

Audit Report

Department of Natural Resources

April 2021



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

Joint Audit and Evaluation Committee

Senator Clarence K. Lam, M.D. (Senate Chair)	Delegate Carol L. Krimm (House Chair)
Senator Malcolm L. Augustine	Delegate Steven J. Arentz
Senator Adelaide C. Eckardt	Delegate Mark S. Chang
Senator George C. Edwards	Delegate Nicholas P. Charles II
Senator Katie Fry Hester	Delegate Andrea Fletcher Harrison
Senator Cheryl C. Kagan	Delegate Keith E. Haynes
Senator Benjamin F. Kramer	Delegate David Moon
Senator Cory V. McCray	Delegate April R. Rose
Senator Justin D. Ready	Delegate Geraldine Valentino-Smith
Senator Craig J. Zucker	One Vacancy

To Obtain Further Information

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

To Report Fraud

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

Nondiscrimination Statement

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



DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Victoria L. Gruber
Executive Director

Gregory A. Hook, CPA
Legislative Auditor

April 5, 2021

Senator Clarence K. Lam, M.D., Senate Chair, Joint Audit and Evaluation Committee
Delegate Carol L. Krimm, 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 Natural Resources (DNR) for the period beginning January 6, 2016 and ending August 5, 2019. DNR oversees the management and use of the State's living and natural resources for the current and future enjoyment of Maryland's citizens and visitors. These resources include the Chesapeake Bay and its tributaries, state forests and parks, and fisheries and wildlife.

Our audit disclosed that DNR did not adequately administer two conservation programs designed to preserve and protect Maryland natural resources. Specifically, DNR overpaid for Conservation Reserve Enhancement Program easements because of errors and inconsistencies in easement valuation calculations and did not ensure that land owners complied with the terms of the easements. For example, our test of 15 easements totaling \$8.7 million disclosed that DNR did not identify that incorrect valuation rates were used in calculations resulting in overpayments on 12 easements totaling \$3.2 million. Furthermore, DNR did not obtain required documentation needed to effectively monitor the State and local Forest Conservation Act (FCA) programs. For example, DNR did not use \$3.5 million collected for reforestation projects within the time required under the State FCA program.

Our audit also disclosed that DNR did not perform periodic reviews to determine the propriety of user access to its web-based licensing and registration system (known as COMPASS). As a result, from our limited review, we identified several users who had improper access or could process critical transactions without adequate supervisory review, and certain transactions were not properly supported.

Additionally, collections were not always safeguarded and independently verified to subsequent deposit, and certain collection functions were not separated as required. DNR also did not always comply with the State procurement regulations including documenting bid openings, retaining proposals, executing contracts, and publishing contract awards on *eMaryland Marketplace*. Furthermore, DNR did not ensure it received technology enterprise services during fiscal year 2020 valued at \$5 million from the Department of Information Technology.

Finally, our audit included a review to determine the status of the four findings contained in our preceding audit report. We determined that DNR satisfactorily addressed three of these four findings. The remaining finding is repeated in this report.

DNR's response to this audit is included as an appendix to this report. In accordance with State law, we have reviewed the response and, while DNR generally agrees with the recommendations in this report, we identified certain instances in which statements in the response conflict with or disagree with the report findings. In each instance, we reviewed and reassessed our audit documentation, and reaffirmed the validity of our finding. In accordance with generally accepted government auditing standards, we have included "auditor comments" within DNR's response to explain our position. We will advise the Joint Audit and Evaluation Committee of any outstanding issues that we cannot resolve with DNR.

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

Respectfully submitted,



Gregory A. Hook, CPA
Legislative Auditor

Table of Contents

Background Information	5
Agency Responsibilities	5
Somers Cove Marina Improvement Fund	5
Resource Sharing Agreements	6
Status of Findings From Preceding Audit Report	7
Findings and Recommendations	8
Conservation Programs	
Finding 1 – The Department of Natural Resources (DNR) overpaid for Conservation Reserve Enhancement Program easements and did not ensure that land owners complied with the terms of the easements.	9
Finding 2 – DNR did not obtain required documentation needed to effectively monitor the State Forest Conservation Act (FCA) program. In addition, DNR did not use \$3.5 million collected for reforestation projects within the time required.	11
Finding 3 – DNR did not effectively monitor local FCA programs to ensure local jurisdictions complied with the terms of the program and did not properly account for the related funds.	12
COMPASS Licensing and Registration System	
Finding 4 – DNR did not perform periodic reviews to determine the propriety of user access to its COMPASS web-based licensing and registration system. As a result, from our limited review, we identified several users who had improper access or could process critical transactions without adequate supervisory review and certain transactions were not properly supported.	14
Cash Receipts	
* Finding 5 – Collections at DNR’s headquarters complex and the Annapolis RSC were not always safeguarded and independently verified to subsequent deposit, and certain collection functions were not separated as required.	16
* Denotes item repeated in full or part from preceding audit report	

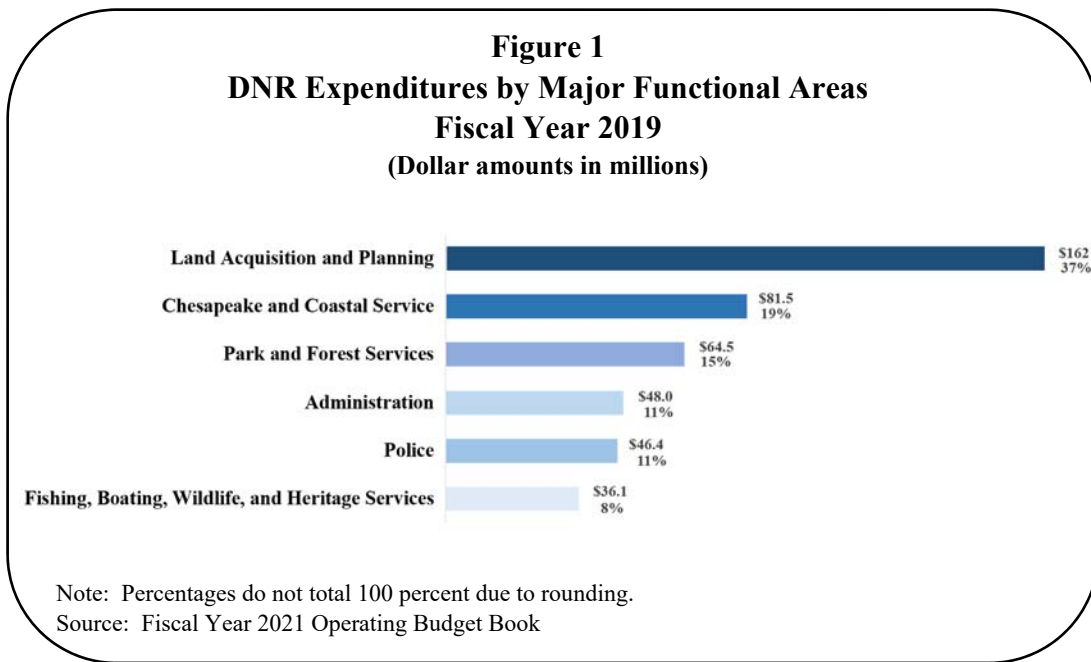
Procurements and Disbursements	
Finding 6 – DNR did not always comply with State procurement regulations including documenting bid openings, retaining proposals, executing contracts, and publishing contract awards on <i>eMaryland Marketplace</i> .	17
Finding 7 – DNR did not ensure it received technology enterprise services during fiscal year 2020 valued at \$5 million from the Department of Information Technology.	19
Audit Scope, Objectives, and Methodology	20
Agency Response	Appendix

