
Finding 1	DSP did not properly account for certain special fund activity.	Not repeated
Finding 2	DSP lacked adequate controls over special fund collections and accounts receivable.	Repeated (See current Finding 3)
Finding 3	Certain year-end closing transactions were not adequately supported and reporting discrepancies were noted.	Not repeated
Finding 4	DSP did not include or could not support approximate quantities of services in certain solicitations.	Not repeated
Finding 5	Procedural and documentation deficiencies were noted regarding the evaluation of vendor bids for certain service contracts.	Not repeated
Finding 6	DSP's procedures for processing handgun qualification licenses and handgun registration applications lacked certain controls.	Not repeated
Finding 7	Quality control procedures were not comprehensive.	Not repeated
Finding 8	Controls over handgun registration application fees and related accounts receivable were not sufficient.	Not repeated
Finding 9	DSP's network was not properly secured.	Not repeated
Finding 10	Procedures for maintaining and securing DSP's workstations were not sufficient.	Repeated (See current Finding 9)
Finding 11	DSP lacked assurance that adequate security and operational controls existed over its records management system.	Not repeated
Finding 12	DSP did not establish adequate controls over its equipment.	Repeated (See current Finding 11)

Findings and Recommendations

Special Funds

Background

The Department of State Police (DSP) received reimbursements for costs it incurred by providing certain external services to governmental units and private entities, as described below. These costs generally reflected DSP's payroll costs (salaries and benefits) for the sworn troopers who performed the services, as well as the related indirect costs (administrative and support services, such as payroll processing) incurred. Indirect costs are calculated as a percentage of direct expenditures and are subject to approval by the United States Department of Justice (USDOJ). During fiscal year 2017, DSP billed approximately \$60.9 million, including indirect costs totaling \$12.6 million, related to the following activities:

Fiscal Year 2017 External Services Billings	
Commercial Vehicle Enforcement	\$ 21,278,253
Reimbursable Overtime	12,198,991
JFK Memorial Highway	7,339,411
Automotive Safety Enforcement	6,346,232
Resident Trooper	1,192,752
Indirect Costs	12,552,267
Total	\$ 60,907,906

Source: State's accounting records

- **Commercial Vehicle Enforcement Division:** DSP costs are billed to the Maryland Department of Transportation (MDOT) for operating inspection stations for commercial vehicles traveling in the State.
- **Reimbursable Overtime:** DSP costs are billed to both public and private entities that contract with DSP for services such as police patrols stationed at construction zones.
- **John F. Kennedy (JFK) Memorial Highway:** DSP costs are billed to MDOT for providing patrol and criminal enforcement on the JFK Memorial Highway.
- **Automotive Safety Enforcement Division:** DSP costs are billed to MDOT primarily for operating the automotive safety inspection program.
- **Resident Trooper:** DSP costs are billed to local jurisdictions for which DSP provides police enforcement.

Finding 1

Indirect cost billing rates were not revised timely, resulting in unrecovered indirect costs totaling an estimated \$2.7 million.

Analysis

DSP did not revise its indirect cost rates for fiscal years 2016, 2017, and 2018 and submit them to USDOJ in a timely manner, resulting in the failure to recover indirect costs totaling an estimated \$2.7 million for services provided during this period. Specifically, the fiscal year 2016 through 2018 indirect cost rates were submitted to USDOJ for approval between 8 and 29 months after they were due. Therefore, DSP continued to bill for external services during these years using prior year approved rates. For example, during fiscal year 2018, DSP used the fiscal year 2015 indirect cost rate of 25.7 percent rather than the 2018 rate of 30.5 percent, resulting in the failure to recover \$2.3 million in indirect costs for that year.

Federal guidelines require indirect cost rate proposals be submitted for USDOJ approval no later than six months into the current fiscal year (for example, the fiscal year 2018 rates should have been submitted by December 31, 2017). DSP management advised us that the delay in submitting the indirect cost rates timely was due to turnover among responsible personnel. DSP is currently using a vendor to prepare and submit the rates.

Recommendation 1

We recommend that DSP

- a. ensure indirect cost rates are updated timely; and**
- b. in consultation with legal counsel, determine whether the aforementioned \$2.7 million in unbilled indirect costs can be recovered.**

Finding 2

During fiscal years 2016, 2017, and 2018, DSP recorded certain transactions to several special fund balances that were not consistent with State law, to eliminate an unexplained \$2.5 million deficit dating back to at least June 30, 2015.

Analysis

DSP improperly transferred special funds to other accounts, used special fund revenues for purposes not specified by State law, and recorded unsupported revenues at fiscal year-end in an effort to eliminate a deficit of approximately \$2.5 million dating back to at least June 30, 2015. During our preceding audit, we

noted a number of issues with DSP's accounting for special fund activities, including commingling of fund balances and incorrect and inconsistent recording of special fund revenues and expenditures, resulting in questionable fund balances. In response to the preceding audit report, DSP implemented a comprehensive review of its special fund activities, as recommended, and segregated the activities into separate funds for better accountability. However, after conducting this review, DSP was left with an unexplained \$2.5 million deficit for the June 30, 2015 fiscal year-end. In order to reduce or eliminate the deficit, during fiscal years 2016, 2017, and 2018, DSP processed certain transactions, as described below, that were not consistent with State laws.

- In fiscal year 2016, DSP transferred approximately \$1.5 million from two special fund accounts (the Homeland Security and Investigation Bureau, and the Maryland Transportation Authority accounts), reducing the deficit to approximately \$1.1 million, without documentation that the fund balances in either account were related to the deficit.
- DSP used excess salvage vehicle inspection program revenue from each of the three years to reduce the deficit balance. For example, during fiscal year 2018, salvage vehicle inspection program revenues exceeded expenditures by \$173,437, which DSP applied to the deficit special fund balance. State law only authorizes DSP to collect salvage vehicle inspection fees to offset the program's operating costs. DSP had not consulted with the Department of Budget and Management (DBM) regarding the use of these revenues to assist in resolving the deficit.
- During each of the 2016, 2017, and 2018 fiscal year-end budgetary closing processes, DSP recorded revenues equal to the respective June 30 remaining deficit balance to eliminate the deficits without regard to the ultimate collectability of those revenues. Specifically, DSP could not document the basis for recording the revenues, other than for the purpose of eliminating the deficit fund balances. For example, DSP recorded special fund revenues totaling \$830,693 and \$657,255 at the end of fiscal years 2017 and 2018, respectively. As of the end of our audit fieldwork, the fiscal year 2017 revenues were not collected, and DSP did not expect to collect the fiscal year 2018 revenues.

