Audit Report

Comptroller of Maryland

Compliance Division
Office of Law and Oversight

September 2026

OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

Joint Audit and Evaluation Committee

To Obtain Further Information

Office of Legislative Audits
The Warehouse at Camden Yards
351 West Camden Street, Suite 400
Baltimore, Maryland 21201
Phone: 410-946-5900
Maryland Relay: 711
TTY: 410-946-5401 · 301-970-5401
E-mail: webmaster@ola.maryland.gov
Website: ola.maryland.gov

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.

Victoria L. Gruber
Executive Director

Brian S. Tanen, CPA, CFE
Legislative Auditor

DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

September 11, 2026

Senator Shelly L. Hettleman, Senate Chair, Joint Audit and Evaluation Committee
Delegate Jared Solomon, 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 Comptroller of Maryland (COM) – Compliance Division and the Office of Law and Oversight (OLO) for the period beginning March 16, 2022 and ending September 5, 2025. The Division is primarily responsible for the enforcement of all tax laws administered by COM, including those relating to individual income taxes and business taxes such as corporate income, withholding, and sales and use taxes. The OLO is responsible for legal matters, special litigation, appeals, and unclaimed and abandoned property. The OLO also includes the Field Enforcement Bureau which is included in our audit of the Office of the Comptroller of Maryland.

Our audit disclosed the Division did not always perform wage garnishments on delinquent individual taxpayers. We identified 1,900 individuals with balances totaling $25.5 million who collectively earned $280.7 million during calendar years 2024 and 2025 that were not subject to wage garnishments. For example, one individual owed $605,100 in 2018 income taxes and earned $1.7 million between 2024 and 2025 but was not subject to wage garnishment.

Our audit also disclosed the Division's new cloud-based tax system, referred to as Government Premier (GPE), did not have critical functionality which had been available on the previous automated system, SMART. The Division also did not use available functionality to monitor and follow up on delinquent business accounts. Furthermore, the Division did not adequately monitor individual taxpayer accounts suspended from automated collection procedures for more than 90 days, certain of which were not justified and approved. Our audit also noted the Division did not pursue available enforcement actions when business entities stopped making payments on their payment plans.

Our audit further disclosed the Division did not follow up on more than 6,000 questionable tax returns identified by its vendor or refer possible fraudulent tax activity to the Office of the Attorney General. In addition, the Division did not complete certain tax compliance programs resulting in 2,200 missed assessments.

Finally, our audit disclosed the Division's procedures over tax adjustments were not sufficiently comprehensive. For example, monthly output reports used by the Division to review and approve tax adjustments did not include approximately $31.8 million in adjustments made by three employees between March 2022 and September 2025.

COM's response to this audit, on behalf of the Division, is included as an appendix to this report. In accordance with State law, we have reviewed the response and, while COM generally agrees with the recommendations in this report, we identified certain instances in which statements in the response disagree or appear to be inconsistent with a report finding and recommendation. 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's comments" within COM's response to explain our position. We will advise the Joint Audit and Evaluation Committee of any outstanding issues that we cannot resolve with COM.

We wish to acknowledge the cooperation extended to us during the audit by the Division.

Respectfully submitted,

Brian S. Tanen

Brian S. Tanen, CPA, CFE
Legislative Auditor

Table of Contents

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

Background Information

Agency Responsibilities

The Compliance Division's primary responsibilities include enforcement of all tax laws administered by the Comptroller of Maryland (COM), including individual income taxes and business taxes such as corporate income, withholding, and sales and use taxes. The Division conducts taxpayer audits and investigations, collects delinquent taxes, levies tax assessments and processes tax appeals, and performs other taxpayer compliance activities. According to the Division's records, as of June 30, 2025, outstanding individual income taxes (excluding interest and penalties) and business taxes subject to collection by the Division totaled approximately $1.6 billion and $731.1 million, respectively.

The Office of Law and Oversight (OLO) includes three units.

1. Legal, Special Litigation and Appeals (LSLA) reviews appeals of tax assessments and denial of refund claims, and creates and manages public guidance on tax law.

2. Unclaimed and Abandoned Property (UAP) administers the Uniform Disposition of Unclaimed Property Act, which primarily relates to locating and returning abandoned property.

3. Field Enforcement Bureau (FEB) monitors and enforces trade practice regulations and revenue laws related to motor fuel, and sales and use taxes including business licenses and testing motor fuel quality.

This audit includes the activities of the LSLA and UAP and the activities of the FEB are included in our audit of the Office of Comptroller of Maryland.

