

Audit Report

Department of General Services Office of the Secretary and Other Units

January 2022



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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Executive Director

DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Gregory A. Hook, CPA
Legislative Auditor

January 27, 2022

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 Office of the Secretary and other units of the Department of General Services (DGS) for the period beginning May 31, 2016 and ending August 31, 2020. The Office of the Secretary and other units provide professional and technical services for the planning, design, construction, and maintenance of most State facilities; manage and maintain multi-agency State facilities; and coordinate the State's real estate activities.

Our audit disclosed that DGS did not adequately account for funds in a non-budgeted account and could not determine the proper disposition of \$1.74 million at the end of fiscal year 2020. As such, it could not be readily determined whether the funds should be reverted to the State General Fund, as would be required under normal circumstances with a clearing account. We also noted that due to untimely deposits, DGS improperly retained approximately \$465,000 in real estate commission rebates instead of reverting these funds to the State's General Fund, as required by State law.

We found that DGS did not use available automated controls within the State's Financial Management Information System to ensure that critical transactions, such as, disbursement transactions, were proper and did not document that it verified the propriety of employees user access.

Our audit also disclosed that DGS did not verify that the Statewide fuel vendor performed accurate and valid fuel usage reconciliations. Such verifications could be performed by reviewing supporting documentation such as records of fuel deliveries and inventories on hand. In addition, DGS did not ensure that the fuel

vendor performed all required environmental compliance testing. These tests include assessing that the fuel equipment was properly pressurized and had proper vapor recovery. Failed tests could have a harmful environmental impact and require the contractor to incur remediation and repair costs, or in the event of equipment failure, the contractor may be responsible for immediate environmental clean-up. The related contract was for nine years and was valued at \$576 million.

Further, our audit found that DGS did not ensure that it received all administrative fees and the related supporting documentation due from vendors resulting in the failure to collect \$227,300 in fees. The administrative fee was established in State law for DGS to cover the cost of administering contracts through the use of electronic transactions.

In addition, our audit disclosed that DGS lacked adequate controls over cash receipts, payroll, and State agencies' property and equipment. For example, DGS did not sufficiently monitor State agencies to ensure they complied with State property and equipment requirements. According to DGS records as of January 2021, inventory audits were not conducted for 55 of the 76 State agencies during our audit period.

Finally, our audit included a review to determine the status of eight findings that were contained in certain preceding audit reports. Specifically, our audit included a review to determine the status of six findings contained in our preceding audit report of the Office of the Secretary and other units of DGS, dated August 3, 2017, and two findings from our DGS – Office of Procurement and Logistics audit report, dated December 7, 2016. We determined that five of these eight findings were satisfactorily addressed. The remaining three findings are repeated in this report.

DGS' response to this audit is included as an appendix to this report. We reviewed the response and noted general agreement to our findings and related recommendations, and while there are other aspects of DGS' response which will require further clarification, we do not anticipate that these will require the Joint Audit and Evaluation Committee's attention to resolve. We have also edited DGS' response to remove certain vendor names, as allowed by our policy.

We wish to acknowledge the cooperation extended to us during the audit by DGS

and its willingness to address the audit issues and implement appropriate corrective actions.

Respectfully submitted,

A handwritten signature in black ink that reads "Gregory A. Hook". The signature is written in a cursive style with a large, stylized 'G' and 'H'.

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 General Services (DGS) consists of seven units, including the Office of the Secretary. This audit included the operations of the following six units:

- Office of the Secretary
- Office of Facilities Security
- Office of Facilities Operation and Maintenance
- Office of Real Estate
- Office of Facilities, Planning, Design, and Construction
- Business Enterprise Administration

These six DGS units provide professional and technical services for the planning, design, construction, and maintenance of most State facilities; manage and maintain multi-agency State facilities; and coordinate the State's real estate activities. The remaining DGS unit, the Office of State Procurement (previously, named the Office of Procurement and Logistics) is audited and reported upon separately. According to the State's records, the operating expenditures (excluding statewide capital project expenditures) for the six DGS units included in this audit totaled approximately \$117.1 million during fiscal year 2020.

Organizational and Operational Changes

Chapter 590, Laws of Maryland 2017, effective on various dates beginning October 1, 2018 and culminating with the final implementation date of October 1, 2019, required, among other changes, the consolidation of most state procurement activities under DGS's authority. In addition, the law established the position of a Chief Procurement Officer to oversee newly centralized procurement activity within the Executive Branch of the State. The consolidation created the new Office of State Procurement with certain procurement personnel from the Departments of Budget and Management, Information Technology, and Public Safety and Correctional Services (capital construction) transferred to the new procurement unit within DGS. Effective October 1, 2019, the Office of Procurement and Logistics became the Office of State Procurement.

In accordance with the aforementioned law, DGS also developed a procurement-related work plan on October 1, 2018. This DGS plan included acquisition and implementation of a new eProcurement system, a new State Procurement web

portal and procurement manual, new procurement employment position class descriptions, a renewed focus on delegation of procurement authority, and the oversight of that delegation by DGS through establishment of a training and certification program known as the Maryland Procurement Academy.

In addition, effective July 1, 2018, DGS transferred the Inventory Standards and Support Services Division (ISSSD) from the Office of Procurement and Logistics (OPL) to its newly created Business Enterprise Administration. ISSSD administers the State's Automated Fuel Management Program and manages inventories and surplus property. Accordingly, those functions are now included as part of this audit.

Status of Findings From Preceding Audit Reports

Our audit included a review to determine the status of the six findings contained in our preceding audit report dated August 3, 2017. In addition, we reviewed two findings that were previously included in our December 7, 2016 report on OPL, for which responsibility had been transferred to the Office of the Secretary during our audit period.

As disclosed in Figure 1, we determined that five of these eight findings were satisfactorily addressed. The remaining three findings are repeated in this report. The status of the remaining findings from the OPL report were previously determined during our separate audit of OPL dated December 5, 2019.

