



DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Victoria L. Gruber
Executive Director

April 28, 2021

Gregory A. Hook, CPA
Legislative Auditor

Senator Guy J. Guzzone, Chair
Senate Budget and Taxation Committee
Miller Senate Office Building, 3 West Wing
11 Bladen Street
Annapolis, Maryland 21401

Delegate Maggie McIntosh, Chair
House Appropriations Committee
House Office Building, Room 121
6 Bladen Street
Annapolis, Maryland 21401

Dear Senator Guzzone and Delegate McIntosh:

The Office of Legislative Audits (OLA) has reviewed the actions taken by the Department of General Services (DGS) to resolve the repeat findings in our December 5, 2019 audit report for the former DGS Office of Procurement and Logistics (OPL). Effective October 1, 2019, in accordance with Chapter 590, Laws of Maryland 2017, the Office of Procurement and Logistics became the Office of State Procurement (OSP) within DGS.

This review was conducted in accordance with the requirement specified in the April 2020 *Joint Chairmen's Report* (JCR), pages 70 and 71. The JCR required that, prior to the release of \$100,000 of its administrative appropriation for fiscal year 2021, DGS must take corrective action with respect to all repeat audit findings on or before November 1, 2020. The JCR language further provided that OLA submit a report to the budget committees listing each repeat audit finding along with a determination that each repeat finding was corrected. The OLA report is required to be submitted to allow 45 days for the budget committees to review and release the funds prior to the end of the fiscal year.

The December 5, 2019 audit report of OPL contained five repeat audit findings (Findings 1, 2, 3, 4, and 5) that were addressed by seven recommendations (recommendations 1a, 2, 3, 4a, 4b, 5a, and 5b). DGS provided a report to OLA, dated November 30, 2020, detailing the corrective actions that it had taken with respect to the repeat audit findings (**Exhibit 1**). The DGS status report indicated that corrective actions had been completed to address the recommendations for Findings 3, 4a, 4b, and 5b, and that corrective actions were ongoing for recommendations 1a, 2, and 5a.

We reviewed the DGS status report and related documentation, performed limited tests and analyses of the information, and held discussions with DGS personnel as necessary to assess the implementation status of the related recommendations. Our review did not constitute an audit conducted in accordance with generally accepted government auditing standards. Based on our review, we concur with DGS' assessment that it had taken sufficient actions to fully correct findings 3 and 4, and part of finding 5, but had not taken sufficient actions to correct findings 1, 2, and the remaining repeat element of finding 5 (**Exhibit 2**). Our assessment of the three repeat findings in progress, and consequently not resolved, is included in **Exhibit 3**.

After discussing our review results, DGS generally agreed with the accuracy of the information presented. We wish to acknowledge the cooperation extended to us during the review by OSP. We also wish to acknowledge DGS' and OSP's willingness to address the audit issues and implement appropriate corrective actions.

We trust our response satisfactorily addresses the JCR requirement. Please contact me if you need additional information.

Sincerely,



Gregory A. Hook, CPA
Legislative Auditor

cc: Senator Clarence K. Lam, Senate Chair, Joint Audit and Evaluation Committee
Delegate Carol L. Krimm, House Chair, Joint Audit and Evaluation Committee
Joint Audit and Evaluation Committee Members and Staff
Senator William C. Ferguson IV, President of the Senate
Delegate Adrienne A. Jones, Speaker of the House of Delegates
Governor Lawrence J. Hogan, Jr.
Comptroller Peter V.R. Franchot
Treasurer Nancy K. Kopp
Attorney General Brian E. Frosh
Secretary David R. Brinkley, Department of Budget and Management
Secretary Ellington Churchill, Jr., Department of General Services
Robert E. Gleason, Chief Procurement Officer, Office of State Procurement, DGS
Joan Peacock, Manager, Audit Compliance Unit, Department of Budget and Management
Victoria L. Gruber, Executive Director, Department of Legislative Services
Patrick S. Frank, Policy Analyst, Department of Legislative Services

Exhibit 1 to April 28, 2021 Letter to Joint Chairmen

Larry Hogan
Governor
Boyd K. Rutherford
Lt. Governor



Ellington E. Churchill, Jr.
Secretary

MARYLAND DEPARTMENT OF GENERAL SERVICES OFFICE OF THE SECRETARY

November 30, 2020

Gregory A. Hook, CPA, Legislative Auditor
Department of Legislative Services
Maryland General Assembly

Re: April 2020 Joint Chairmen's Report (JCR) Agency Status Form for
Audit of Department of General Services (DGS) Office of Procurement and Logistics (OPL)
Report Date: December 5, 2019
Audit Period: October 28, 2015 to October 15, 2018

Dear Mr. Hook,

Attached is the Department's Agency Status Form for the audit findings as requested from the April 2020 JCR. Despite budget cuts, hiring freezes, and increased workload demands for goods and services procurements to combat the COVID-19 outbreak, DGS Office of State Procurement (OSP) continues to work diligently to fully establish all bureaus and units to address all audit findings promptly.