Background Information

Agency Responsibilities

The Department of Natural Resources (DNR) oversees the management and use of the State’s living and natural resources for the current and future enjoyment of Maryland’s citizens and visitors. These resources include the Chesapeake Bay and its tributaries, state forests and parks, and fisheries and wildlife. DNR maintains a headquarters location in Annapolis and eight Regional Service Centers.

According to the State’s records, during fiscal year 2019, DNR’s expenditures totaled \$438.5 million, including \$110 million for land acquisition through Program Open Space and \$46.8 million for capital improvement projects. See Figure 1 for DNR’s fiscal year 2019 expenditures by major functional area.



Somers Cove Marina Improvement Fund

Our audit included the Somers Cove Marina Improvement Fund, which is maintained by the Somers Cove Marina Commission, a body politic and corporate and an instrumentality of the State. The Natural Resources Article, Section 5-908.1 of the Annotated Code of Maryland established the Fund to be used for the operation, maintenance, development, and improvement of the Somers Cove

Marina facilities in Crisfield, Maryland. Any money obtained by the Commission from the Somers Cove Marina shall be credited to the Fund.

The law provides that the Commission shall reimburse DNR for the salary of the marina manager. Additionally, according to a memorandum of understanding between DNR and the Commission, the Commission shall reimburse DNR for the salary of the maintenance chief and for additional expenses incurred for vehicle maintenance, fuel purchases at State facilities, and any other expense incurred at or through the Somers Cove Marina. The Commission has not reimbursed DNR for these expenses since January 2018 due to insufficient revenues (see below). As of October 2019, DNR had outstanding invoices billed to the Commission totaling \$310,500. DNR advised us that in order to keep the marina in operation, it had chosen to delay collection until operating conditions improve and it will work with the Commission to improve its financial health.

According to the Commission's 2020 financial statements, operating revenues (primarily fuel sales and boat slips) totaled approximately \$786,000 and operating expenses (primarily salaries, fuel costs, and utilities) totaled approximately \$983,000, which resulted in an operating loss of \$197,000. Additionally, as of June 30, 2020, the Commission's fund balance totaled a negative \$226,000.

Resource Sharing Agreements (RSAs)

On November 18, 2016, we issued a report on our *Special Review of Resource Sharing Lease Agreements*. We disclosed that under these agreements, DNR 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. 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 DNR) and private companies. On August 3, 2018, we issued a performance audit report on *Telecommunication Resource Sharing Agreements* which contained several additional findings related to DNR. This audit report included a number of findings related to selected agencies, but emphasized the need for the Department of Information Technology to exercise greater oversight of the RSAs entered into by State agencies in general. The performance audit included the following select findings related to DNR.

- DNR did not maintain comprehensive inventories of telecommunication towers and private company equipment installed on the towers,

- DNR did not treat certain agreements as resource sharing resulting in lost opportunities to maximize compensation,
- DNR did not verify all monetary compensation in accordance with the resource sharing agreements was received,
- DNR did not always include adequate provisions in its agreements to protect the State,
- DNR executed and renewed resource sharing agreements without proper approvals, and
- DNR allowed telecommunications companies to continue using State resources after agreements had expired.

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

Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of the four findings contained in our preceding audit report dated July 12, 2017. As disclosed in Figure 2, we determined that DNR satisfactorily addressed three of these four findings. The remaining finding is repeated in this report.

Figure 2
Status of Preceding Findings

Preceding Finding	Finding Description	Implementation Status
Finding 1	DNR did not establish sufficient controls over the processing of voids and price changes.	Not repeated
Finding 2	DNR lacked assurance that COMPASS was properly secured against operational and security risks.	Not repeated
Finding 3	DNR lacked adequate controls over collections at the Annapolis headquarters complex and the Annapolis Regional Service Center.	Repeated (Current Finding 5)
Finding 4	DNR did not use available statewide contracts nor comply with State procurement regulations for the purchase of telecommunication tower maintenance and equipment installation services.	Not repeated

Findings and Recommendations

Conservation Programs

Background

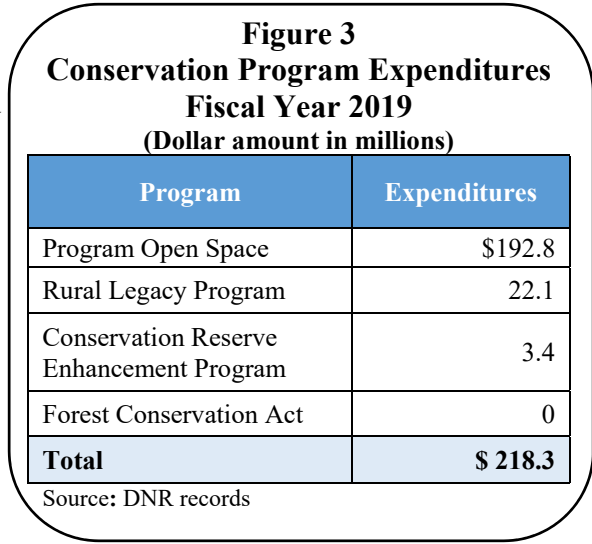
The Department of Natural Resources (DNR) is responsible for administering various conservation programs to preserve and protect Maryland natural resources. DNR’s main conservation programs include Program Open Space, the Rural Legacy Program, the Conservation Reserve Enhancement Program, the Forest Conservation Act Program, the Forest Legacy Program, the Land and Water Conservation Fund, the Community Parks and Playgrounds Program, and the Maryland Environmental Trust. We reviewed four conservation programs with collective DNR expenditures totaling \$218.3 million during fiscal year 2019 (see Figure 3).

Program Open Space (POS) – POS conserves natural resources and provides outdoor recreation opportunities for Maryland citizens. POS preserves natural areas for public recreation and watershed and wildlife protection across Maryland through the purchase of fee-simple land and easement acquisitions.