According to the State's records, during fiscal year 2025, the Division's expenditures totaled approximately $51.1 million (see Figure 1) and collections from its enforcement programs totaled $654.3 million which are generally reverted to the State's General Fund.

Figure 1
Compliance and Certain[1] OLO Positions, Expenditures, and Funding Sources

Full-Time Equivalent Positions as of June 30, 2025	
	Positions
Filled	375
Vacant	13
Total	**388**

Fiscal Year 2025 Expenditures	
	Expenditures
Salaries, Wages, and Fringe Benefits	$40,860,886
Technical and Special Fees	405,006
Operating Expenses	9,826,250
Total	**$51,092,142**

Fiscal Year 2025 Funding Sources	
	Funding
General Fund	$37,128,842
Special Fund	13,963,300
Total	**$51,092,142**

Source: State financial and personnel records

Integrated Tax System Replacement

In fiscal year 2018, with the assistance of the Maryland Department of Information Technology, COM's Office of the Comptroller initiated a competitive procurement for an information technology modernization project to replace the automated State of Maryland Tax (SMART) system. In December 2018, the Board of Public Works approved a 10-year contract totaling approximately $117.4 million including an additional 5-year option totaling $42.2 million for a vendor[2] to replace SMART with a new cloud-based automated system referred to

[1] While the Field Enforcement Bureau is budgetarily under the Office of Law and Oversight, it is audited separately and not included in this figure.
[2] Other vendors are associated with the project to perform specific tasks such as oversight and consulting, the "primary vendor" is responsible for system design and implementation.

as Government Premier (GPE). The COM subsequently obtained Board approval for three modifications which increased the total contract value to approximately $187.2 million.

As of February 2026, the vendor had been paid $117.4 million and while various parts have been implemented during our audit period, as of April 2026, the anticipated completion date for the system is August 2026. The procurement and monitoring of the vendor will be included in our Office of the Comptroller audit. We believe that the system limitations and delays have contributed to certain of the findings identified in this report.

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 May 3, 2024. See Figure 2 for the results of our review.

Figure 2
Status of Preceding Findings

Preceding Finding	Finding Description	Implementation Status
Finding 1	The Division did not always assess penalties for holders of unclaimed property that failed to remit such property to the Division.	Not repeated
Finding 2	Adjustments to business taxpayer accounts processed by one Division unit were not always reviewed by supervisory personnel as required.	**Repeated** (Current Finding 7)
Finding 3	The Division did not conduct required supervisory reviews of State payments to taxpayers released from the Liability Intercept Program.	Not repeated
Finding 4	The Division only conducted a minimal number of Bay Restoration Fee audits and excluded the entities that collected the majority of these fees.	Not repeated

Findings and Recommendations

Enforcement Actions

Background
Taxpayers are generally required to satisfy all debts at the filing date or establish a monthly payment plan. If a taxpayer does not satisfy the debt by the filing date or misses two consecutive payments, then their account becomes delinquent and may be subject to one or more of the following collection actions authorized by State law.

1) **Property Liens** – The Division can issue a lien notice and file the lien 30 days after the notice for debts greater than $500, and for all payment plans exceeding 6 months. The lien instructs the courts that the tax debt is to attach to any real or personal property and establishes the Division's right to collect and is the basis for all additional actions.
2) **Officer Assessments** – The Division can assess an officer of the business when a business tax liability exceeds $2,500 for most tax types. An officer assessment establishes a personal liability on the corporation's key officers to satisfy the tax debt. The individual could then be subject to a lien, bank attachment, wage garnishment or license hold.
3) **Bank Attachment** – The Division can process a bank attachment on bank accounts for individual and business tax liabilities exceeding $2,500 after 55 days of being delinquent. A bank attachment notifies financial institutions of a tax debt and requires that the institution transfers the tax debtor's funds to the Division.
4) **Wage Garnishment** – The Division can process wage garnishments for individual tax liabilities exceeding $500 after 55 days of being delinquent. Wage garnishments are notifications to employers that a portion of an employee's salary must be paid to the Division to satisfy the tax debt.
5) **Charter and License Holds and Referrals** – The Division can process charter and license holds for debts greater than $1,000.

Finding 1
The Division did not always perform wage garnishments and bank attachments on delinquent individual taxpayers including numerous delinquent accounts which had significant wages.