Figure 1
Status of Preceding Findings

| Preceding Finding | Finding Description | Implementation Status |
|--|--|--|
| Office of the Secretary and Other Units | | |
| Finding 1 | Controls over cash receipts and non-cash credits were not sufficient. | Repeated (Current Finding 6) |
| Finding 2 | DGS improperly recorded transactions totaling \$968,000 and \$425,000 during its closeout process for fiscal years 2016 and 2014, respectively, and failed to revert these funds to the General Fund. | Not repeated |
| Finding 3 | DGS lacked sufficient controls to ensure that all disbursement transactions were independently approved and that all commodities purchased were received. | Repeated (Current Finding 3) |
| Finding 4 | DGS awarded multiple contracts for roof repair and replacement services to a roofing contractor without soliciting bids as required. | Not repeated |
| Finding 5 | DGS lacked independent records and monitoring procedures to ensure that all commission rebates due for certain real estate transactions were received. | Not repeated |
| Finding 6 | Adjustments to employee pay and leave balances were not subject to independent supervisory review and approval. | Not repeated |
| Office of Procurement and Logistics – December 2016 | | |
| Finding 1 | OPL did not verify the accuracy of periodic fuel usage reconciliations, sufficiently address failed fuel quality tests, and ensure State agencies were reviewing monthly fuel variance reports. | Not repeated |
| Finding 5 | OPL did not ensure that it received all administrative fees due from vendors providing goods and services to State agencies under Statewide contracts, and our review of selected contracts disclosed uncollected fees of approximately \$222,000. | Repeated (Current Finding 5) |

Findings and Recommendations

Non-Budgeted Clearing Account

Finding 1

The Department of General Services (DGS) did not adequately account for funds in a non-budgeted clearing account and could not determine the proper disposition of \$1.74 million of the remaining amount in the fund at the end of fiscal year 2020.

Analysis

DGS did not adequately account for funds in a non-budgeted clearing account and could not determine the proper disposition of \$1.74 million of the remaining amount in the fund at the end of fiscal year 2020. The clearing account was used for two unrelated purposes: (1) to receive and spend capital funds for construction projects funded by other agencies' budgets, and (2) to account for renewable energy reimbursements and using those revenues to pay for DGS' purchases of renewable power. According to State accounting records, the clearing account had a balance of \$10.5 million as of June 30, 2020.

Our review disclosed that DGS did not prepare periodic fund compositions to determine the disposition of the funds jointly maintained in the clearing account. At our request, DGS prepared a fund composition as of June 30, 2020, but was unable to account for \$1.74 million of the funds. As such, it could not be readily determined whether the funds should be reverted to the State General Fund, as would be required under normal circumstances with a clearing account. In addition, DGS did not accurately report the June 30, 2020 clearing account balance to the Comptroller of Maryland – General Accounting Division (GAD). Specifically, DGS reported \$1.75 million to GAD rather than the actual \$10.5 million balance recorded in the State's accounting records.

GAD's budgetary closing instructions require agencies to report any clearing account that has a positive balance at year-end to GAD. Furthermore, if the balance exceeds \$100,000, after formal reporting the agency is further required to analyze the account and adjust the balance to zero (for example, after accounting for payables or encumbrances), which may include reverting the funds to the State General Fund.

Recommendation 1

We recommend that DGS

- a. prepare periodic compositions of the funds maintained in the clearing account to ensure all funds are properly accounted for;**

- b. determine the proper disposition of the aforementioned \$1.74 million and take appropriate corrective action (such as reverting the funds); and
- c. accurately report the clearing account balance to the GAD, including the balance as of June 30, 2020.

Real Estate Commissions

Finding 2

DGS did not timely deposit approximately \$465,000 in commission rebates, which resulted in the retention of certain funds that should have been reverted to the State's General Fund, at June 30, 2020 fiscal year-end.

Analysis

Due to untimely deposits, DGS improperly retained approximately \$465,000 in commission rebates instead of reverting these funds to the State's General Fund, as required. DGS' contract with its real estate broker provides for the broker to collect a commission from each landlord leasing property to State agencies and remit a percentage of the commission to DGS as a rebate. During fiscal years 2017 through 2020, DGS recorded commission rebates totaling \$2.2 million, which were used to fund DGS' Office of Real Estate Special Fund appropriation.

Our review disclosed that four rebate checks totaling \$465,000 were received in fiscal year 2020, but not deposited by DGS until fiscal year 2021, which was between seven and eight months after they were received. As a result, these funds were not reflected on the State's accounting records and were not reverted at the end of the 2020 fiscal year as required. We were advised by DGS management that the deposit delay permitted DGS to avoid General Fund reversions, and possibly permit it to use the funds in the next fiscal year as Special Funds dedicated to DGS' Office of Real Estate. However, DGS could not provide us with legal justification for retaining these funds.

DGS management advised us that all funds were used in fiscal year 2021 as the result of an amendment to its budget for the related special funds. In this regard, DGS improperly reported to the Department of Budget and Management (DBM) that the \$465,000 was received in 2021 (when, as noted above, it was actually received in 2020). Based on this incorrect information, DGS was granted authorization to utilize the funds for purpose unrelated to the Office of Real Estate.

The Comptroller of Maryland's Accounting Procedures Manual requires collections to be deposited and recorded within one business day of receipt. In

addition, State law generally requires State agencies to revert unexpended funds to the State General Fund at year-end.

Recommendation 2

We recommend that DGS

- a. ensure all rebate checks are deposited and recorded timely;**
- b. provide accurate information to DBM when requesting future budget amendments; and**
- c. consult with DBM regarding the appropriate action, if any, in response to the authorization to use the \$465,000 based on incorrect information submitted to DBM.**

Procurements and Disbursements

Finding 3

DGS did not use available online controls to ensure that critical transactions were independently approved and were proper, and could not document that it verified the propriety of user access granted to its employees.

Analysis

DGS had not established sufficient controls to ensure that all disbursements and change orders processed on the State's Financial Management Information System (FMIS) were subject to independent approvals and that commodity items purchased were received. According to State records, DGS processed disbursements totaling \$1.9 billion (which included \$474 million for commodities) during our audit period.