Rural Legacy Program (RLP) – The RLP enhances natural resource, agricultural, forestry, and environmental protection while maintaining the viability of resource-based land usage and proper management of tillable and wooded areas through accepted agricultural practices for farm production and timber harvests.

Conservation Reserve Enhancement Program (CREP) – Under the CREP, the State purchases perpetual easements to enhance the Federal Conservation Reserve Program temporary easement contracts.

Forest Conservation Act (FCA) – Under the FCA, the State protects forests, trees, and sensitive areas by establishing standards and for development activities (subdivisions, project planning, grading permits, and sediment control plans) on certain projects. The implementation of the program is primarily performed by local jurisdictions through local forest conservation programs.



We identified the following findings with the CREP and FCA programs.

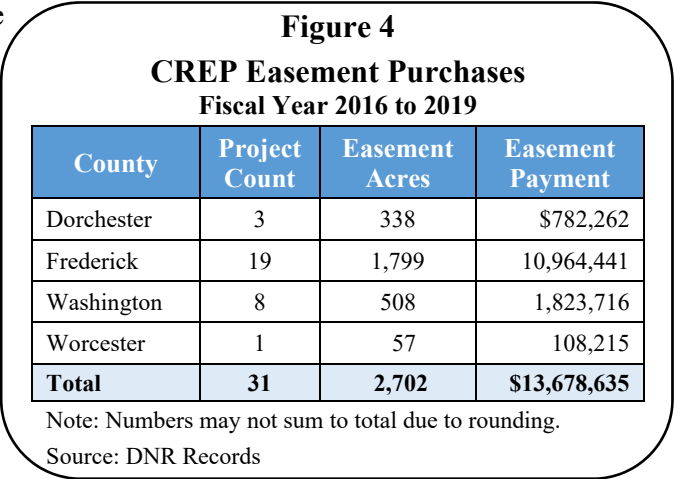
Finding 1
DNR overpaid for CREP easements and did not ensure that land owners complied with the terms of the easements.

Analysis

DNR overpaid for CREP easements and did not ensure that land owners complied with the terms of the easements. DNR is responsible for reviewing the sponsor-prepared calculations before purchasing the easements, which are ultimately subject to approval by the Board of Public Works (BPW).

According to DNR’s records, as of January 17, 2020, DNR had acquired 172 CREP easements to conserve 11,374 acres totaling approximately \$36.5 million since the beginning of the program in May 2000, including 31 easements purchased during 2016 through 2019 for approximately \$13.7 million to conserve 2,702 acres in four counties (see Figure 4). We tested 15 easements, from that four year period, totaling \$8.7 million to conserve 2,197 acres and noted the following conditions:

- DNR overpaid for land conservation easements because it did not always identify and correct mistakes or inconsistencies in the easement valuation calculations made by the sponsors on DNR’s CREP easement valuation worksheets. Specifically, sponsors (such as counties or land trusts) used agricultural land valuations provided by the Department of General Services (DGS) in 2009 when preparing easement calculations, which were accepted by DNR. However, the DNR worksheets used in the easement valuation specify that the CREP acquisition process should be based on the biennially updated Maryland Agricultural Land Preservation Foundation (MALPF) average fair market value.¹ When we brought this matter to DNR’s attention, it agreed to ensure the sponsor’s use of the MALPF valuations in the future.



¹ The current BPW-approved CREP, referenced DNR’s standard CREP easement worksheet containing the MALPF valuations.

Our test of the 15 easements disclosed that DNR did not identify that incorrect valuation rates were used in the calculations resulting in overpayments on 12 easements totaling \$3.2 million and underpayments totaling \$274,000 on the remaining 3 easements. For example, based on our calculations, DNR overpaid approximately \$450,000 on a \$1.4 million easement because the sponsor used the incorrect rate and incorrectly applied the valuation formula. Specifically, the sponsor used an eight-year-old agricultural land valuation obtained from DGS rather than a current MALPF valuation, as required by its worksheet. DGS' valuation rate of \$10,015 per acre in the sponsoring county dated from 2009, differed from the \$7,095 per acre rate calculated in 2017 by MALPF.

- After obtaining easements, DNR did not ensure required site visits were conducted and documented to determine if land owners were in compliance with the easements. According to easement agreements between DNR and the sponsors, the sponsors are required to perform an annual site visit for each of their easements to ensure that the easement was not used for purposes other than those agreed upon. The sponsors are to provide DNR with a monitoring report documenting their site visit and the condition of the easement which is generally supported by photos from the sponsor.

Our review disclosed that DNR did not ensure sponsors performed annual site visits in accordance with the easement agreements. DNR agreed that sponsors do not always perform site visits, but advised us that DNR also performed annual site visits to ensure landowner compliance. However, DNR could not document that it performed any site visits during our audit period.

Recommendation 1

We recommend that DNR

- a. ensure the value of CREP easements are properly and consistently calculated, and**
- b. ensure that required site visits of easements are documented and easements are monitored by sponsors in accordance with the agreements.**

Finding 2

DNR did not obtain required documentation needed to effectively monitor the State FCA program. In addition, DNR did not use \$3.5 million collected for reforestation projects within the time required.

Analysis

DNR did not obtain required documentation needed to effectively monitor the State FCA program. In addition, DNR did not use \$3.5 million collected for reforestation projects within the time required. DNR has oversight responsibilities for the State FCA program, including the approval of required plans and the monitoring and inspection of projects on State-owned land. As disclosed in Figure 5, according to DNR’s records, there were 112 projects with approximately 1,897 acres that were subject to State FCA approval during fiscal years 2016 to 2019.

Our test of nine of these projects covering approximately 400 acres administered by DNR in its Central and Eastern Region Offices disclosed that for six projects covering approximately 200 acres, DNR did not obtain all the required documentation needed to properly administer, monitor, and approve the State projects. For example, the project files did not always contain the required reforestation and conservation plans, and the agreements to manage the State forest conservation projects for a period of two years after the project is completed.

In addition, DNR did not use \$3.5 million collected in fiscal year 2014 from the Washington Suburban Sanitary Commission (WSSC) for reforestation or afforestation (the process of introducing trees and tree seedlings to an area not previously forested) projects related to a sewer line rehabilitation project on State land. The project impacted 500 acres in Prince George’s and Montgomery counties that were near tributaries flowing into the Chesapeake Bay. Our review

Figure 5
State FCA Projects
Fiscal Year 2016 to 2019

Region	Counties	Project Count	Site Acres
Central	Baltimore, Baltimore City, Carroll, Cecil, Harford, Howard, Montgomery	65	1,673
Southern	Anne Arundel, Calvert, Charles, Prince George’s, St. Mary’s	32	163
Eastern	Dorchester, Kent, Talbot, Wicomico, Worcester	8	20
Western	Allegany, Frederick, Washington	7	41
State Total		112	1,897

Source: DNR Records

disclosed that as of February 12, 2020 (more than 5 years after receiving the funds) only approximately \$100,000 of the aforementioned \$3.5 million had been expended by DNR. In addition, DNR had not returned the unused funds to WSSC as required.