Analysis
The Division did not always perform wage garnishments and bank attachments on delinquent individual taxpayers. The failure to pursue these accounts is significant because the outstanding individual taxes increased by 53 percent from

$1.03 billion to $1.58 billion between fiscal years 2022 to 2025, many of which were outstanding for extended periods. Specifically, according to the Division's records as of February 2026, there were approximately 18,300 accounts with outstanding balances over $2,500 that had been delinquent for at least 570 days[3] that were not subject to wage garnishments and bank attachments. These accounts were not being actively pursued (were inactive) and had approximately $251.7 million in outstanding balances from the period of January 1, 2019 through December 31, 2023.[4]

The use of wage garnishments and bank attachments may have assisted in collecting outstanding individual taxes. Our Data Analytics Unit independently obtained State wage data from the Maryland Department of Labor and matched[5] the data to the aforementioned 18,300 accounts. Our match identified 1,900 individuals with balances totaling $25.5 million who earned $50,000 or more during calendar year 2024 and/or 2025. These individuals collectively earned $280.7 million over the two-year period. For example, one individual who owed $605,100 in 2018 income taxes, earned $1.7 million between January 2024 and December 2025 and was not subject to wage garnishment.

Division management advised that it did not pursue additional collection action on these accounts because it refers delinquent accounts to the Motor Vehicle Administration for administrative action (such as preventing the delinquent taxpayer from renewing their driver's license), which has been its most effective collection tool. However, as previously noted, there were a significant number of accounts that remained outstanding despite the current process.

Recommendation 1

We recommend that the Division perform wage garnishments and bank attachments for delinquent individual taxpayers.

---

[3] According to Division workflow guidance, accounts are delinquent for at least 570 days before the status is changed to inactive.

[4] We reviewed accounts that became inactive between 2019-2023 to align with our 2024 and 2025 wage data.

[5] Our analysis focused on wage garnishments since we did not readily have financial institution data to analyze for bank attachments.

Finding 2
The new cloud-based automated system referred to as Government Premier (GPE) did not have critical functionality that was available on the previous automated system. In addition, the Division did not use GPE functionality that was available to effectively monitor and follow up on delinquent business accounts.

Analysis
The GPE system did not have critical functionality that had been available on the previous automated system, and the Division did not use GPE functionality that was available to effectively monitor and follow up on delinquent business accounts. For example, GPE could not accurately assign delinquent accounts to employees to initiate collection actions or provide reports for supervisors to monitor employee work. As a result, since the implementation of GPE for business accounts in February 2024, the Division lacked assurance that all available collection actions had been taken. Division management advised that these issues were in the process of being corrected.

In addition, the Division could not document that it used available GPE reports to assist in identifying and pursuing delinquent business accounts. In response to our request, the Division generated a report as of November 2025, which identified approximately 3,000 delinquent business accounts with outstanding taxes totaling $362.7 million without GPE-generated liens. We reviewed 20[6] of these accounts with delinquent balances totaling $54.1 million and noted that as of December 2025, the Division had not taken all available collection actions for 18 of the accounts with recorded delinquent balances totaling $53 million. Collection actions would include bank attachments, officer assessments, and referrals to charter/license agencies.

Recommendation 2
We recommend the Division
a. ensure GPE has the required functionality to effectively identify, monitor, and pursue delinquent business accounts; and
b. use available GPE functionality to identify, monitor, and pursue collections for amounts due, including the cases noted above.

[6] We selected our test items primarily based on materiality.

Suspended Accounts

Finding 3
The Division did not use available output reports to monitor individual taxpayer accounts suspended from automated collection procedures resulting in numerous accounts being suspended for extended periods without adequate justification or management approval.

Analysis
The Division did not use available output reports to monitor individual taxpayer accounts suspended from automated collection procedures resulting in numerous accounts being suspended for extended periods without adequate justification or management approval. The Division's practice is to suspend accounts from the automated collection for up to 90 days for various reasons (such as appeals) and require written justification and management approval for accounts suspended for more than 90 days. According to Division records, as of January 2026, there were approximately 4,100 accounts with delinquent balances totaling $102.7 million that had been suspended for between 4 and 42 months.

Our test of 14 suspended accounts[7] that were more than 90 days old with delinquent balances totaling $9.9 million disclosed that 6 accounts[8] with delinquent balances totaling $3.4 million were suspended for 8 to 22 months without documented justification and management approval for continued suspension beyond the original 90-day period. For example, on April 30, 2025, the Division suspended automated collection until June 14, 2025 on 1 account with a delinquent balance of $1.4 million because the taxpayer was scheduled for an appeal hearing. Despite the taxpayer not appearing for the appeal hearing, the account continued to be suspended as of February 13, 2026, (8 months after the justified suspense period) without management approval and justification.

Recommendation 3
We recommend that the Division
a. use available output reports to monitor suspended accounts; and
b. obtain required justification and management approval for all accounts suspended for more than 90 days, including those noted above.