To the extent that revenues are not available, general fund appropriations (or deficiency appropriations) may be needed to eliminate any resulting deficits. This deficit fund situation was included in both the preceding fiscal compliance audit report and our January 15, 2019 report on the *Statewide Review of Budget Closeout Transactions for Fiscal Year 2018*.

Recommendation 2

We recommend that DSP

- a. work with DBM to determine the appropriate corrective actions necessary to resolve the special fund deficit balance and the improper transfers noted above,**
- b. comply with State law regarding the use of special fund revenues, and**
- c. ensure all financial transactions are properly recorded and supported.**

Finding 3

DSP had not established adequate controls over its collections and the related accounts receivable from other governmental units and private entities.

Analysis

DSP had not established adequate controls over its collections and the related accounts receivable from other governmental units and private entities.

According to the State's records, during fiscal year 2017, special fund collections received and deposited by DSP headquarters totaled approximately \$13.2 million.

- Checks were not recorded and restrictively endorsed immediately upon receipt and were not properly secured prior to deposit. Specifically, the checks were handled by at least two employees prior to being recorded and endorsed, and were routinely left unsecured in a location accessible to numerous employees.
- DSP did not require large payments to be made electronically to enhance accountability and security over the funds. For example, according to DSP records, the Maryland Transportation Authority submitted checks totaling approximately \$9.8 million to DSP headquarters during fiscal year 2017, as reimbursement for the cost of the JFK Memorial Highway Program. Our review disclosed that this consisted of 10 checks submitted, each valued between \$531,000 and \$2.4 million. Controls could be enhanced by requiring large payments to be submitted electronically (such as via wire transfer or adjustments to the State's accounting records).
- Adjustments to accounts receivable records were not independently approved, and the responsibilities for the cash receipts and accounts receivable functions were not segregated. Specifically, six employees could process adjustments to the receivable records without independent approval. Furthermore, four of these employees had access to the related collections, including one employee who was responsible for initially recording collections after receipt. According to the State's accounting records, DSP processed adjustments (for example, to correct a billing error) totaling approximately \$12 million during

our audit period. The six employees mentioned above processed \$1.2 million of these adjustments.

Similar conditions regarding the failure to immediately record and restrictively endorse collections, and adequately control adjustments to the accounts receivable records were commented upon in our preceding audit report. The Comptroller of Maryland's *Accounting Procedures Manual* requires immediate recording and restrictive endorsement of checks. Additionally, the *Manual* requires receipts to be adequately safeguarded until deposit, the separation of cash receipts and accounts receivable duties, and independent supervisory review and approval of adjustments to the accounts receivable records.

Recommendation 3

We recommend that DSP ensure that

- a. collections are recorded and restrictively endorsed immediately upon receipt (repeat),**
- b. collections are adequately safeguarded prior to deposit,**
- c. large collections are remitted electronically to enhance accountability and control over the funds,**
- d. adjustments to accounts receivable are subject to independent review and approval (repeat), and**
- e. accounts receivable and cash receipts functions are properly segregated.**

Budgetary and Year-End Closing

Finding 4

DSP did not determine the composition of a non-budgeted fund clearing account balance totaling \$821,000 nor report the balance to the Comptroller of Maryland – General Accounting Division (GAD) as required.

Analysis

DSP did not determine the composition of a non-budgeted fund clearing account, which totaled \$821,000 as of June 30, 2018, nor report the balance to GAD as required. Our review of DSP's accounting records disclosed that minimal activity was recorded in the account during our audit period. We were advised that DSP attempted to analyze the account, but could not determine the source or intended purpose of the funds because of the age of the transactions. Furthermore, as of November 15, 2018, DSP had not reported the balance to GAD. Consequently, these funds remained in the non-budgeted fund clearing account and were not available for use by DSP or transferred to the State's General Fund.

The budgetary closing instructions issued by GAD require clearing accounts with positive year-end balances to be reported to GAD and that clearing accounts with balances exceeding \$100,000 be analyzed and adjusted to zero. This issue was commented upon in our January 15, 2019 report on the *Statewide Review of Budget Closeout Transactions for Fiscal Year 2018*. In that report, we stated that, if the disposition of the funds cannot be determined, DSP should revert the funds to the State's General Fund or, if determined to be permissible, request an appropriation to use the funds.

Recommendation 4

We recommend that DSP

- a. transfer the funds to the State's General Fund or, if determined to be permissible, request an appropriation to use the funds; and**
- b. report the June 30, 2018 non-budgeted fund clearing account balance to GAD as required by the budgetary closing instructions.**

Aviation Command Procurements

Finding 5

DSP did not comply with State procurement regulations when procuring helicopter maintenance services and aviation fuel valued at approximately \$12.1 million.

Analysis

DSP did not comply with State procurement regulations when procuring helicopter maintenance services totaling approximately \$7.7 million and aviation fuel totaling \$4.4 million.

Helicopter Maintenance Services Procurements were not Consolidated

DSP did not consolidate the procurements of helicopter maintenance services and obtain appropriate control agency approvals. During the period from January 2015 to April 2018, DSP purchased helicopter maintenance and repair services totaling \$12.2 million.

Our analysis of these purchases disclosed 261 contracts totaling \$7.7 million were awarded by DSP to 3 vendors. DSP has delegated authority to procure helicopter maintenance services up to \$100,000 and, although the individual purchases were generally below \$100,000, combined purchases to these vendors significantly exceeded these levels. As a result, DSP's leverage as a high volume purchaser may not have been maximized, and DSP did not obtain DBM and Board of Public Works (BPW) approvals for the purchases. In

addition, among these contracts were 5 contracts, totaling \$1 million, which individually exceeded \$100,000 and, therefore, should have been submitted to DBM and BPW for approval, regardless.