State law requires DNR to accomplish the reforestation or afforestation for State FCA projects within two years or three growing seasons after receipt of the funds. The law further provides that any portion of the funds that has not been used in the aforementioned time shall be returned for tree planting by the original entity or entities paying the funds.

Recommendation 2

We recommend that DNR

- a. obtain and approve all required documentation for State FCA projects;**
- b. ensure funds are expended for reforestation and afforestation in accordance with State law; and**
- c. determine the amount of funds that have not been spent within the time required and refund those funds back to the entities in accordance with State law, and ensure that those funds are used for tree planting.**

Finding 3

DNR did not effectively monitor local FCA programs to ensure local jurisdictions complied with the terms of the program and did not properly account for the related funds.

Analysis

DNR did not effectively monitor local FCA programs to ensure local jurisdictions complied with the terms of the program and did not properly account for the related funds. In addition to the State FCA program as noted in Finding 2, DNR has monitoring responsibilities for the local FCA programs, in accordance with State law, which include performing biennial reviews over local programs to evaluate the level of compliance with the performance standards and required forest conservation. State regulations further define and establish DNR's responsibilities over biennial reviews, including site visits. The implementation of the program is primarily performed by local jurisdictions through local forest conservation programs.

DNR did not have an effective process to monitor local FCA programs to ensure that local jurisdictions were operating within State law. Specifically, DNR agreed that it had not conducted biennial reviews of local programs during fiscal years 2017 and 2018, citing a lack of staff resources and budget constraints. In

addition, although DNR advised us that it had periodically performed site visits of local FCA projects as a monitoring tool, it did not have supporting documentation of any site visits conducted. Furthermore, effective monitoring would be challenging, as DNR did not have a complete list of local forest conservation projects to identify projects subject to appropriate monitoring through biennial reviews and site visits.

As a result of DNR's lack of documentation, we contacted ten local jurisdictions to determine the extent of DNR's monitoring of local FCA programs. Seven of the nine jurisdictions that responded to our survey indicated that DNR had not conducted any site visits during fiscal years 2016 through 2019, as required. The other two jurisdictions indicated that they believed DNR conducted site visits, but could not specify the dates of the site visits or provide any supporting documentation of site visits.

DNR also did not effectively monitor and account for local forest conservation funds². State law requires a local authority within each jurisdiction with a forest conservation fund to provide DNR with detailed accounting procedures for accurately tracking money received into and expended out of the local forest conservation fund. For the aforementioned nine jurisdictions, eight indicated the local conservation fund fee ranged from \$0.30 to \$1.50 per square foot during fiscal year 2019. The remaining jurisdiction charged \$400 per planted tree. For fiscal year 2019, four jurisdictions disclosed in their survey response an aggregate of \$8 million in conservation fund balances. DNR was not aware of these fund balances until the survey responses were received.

Recommendation 3

We recommend that DNR

- a. perform biennial reviews of all local forest conservation programs,**
- b. maintain a complete listing of local projects and perform documented site visits to local projects, and**
- c. properly identify and account for the use of local forest conservation funds in accordance with State law.**

² When a developer cannot reasonably plant the required acreage of trees either onsite or offsite, the developer pays a fee-in-lieu of planting to the Forest Conservation Fund of the local authority for planting trees offsite.

COMPASS Licensing and Registration System

Finding 4

DNR did not perform periodic reviews to determine the propriety of user access to its COMPASS web-based licensing and registration system. As a result, from our limited review, we identified several users who had improper access or could process critical transactions without adequate supervisory review and certain transactions were not properly supported.

Analysis

DNR did not perform periodic reviews to determine the propriety of user access to its COMPASS web-based licensing and registration system. As a result, several users, from our limited review, had improper access, could process critical transactions without adequate supervisory review, and certain transactions were not properly supported. According to DNR records, there were 1,216 active COMPASS users as of December 2019 and fiscal year 2019 revenues processed through COMPASS totaled approximately \$41 million, including \$7.7 million initially collected by authorized third-party sales agents. Our review of user access granted to the 14 users at the Annapolis Regional Service Center (RSC) disclosed the following conditions.

- Eight of the fourteen users at the Annapolis RSC had improper COMPASS access. For example, one user had administrative-level access that allowed the user to process system-wide changes on COMPASS (such as, creating and changing products), without an independent review of the user's changes.
- Six Annapolis RSC cashiers could void transactions without a subsequent thorough independent approval. Although a supervisor reviewed an output report of voids after the cashiers closed out their work for the day, the supervisor did not review any supporting documentation. Our test of 10 voided transactions totaling \$35,107 processed at the Annapolis RSC during fiscal year 2019 disclosed that three voids totaling \$18,519 that were approved by a supervisor were not adequately supported.

In addition, the output reports used for the supervisory review did not always include all voided transactions. Specifically, two of the ten voids we tested from source records totaling \$15,926 did not appear on the output report. DNR management could not explain why the voids were not included on the report.

- The aforementioned six Annapolis RSC cashiers could change the residency status for commercial fishing and recreational sports licenses from non-

resident to resident without sufficient supervisory approval. While the supervisor reviewed an output report which disclosed the reason for the residency change, they did not review any supporting documentation, such as a driver's license. At the time of our review, DNR did not bill license holders for price differences resulting from residency changes. The price differences for resident and non-resident licenses varies depending on the type of license. For example, the annual full season hunting license for an adult resident costs \$24.50 and non-resident costs \$130.

DNR uses COMPASS to process commercial fishing and recreational sports licenses, and boat licensing, registration, and taxes. These transactions are processed online, by phone with DNR call center staff, at various RSCs located throughout the State, or in-person with third-party sales agents. COMPASS collects various information from customers including personally identifiable information. The State of Maryland *Information Technology Security Manual* requires agencies to monitor the security controls over their information systems, including periodic reviews of user accounts and access for propriety.

Recommendation 4

We recommend that DNR

- a. perform documented periodic reviews of user access to COMPASS and eliminate any improper or unnecessary access, including those noted above;**
- b. establish complete and reliable reports of voids and procedures for documented, independent supervisory review and approval of voids using supporting documentation; and**
- c. perform independent supervisory reviews over residency changes using supporting documentation and bill for unsupported price differences, including those noted above.**

Cash Receipts

Finding 5

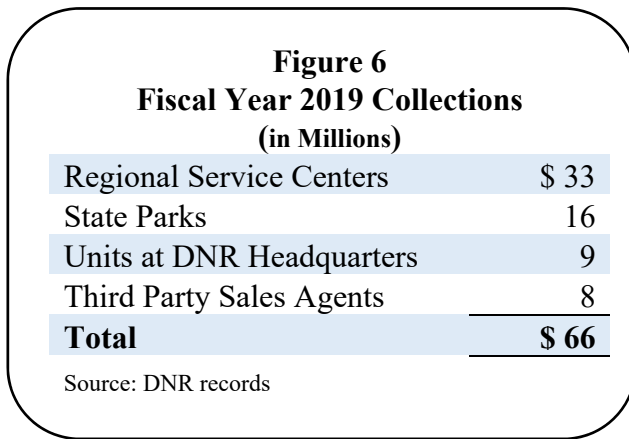
Collections at DNR’s headquarters complex and the Annapolis RSC were not always safeguarded and independently verified to subsequent deposit, and certain collection functions were not separated as required.