- DGS did not use available automated FMIS controls to ensure critical transactions, such as direct vouchers¹, vouchers, and change orders, were subject to independent review and approval. For example, nine employees were able to process direct vouchers without an independent online approval including two that could also add vendors to the system. These employees, and one additional employee who could only process vouchers, processed \$423 million of disbursements during our audit period without an independent online approval.

Although DGS advised us that it had established a manual, independent review of transactions prior to payment, two of the aforementioned employees

¹ Direct vouchers, unlike vouchers, are payments made without a correlating purchase order, invoice, or receiving report.

had system capabilities that could bypass this process and our testing disclosed that performance of the manual review was not always documented. Our testing disclosed that for five payment batches processed between August 2019 and January 2020 totaling \$25.5 million, there was no documentation that the manual review was performed for 131 of the 132 invoices submitted for payment. In our opinion, even if a manual review was performed and documented, we believe that given DGS' role as a control agency and the high number of disbursements processed each year (7,594 disbursements in fiscal year 2020) an independent online approval process would provide greater assurance as to the propriety of transactions and accountability.

- According to the State's accounting records, DGS processed disbursements for commodities totaling \$451 million during our audit period using a method in which vendor invoices were paid without being automatically matched to the related purchase order and receiving report. Although DGS advised us that it manually verified invoices through a comparison with the purchase orders and receiving reports, our testing disclosed that this was not always documented. Specifically, our test of 10 invoices totaling approximately \$213,000 from fiscal year 2020 disclosed that 5 invoices totaling \$133,000, for such commodities as laptops and fuel, were paid without a documented verification.
- DGS did not document its periodic review of FMIS access for its 65 FMIS users as required by the Department of Information Technology's (DOIT's) *Internal Control and Security Policy and Procedures Manual*. Although we were advised that DGS reviewed monthly FMIS access reports that were provided by DoIT for such a purpose, no documentation of these reviews was retained by DGS.

Similar conditions regarding DGS not using online approvals and invoice matching capabilities were noted in our preceding audit report. DoIT's *Internal Control and Security Policy and Procedures Manual* requires that critical transactions should be subject to independent review and approval. In addition, the Comptroller of Maryland's *Accounting Procedures Manual* requires agencies to document that prices have been verified and that goods/services have been received.

Recommendation 3

We recommend that DGS

- a. establish online independent approval requirements for all critical transactions, or at a minimum, modify the manual review process to**

- ensure it is consistently performed and documented for all disbursements (repeat);
- b. use the appropriate FMIS payment method to ensure that invoices are matched to the corresponding purchase order and receiving reports prior to payment (repeat); and
 - c. document its monthly review of employee FMIS access and take action as appropriate.

Statewide Fuel Contract

Finding 4

DGS did not verify that the Statewide fuel vendor performed accurate and valid fuel usage reconciliations, and conducted all environmental testing required by State regulations.

Analysis

DGS did not verify that the Statewide fuel vendor performed accurate and valid fuel usage reconciliations, and conducted all environmental testing required by State regulations. DGS procured a Statewide fuel contract effective August 1, 2012 for a total of nine years (including exercised contract options through July 31, 2021²), valued at \$576 million. According to State records, payments to this vendor totaled approximately \$147 million during fiscal years 2017 through 2020.

- DGS did not verify the accuracy of reconciliations of fuel usage completed by the fuel vendor or ensure the cause(s) for any variances identified were corrected by the vendor. DGS' contract requires the vendor to periodically reconcile the quantity of fuel dispensed by each fuel pump, based on records of fuel deliveries and fuel inventories, with the quantity of fuel dispensed according to the fuel pump card readers used to bill State agencies. Any variances identified by the reconciliation are to be billed or credited by the vendor to the respective State agencies.

Our review disclosed that DGS did not verify the accuracy of the reconciliations, even on a test basis, by reviewing supporting documentation, such as records of fuel deliveries and inventories on hand. Therefore, there was a lack of assurance that the reconciliations were accurate and that the cause(s) of any variance was identified and corrected. During the period from

² A five-month extension was processed for this contract through December 31, 2021, and a new vendor will be responsible for all fuel management duties beginning in January 2022.

July 2017 through June 2020, the vendor's reconciliations resulted in additional billings of \$388,000 and credits of \$92,000 to State agencies.

- DGS did not ensure that the vendor performed all required environmental compliance testing. The contract states that the vendor shall perform environmental tests on the fuel tanks and equipment in accordance with Maryland Department of the Environment regulations. These tests include assessing at different frequencies whether the equipment both above and below ground had functional leak detectors, were appropriately pressurized, and had proper vapor recovery. However, DGS did not obtain documentation that these tests were performed.

Although DGS had documentation that the vendor performed an overall annual inspection and calibration of equipment, this documentation did not state whether any of the aforementioned environmental tests were performed. Failed tests could have a harmful environmental impact and require the contractor to incur remediation and repair costs; or in the event of equipment failure, the contractor may be responsible for immediate environmental clean-up.

Recommendation 4

We recommend that DGS

- a. verify and document, at least on a test basis, the accuracy of the vendor's fuel reconciliation reports by reviewing supporting documentation, including evidence of fuel deliveries and fuel inventories, and ensure that these verifications are documented and retained; and**
- b. ensure that the contractor performs and reports the results of all required environmental compliance tests, and that any corrective actions are taken.**

Vendor Administrative Fees

Finding 5

DGS did not ensure that it received all administrative fees due from vendors providing goods and services to State agencies under Statewide contracts; and our review of selected contracts disclosed uncollected fees of at least \$227,300.

Analysis

DGS did not ensure that it received all administrative fees and the related supporting documentation due from vendors resulting in the failure to collect

\$227,300 in fees. The administrative fee was established in State law for DGS to cover the cost of administering contracts through the use of electronic transactions and is to be deposited in a special non-lapsing fund. State law further provides that DGS may assess administrative fees on vendors using Statewide contracts based on the vendor's sales revenue or volume. For example, DGS' fuel vendor contract assessed an administrative fee of one percent of vendor sales and an additional fee because it was procured using *eMaryland Marketplace Advantage (eMMA)*. Vendors were required to periodically remit the fees to DGS along with supporting sales reports. According to State accounting records, administrative fees collected in fiscal year 2020 totaled \$1.2 million.