In addition, 227 of the 261 contracts totaling \$6 million were procured as sole source procurements. Our review of 5 of these awards, totaling approximately \$579,000, disclosed that DSP did not prepare written justifications to support the use of the sole source procurement method for any of the procurements, as required.

Similar concerns regarding the failure to consolidate these procurements were identified during a review initiated by DSP's internal audit section in fiscal year 2017. In January 2018, DBM, on DSP's behalf, awarded a \$6 million master contract to the aforementioned 3 vendors to provide these maintenance services for the period from February 1, 2018 through January 31, 2023.

Fuel was Purchased Without Competition and Written Agreements

DSP made aviation fuel purchases from 7 vendors totaling \$4.4 million without conducting competitive procurements and executing written agreements specifying the payment terms. Upon our inquiry, DSP management advised us that it was required to purchase fuel from the vendors located at each of its 7 helicopter bases (which are generally located at the State's regional airports). However, our review of DSP's lease agreements for each location did not disclose any such requirement, and we found that DSP did not attempt to negotiate the prices of fuel directly with the vendors. As a result, there was a lack of assurance that DSP obtained the best prices for its aviation fuel purchases.

Furthermore, although federal and State law effectively exempted DSP from paying excise taxes on aviation fuel, DSP lacked a process to ensure these taxes were excluded from the amounts it was billed and paid. For example, DSP's average price per gallon of fuel purchased in January 2018 from its 5 vendors ranged from \$1.85 to \$5.28. Neither we nor DSP could readily determine whether these prices included State and/or federal excise taxes.

State procurement regulations provide that procurements for helicopter maintenance services exceeding \$100,000 must be submitted to DBM for approval and contracts over \$200,000 must be submitted to the BPW for approval. In addition, State procurement regulations provide that a sole source procurement is not permissible unless the goods or services are available from only a single vendor, and require that written justifications be prepared and approved prior to the contract awards.

Recommendation 5

We recommend that DSP

- a. ensure that procurements of similar services are consolidated and competitive procurements are conducted as appropriate, to maximize buying power;
- b. use the sole source procurement method only when a single vendor can meet the requirements, and adequately document this justification;
- c. submit contracts to DBM and/or BPW for review and approval, as required;
- d. execute written contracts with its aviation fuel vendors; and
- e. establish a process to ensure it is not charged State and federal excise taxes for purchases of aviation fuel or that it obtains reimbursement for State and federal excise taxes paid.

Handgun Registrations

Finding 6

DSP did not have a comprehensive process in place to ensure the accuracy of all critical handgun registration data recorded in its automated record of regulated firearms, and did not conduct timely independent quality control reviews of approved applications.

Analysis

DSP did not have a comprehensive process in place to ensure that its staff accurately recorded all critical handgun registration data in its automated record of regulated firearms, and did not conduct timely independent quality control reviews of approved¹ applications. According to DSP records, during the period from January 2017 through May 2018, DSP processed approximately 75,500 handgun applications.

Procedures for Ensuring Accuracy of Handgun Data Recorded in DSP's Automated System were Not Comprehensive

DSP did not have a comprehensive process to ensure that all critical handgun registration data (including name of registrant, gun make, and serial number) were accurately entered into the Maryland Automated Firearms Services System (MAFSS), which is used for a variety of law enforcement purposes, including assisting in criminal investigations.

¹ "Not disapproved" is the terminology used by DSP for "approved" applications.

Handgun registration applications are submitted electronically through DSP's Licensing Portal and the related handgun data are then manually entered into MAFSS by DSP employees. Our review disclosed that DSP did not conduct an automated comparison between the Licensing Portal and MAFSS to identify discrepancies between the handgun data on the two systems. Rather, DSP verified handgun data accuracy on a test basis during its aforementioned quality control reviews of applications and its periodic dealer audits. In this regard, our automated comparison of data from approximately 52,000 applications recorded in the Licensing Portal during calendar year 2017 with the related data in MAFSS disclosed approximately 392 instances in which the handgun serial numbers in the Licensing Portal and MAFSS were different.

During the audit period, DSP implemented the direct electronic submission of applications by dealers through its Licensing Portal, significantly reducing the number of handgun registration discrepancies between the two systems. Previously, dealers submitted paper applications which were manually entered by DPS staff into both systems. In this regard, our preceding audit report identified approximately 4,000 discrepancies from the approximately 27,500 applications reviewed. However, this electronic submission process did not eliminate the possibility of clerical errors during the manual entry of the registration information into MAFSS.

Quality Control Reviews of Handgun Applications Were Not Timely

Quality control reviews of approved handgun registration applications were not completed timely, in accordance with DSP's written policies, which require these independent quality control reviews (generally three percent of approved registrations) to be performed each month. During the period from January 2017 through May 2018, DSP selected 3,634 approved applications for quality control reviews, in accordance with its policy. However, as of September 13, 2018, DSP had not reviewed 1,541 of these applications dating back to March 2017. Additionally, 2,078 of the applications that had been reviewed were reviewed between 2 and 20 months after the applications were initially approved.

After we notified DSP of this issue during the audit, we were advised that DSP reviewed the 1,541 outstanding applications. Although DSP advised us that none of these applications were subsequently disapproved, conducting a timely quality control review of applications selected would enable DSP to take prompt follow-up action, such as recovery of the firearm, in the event an error in the application process was identified.

Recommendation 6

We recommend that DSP

- a. continue in its efforts by establishing a comprehensive process to ensure that accurate critical handgun data, such as serial numbers, are recorded in MAFSS, and resolve the above noted discrepancies; and**
- b. complete independent quality control reviews of selected handgun registration applications timely, in accordance with its written policies.**

Information Systems Security and Controls

Background

DSP's Information Technology Division is responsible for information technology and communications management in support of field troopers, investigators, support personnel, allied law enforcement agencies, State and local government agencies, and the citizenry. DSP's information technology environment includes an integrated computer network that provides connections to more than 2,600 servers and workstations. Key network resources include two licensing systems, one of which supports qualified handgun licensing applicants and the Records Management System (RMS). The RMS is used by State troopers to record incidents (such as vehicle infractions and robberies), retain this information, and make it available when needed (for example, for court appearances). The DSP network has internet connectivity and includes firewalls and an intrusion prevention system for network protection.