Analysis

Collections at DNR’s headquarters complex and the Annapolis RSC were not always safeguarded and independently verified to subsequent deposit, and certain collection functions were not separated as required. According to DNR records, collections totaled

approximately \$66 million during fiscal year 2019 (see Figure 6), with the major source being checks, followed by cash and credit cards. DNR remote locations (such as, State parks and the RSCs) process their own deposits while collections received by units in DNR’s headquarters complex are forwarded to the Financial

and Administrative Services (FAS) Department for deposit processing. We reviewed procedures at the Annapolis RSC, FAS, and at two DNR Headquarter Units (DNR Police and the Park Service) that forward collections to FAS.



- Checks received by mail were not properly safeguarded and controlled. Specifically, checks received at FAS, DNR Police, and the Annapolis RSC were processed by multiple employees before being restrictively endorsed and/or initially recorded. In addition, unendorsed checks at the Annapolis RSC were routinely left unattended in unlocked employees’ desks prior to being deposited. A similar condition regarding recordation and restrictive endorsement at the Annapolis RSC was commented upon in our preceding audit report.
- The FAS employee that performed the deposit verification for all collections had access to the related collections prior to deposit. A similar condition regarding the lack of independent verification was commented upon in our preceding audit report.

- Three employees with access to collections could update the related accounts receivable records. Specifically, one employee was responsible for recording collections into the accounts receivable records and the other two had the ability to update the accounts receivable records.

The Comptroller of Maryland’s *Accounting Procedures Manual* requires that collections be restrictively endorsed and recorded immediately upon receipt, and adequately safeguarded. The *Manual* also requires that collections be traced to deposit by an employee independent of the cash receipts functions and that cash handling and accounts receivable functions be segregated.

Recommendation 5

We recommend that DNR

- initially record and restrictively endorse checks immediately upon receipt (repeat) and properly safeguard collections prior to deposit,**
- ensure that deposit verifications are performed by an employee who does not have access to collections (repeat), and**
- separate the duties of processing cash receipts and maintaining accounts receivable records.**

We advised DNR how to segregate duties using existing personnel.

Procurements and Disbursements

Finding 6
DNR did not always comply with State procurement regulations including documenting bid openings, retaining proposals, executing contracts, and publishing contract awards on *eMaryland Marketplace (eMM)*.

Analysis

DNR did not always comply with State procurement regulations, including documenting bid openings, retaining proposals, executing contracts, and publishing contract awards on *eMaryland Marketplace (eMM)*³. Our test of six contracts for services and commodities totaling \$10.6 million disclosed the following conditions.

- DNR did not retain all bids or proposals in its procurement file for three contract awards totaling \$5.4 million. Specifically, for two contracts totaling

³ *eMM* is an Internet-based, interactive procurement system managed by DGS. Effective July 2019, DGS replaced *eMM* with *eMaryland Marketplace Advantage (eMMA)*.

\$500,000, DNR did not retain the losing vendor bids and for the remaining contract totaling \$4.9 million, did not retain the financial proposal of the vendor that was awarded the contract. As a result, we could not readily determine the propriety of these awards.

- DNR did not document the bid opening process for three contract awards totaling \$10.1 million. Specifically, DNR could not document that at least two State employees were present and witnessed the bid openings. As a result, there is a lack of assurance that bids were properly opened as required by State regulations.
- For two procurements totaling \$659,000, DNR could not provide us with contracts signed by a DNR representative and its legal counsel. Rather DNR could only provide us with contracts signed by the vendors. In addition, DNR did not document its evaluation of technical requirements for one of these procurements valued at \$231,000 and did not obtain the required BPW approval for the other procurement valued at \$428,000.
- DNR did not publish four contract awards totaling \$10 million on *eMM* as required by State regulations. These awards included one sole source contract and one of the two awards without formal contracts noted above. Publishing awards on *eMM* provides transparency over State procurements including information about winning bidders and the amount of the related awards.

State procurement regulations require all bids or offers received to be maintained in the procurement file and bids be opened with at least two employees present or publicly, as applicable. The regulations further require contracts be formally executed with vendors and the award be published on *eMM* within 30 days after approval of the contract.

Recommendation 6

We recommend that DNR comply with State procurement regulations.

Specifically, we recommend that DNR

- a. retain all bids and proposals;**
- b. document bid openings by at least two employees or open publicly, as applicable;**
- c. formally execute contracts with vendors; and**
- d. publish awards on *eMMA* as required.**

Finding 7

DNR did not ensure it received technology enterprise services during fiscal year 2020 valued at \$5 million from the Department of Information Technology (DoIT).

Analysis

DNR did not ensure it received technology enterprise services during fiscal year 2020 valued at \$5 million from DoIT. At the beginning of fiscal year 2020, DoIT submitted an invoice covering the services it planned to provide to DNR, which DNR was to pay in four equal quarterly payments. The invoice specified the general categories of work to be performed. For example, the annual invoice included end user support services totaling \$1.6 million for 1,794 devices and \$725,500 for connection to the State's fiber network (network Maryland). DNR did not verify the accuracy of the number of devices billed or the extent to which services were provided and could not determine how fiber network cost was determined (such as connection speed and related equipment). DoIT advised DNR that it would provide a detailed breakdown of the charges at some point in the future, but as of March 2020, had not provided the necessary detail. Based on our inquiries, DNR performed research of the fiscal year 2020 invoice and determined that it had only received 159 of the 528 information technology equipment items (such as, computers and servers) billed. DNR advised us that it would work with DoIT to resolve the billing issues.

The aforementioned conditions were caused, in part, because DNR and DoIT did not execute a memorandum of understanding (MOU). An MOU would clarify DoIT's responsibilities over information technology support services performed, remaining technology responsibilities at DNR, and how the cost for these services should be calculated, supported, and invoiced. In our most recent DoIT audit report, dated May 1, 2020, we recommended that DoIT enter into MOU's with State agencies that receive technology enterprise services. DoIT agreed with the recommendation and stated that its staff would work with agencies to execute MOUs.