Our review disclosed that for agencies that use the State's automated accounting system (FMIS), DGS verified the accuracy of the vendors' self-reported sales revenue reports to determine whether the administrative fees remitted were accurate on a limited basis. However, our testing disclosed that the verification process was insufficient to ensure that all fees owed were collected because it did not require the submission of all vendor sales reports and did not include a periodic monitoring of State records of relevant contract expenditures. In addition, for agencies that did not utilize FMIS³, such as the Maryland Department of Transportation (MDOT) and State universities, no process was in place to verify the appropriate administrative fees were remitted to DGS for those agencies' vendor payments made for Statewide contracts.

Our review of DGS records that listed 550 active Statewide contracts during fiscal years 2018 through 2020 disclosed that for 64 contracts, DGS did not receive sales reports or associated fees from the vendors. Based on our review of the statewide payments made on these contracts recorded in FMIS, we estimated that DGS should have collected \$227,300 from these vendors for the 64 contracts during fiscal years 2018 to 2020. For example, we identified one vendor providing disposable food service products that was paid \$3.5 million during fiscal years 2018 through 2020 by State agencies that did not submit administrative fees estimated to total approximately \$35,000.

Similar conditions were noted in our prior audit report of the Department of General Services – Office of Procurement and Logistics, dated December 7, 2016. Furthermore, as of November 2020, DGS had not yet investigated or otherwise taken action to collect the \$222,000 in unpaid vendor administrative fees, which we identified in our prior audit report.

³ MDOT uses its own version of FMIS, and USM's accounting system interfaces with the State's FMIS.

Since DGS lacked a similar tracking process for State agencies that did not utilize FMIS, such as the MDOT business units and the State universities (such as the University System of Maryland or USM), DGS had no knowledge whether the appropriate administrative fees were remitted by vendors. We were not readily able to calculate or estimate the amount of administrative fees that were not collected for State agencies that did not use the State's main accounting system, as we did not obtain access to any alternate accounting systems as part of this audit.

Recommendation 5

We recommend that DGS

- a. ensure that all required sales reports and related contract fees, including those noted above, are received and collected (repeat); and**
- b. verify reported sales to supporting documentation (repeat).**

Cash Receipts and Non-Cash Credits

Finding 6

DGS did not have sufficient controls over cash receipts and non-cash credits posted to the accounts receivable records.

Analysis

DGS had not established sufficient controls over cash receipts and non-cash credits posted to the accounts receivable records. DGS' collections related primarily to renewable energy reimbursements and rental payments for which accounts receivable records were maintained. According to State records, DGS' deposits related to such collections totaled \$20.6 million in fiscal year 2020. The majority of checks were initially received by DGS finance office employees, who restrictively endorsed and recorded them on a manually maintained log, and deposited them using remote deposit (a process that scans the images of checks and electronically transmits those images to the bank for deposit).

- The DGS deposit verifications performed were not adequate since the employee who initially recorded collections on the check log did not provide a copy of the log directly to the employee responsible for verifying recorded collections to deposit. Instead, the check log and the related checks were first forwarded by the preparer to a second employee who was responsible for remotely depositing the checks. As a result, unauthorized changes could be made to the check log that would not be detected by the third employee who was responsible for verifying the recorded checks from the log to validated bank deposit documentation.

- DGS did not maintain a log of destroyed checks deposited remotely, as required. The State Treasurer's *Policy on the Use of Remote Deposit Services by Maryland State Agencies* requires that agencies maintain a log tracking dates of destruction to verify that all remotely deposited checks were destroyed.
- Non-cash credits recorded in the accounts receivable records were not subject to independent on-line approval, nor were output reports generated for subsequent review by supervisory personnel. In addition, eight employees including the two aforementioned employees with access to collections during the deposit process, had online access capability to record non-cash credits on the accounts receivable records. As a result, errors or other discrepancies could occur without timely detection. DGS processed one non-cash credit transaction in fiscal year 2020 totaling \$10.3 million (plus several smaller dollar transactions) and 47 non-cash credit transactions in fiscal year 2019 totaling \$677,000.

Similar conditions were noted in our preceding audit report. The Comptroller of Maryland's *Accounting Procedures Manual* requires that a reconciliation of recorded collections from the initial point of recordation to amounts deposited be performed by an employee independent of the cash receipts function. To accomplish this would require the employee reconciling the deposit to have access to a copy of the check log maintained in the custody of its preparer. The *Manual* also requires supervisory review and approval of non-cash credits to accounts receivable records and the segregation of cash receipts handling duties from the accounts receivable record keeping duties.

Recommendation 6

We recommend that DGS

- ensure that the initial record of checks received, or a copy thereof, is given directly by its preparer to the independent employee responsible for verifying that all recorded collections were deposited (repeat);**
- maintain a log of all destroyed checks and reconcile this log to the initial recordation of the deposits (repeat);**
- ensure that non-cash credits to accounts receivable are subject to independent supervisory review and approval (repeat); and**
- segregate the cash receipts and accounts receivable functions, as required.**

We advised DGS how to achieve the necessary separation of duties using existing personnel.

Payroll and Leave Adjustments

Finding 7

DGS had not established adequate controls to ensure the propriety of certain overtime payments and leave adjustments.

Analysis

DGS had not established adequate controls to ensure the propriety of certain overtime payments and leave adjustments. We reviewed procedures and controls over overtime at DGS' Facilities Operations and Maintenance unit (FOM), which had overtime payments totaling approximately \$1.9 million from calendar year 2017 through 2020 (this accounts for 48 percent of all DGS overtime paid during that period⁴). In addition, we reviewed procedures and controls over online leave adjustments processed on the Statewide Personnel System (SPS).