Finding 7

Sensitive personally identifiable information (PII) maintained by DSP in one licensing system was stored without adequate safeguards.

Analysis

Sensitive PII maintained by DSP was stored without adequate safeguards in one of two licensing systems reviewed. Specifically, as of November 2018, a DSP licensing system and database primarily supporting qualified handgun licensing applicants included one table holding 78,090 unique social security numbers stored in clear text along with associated names. In addition, we were advised that this sensitive PII was not protected by other substantial mitigating controls of a comprehensive nature.

PII is commonly associated with identity theft and typically includes demographic information for individuals such as name and social security number.

Accordingly, appropriate information system security controls need to exist to ensure that such confidential information is safeguarded and not improperly

disclosed. Best practices identified in the State of Maryland *Information Security Policy* state that confidential data should be protected using encryption and/or other substantial mitigating controls.

Recommendation 7

We recommend that DSP implement approved encryption methods or other substantial mitigating controls to properly protect all sensitive PII.

Finding 8

DSP lacked assurance that adequate security and operational controls existed over its RMS.

Analysis

DSP lacked assurance that adequate security and operational controls existed over its RMS that was operated by a primary third-party service provider and a related hosting subcontractor. The RMS contains PII of some (but not all) individuals involved in recorded incidents (such as vehicle infractions and robberies) investigated by DSP. The RMS' primary service provider delivers hardware, software, support, and training services, with related RMS hosting performed at a subcontractor's data center. This subcontractor is responsible for physical security controls, environmental controls, internet connectivity, and disaster recovery services. The Department of Information Technology (DoIT) contracted with the RMS vendor, on behalf of DSP. The RMS contract was for five years, ending November 30, 2015, with the State having the option to extend the contract for up to five successive one year periods.

As of July 2018, since the inception of the contract, DSP had neither performed independent security reviews at the primary service provider or the subcontractor for the RMS nor obtained reports of independent, standards-based security reviews of these two providers that included tests of controls to ensure that the controls identified were operational. Additionally, the agreement between DoIT, which initiated this contract on behalf of DSP, and the primary service provider did not require comprehensive, independent standards-based reviews, that included tests of controls to ensure that the controls identified were operational throughout the period under review be performed. Immediately after the issuance of our preceding audit report, during December 2015, DSP, working with DoIT, began attempts to amend its primary service provider contract to add a requirement providing for a System and Organization Controls (SOC 2 Type 2) review and report. DSP advised us that a contract modification should be completed in late 2019 requiring the appropriate SOC reports for fiscal year 2020.

As a result of the aforementioned conditions, DSP lacked assurance that certain controls were in effect for the RMS.

- Data in transit, data at rest, and backed-up data are encrypted.
- Intrusion detection, malware prevention, vulnerability scanning, and patch management have been implemented.
- Reports of privileged user access activities, authorized and unauthorized access attempts, and other security and audit events are reviewed on a regular basis.
- Policies and procedures for user account and password controls are in accordance with the State of Maryland *Information Security Policy*.
- Network segments are separated by firewalls to ensure compliance with legislative, regulatory, and contractual requirements and that production and non-production environments are segmented.
- Documented policies and procedures exist and have been implemented for business continuity and/or disaster recovery.
- Data is backed up, stored offsite in an appropriate facility, and that such backup and storage procedures are tested regularly.

The American Institute of Certified Public Accountants has issued guidance for auditing and reporting on reviews of service providers. This guidance encompasses several types of reviews and related SOC reports including a SOC 2 Type 2 review and report. A SOC 2 Type 2 report, which includes a review of controls placed in operation and tests of operating effectiveness for the period under review, would provide DSP with assurance as to the propriety of the design and operation of critical controls. A SOC 2 Type 2 report could include an evaluation of security, availability, processing integrity, confidentiality, and privacy over the RMS.

Recommendation 8

We recommend that DSP

- a. request DoIT to continue its efforts to amend the existing contract and ensure that future contracts require that the primary provider, and any subcontractors performing material services for the RMS, periodically obtain SOC 2 Type 2 reviews and reports for the provided services to ensure that adequate controls exist over the RMS;**
- b. obtain and review copies of these SOC 2 Type 2 reports from the primary provider and its subcontractors and determine if the related independent reviews adequately address the aforementioned security concerns over the RMS; and**
- c. ensure that the primary provider and its subcontractors implement all critical recommendations made in the reports.**

Finding 9

Certain outdated software and security-related settings on DSP computers were not sufficient to provide DSP with adequate assurance that its computers were properly protected.

Analysis

DSP computers tested were not always sufficiently protected from malware, untrusted network traffic, and certain software vulnerabilities. Our October and November 2018 testing disclosed the following conditions:

- Local administrative rights were not properly restricted. Our testing of 211 DSP workstations identified 20 unique user accounts defined on 22 workstations where users had unnecessary administrative rights over these workstations. A similar condition was commented upon in our preceding audit report. None of these users were network or system administrators. We also identified 36 unique user accounts defined on 38 workstations, which DSP advised required local administrative rights for operational purposes, however, documentation did not exist supporting the assignment and approval of such rights, despite DSP having an administrative rights policy which required such documentation. Consequently, if these workstations were infected with malware, the malware could run with administrative rights and expose these workstations to a greater risk of compromise than if the workstations' user accounts operated with only user rights.
- DSP personnel advised us that host-based firewalls were not enabled on laptops assigned to personnel other than State troopers assigned to patrol duty and no documented risk assessment existed for this decision. According to DSP records, 230 such laptops existed (which we did not verify). Therefore, if these 230 laptops were used outside of the DSP network they would be susceptible to attack from untrusted traffic.
- On 9 of 12 computers tested, certain software products that are known to have significant security-related software vulnerabilities had not been updated with the latest releases. Although the vendors for these software products frequently provide software patches to address these vulnerabilities, DSP had not updated all of its computers for these patches. Specifically, these software products running on the 9 computers identified in testing had not been updated for periods ranging from 8 months to 8 years. A similar condition was commented upon in our preceding audit report.