Recommendation 7

We recommend that DNR

- a. pursue with DoIT the establishment of an MOU that provides for the receipt of required detailed invoice information to support the amounts invoiced, and**
- b. ensure all technology enterprise services invoiced are received, including those noted above from fiscal year 2020.**

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the Department of Natural Resources (DNR) for the period beginning January 6, 2016 and ending August 5, 2019. 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 DNR's financial transactions, records, and internal control, and to evaluate its compliance with applicable State laws, rules, and regulations.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of significance and risk. The areas addressed by the audit included procurements and disbursements, corporate purchasing cards, cash receipts, payroll, special funds, and critical information technology systems. 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 and an assessment of DNR'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 DNR.

Our assessment of internal controls was based on agency procedures and controls in place at the time of our fieldwork. Our tests of transactions and other auditing procedures were generally focused on the transactions occurring during our audit period of January 6, 2016 to August 5, 2019, but may include transactions before or after this period as we considered necessary to achieve our audit objectives.

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, tests of transactions, and to the extent practicable, observations of DNR's operations. Generally, transactions were selected for testing based on auditor judgment, which primarily considers risk. Unless otherwise specifically indicated, neither statistical nor non-statistical audit sampling was used to select the transactions tested. Therefore, the

results of the tests cannot be used to project those results to the entire population from which the test items were selected.

We also performed various data extracts of pertinent information from the State's Financial Management Information System (such as revenue and expenditure data) and the State's Central Payroll Bureau (payroll data), 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 DNR's COMPASS web-based licensing and registration system for the purpose of testing licensing transactions and system access. We performed various tests of the relevant data and determined 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.

DNR'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. As provided in *Government Auditing Standards*, there are five components of internal control: control environment, risk assessment, control activities, information and communication, and monitoring. Each of the five components, when significant to the audit objectives, and as applicable to DNR, were considered by us during the course of this audit.

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

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

This report includes findings relating to conditions that we consider to be significant deficiencies in the design or operation of internal control that could

adversely affect DNR'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 DNR that did not warrant inclusion in this report.

DNR'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 DNR regarding the results of our review of its response.

APPENDIX



Larry Hogan, Governor
Boyd Rutherford, Lt. Governor
Jeannie Haddaway-Riccio, Secretary

March 31, 2021

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

Dear Mr. Hook:

Thank you for your report and for the ongoing dialogue about improving our efficiency and effectiveness in serving the citizens of the State of Maryland.

Should you need additional information, please feel free to contact Sharon Carrick at (301) 464-1954 or sharon.carrick@maryland.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "JHR", is positioned above the typed name of the sender.

Jeannie Haddaway-Riccio
Secretary

CC: Allan Fisher, Deputy Secretary
Sharon Carrick, Director, Audit and Management Review

Department of Natural Resources
Agency Response Form

Background Information

Agency Response	
Please provide additional comments as deemed necessary.	<p style="text-align: center;">Somers Cove Marina Improvement Fund</p> <p>Somers Cove Marina (SCM) serves a boating access need for Maryland citizens and visitors and, more importantly, provides critical access (docking, fuel, etc) for first responders (Natural Resources Police, U.S. Coast Guard, local fire and rescue, etc).</p> <p>SCM has been working to improve its financial position. In order to keep the marina in operation and maintain this progress, DNR chose to delay collections until operating conditions improve further. Also of note is the fact that the pandemic had a negative impact on SCM revenues during 2020.</p> <p>Given these circumstances, DNR believes that the most prudent path forward is for the state to continue to hold this debt and continue working with SCM on their budget.</p> <p style="text-align: center;">Resource Sharing Agreements (RSAs)</p> <p>The department has worked closely with DoIT's Resource Sharing Program Manager to address the findings of the <i>Telecommunications Resource Sharing Agreements</i> performance audit report. As of April 2019, all resource sharing vendors have been directed to send future payments to DoIT. DNR also forwarded to DoIT those monies collected by DNR that should have been deposited into the Major IT Development Project (MITDP) Fund. DNR has been an active participant on DoIT's RSA Working Group since its inception in mid-2019.</p>

Department of Natural Resources

Agency Response Form

Conservation Programs

Finding 1
DNR overpaid for CREP easements and did not ensure that land owners complied with the terms of the easements.

We recommend that DNR

- a. ensure the value of CREP easements are properly and consistently calculated, and**
- b. ensure that required site visits of easements are documented and easements are monitored by sponsors in accordance with the agreements.**

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.	<p>The amounts paid for all CREP easements are consistent with the three-factor CREP easement valuation system approved by the Board of Public Works and the Maryland Department of General Services (DGS) study to establish a per-county fair market value specifically for the CREP easement program.</p> <p>All easements due for monitoring were monitored and found in compliance with easement terms. Those monitoring reports are on file in Land Acquisition and Planning. The auditor was given full access to the files.</p>		
Recommendation 1a	Agree	Estimated Completion Date:	Completed
Please provide details of corrective action or explain disagreement.	<p>In spring 2020, in response to auditor concerns, DNR consulted with county and land trust CREP easement program partners to conduct a comparative review of the DGS fair market value in comparison to the fair market valuations used by the Maryland Agricultural Land Preservation Foundation (MALPF) and the Rural Legacy Program. As a result, DNR changed its policy to utilize the same fair market values and caps on percentages of fair market value as the MALPF and Rural Legacy programs.</p> <p>The Board of Public Works approved this policy change, which includes annual updates of MALPF published fair market values. This new policy ensures that values are properly calculated, transparent and consistent with other easement programs.</p>		

Department of Natural Resources

Agency Response Form

Recommendation 1b	Agree	Estimated Completion Date:	Completed
Please provide details of corrective action or explain disagreement.	<p>We agree that it is important to ensure that easements are monitored and site visits are documented in accordance with the agreements. Consistent with DNR's Land Acquisition and Planning Monitoring Manual, CREP permanent easements are monitored no less than every three years. DNR electronically tracks monitoring and sends reminders to CREP sponsors when an easement nears the time for re-inspection. DNR ensures that easement site visits are documented and that easements are monitored by sponsors in accordance with the agreements.</p> <p>Additionally, DNR is working with local partners to incorporate new and evolving technologies to enhance and streamline monitoring (in a COVID-19 environment) such as satellite imagery.</p>		

Department of Natural Resources

Agency Response Form

Finding 2
DNR did not obtain require documentation needed to effectively monitor the State FCA program. In addition, DNR did not use \$3.5 million collected for reforestation projects within the time required.