- Our test of five FOM timesheets between January 2019 and March 2020 with a total of 366.5 overtime hours valued at approximately \$19,700, disclosed that DGS lacked documentation that the overtime was preauthorized or justified. Although not required, FOM advised that certain overtime would have been preauthorized. However, advance written overtime justification forms signed by the employee's supervisor and explaining why the employee needed to work, were not maintained. We were advised by DGS that such documentation was prepared, but mistakenly discarded. While FOM did not specifically require that overtime be preauthorized or justified, we noted that the DGS State Capital Police required preauthorization of overtime. Furthermore, we were advised by DGS that an informal procedure was in place for the FOM which would provide justification that employees needed overtime hours to complete emergency tasks that could not be performed during a normal schedule.
- Adjustments to employee leave balances on SPS were not subject to independent review and approval. During calendar year 2020, DGS processed 92 leave adjustments that changed employee leave balances by 6,555 hours (increase of 4,199 hours and decrease of 2,356 hours). Our review of the SPS access for 18 employees who could process critical changes to leave balances, disclosed that 9 could manually adjust leave balances in SPS without independent review or approval. Furthermore, DGS did not use available system output reports to verify the propriety of these leave adjustments. As a result, there was a lack of assurance that leave adjustments were proper.

⁴ The remaining 52 percent of all DGS overtime paid during the period was incurred primarily by State Capital Police.

Recommendation 7

We recommend that DGS ensure that

- a. overtime preauthorization and justification be required, documented, and retained; and**
- b. leave adjustments are subject to independent review and approval.**

Monitoring of State Property and Equipment

Finding 8

DGS did not adequately monitor State agencies to ensure they complied with State property and equipment requirements.

Analysis

DGS did not adequately monitor State agencies to ensure they complied with State property and equipment requirements. According to DGS records as of January 2021, inventory audits had been performed for 21 of the 76 State agencies during our audit period. Although not required by State statute, it is DGS policy to perform such audits periodically.

The audits that DGS did perform noted significant findings. For example, in one audit from March 2017, DGS noted that the agency did not always properly tag and add capital equipment to the detailed equipment records, lacked proper segregation of duties, and had not generated internal inventory control procedures. Furthermore, these audits take on added importance as OLA's own audits have historically identified deficiencies, such as, State agencies not performing required physical inventories.

State law provides that DGS is responsible for State property and equipment for all State agencies and units, with certain exceptions⁵. DGS' *Inventory Control Manual* established under this authority provides guidance, procedures, and controls to State agencies for maintaining State property and provides that DGS will conduct unannounced spot audits of inventory procedures to ensure compliance with the *Manual*. Although DGS management advised us that it lacked sufficient personnel to perform audits of all State agencies, it had not developed a formal process to select or prioritize those agencies for audit.

⁵ State law provides that DGS has oversight authority for all units subject to the State procurement laws. DGS does not have oversight authority over other units such as, public institutions of higher education, Department of Commerce, Maryland State Archives, and the Maryland Judiciary.

Recommendation 8

We recommend that DGS monitor State agency compliance with State inventory standards to ensure that they comply with State property and equipment requirements. If personnel issues impact the completion of audits, consideration should be given to developing a policy to prioritize audits consistent with available resources.

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the following units of the Department of General Services (DGS) for the period beginning May 31, 2016 and ending August 31, 2020:

- Office of the Secretary
- Office of Facilities Security
- Office of Facilities Operation and Maintenance
- Office of Real Estate
- Office of Facilities, Planning, Design, and Construction
- Business Enterprise Administration

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 DGS' 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 capital projects, disbursements, real estate, cash receipts, payroll, and accounts receivable. Our audit also included support services (such as invoice processing and maintenance of accounting records) provided by DGS – Office of the Secretary to DGS – Office of State Procurement (formerly Office of Procurement and Logistics). We also determined the status of the findings included in our preceding audit report and two findings included in our preceding audit report on the Office of Procurement and Logistics.

Our audit did not include certain support services provided by DGS – Office of State Procurement to the other DGS units. These support services (such as procurement) are included within the scope of our audit of the Office of State Procurement. Our audit also did not include activities related to the operation and maintenance of Government House. Although DGS receives an appropriation for these activities, these activities are audited as part of the Executive Department – Governor. Finally, our audit did not include services provided by DGS for certain

capital projects authorized by law under the State's operating budget (that is, the Board of Public Works – Capital Appropriations) and the capital project budget (for example, Maryland Consolidated Capital Bond Loans). This activity was the subject of a separate special audit of Statewide grant activity recently completed by the Office of Legislative Audits.

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 compliance with those laws and regulations by DGS because the State of Maryland engages an independent accounting firm to annually audit such programs administered by State agencies, including DGS.

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, May 31, 2016 to August 31, 2020, 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 DGS' operations. Generally, transactions were selected for testing based on auditor judgment, which primarily considers risk, the timing or dollar amount of the transaction, or the significance of the transaction to the area of operation reviewed. As a matter of course, we do not normally use sampling in our tests, so unless otherwise specifically indicated, neither statistical nor non-statistical audit sampling was used to select the transactions tested. Therefore, unless sampling is specifically indicated in a finding, the results from any tests conducted or disclosed by us 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. 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.

DGS' 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 DGS, 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 DGS' 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 DGS that did not warrant inclusion in this report.

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

APPENDIX

Larry Hogan
Governor

Boyd K. Rutherford
Lt Governor



Ellington E. Churchill, Jr.
Secretary

Nelson E. Reichart
Deputy Secretary

OFFICE OF THE SECRETARY

January 20, 2022

Mr. 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:

Please find enclosed, the Agency Response Form containing the Department of General Services' responses to the various recommendations provided by the Office of Legislative Audits in their draft report covering the fiscal compliance audit of the Department of General Services – Office of the Secretary covering the period from May 31, 2016, through August 31, 2020.

Please do not hesitate to contact my Chief of Staff, Eric T. Lomboy at 410-591-0441 or at eric.lomboy@maryland.gov if you require anything further on this matter.

Sincerely,

A handwritten signature in blue ink that reads "Ellington E. Churchill, Jr." The signature is fluid and cursive, with a large, sweeping flourish at the end.

Ellington E. Churchill, Jr.,
Secretary

Enclosure

c: Nelson Reichart, Deputy Secretary, DGS
Eric T. Lomboy, Chief of Staff, DGS
Wyllie Tchanchou, Chief Financial Officer, DGS



**Department of General Services
Office of the Secretary and Other Units**

Agency Response Form

Non-Budgeted Clearing Account

Finding 1

The Department of General Services (DGS) did not adequately account for funds in a non-budgeted clearing account and could not determine the proper disposition of \$1.74 million of the remaining amount in the fund at the end of fiscal year 2020.