The State of Maryland *Information Security Policy* states that agencies, at a minimum, must protect against malicious code (viruses, worms, Trojan horses) by

implementing protections (anti-virus, anti-malware) that, to the extent possible, include a capability for automatic updates.

Recommendation 9

We recommend that DSP

- a. limit the assignment of administrative rights on workstations to system and network administrators and those users specifically allowed such rights (repeat), with any such assignments to non-IT administrators being justified, approved, documented, and regularly reviewed to determine whether such rights are still needed;**
- b. complete a documented risk assessment for all laptop computers used by DSP personnel other than troopers on patrol duty, enable host-based firewalls on all laptops, to the extent possible, and obtain DSP management approval for any risk assessment decision to operate non-patrol car laptops without host-based firewalls enabled noting any compensating controls; and**
- c. promptly install all critical security-related software updates for known vulnerable applications on all workstations (repeat).**

State Vehicle Fuel Usage

Finding 10

DSP did not periodically review daily fuel usage reports to verify the propriety of fuel dispensed into its State vehicles.

Analysis

DSP did not periodically review daily fuel usage reports from the Department of General Services (DGS) Statewide Fuel Management System to verify the propriety of fuel dispensed in its State vehicles. These reports contain automated error flags when anomalies in fuel data (such as below average fuel consumption or excessive fuel quantities disbursed) are identified by the System.

Our review of these reports for fiscal year 2018 disclosed approximately 126,000 error flags related to 1,689 DSP vehicle operators. For example, the System identified and the reports flagged 641 instances in which the number of gallons of fuel dispensed exceeded the maximum tank capacity of the related vehicle, including 18 made by one employee. Since DSP had not reviewed the reports, it was unaware of and could not readily explain these flags. During fiscal year 2018, DSP expenditures for fuel for its vehicles totaled approximately \$5.5 million.

The DGS *Automated Fuel Dispensing and Management System Handbook for Fleet Managers* requires fuel usage reports be monitored to detect possible abuse or misuse of the system by State drivers. Instances identified on the reports do not necessarily represent improper fuel usage. For example, the system may not reflect the current vehicle assigned to the employee. The daily fuel usage reports must be reviewed in conjunction with explanations from DSP vehicle operators to determine if there were instances of improper fuel usage.

Recommendation 10

We recommend that DSP

- a. perform periodic documented reviews of vehicle fuel usage reports as required; and**
- b. investigate error flags, including those noted above, and take appropriate corrective action.**

Equipment

Finding 11

DSP lacked documentation that annual physical inventories of its sensitive equipment were completed, and could not document the investigation and reporting of certain sensitive items recorded in its equipment records as missing.

Analysis

DSP lacked documentation that annual physical inventories of its sensitive equipment were completed, and could not document the investigation and reporting of certain equipment items recorded as missing in its records.

According to DSP records, its sensitive inventory was valued at approximately \$195 million (excluding firearms and vehicles) as of June 26, 2018.

- DSP lacked documentation that physical inventories of sensitive equipment were conducted as required. Although DSP advised us that annual inventories were completed during our audit period, DSP could not provide documentation, such as count sheets, to support that these inventory counts had been conducted and the results reconciled to the detailed records. Subsequent to our audit field work, DSP provided certain additional documentation; however, this documentation did not include inventory count sheets nor evidence of reconciliations to the detailed records. Similar conditions regarding inadequate inventories have been commented upon in our seven preceding audit reports dating back to January 1998.

- DSP could not document that it had properly investigated and reported to DGS approximately 4,600 sensitive items, such as computers, in its detailed inventory records that were recorded as missing or stolen. According to DSP management, these items were reported to DGS as missing in calendar year 2007 and were removed from the detailed records; however, the items were erroneously re-entered into the equipment records when DSP transitioned to its current inventory management system in calendar year 2015. Nevertheless, DSP had not taken any action to confirm that the missing items had, in fact, been previously reported and to correct its equipment records.

The DGS *Inventory Control Manual* requires that physical inventories be conducted for sensitive equipment items annually, the results reconciled to the related detail records, and that related documentation be retained for audit and verification purposes. The *Manual* further requires that missing items are to be investigated, reported to DGS, and removed from the detail records.

Recommendation 11

We recommend that DSP comply with the requirements of the DGS *Inventory Control Manual*. Specifically we recommend that DSP

- a. conduct physical inventories at the required intervals, reconcile the results of the inventories with the related records, promptly investigate and resolve all differences (repeat), and retain related documentation for audit and verification purposes; and**
- b. consult with DGS and take appropriate action to ensure the aforementioned 4,600 items were reported as missing, and remove the items from its equipment records.**

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the Department of State Police (DSP) for the period beginning January 1, 2015 and ending May 20, 2018. 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 DSP'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 handgun registration, payroll, cash receipts, accounts receivable, procurements and disbursements, information systems, and equipment inventories. We also determined the status of the findings contained in our preceding audit report.

Our audit did not include an evaluation of internal controls over compliance with federal laws and regulations for federal financial assistance programs (such as the Homeland Security Grant Program) and an assessment of DSP's compliance with those laws and regulations because the State of Maryland engages an independent accounting firm to annually audit such programs administered by State agencies, including DSP.

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, observations of DSP'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, as well as from the contractor administering

the State's Corporate Purchasing Card Program (credit card activity). 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 DSP's Maryland Automated Firearms Services System and the Licensing Portal for the purpose of testing various handgun registration requirements. 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.

DSP'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 evaluations 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 DSP'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 DSP that did not warrant inclusion in this report.

DSP's response 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 DSP regarding the results of our review of its response.



LARRY HOGAN
GOVERNOR

BOYD K. RUTHERFORD
LT. GOVERNOR

APPENDIX

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COLONEL
WILLIAM M. PALLOZZI
SUPERINTENDENT

September 10, 2019

Mr. Gregory A. Hook, CPA
Legislative Auditor
Office of Legislative Audits
State Office Building, Room 1202
3001 West Preston Street
Baltimore, MD 21201

Dear Mr. Hook:

This correspondence is in response to the final Office of Legislative Audits (OLA) Triennial Fiscal Compliance Audit Report, which was received in our office on August 22, 2019. This audit comprised areas of performance from January 1, 2015 through May 20, 2018, and disclosed a number of areas requiring corrective action from the Maryland Department of State Police (MDSP). The MDSP's responses to the findings and recommendations by the OLA are attached.