If you have any further questions or concerns, please feel free to contact myself or Jamie Tomaszewski, Chief Administrative Officer for the Office of State Procurement at Jamie.tomaszewski@maryland.gov or 443-632-7199.

Sincerely,

A handwritten signature in blue ink that reads "Ellington E. Churchill, Jr." with a stylized flourish at the end.

Ellington E. Churchill, Jr.
Secretary



Exhibit 1 to April 28, 2021 Letter to Joint Chairmen

Department of General Services – Office of Procurement and Logistics

JCR Status as of November 1, 2020

State Agency Procurement Monitoring

Finding 1

The Office of Procurement and Logistics (OPL) did not adequately monitor certain State agency procurements that were specifically subject to its oversight.

Recommendation 1a

We recommend that OPL monitor agency procurements by conducting audits of delegated procurements in accordance with State regulations and its procedures (repeat).

Status of Recommendation 1a			
Status as of 11/1/2020	In Progress	Completion Date:	12/31/2020
Please provide details of corrective action taken.	<p>The Procurement Review Program (PRP) was officially kicked off on July 16, 2020 with an introduction of the Agency Procurement Review (APR) process to the Senior Procurement Advisory Group (SPAG). The two Account Executives (AEs) with OSP senior management oversight have completed the PRP Manual establishing the process for the APRs and have begun a pilot APR. The PRP Manual has been designed to ensure that the procurement reviews are sufficiently comprehensive. The PRP Manual includes instruction on what documentation is to be kept and maintained to support the conclusions for each APR.</p> <p>This pilot APR is being performed together by both AEs, as part of the training process to exercise the complete manual and all of its review steps to identify any issues that may arise before the AEs go out on their own to conduct APRs. Updates to the manual will be made, as necessary, after this pilot review. Following the pilot APR, the goal is to start the second APR prior to the estimated completion date.</p> <p>Based upon the findings thus far in the pilot APR, the manual will be updated to establish an initial APR at a high level to assess if the agency is meeting the overall procurement standards (i.e., organizational, program, staffing, and professional standards) before performing the more in depth APR for the solicitation and contract document review. This high-level, initial APR will allow the AEs to perform reviews more expeditiously and complete more agencies to get a baseline of the overall health of procurement practices in the agencies and then follow up with the detailed APR within a six to twelve month period depending on the deficiencies found. If an agency is found to be in “good standing”, then the next level APR may occur immediately following the initial APR.</p>		

Exhibit 1 to April 28, 2021 Letter to Joint Chairmen

Department of General Services – Office of Procurement and Logistics

JCR Status as of November 1, 2020

Statewide Procurements

Finding 2

OPL did not publish contract awards totaling \$37 million on eMaryland Marketplace, as required.

Recommendation 2

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

Status of Recommendation 2			
Status as of 11/1/2020	In Progress	Completion Date:	7/1/2021
Please provide details of corrective action taken.	<p>DGS OSP has established procedures to ensure that the Procurement Officers are posting all required contract awards on <u>eMaryland Marketplace Advantage (eMMA)</u>. The procedures include a process where the procurement files and updated procurement checklists are routed through the Procurement Manager or Director to verify the awards are posted as part of the OSP internal approval process. Additionally, the AEs started conducting quarterly random sample audits in May 2020 to <u>cross-check FMIS entries to eMMA postings</u> to ensure that we are in compliance with State procurement laws and regulations by publishing contract awards on <u>eMMA</u> within 30 days of the award.</p> <p><u>Also</u>, the OSP Maryland Procurement Academy (MDPA) has created two training videos demonstrating the two different processes for posting a contract award through <u>eMMA</u> – one is from a competitive procurement conducted within <u>eMMA</u> and the other is from “scratch” procured outside of <u>eMMA</u>, such as a sole source contract or secondary competition for a task order. These training videos were also shared at SPAG meetings for all agencies’ procurement officers to see the steps in addition to having available “Quick Reference Guides” (QRGs) on the procurement.maryland.gov website to refer to as they are posting their contract awards. The training videos are also available in the MDPA Learning Management System (LMS) for the Procurement Officers to refer to whenever needed.</p> <p>The target completion date is when full system functionality and polices would be implemented within <u>eMMA</u>. Release 1.1 was launched with a “Go Live” date of November 23, 2020, which implemented the contract workflows in <u>eMMA</u>. The expectation is that Release 1.1.x will include system prompts for the procurement officers to ensure contract awards are published within 30 days. At this time, we anticipate Release 1.1.x in Spring 2021 to meet the July 1, 2021 completion date.</p>		

Exhibit 1 to April 28, 2021 Letter to Joint Chairmen

Department of General Services – Office of Procurement and Logistics

JCR Status as of November 1, 2020

Finding 3

OPL did not always provide prices for products available from Intergovernmental Cooperative Purchasing Agreements to State agencies.