We recommend that DGS

- a. prepare periodic compositions of the funds maintained in the clearing account to ensure all funds are properly accounted for;**
- b. determine the proper disposition of the aforementioned \$1.74 million and take appropriate corrective action (such as reverting the funds); and**
- c. accurately report the clearing account balance to the GAD, including the balance as of June 30, 2020.**

| Agency Response | | | |
|---|--|-----------------------------------|------------|
| Analysis | | | |
| Please provide additional comments as deemed necessary. | | | |
| Recommendation 1a | Agree | Estimated Completion Date: | Completed. |
| Please provide details of corrective action or explain disagreement. | Going forward the process will include ensuring the expenditures report is used to track and input all transactions affecting the clearing account into the two spreadsheets for both related purposes is done on a monthly basis: (1) to receive and spend capital funds for construction projects funded by other agencies' budgets, and (2) to account for power purchases on behalf of the University System and other agencies. | | |
| Recommendation 1b | Agree | Estimated Completion Date: | Completed. |
| Please provide details of corrective action or explain disagreement. | <p>The funds for construction projects sitting in this account are projects that are brought to us by outside agencies requesting DGS assistance, because their procurement authority is not high enough to complete the project. There is a formal process in place where the agency sends a request, and a written response is provided back by DGS either accepting or denying that request. If accepted, they transfer the funds to DGS to complete the project, and we hold those funds in the clearing account while the project is completed. This state construction file is shared annually with the construction unit for their review, and to advise the fiscal unit on the status of the projects.</p> <p>To ensure all funds on the state construction file are properly accounted for, we propose creating a purchase order for each project to track these funds more</p> | | |

**Department of General Services
Office of the Secretary and Other Units**

Agency Response Form

| | | | |
|---|--|-----------------------------------|------------|
| | <p>closely. Currently, once DGS approves the project, the funds are transferred from the requesting agency, and we manage them from the clearing account. We propose that going forward in fiscal year 2022, we wait for the bid process to be completed before the funds are transferred to DGS. We can then immediately issue a purchase order and work can begin on the project. Once the project is complete, the purchase order can be closed, and any remaining funds will be reverted to the state to eliminate the need to do a mass cleanup at year end.</p> <p>DGS does not record energy revenues in the clearing account. Back in 2010, the state entered into three separate power purchase agreements with renewable energy vendors. The power from these facilities is allocated to the university system, and DGS, on behalf of the rest of state agencies. The power is split at the ratio of 1/3 to USM, and 2/3 to DGS. DGS is the buyer of the power under these agreements from the vendors. These invoices are paid monthly by DGS on behalf of the individual agencies. DGS has a separate contract with a billing vendor to bill the individual agencies, and then pass through those payments to DGS as reimbursement for having paid the initial invoices from the vendors. DGS charges an administrative fee, which is billed to agencies and collected by the billing vendor for providing this service. These administrative fees are remitted to us in a separate check from the billing vendor, which are recorded as revenue to PCA / OBJ 77159-9051, outside of the clearing account.</p> <p>DGS will work with DBM to create a new revenue funding source to move the power purchases transactions from the clearing account to a reimbursable pass-through account. Our preference would be to then pay the invoices monthly and bill the billing vendor to establish a receivable and have the transactions offset, eliminating any timing difference. This will be contingent on reviewing our contract with the billing vendor to see if we would be able to do this within the framework of the existing agreement.</p> <p>The power purchase transactions will always result in timing differences, just based on the nature of the reimbursement process. They will all net to zero, but since the agreements are ongoing, there will always be purchases and reimbursements flowing in and out of the account.</p> | | |
| Recommendation 1c | Agree | Estimated Completion Date: | Completed. |
| Please provide details of corrective action or explain disagreement. | DGS has implemented the recommended corrective action by providing a revised report showing the accurate balance for June 30, 2020 and will continue to provide accurate balances going forward. | | |

Real Estate Commissions

Finding 2

**Department of General Services
Office of the Secretary and Other Units**

Agency Response Form

DGS did not timely deposit approximately \$465,000 in commission rebates, which resulted in the retention of certain funds that should have been reverted to the State's General Fund, at June 30, 2020 fiscal year-end.

We recommend that DGS

- a. ensure all rebate checks are deposited and recorded timely;**
- b. provide accurate information to DBM when requesting future budget amendments; and**
- c. consult with DBM regarding the appropriate action, if any, in response to the authorization to use the \$465,000 based on incorrect information submitted to DBM.**

| Agency Response | | | |
|---|---|-----------------------------------|------------|
| Analysis | | | |
| Please provide additional comments as deemed necessary. | | | |
| Recommendation 2a | Agree | Estimated Completion Date: | Completed. |
| Please provide details of corrective action or explain disagreement. | DGS has implemented an enhanced procedure to ensure that all rebate checks are recorded and deposited timely by providing a written process for DGS employees that would be responsible for receipt and handling of rebate checks. | | |
| Recommendation 2b | Agree | Estimated Completion Date: | Completed. |
| Please provide details of corrective action or explain disagreement. | Implementation of the enhanced procedure noted in Recommendation 2a will by default allow DGS to provide accurate information for any budget amendment submissions that include real estate broker rebate fees. | | |
| Recommendation 2c | Agree | Estimated Completion Date: | Completed. |
| Please provide details of corrective action or explain disagreement. | DBM and the Comptroller's General Accounting Division (GAD) were both apprised of the audit finding and the accompanying circumstances by DGS' Chief of Staff. After explaining the measures put in place to ensure this situation does not repeat itself, it was agreed that while both DBM and GAD recognized that DGS had not followed proper accounting procedures, that DGS would not be required to revert the funds in question because the budget amendment was properly processed in order access and use the funds. | | |

Procurements and Disbursements

Finding 3

**Department of General Services
Office of the Secretary and Other Units**

Agency Response Form

DGS did not use available online controls to ensure that critical transactions were independently approved and were proper, and could not document that it verified the propriety of user access granted to its employees.