The MDSP appreciates the time and effort put forth by the OLA in identifying areas that need improvement. This agency looks forward to working with the OLA to improve our Department. Should you need additional information regarding our responses, please do not hesitate to contact Mr. Paul L. Abell, Chief Financial Officer, of our Strategic Planning Command.

Thank you again for the opportunity to respond to this performance audit.

Sincerely,

William M. Pallozzi
Superintendent

WMP:TMW:drc

cc: Mr. Paul L. Abell, Chief Financial Officer, Strategic Planning Command

Attachment

"Maryland's Finest"



AGENCY RESPONSES TO FINAL OLA DRAFT

Finding 1
Indirect cost billing rates were not revised timely, resulting in unrecovered indirect costs totaling an estimated \$2.7 million.

Recommendation 1

We recommend that DSP

- a. ensure indirect cost rates are updated timely; and**
- b. in consultation with legal counsel, determine whether the aforementioned \$2.7 million in unbilled indirect costs can be recovered.**

Agency Response			
Analysis	Factually Accurate		
Please explain any concerns with factual accuracy.			
Recommendation a	Agree	Estimated Completion Date:	Complete
Please provide details of corrective action or explain disagreement.	DSP contracted an outside vendor to assist with preparing rates up through FY20. All rates have been submitted, approved, and are current.		
Recommendation b	Agree	Estimated Completion Date:	On going
Please provide details of corrective action or explain disagreement.	DSP is consulting with legal counsel to determine if the unbilled costs can be recovered.		

Finding 2

During fiscal years 2016, 2017, and 2018, DSP recorded certain transactions to several special fund balances that were not consistent with State law, to eliminate an unexplained \$2.5 million deficit dating back to at least June 30, 2015

Recommendation 2

We recommend that DSP

- a. work with DBM to determine the appropriate corrective actions necessary to resolve the special fund deficit balance and the improper transfers noted above,
- b. comply with State law regarding the use of special fund revenues, and
- c. ensure all financial transactions are properly recorded and supported.

Agency Response			
Analysis	Factually Accurate		
Please explain any concerns with factual accuracy.			
Recommendation a	Agree	Estimated Completion Date:	Complete
Please provide details of corrective action or explain disagreement.	The Department of Budget and Management has granted written permission to carry the current negative balance into FY20 at which time it will be determined if funds are available from the contingency funds to clear. The DSP will continue to work with the DBM regarding future transfers.		
Recommendation b	Agree	Estimated Completion Date:	Complete
Please provide details of corrective action or explain disagreement.	The DSP will ensure compliance with State laws regarding the use of special funds, including transfers and fund balances.		
Recommendation c	Agree	Estimated Completion Date:	Complete
Please provide details of corrective action or explain disagreement.	The DSP will ensure compliance with State laws regarding the proper recordation and support for its financial transactions.		

Finding 3

DSP had not established adequate controls over its collections and the related accounts receivable from other governmental units and private entities.

Recommendation 3

We recommend that DSP ensure that

- a. collections are recorded and restrictively endorsed immediately upon receipt (repeat),**
- b. collections are adequately safeguarded prior to deposit,**
- c. large collections are remitted electronically to enhance accountability and control over the funds,**
- d. adjustments to accounts receivable are subject to independent review and approval (repeat), and**
- e. accounts receivable and cash receipts functions are properly segregated.**

Agency Response			
Analysis	Factually Accurate		
Please explain any concerns with factual accuracy.			
Recommendation a	Agree	Estimated Completion Date:	Complete
Please provide details of corrective action or explain disagreement.	Checks are being recorded and restrictively endorsed immediately upon receipt.		
Recommendation b	Agree	Estimated Completion Date:	Complete
Please provide details of corrective action or explain disagreement.	Checks are locked and secured in a bank night drop deposit bag prior to deposit, which will be properly secured.		
Recommendation c	Agree	Estimated Completion Date:	Complete
Please provide details of corrective action or explain disagreement.	Beginning, May 7, 2019, DSP converted some large collections to electronically transferred payments to enhance accountability and control over the funds. All MdTA payments are now electronic.		
Recommendations d and e	Agree	Estimated Completion Date:	Complete
Please provide details of corrective action or explain disagreement.	Since May 1, 2019, adjustments to accounts receivable records are reviewed and approved by an employee independent of the employee entering the adjustments in the Financial Management Information System (FMIS); and the responsibilities for the cash receipts and accounts receivable functions are segregated.		

Finding 4

DSP did not determine the composition of a non-budgeted fund clearing account balance totaling \$821,000 nor report the balance to the Comptroller of Maryland – General Accounting Division (GAD) as required.

Recommendation 4

We recommend that DSP

- a. transfer the funds to the State’s General Fund or, if determined to be permissible, request an appropriation to use the funds; and
- b. report the June 30, 2018 non-budgeted fund clearing account balance to GAD as required by the budgetary closing instructions.

Agency Response			
Analysis	Factually Accurate		
Please explain any concerns with factual accuracy.			
Recommendation a	Agree	Estimated Completion Date:	Complete
Please provide details of corrective action or explain disagreement.	DSP made GAD aware of the balance and its composition prior to closing. It has since been transferred to the State’s General fund.		
Recommendation b	Agree	Estimated Completion Date:	Complete
Please provide details of corrective action or explain disagreement.	Although there was no documentation, the DSP made GAD aware of the balance and its composition prior to closing.		

Finding 5

DSP did not comply with State procurement regulations when procuring helicopter maintenance services and aviation fuel valued at approximately \$12.1 million.