Recommendation 3

We recommend that OPL either independently publish contract prices or refer agencies to pricing information from the agency that procured the ICPA for items available from ICPAs for use by State agencies (repeat).

Status of Recommendation 3			
Status as of 11/1/2020	Completed	Completion Date:	5/31/2020
Please provide details of corrective action taken.	DGS OSP has confirmed that when the price lists cannot be posted, the lead state contact information is available on the DGS OSP website and BPOs for all awarded ICPAs. DGS OSP has established procedures to ensure that procurement officers include either the price list or the lead state information when publishing the ICPA on the website, as well as the DGS Procurement Officer's information for agency procurement officers to contact with questions on pricing or other contract concerns. Additionally, the AEs have included checking this information as part of the quarterly random sample audit of the eMMA contract award postings since any ICPAs would also be listed on the report for posting contracts on eMMA within 30 days of award.		

Exhibit 1 to April 28, 2021 Letter to Joint Chairmen

Department of General Services – Office of Procurement and Logistics

JCR Status as of November 1, 2020

Monitoring of Providers with Procurement Preferences

Finding 4

OPL did not establish comprehensive procedures for determining the fair market prices of goods and services available from MCE. Furthermore, OPL did not publish fair market prices of items available for purchase from MCE and BISM, as required.

Recommendation 4a

We recommend that OPL establish comprehensive procedures to independently determine and publish the fair market prices of MCE's goods and services (repeat).

Status of Recommendation 4a			
Status as of 11/1/2020	Completed	Completion Date:	7/31/2020
Please provide details of corrective action taken.	DGS OSP instituted a procedure to perform market research on MCE's annual catalogs prior to publication. This involves DGS OSP staff conducting sample checks of MCE items and confirming fair market value. Those prices found to be above fair market value are noted and presented to MCE for further discussion. Similarly, requests for price increases during a FY are submitted via e-mail to DGS OSP for review and approval. The procedures developed include guidance on maintaining documents from the pricing review process. DGS OPS also established procedures to ensure that the approved MCE catalog is published on the DGS OSP and MCE websites.		

Recommendation 4b

We recommend that OPL publish or verify the fair market prices of BISM's goods and services as determined by the Pricing and Selection Committee for BISM and EWP (repeat).

Status of Recommendation 4b			
Status as of 11/1/2020	Completed	Completion Date:	7/31/2020
Please provide details of corrective action taken.	DGS OSP has posted the FY2021 approved BISM Master Price list of pricing for goods and services via a spreadsheet on the DGS OSP website. (See "BISM Master Price List" as a "Quick Link" at https://procurement.maryland.gov/). A process has been established to post updated price lists as available.		

Exhibit 1 to April 28, 2021 Letter to Joint Chairmen

Department of General Services – Office of Procurement and Logistics

JCR Status as of November 1, 2020

Finding 5

OPL did not adequately monitor the coordinating entity for EWP to ensure that it met its responsibilities under the law.

Recommendation 5a

We recommend that OPL monitor the CE to ensure that it is providing the goods and services required by State law and the MOU (repeat).

Status of Recommendation 5a			
Status as of 11/1/2020	In Progress	Completion Date:	6/30/2021
Please provide details of corrective action taken.	The revised MOU between DGS OSP and Maryland Works was finalized and signed as of February 28, 2020. The next task is for DGS OSP to establish documented procedures for the two AEs to monitor the CE to ensure that it is providing goods and services as required by State law and the MOU. Eventually, the OSP’s plan includes hiring an internal auditor to perform this monitoring; however, at this time, this position is frozen due to budget issues resulting from the pandemic. The estimated completion date for this recommendation is June 30, 2021. This time is needed to develop procedures and to begin the monitoring efforts.		

Recommendation 5b

We recommend that OPL specify in sufficient detail how the CE’s responsibilities should be carried out (repeat).