We recommend that DGS

- a. establish online independent approval requirements for all critical transactions, or at a minimum, modify the manual review process to ensure it is consistently performed and documented for all disbursements (repeat);**
- b. use the appropriate FMIS payment method to ensure that invoices are matched to the corresponding purchase order and receiving reports prior to payment (repeat); and**
- c. document its monthly review of employee FMIS access and take action as appropriate.**

| Agency Response | | | |
|---|--|-----------------------------------|------------|
| Analysis | | | |
| Please provide additional comments as deemed necessary. | | | |
| Recommendation 3a | Agree | Estimated Completion Date: | Completed. |
| Please provide details of corrective action or explain disagreement. | All accounts payable vouchers created in FMIS are reviewed and approved on the 9210 screen in ADPICS and then transmitted to GAD. The transmittal page is printed from the 32 screen and signed by a reviewer before being scanned and sent with all the soft copy backup to GAD for release. The review is completed by the general accounting team, the deputy director or director of fiscal services. The soft copy of each ARN transmittal as well as the individual vouchers are all saved and housed on the fiscal shared drive. DGS has documented this manual review process but wish to note that the term “critical transactions” has not been defined anywhere in guidance which makes it difficult to develop a process specifically to address them. | | |
| Recommendation 3b | Agree | Estimated Completion Date: | 7/1/2022 |
| Please provide details of corrective action or explain disagreement. | DGS agrees that additional training is necessary to ensure that agency buyers are fully aware of the proper match type to be used when initiating a commodity PO and establish receivers to complete receive reports. The DGS Fiscal Office will work with the Office of State Procurement’s training academy to ensure that proper coding instructions are included in the training for state procurement professionals. | | |
| Recommendation 3c | Agree | Estimated Completion Date: | Completed. |
| Please provide details of corrective action or explain disagreement. | This review has not been conducted regularly. DGS has established and documented a monthly review process which will be initiated by the FMIS coordinator and reviewed in conjunction with the Fiscal Division and the HR Office. Reviews are expected to commence under the new process Oct. 1, | | |

**Department of General Services
Office of the Secretary and Other Units**

Agency Response Form

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| | 2021, and completed reviews will be kept on file with the Fiscal Services Office. |
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**Department of General Services
Office of the Secretary and Other Units**

Agency Response Form

Statewide Fuel Contract

Finding 4

DGS did not verify that the Statewide fuel vendor performed accurate and valid fuel usage reconciliations, and conducted all environmental testing required by State regulations.

We recommend that DGS

- a. verify and document, at least on a test basis, the accuracy of the vendor's fuel reconciliation reports by reviewing supporting documentation, including evidence of fuel deliveries and fuel inventories, and ensure that these verifications are documented and retained; and**
- b. ensure that the contractor performs and reports the results of all required environmental compliance tests, and that any corrective actions are taken.**

| Agency Response | | | |
|---|--|-----------------------------------|----------|
| Analysis | | | |
| Please provide additional comments as deemed necessary. | | | |
| Recommendation 4a | Agree | Estimated Completion Date: | 5/1/2022 |
| Please provide details of corrective action or explain disagreement. | The Inventory Standards and Support Services Division will document a process and accompanying guidance for ensuring that the various concerns raised in the discussion notes are being addressed including documenting the verifications and maintaining them in the files. DGS is hiring a Fuel Administrator who will be responsible for ensuring all the areas of concern will be monitored and will ensure that the vendor and our client agencies adhere to the documented process. The Fuel Administrator will report directly to the Statewide Fuel Manager and will help in monitoring the Statewide Fuel Contract. | | |
| Recommendation 4b | Agree | Estimated Completion Date: | n/a |
| Please provide details of corrective action or explain disagreement. | See answer above in 4(a). | | |

**Department of General Services
Office of the Secretary and Other Units**

Agency Response Form

Vendor Administrative Fees

Finding 5

DGS did not ensure that it received all administrative fees due from vendors providing goods and services to State agencies under Statewide contracts; and our review of selected contracts disclosed uncollected fees of at least \$227,300.

We recommend that DGS

- a. ensure that all required sales reports and related contract fees, including those noted above, are received and collected (repeat); and**
- b. verify reported sales to supporting documentation (repeat).**

| Agency Response | | | |
|---|--|-----------------------------------|------------|
| Analysis | | | |
| Please provide additional comments as deemed necessary. | Currently DGS relies on Vendor reporting and State records in FMIS where possible, to match the Vendor reporting. Once eMMA is fully implemented, the plan is to use “data analytics” on vendor spend that will be provided through the emma system to identify and pursue uncollected vendor fees due DGS. | | |
| Recommendation 5a | Agree | Estimated Completion Date: | Completed. |
| Please provide details of corrective action or explain disagreement. | A process to ensure that all required sales reports and related contract fees, including the OLA identified outstanding amount of \$227,300 has been put in place to ensure fees owed the State will be collected timely. The policy and accompanying process will be drafted in collaboration between the Office of State Procurement and the Fiscal Services Office. | | |
| Recommendation 5b | Agree | Estimated Completion Date: | 10/1/2022 |
| Please provide details of corrective action or explain disagreement. | <p>For agencies that use the State’s automated accounting system (FMIS), DGS will verify the accuracy of the vendors’ self-reported sales revenue reports to determine whether the administrative fees remitted were accurate.</p> <p>For agencies that do not utilize FMIS and because some transactions are completed using the corporate purchasing card, there currently is no process to verify the appropriate administrative fees were remitted to DGS for those agencies’ vendor payments made on Statewide contracts. We are currently unable to generate the necessary reporting from the e-procurement system that would allow DGS personnel to sufficiently audit sales reports. DGS has hired a full-time auditor, who will work within the Office of State Procurement and, among other assignments, will focus on developing a process for verifying the accuracy of eMMA fees.</p> | | |

Cash Receipts and Non-Cash Credits

**Department of General Services
Office of the Secretary and Other Units**

Agency Response Form

Finding 6

DGS did not have sufficient controls over cash receipts and non-cash credits posted to the accounts receivable records.