We recommend that DNR

- a. obtain and approve all required documentation for State FCA projects;**
- b. ensure funds are expended for reforestation and afforestation in accordance with State law; and**
- c. determine the amount of funds that have not been spent within the time required and refund those funds back to the entities in accordance with State law, and ensure that those funds are used for tree planting.**

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 2a	Disagree	Estimated Completion Date:	
Please provide details of corrective action or explain disagreement.	<p>DNR complies with obtaining required documentation related to the state FCA program. It is important to note that the documentation requirements for each project differ depending on the type of project and the specific elements of that project.</p> <p>For example, projects paying fee-in-lieu will not have a planting plan, a maintenance agreement or a long-term protection agreement. Conversely, a project that includes plantings would be required to have those documents.</p> <p>DNR retains all required documentation and ensures that it is received prior to project approvals per the statutory and regulatory requirements of the Forest Conservation Act. These documents and records were shared with the auditors.</p>		

Auditor’s Comment: DNR disagreed and stated that it obtained required documentation related to the State FCA program. DNR further stated that it retained all required documentation and made all documents available to us. However, our conclusions were

Department of Natural Resources

Agency Response Form

based on our assessment of the documents and records DNR shared with us both during and after our audit fieldwork, which we determined were incomplete.

Recommendation 2b	Disagree	Estimated Completion Date:	Completed
<p>Please provide details of corrective action or explain disagreement.</p>	<p>While we agree it is important to ensure that funds are expended for reforestation and afforestation in accordance with state law, it is important to note that the Annotated Code of Maryland, Natural Resources Article, § 5-1610 requires a contribution to the Forest Conservation Fund assessed at a rate “per square foot of the area of required planting.” Therefore contributions are not based on a financial calculation, but rather are based on the size of the project and the actual costs of planting. In other words, a determination of funds not spent within the time required must be based on the number of mitigation acres unplanted at the end of that time period.</p> <p>In the referenced project, funds received for the WSSC Consent Decree project required 265.89 mitigation acres. Planting the full mitigation acreage was delayed by the need for the county to develop a dedicated program, identify properties for planting, solicit bids, and procure a contract for the plantings.</p> <p>Because the WSSC project was located primarily within the D.C. Beltway where land is not readily available for planting, DNR worked with WSSC to promote the Woodland Incentive Program with potential landowners in the southern and central regions of Maryland.</p> <p>As a result, 210.1 acres were enrolled by the end of FY20. Additional plantings on federal and state lands brought the total mitigation acreage planted to 278.75 acres (5% more than exactly required by law).</p>		

Auditor’s Comment: DNR disagreed while acknowledging that it is important to ensure that funds are expended for reforestation and afforestation in accordance with State law. Specifically, DNR disagreed that it did not use \$3.5 million collected in fiscal year 2014 for reforestation or afforestation efforts; however, DNR’s response does not specifically address that the money collected in fiscal year 2014 still has not been spent, which is the basis of the finding and recommendation.

Department of Natural Resources

Agency Response Form

Recommendation 2c	Agree	Estimated Completion Date:	9-30-21
Please provide details of corrective action or explain disagreement.	DNR will adapt FCA record keeping and tracking policies that identify whether or not mitigation acreage is unplanted within the required timeframe. A repayment will be issued when warranted.		

Department of Natural Resources

Agency Response Form

Finding 3
DNR did not effectively monitor local FCA programs to ensure local jurisdictions complied with the terms of the program and did not properly account for the related funds.

We recommend that DNR

- a. perform biennial reviews of all local forest conservation programs,**
- b. maintain a complete listing of local projects and perform documented site visits to local projects, and**
- c. properly identify and account for the use of local forest conservation funds in accordance with State law.**

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 3a	Agree	Estimated Completion Date:	2022
Please provide details of corrective action or explain disagreement.	<p>The agency already conducts a biennial review of all local forest conservation programs, including 20 counties and 33 municipalities that have Forest Conservation programs as required by NR § 5-1603. The next biennial reviews will be conducted in 2022.</p> <p>Biennial reviews of municipalities can be challenging for smaller jurisdictions. Many of them have not completed projects due to lack of dedicated staff or budget constraints. In these cases, municipalities without projects or active programs submit written responses to the standard questions in the biennial review in lieu of an in-person meeting.</p>		

Department of Natural Resources

Agency Response Form

Recommendation 3b	Agree	Estimated Completion Date:	9-30-21
Please provide details of corrective action or explain disagreement.	NR § 5-1613 requires an annual report from those jurisdictions with an approved forest conservation program that includes the number, location, and type of projects subject to their ordinance. The statute does not require local jurisdictions to provide a complete listing of all local projects however DNR will begin asking local jurisdictions to provide this information.		
Recommendation 3c	Agree	Estimated Completion Date:	9-30-21
Please provide details of corrective action or explain disagreement.	The department already uses the information in a jurisdiction's annual report (funds received and expended) to monitor fund balances. Beginning and ending balances will be added to facilitate reconciliation to the prior year's report and verification of the information provided.		

Department of Natural Resources

Agency Response Form

COMPASS Licensing and Registration System

Finding 4
DNR did not perform periodic reviews to determine the propriety of user access to its COMPASS web-based licensing and registration system. As a result, from our limited review, we identified several users who had improper access or could process critical transactions without adequate supervisory review and certain transactions were not properly supported.

We recommend that DNR

- a. perform documented periodic reviews of user access to COMPASS and eliminate any improper or unnecessary access, including those noted above;**
- b. establish complete and reliable reports of voids and procedures for documented, independent supervisory review and approval of voids using supporting documentation; and**
- c. perform independent supervisory reviews over residency changes using supporting documentation and bill for unsupported price differences, including those noted above.**

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 4a	Agree	Estimated Completion Date:	Completed
Please provide details of corrective action or explain disagreement.	Process changes have been implemented that require regular checks of access to the COMPASS database by DNR's Information Technology Service and the Licensing and Registration Service.		
Recommendation 4b	Agree	Estimated Completion Date:	Completed
Please provide details of corrective action or explain disagreement.	DNR's Information Technology Service and the Licensing and Registration Service continue to work together to ensure that all voids are reflected on the void report produced as part of the daily closeout process.		

Department of Natural Resources

Agency Response Form

Recommendation 4c	Agree	Estimated Completion Date:	Completed
Please provide details of corrective action or explain disagreement.	<p>The agency agrees that independent supervisory review is required and performs those reviews daily. Supervisory staff have been reminded of appropriate review procedures; and acceptable documentation has been reviewed with all staff.</p> <p>An individual's driver's license (or other government identification) is a required element for every COMPASS database registrant. The COMPASS database offers resident (or non-resident) licenses based on that information.</p> <p>Viewing the driver's license, however, would not provide evidence that an individual with a non-Maryland address qualified for a resident license (e.g., the most prevalent recreational license residency exception is for active-duty military with a duty station in Maryland).</p>		

Department of Natural Resources

Agency Response Form

Cash Receipts

Finding 5

Collections at DNR’s headquarters complex and the Annapolis RSC were not always safeguarded and independently verified to subsequent deposit, and certain collection functions were not separated as required.