Status of Recommendation 5b			
Status as of 11/1/2020	Completed	Completion Date:	10/30/2020
Please provide details of corrective action taken.	The CE updated its manual with the CE’s current processes and procedures as to how the CE’s responsibilities are to be carried out. The CE manual was accepted and approved by DGS OSP; however, there are some clarifications being requested through the “CE workgroup” to ensure the MOU and the procedures are aligned. This review is being done in conjunction with the monitoring procedures being created in response to Recommendation 5a to provide oversight and guidance, and will continue as part of the CE workgroup. DGS OSP had the CE make a presentation at the October 15, 2020 SPAG meeting to provide procurement officers with the updated procedures for the Employment Works Program (EWP). The “CE workgroup” consists of the two OSP AEs, the OSP Business Manager, who would be the supervisor over the internal auditor position and the OSP Chief Administrative Officer, as well as DBM’s Audit Compliance Unit staff. The CE Workgroup will meet periodically with the CE to ensure procedures established to		

Exhibit 1 to April 28, 2021 Letter to Joint Chairmen

Department of General Services – Office of Procurement and Logistics

JCR Status as of November 1, 2020

	identify potential contracts for procurement and the procedures for the selection of preferred providers are consistent and being maintained in accordance with the manual and the MOU.
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Exhibit 2 to April 28, 2021 Letter to Joint Chairmen

Status of Repeat Findings in OLA’s December 5, 2019 Audit Report on the Department of General Services – Office of Procurement and Logistics (OPL)

Prior Recommendations Pertaining to Repeat Findings	Status Based on OLA Review
<p>State Agency Procurement Monitoring</p> <p>1. We recommend that OPL</p> <p style="padding-left: 40px;">a. monitor agency procurements by conducting audits of delegated procurements in accordance with State regulations and its procedures.</p>	Not Resolved (In Progress)
<p>Statewide Procurements</p> <p>2. We recommend that OPL comply with State procurement laws and regulations by publishing contract awards on <i>eMaryland Marketplace (eMM)</i>¹ within 30 days of the contract award.</p>	Not Resolved (In Progress)
<p>3. We recommend that OPL either independently publish contract prices or refer agencies to pricing information from the agency that procured the Intergovernmental Cooperative Purchasing Agreement (ICPA) for items available from ICPAs for use by State agencies.</p>	Resolved
<p>Monitoring of Providers with Procurement Preferences</p> <p>4. We recommend that OPL</p> <p style="padding-left: 40px;">a. establish comprehensive procedures to independently determine and publish the fair market prices of Maryland Correctional Enterprises’ (MCE) goods and services.</p>	Resolved
<p style="padding-left: 80px;">b. publish or verify the fair market prices of Blind Industries and Services of Maryland’s (BISM) goods and services as determined by the Pricing and Selection Committee for BISM and the Employment Works Program.</p>	Resolved
<p>5. We recommend that OPL</p> <p style="padding-left: 40px;">a. monitor the coordinating entity (CE) to ensure that it is providing the goods and services required by State law and the Memorandum of Understanding.</p>	Not Resolved (In Progress)
<p style="padding-left: 80px;">b. specify in sufficient detail how the CE’s responsibilities should be carried out.</p>	Resolved

¹ - *eMM* is an Internet-based, interactive procurement system managed by the Department of General Services (DGS). Effective July 2019, DGS replaced *eMM* with *eMaryland Marketplace Advantage (eMMA)*.

Exhibit 3 to April 28, 2021 Letter to Joint Chairmen

OLA's Assessments Regarding Repeat Findings That Were Not Resolved

Prior Report Recommendation – Finding 1a

We recommend that OPL

- a. monitor agency procurements by conducting audits of delegated procurements in accordance with State regulations and its procedures (repeat).

Status: Not Resolved

Our review disclosed that although DGS drafted procedures for conducting audits of delegated procurements, the procedures were being revised based on the results of a pilot audit which had not been finalized as of February 18, 2021. In addition, DGS had only initiated one additional audit of another agency's delegated procurements and scheduled six more audits to be performed in calendar year 2021. Audits for the remaining 53 agencies had not been scheduled.

Prior Report Recommendation – Finding 2

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

Status: Not Resolved

Our review disclosed that DGS had begun to develop procedures that would confirm timely contract publication on *eMaryland Marketplace Advantage (eMMA)* through utilization of a procurement checklist and subsequent supervisory review. However, these procedures had not been finalized at the time of our review. In addition, we noted that DGS had performed two quarterly reviews of a limited selection of contracts recorded in the State's accounting records to determine whether the associated awards had been properly published on *eMMA*; however, the resulting reports indicated inconsistent compliance statistics and omitted results of certain types of contracts. Finally, DGS advised that it is on schedule to implement an update to *eMMA* in 2021 that will automatically prompt procurement officers to publish contract awards within 30 days.

Prior Report Recommendation – Finding 5a

We recommend that OPL

- a. monitor the coordinating entity (CE) to ensure that it is providing the goods and services required by State law and the Memorandum of Understanding (MOU) (repeat).

Status: Not Resolved

Our review disclosed that although DGS had executed a new MOU between DGS and the CE to detail the CE's responsibilities for monitoring compliance with requirements of the Maryland Works Program, the related monitoring procedures had not been finalized. In addition, DGS

Exhibit 3 to April 28, 2021 Letter to Joint Chairmen

advised that an audit position necessary to perform the monitoring function had not been filled due to budget issues related to the COVID-19 pandemic.