We recommend that DGS

- a. ensure that the initial record of checks received, or a copy thereof, is given directly by its preparer to the independent employee responsible for verifying that all recorded collections were deposited (repeat);**
- b. maintain a log of all destroyed checks and reconcile this log to the initial recordation of the deposits (repeat);**
- c. ensure that non-cash credits to accounts receivable are subject to independent supervisory review and approval (repeat); and**
- d. segregate the cash receipts and accounts receivable functions, as required.**

We advised DGS how to achieve the necessary separation of duties using existing personnel.

| 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. | This process was changed effective December 9th 2020, after initial conversations with the OLA auditors conducting the review. The deposit log preparer now presents a copy of the deposit log directly to the accountant who completes the bank reconciliation. The accountant saves all copies of the deposit log for the month and uses them when the bank reconciliation is completed, to ensure there are no discrepancies between what the deposit log preparer has entered onto the log and what was actually deposited. | | |
| Recommendation 6b | Agree | Estimated Completion Date: | Completed. |

**Department of General Services
Office of the Secretary and Other Units**

Agency Response Form

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|---|--|-----------------------------------|------------|
| Please provide details of corrective action or explain disagreement. | The reconciliation process was changed as of January 2021. Each deposit is now individually entered on our bank reconciliation checklist file. Once the bank reconciliation is complete, we wait until the following month is reconciled to ensure there are no chargebacks. Once we have completed that cycle, the accountant will notify payroll of which month's deposits can be destroyed, at which point they are shredded, and the bank reconciliation checklist is updated with a destroyed date. We began using our new reconciliation checklist file in January 2021, but we did not document our first check destruction until August 2nd 2021. | | |
| Recommendation 6c | Agree | Estimated Completion Date: | Completed. |
| Please provide details of corrective action or explain disagreement. | DGS has requested the AZ report (Output report) be run monthly. This report shows all non-cash credits to the accounts receivables. The budget manager with User Class 04 and 89, who is independent from the accounts receivables process and does not have the capability to post a non-cash credit, is responsible for reviewing this report for accuracy. All non-cash credits will be reviewed for appropriateness and, thus, approved by the budget manager. This review will be documented and retained. This process was implemented in March, 2021. | | |
| Recommendation 6d | Agree | Estimated Completion Date: | Completed. |
| Please provide details of corrective action or explain disagreement. | The process here was changed as of December 2020. The DGS Fiscal Office now has a Fiscal Accounts Technician II in our A/P unit picks up the mail and prepares the deposit log and deposit ticket. Once these are prepared, the original of the log is given to the accountant who will prepare the bank reconciliation, and the checks, deposit ticket and a copy of the log are delivered to the payroll unit. The Payroll unit employees are responsible for entering the deposit into FMIS as well as performing the electronic deposit into the bank using the bank scanner. Once the deposit is entered, the paperwork is scanned and saved onto the network, and the hard copy is retained until the accountant completes the bank reconciliation and advises which packets can be disposed of. The payroll supervisor, deputy director or director of fiscal reviews the deposit paperwork and approves in FMIS. | | |

**Department of General Services
Office of the Secretary and Other Units**

Agency Response Form

Payroll and Leave Adjustments

Finding 7
DGS had not established adequate controls to ensure the propriety of certain overtime payments and leave adjustments.

We recommend that DGS ensure that

- a. overtime preauthorization and justification be required, documented, and retained; and**
- b. leave adjustments are subject to independent review and approval.**

| Agency Response | | | |
|---|--|-----------------------------------|------------|
| Analysis | | | |
| Please provide additional comments as deemed necessary. | | | |
| Recommendation 7a | Agree | Estimated Completion Date: | 3/31/2022 |
| Please provide details of corrective action or explain disagreement. | DGS' HR Office is preparing a department-wide OT policy to ensure compliance with this recommendation by adapting an existing policy used by the Maryland Capitol Police and making it broad enough to apply across the department. The OT policy should be ready to implement as of April 1, 2022. | | |
| Recommendation 7b | Agree | Estimated Completion Date: | Completed. |
| Please provide details of corrective action or explain disagreement. | The Workday system does not have an approval path for adjustments to employees leave balances. Currently, when a payroll employee makes a leave balance adjustment, they scan a copy of the request that was received to make that adjustment and save it to a shared network folder where it can be reviewed. At the end of each month, the SPMS Accrual and Time Off Adjustment report is run, and each adjustment is reconciled back to the backup that has been saved to the shared payroll folder. This review is conducted by the Deputy Director of Fiscal Services starting with the month of January 2021. Once all transactions are verified, the file is printed, signed, and scanned back into the shared folder for audit purposes. | | |

**Department of General Services
Office of the Secretary and Other Units**

Agency Response Form

Monitoring of State Property and Equipment

Finding 8

DGS did not adequately monitor State agencies to ensure they complied with State property and equipment requirements.

We recommend that DGS monitor State agency compliance with State inventory standards to ensure that they comply with State property and equipment requirements. If personnel issues impact the completion of audits, consideration should be given to developing a policy to prioritize audits consistent with available resources.

| Agency Response | | | |
|---|--|-----------------------------------|-------------------|
| Analysis | | | |
| Please provide additional comments as deemed necessary. | | | |
| Recommendation 8 | Agree | Estimated Completion Date: | 06/30/2022 |
| Please provide details of corrective action or explain disagreement. | DGS is in the process of recruiting an ISSSD compliance officer who will monitor State agency compliance with inventory standards to ensure that they comply with State property and equipment requirements. ISSSD's compliance officer in collaboration with BEA leadership and the Secretary's Office will develop a policy and process for use when personnel vacancies impact the ability to conduct reviews that prioritizes certain reviews to be conducted with other available resources. DGS anticipates this policy being implemented no later than June 30, 2022. | | |

AUDIT TEAM

Heather A. Warriner, CPA
Audit Manager

Joel E. Kleiman, CPA
Senior Auditor

Sporthi J. Cernelio
Walter L. Horan, IV
Anjelecia N. Jacobs
Staff Auditors