We recommend that DNR

- a. initially record and restrictively endorse checks immediately upon receipt (repeat) and properly safeguard collections prior to deposit,**
- b. ensure that deposit verifications are performed by an employee who does not have access to collections (repeat), and**
- c. separate the duties of processing cash receipts and maintaining accounts receivable records.**

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 5a	Agree	Estimated Completion Date:	Completed
Please provide details of corrective action or explain disagreement.	Finance and Administrative Services and the Natural Resources Police implemented procedural changes in 2019 that have addressed this recommendation. Checks are now restrictively endorsed when mail is opened then placed in a secure, locked location with restricted access.		
Recommendation 5b	Agree	Estimated Completion Date:	Completed
Please provide details of corrective action or explain disagreement.	Finance and Administrative Services implemented procedural changes in 2019 that have addressed this recommendation. Deposit verifications are performed only by staff who do not have access to collections, usually either the Director of General Accounting or the Deputy Director of Finance. While the Licensing and Registration Service acknowledges the importance of separation of duties as it relates to the processing		

Department of Natural Resources

Agency Response Form

	<p>of cash receipts, compliance is difficult due to the limited number of staff at service centers. Each has multiple service windows, and managers routinely cover the service windows when staff are on vacation, out sick, or on their lunch break. Requiring that at least one staff member remain segregated from collections would negatively impact customer service, especially when one or more staff are absent and in times of heavy foot traffic.</p>		
Recommendation 5c	Disagree	Estimated Completion Date:	
Please provide details of corrective action or explain disagreement.	<p>Finance and Administrative Services believes that sufficient controls are in place both prior to staff creating the deposit and after the deposit has been prepared to detect any irregularity.</p> <p>The check log is prepared independent of deposit creation. It is prepared and verified by two staff members involved only at that phase of the cash receipts process.</p> <p>Once created, the deposit must be approved by a different staff member. The deposit is then also verified by either the Director of General Accounting or the Deputy Director of Finance.</p> <p>Reconciliations are performed monthly to confirm that collections reflected in bank records equal collections reflected in the Accounts Receivable system.</p> <p>These processes provide multiple opportunities to discover discrepancies.</p>		

Auditor’s Comment: DNR believes that sufficient controls are in place and disagrees with our recommendation to separate the duties of processing cash receipts and maintaining accounts receivable records. Although we advised DNR how to separate these duties using existing personnel, DNR continues to mistakenly maintain that its current practice of discovering discrepancies through after-the-fact reconciliations is acceptable. However, as noted in our report, the reconciliations are performed by one of the employees who had access to collections and accounts receivable records. Therefore, the employee could potentially review their own work and conceal errors or irregularities which is a violation of internal control best practices. Furthermore, the recommended segregation of cash handling and accounts receivable functions is required by the Comptroller of Maryland’s *Accounting Procedures Manual*.

Department of Natural Resources

Agency Response Form

Procurements and Disbursements

Finding 6

DNR did not always comply with State procurement regulations including documenting bid openings, retaining proposals, executing contracts, and publishing contract awards on *eMaryland Marketplace (eMM)*.

We recommend that DNR comply with State procurement regulations. Specifically, we recommend that DNR

- a. retain all bids and proposals;
- b. document bid openings by at least two employees or open publicly, as applicable;
- c. formally execute contracts with vendors; and
- d. publish awards on *eMMA* as required.

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 6a	Agree	Estimated Completion Date:	Completed
Please provide details of corrective action or explain disagreement.	The Department concurs with this recommendation. Staff have been reminded that bids and proposals must be retained either at the unit project manager level or on <i>eMaryland Marketplace Advantage</i> where applicable.		
Recommendation 6b	Agree	Estimated Completion Date:	Completed
Please provide details of corrective action or explain disagreement.	The Department concurs with this recommendation and has provided a written reminder of these requirements to impacted staff. Bid openings are documented by the Procurement Review Group (PRG) for each project during bid opening and evaluation of bids received. At a minimum, the PRG consists of the unit fiscal officer, program manager, the Minority Business Enterprise (MBE) liaison, Office of Attorney General, and procurement officer. At least two members of this group conduct the bid opening.		

Department of Natural Resources

Agency Response Form

Recommendation 6c	Agree	Estimated Completion Date:	Completed
Please provide details of corrective action or explain disagreement.	<p>The Department concurs with this recommendation and has provided a written reminder of these requirements to impacted staff.</p> <p>The agency maintains complete procurement files that include signed contracts and technical requirement evaluations. The Department also obtains all required contract approvals, including the Office of State Procurement and the Board of Public Works.</p>		
Recommendation 6d	Agree	Estimated Completion Date:	Completed
Please provide details of corrective action or explain disagreement.	<p>The Department concurs with this recommendation and has provided a written reminder of these requirements to impacted staff.</p> <p>DNR publishes all solicitation and contract awards as required by COMAR. Additionally, DNR has begun working with the Office of State Procurement on additional training opportunities for DNR procurement staff to reinforce proper procedures.</p>		

Department of Natural Resources

Agency Response Form

Finding 7

DNR did not ensure it received technology enterprise services during fiscal year 2020 valued at \$5 million from the Department of Information Technology (DoIT).

We recommend that DNR

- a. pursue with DoIT the establishment of an MOU that provides for the receipt of required detailed invoice information to support the amounts invoiced, and**
- b. ensure all technology enterprise services invoiced are received, including those noted above from fiscal year 2020.**

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 7a	Agree	Estimated Completion Date:	6-30-21
Please provide details of corrective action or explain disagreement.	<p>DNR concurs with this recommendation and has requested establishment of an MOU with DoIT. DoIT provided DNR with a draft MOU, which is under review. The draft MOU does not include provisions for detailed invoice information or a method to ensure that all technology enterprise services invoices are received before payments are issued. There is no opportunity for DNR to make changes to the MOU or to make adjustments to requested services. Therefore DNR is working with DoIT on alternative methods of ensuring detailed technology enterprise services invoices are received before payments are issued.</p>		
Recommendation 7b	Agree	Estimated Completion Date:	6-30-21
Please provide details of corrective action or explain disagreement.	<p>DoIT's quarterly invoicing does not currently include information sufficient for the department to reconcile services billed to services received. DNR has shared these concerns with DoIT and DoIT is working to resolve them.</p>		

AUDIT TEAM

Bekana Edossa, CPA, CFE
Audit Manager

Edwin L. Paul, CPA, CISA
Information Systems Audit Manager

Karen J. Howes
James J. Podhorniak, CPA, CFE
Robert J. Smith, CPA
Senior Auditors

J. Gregory Busch, CISA
Information Systems Senior Auditor

Matusala Y. Abishe
Sporthi J. Carnelio
Albert E. Davison
Tyshawna J. Ford
Shantasia S. Johnson
Staff Auditors