Recommendation 5

We recommend that DSP

- a. ensure that procurements of similar services are consolidated and competitive procurements are conducted as appropriate, to maximize buying power;**
- b. use the sole source procurement method only when a single vendor can meet the requirements, and adequately document this justification;**
- c. submit contracts to DBM and/or BPW for review and approval, as required;**
- d. execute written contracts with its aviation fuel vendors; and**
- e. establish a process to ensure it is not charged State and federal excise taxes for purchases of aviation fuel or that it obtains reimbursement for State and federal excise taxes paid.**

Agency Response			
Analysis	Factually Accurate		
Please explain any concerns with factual accuracy.			
Recommendation a	Agree	Estimated Completion Date:	Open
Please provide details of corrective action or explain disagreement.	<p>In January 2018, the DSP entered into a Master Services Contract to consolidate similar procurements which remains in effect through January 31, 2023. The DSP continues to utilize the three vendors identified by the Master Services Contract to perform MSPAC's required inspections and identified repairs. With the guidance of DSP Planning & Research Division, Legal Counsel Unit and approval of DBM, the DSP Procurement manual was updated to reflect the changes to COMAR 21.05.13.06(H) as it impacted the MSPAC. The DSP continues to conduct competitive procurements to maximize buying power. Despite the increase of the AW139 fleet in the United States over the last several years, no additional vendors have been identified. MSPAC continues to consolidate procurements as required and provides documentation in those instances when consolidation is not possible.</p>		
Recommendation b	Agree	Estimated Completion Date:	10/1/19
Please provide details of corrective action or explain disagreement.	<p>DSP will continue to ensure that justification and documentation for each sole source procurement is retained on file within MSPAC according to regulation. An MSPAC special order remains in place mandating all purchases, including sole source purchases, to have the approval of the Aviation Commander or his designee(s) which can only be a member of the MSPAC Executive Staff.</p>		
Recommendation c	Agree	Estimated Completion Date:	Open
Please provide details of corrective action or explain disagreement.	<p>Since implementing the Master Services Contracts, MSPAC has worked with DBM to take contracts that are outside the scope of the Master Services Contracts and exceed our delegation of authority to BPW for approval. In addition, the MSPAC will utilize the approved DSP Procurement Manual procedure changes agreed upon by DGS and the DSP to remain in compliance with COMAR 21.05.13.06(H).</p>		
Recommendation d	Agree	Estimated Completion Date:	12/31/19
Please provide details of corrective action or explain disagreement.	<p>As of April 2019 MSPAC renewed its fueling agreement with a federal entity for one of its bases. As of August 2019, MSPAC has entered into a fueling contract with a Maryland State agency that covers 2 airports. MSPAC is currently working with DGS through the sole source/competitive bid process which will take place for the remaining 4 airports.</p>		

Recommendation e	Agree	Estimated Completion Date:	12/31/19
Please provide details of corrective action or explain disagreement.	The recently modified lease agreements put in place specifically address the DSP's State tax exemption status. Those lease agreements that have not yet been completed will also include the required tax exemption language. MSPAC has put procedures in place to outline price audits for the purchase of fuel in order to ensure that excise taxes are not charged, and if so seek reimbursement. Price audits are to be conducted annually, during the lease agreement review process.		

Finding 6
DSP did not have a comprehensive process in place to ensure the accuracy of all critical handgun registration data recorded in its automated record of regulated firearms, and did not conduct timely independent quality control reviews of approved applications.

Recommendation 6

We recommend that DSP

- a. continue in its efforts by establishing a comprehensive process to ensure that accurate critical handgun data, such as serial numbers, are recorded in MAFSS, and resolve the above noted discrepancies; and**
- b. complete independent quality control reviews of selected handgun registration applications timely, in accordance with its written policies.**

Agency Response			
Analysis	Factually Accurate		
Please explain any concerns with factual accuracy.			
Recommendation a	Agree	Estimated Completion Date:	In process
Please provide details of corrective action or explain disagreement.	<p>The OLA identified 52,000 77Rs recorded in calendar year 2017. Of the 52,000 77Rs, OLA identified 392 data match errors for firearm serial numbers listed in the Licensing Portal and the MAFSS systems. This 0.75% error rate meets the data entry industry standard error rate of 1%. As of September 5, 2019 all 392 errors have been corrected. The MDSP Licensing Division (MDSPLD) continues to work with Department of Public Safety and Corrections (DPSCS) to upgrade MAFSS. With the assistance and guidance of MDSPLD, DPSCS is currently conducting data cleanup operations on the existing MAFSS data. The goal of this MAFSS update is to remove MAFSS from the DPSCS mainframe and convert it into a modernized Sequel Server with the ability to transfer data electronically. The ability to transfer data from the Licensing Portal to the new MAFSS will eliminate the current manual data entry process, thereby eliminating all data entry errors by MDSPLD personnel.</p>		
Recommendation b	Agree	Estimated Completion Date:	Complete
Please provide details of corrective action or explain disagreement.	<p>The MDSPLD FRU staff has continued in its efforts to perform QC reviews to ensure the accuracy and completeness of all data inputted into MAFSS. All 1,541 77Rs selected for QC were reviewed and cleared by October 18, 2018, resulting in zero (0) instances where we had to subsequently disapprove an application after the QC review. These QC reviews were completed prior to the completion of the OLA audit of the MDSPLD and continue to be performed on a monthly basis.</p>		

Finding 7
Sensitive personally identifiable information (PII) maintained by DSP in one licensing system was stored without adequate safeguards.

Recommendation 7
We recommend that DSP implement approved encryption methods or other substantial mitigating controls to properly protect all sensitive PII.

Agency Response			
Analysis	Factually Accurate		
Please explain any concerns with factual accuracy.			
Recommendation	Agree	Estimated Completion Date:	Complete
Please provide details of corrective action or explain disagreement.	DSP has implemented encryption methods on the system identified that maintains personally identifiable information (PII).		

Finding 8
DSP lacked assurance that adequate security and operational controls existed over its RMS.

Recommendation 8
We recommend that DSP

- a. request DoIT to continue its efforts to amend the existing contract and ensure that future contracts require that the primary provider, and any subcontractors performing material services for the RMS, periodically obtain SOC 2 Type 2 reviews and reports for the provided services to ensure that adequate controls exist over the RMS;**
- b. obtain and review copies of these SOC 2 Type 2 reports from the primary provider and its subcontractors and determine if the related independent reviews adequately address the aforementioned security concerns over the RMS; and**
- c. ensure that the primary provider and its subcontractors implement all critical recommendations made in the reports.**

Agency Response			
Analysis	Factually Accurate		
Please explain any concerns with factual accuracy.			
Recommendation a	Agree	Estimated Completion Date:	6/30/2020
Please provide details of corrective action or explain disagreement.	DSP is working with DoIT and the primary provider on a contract modification which would require the primary provider to provide a SOC 2 Type 2 report. The contract modification should be completed in late 2019. Thereafter, DSP will periodically obtain SOC 2 Type 2 reviews and reports.		
Recommendation b	Agree	Estimated Completion Date:	7/31/2020
Please provide details of corrective action or explain disagreement.	Upon modification of the primary provider contract, DSP will review obtained SOC 2 Type 2 reports, and if any identified security weaknesses are reported will ensure the primary provider and its subcontractors are working to address adequately.		
Recommendation c	Agree	Estimated Completion Date:	8/31/2020
Please provide details of corrective action or explain disagreement.	DSP will review, document, and ensure the primary provider and its subcontractors work to implement all critical recommendations made in the report.		

Finding 9
Certain outdated software and security-related settings on DSP computers were not sufficient to provide DSP with adequate assurance that its computers were properly protected.

Recommendation 9

We recommend that DSP

- a. limit the assignment of administrative rights on workstations to system and network administrators and those users specifically allowed such rights (repeat), with any such assignments to non-IT administrators being justified, approved, documented, and regularly reviewed to determine whether such rights are still needed;**
- b. complete a documented risk assessment for all laptop computers used by DSP personnel other than troopers on patrol duty, enable host-based firewalls on all laptops, to the extent possible, and obtain DSP management approval for any risk assessment decision**

to operate non-patrol car laptops without host-based firewalls enabled noting any compensating controls; and

- c. promptly install all critical security-related software updates for known vulnerable applications on all workstations (repeat).

Agency Response			
Analysis	Factually Accurate		
Please explain any concerns with factual accuracy.	.		
Recommendation a	Agree	Estimated Completion Date:	11/30/2019
Please provide details of corrective action or explain disagreement.	DSP is in the process of reviewing assignments of administrative rights on workstations to system and network administrators. DSP will enforce written policy to assign, restrict, and document administrative rights. Documentation will be maintained and reviewed annually to determine whether such rights are still needed.		
Recommendation b	Agree	Estimated Completion Date:	12/15/2019
Please provide details of corrective action or explain disagreement.	DSP will complete a documented risk assessment for all non-patrol laptop computers used by DSP personnel with enabling the host-based firewall to the extent possible. DSP will obtain and document management approval for any risk assessment decision pertaining to operation of non-patrol laptops without host-based firewalls enabled. DSP is currently testing non-patrol laptops with host-based firewall enabled.		
Recommendation c	Agree	Estimated Completion Date:	Complete
Please provide details of corrective action or explain disagreement.	DSP has purchased and implemented a software maintenance product to keep all computers up to date with critical security-related software updates.		

Finding 10

DSP did not periodically review daily fuel usage reports to verify the propriety of fuel dispensed into its State vehicles.

Recommendation 10

We recommend that DSP

- a. perform periodic documented reviews of vehicle fuel usage reports as required; and**
- b. investigate error flags, including those noted above, and take appropriate corrective action.**

Agency Response			
Analysis	Factually Accurate		
Please provide additional comments as deemed necessary.			
Recommendation 10a	Agree	Estimated Completion Date:	11/1/19
Please provide details of corrective action or explain disagreement.	The Department agrees with the recommendation to perform periodic documented reviews of daily fuel usage reports from the Department of General Services (DGS) Statewide Fuel Management System to verify the propriety of fuel dispensed in MDSP vehicles. These reviews will focus on automated error flags that document anomalies in fuel data such as below average fuel consumption or excessive fuel quantities disbursed. The periodic reviews will be documented via a Motor Vehicle Division standard operating procedure that will be consistent with the DGS Automated Fuel Dispensing and Management System Handbook for Fleet Managers. The SOP will document how and when fuel reports will be monitored in order to detect possible abuse or misuse of the system. This task will be included within the Division’s decentralized line inspection program.		
Recommendation 10b	Agree	Estimated Completion Date:	1/15/20
Please provide details of corrective action or explain disagreement.	The Department agrees with the recommendation to review the fuel reports for fiscal year 2018 and to investigate the error flags related to 1,689 DSP vehicle operators. The Department will work with OLA to determine the methodology used during the audit, upload the data and work internally to extract data to determine patterns and reconcile anomalies.		

Finding 11

DSP lacked documentation that annual physical inventories of its sensitive equipment were completed, and could not document the investigation and reporting of certain sensitive items recorded in its equipment records as missing.

Recommendation 11

We recommend that DSP comply with the requirements of the *DGS Inventory Control Manual*. Specifically we recommend that DSP

- a. conduct physical inventories at the required intervals, reconcile the results of the inventories with the related records, promptly investigate and resolve all differences (repeat), and retain related documentation for audit and verification purposes; and
- b. consult with DGS and take appropriate action to ensure the aforementioned 4,600 items were reported as missing, and remove the items from its equipment records.

Agency Response			
Analysis	Factually Accurate		
Please explain any concerns with factual accuracy.			
Recommendation a	Agree	Estimated Completion Date:	12/31/19
Please provide details of corrective action or explain disagreement.	DSP has been working diligently to meet this task. For Fiscal Year 2018, DSP was able to completely reconcile 89 of 90 units. The unit not reconciled is in the process of completing its inventory.		
Recommendation b	Agree	Estimated Completion Date:	12/31/19
Please provide details of corrective action or explain disagreement.	The DSP Property Section has been working diligently to reconcile the 4,600 sensitive items marked as missing or stolen. The total amount has since been reduced to approximately 3,500. Continued efforts are being taken to recover old records to further reduce the number of items disposed of previously and still showing in our detailed record (MITS). Items not able to be recovered as disposed of will be presented in a report to the Superintendent to have removed.		

AUDIT TEAM

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