[7] We selected our test items based on materiality and users that performed a high number of account suspensions.
[8] For the 8 remaining accounts, the suspensions had expired for less than 4 months or a different COM division was actively working on the account.

Payment Plans

Finding 4
The Division did not pursue available collection actions when business entities stopped making payments on their payment plans.

Analysis
The Division did not pursue available collection actions when business entities stopped making payments on their payment plans. According to Division records, there were approximately 1,200 payment plans totaling $59.5 million, as of February 2026.

Our test of 20 plans[9] for 15 business entities with outstanding balances totaling approximately $9.7 million disclosed that 7 plans with balances totaling $4 million were still listed as compliant even though the entity had not made payments for periods ranging from 2 to 13 months. For example, 1 entity with a balance of approximately $370,000 as of December 9, 2025, was listed as compliant even though no payments had been made since January 1, 2025.

We were advised by Division management that this condition was caused, at least in part, because GPE collection functions automatically triggered by defaulted payment plans could not be relied on. As a result, the Division had to use a manual review process to verify the delinquent status of each individual plan while corrections were being made to the system.

Recommendation 4
We recommend the Division ensure collection actions are taken for non-compliant payment plans, including those noted above.

Questionable Tax Returns

Finding 5
The Division did not follow up on 6,121 of the 6,574 questionable tax returns identified by its vendor and did not refer possible fraudulent activity to the Office of Attorney General (OAG).

Analysis
The Division did not follow up on 6,121 of the 6,574 questionable tax returns identified by its vendor and did not refer instances of possible fraudulent returns

[9] Our test items were selected based on materiality.

to the OAG. The Division contracted with a vendor to perform various services including identifying questionable tax returns for the period from July 2021 to June 2026 with two one-year options.[10] Between March 2022 and September 2025, the vendor assessed 6,574 returns (5,968 individual and 606 business) as questionable.

Our review disclosed that the Division did not document its follow-up on 5,528 of the 5,968 (93 percent) individual returns, and 593 of the 606 (98 percent) business tax returns that the vendor identified as questionable despite indications that an expanded review may have resulted in increased assessments. For example, the vendor noted that one deduction[11] accounted for 198 (33 percent) of the questionable business tax returns it identified. Although the Division determined that 6 of the 7 businesses it reviewed could not support the deduction resulting in $1.3 million in additional taxes due, it did not follow up on the other 191 business returns with the same questionable deduction.

In addition, the Division did not refer possible fraudulent activity to the OAG. For example, the vendor noted that one tax preparer was responsible for 1,503 (25 percent) of the questionable individual tax returns and the Division's follow-up on 88 of these questionable returns resulted in approximately $1 million in additional assessments. The Division did not take any actions on the other 1,415 individual tax returns filed by this one tax preparer and did not refer the tax preparer to the OAG to determine whether criminal charges would be appropriate.

Recommendation 5
We recommend that the Division

a. **develop a comprehensive plan to conduct documented reviews of questionable returns identified by its vendor and expand testing when patterns of questionable activity are identified, including those noted above; and**
b. **refer any possible criminal activity to the OAG, including those noted above.**

---

[10] In addition to utilizing a vendor to identify questionable tax returns (which includes entries such as unusually high credits or deductions), COM has various internal processes to monitor returns.
[11] The questionable area related to high rates of net operating losses.

Tax Compliance Programs

Finding 6
The Division did not conduct or complete certain business and individual tax compliance programs (TCPs) and did not perform supervisory reviews over individual TCPs resulting in 2,200 missed assessments.

Analysis
The Division did not conduct or complete certain business and individual TCPs and did not perform supervisory reviews over individual TCPs. The Division conducts several types of TCPs for businesses and individuals designed to identify and pursue taxpayers who do not file required income tax returns or report all income. Taxpayers identified by the TCPs are sent assessments of the additional taxes owed and requests for payment. If the taxpayer does not pay or enter a payment plan in response to the TCP, the Division will pursue other enforcement actions.

- The Division did not conduct two longstanding TCPs that identified business entities that had not filed a tax return for at least six months or had their federal tax returns changed based on IRS adjustments.[12] We were advised these TCPs where discontinued in February 2024 due to issues with the GPE system and staffing limitations, respectively. During fiscal year 2023, (which was the last full year the programs were performed), these TCPs resulted in additional assessments totaling approximately $9.3 million and $443,100, respectively.

- The Division did not peform supervisory reviews over individual TCPs. As a result, it did not identify that one of the 12 individual taxpayer TCPs which accounted for $104.5 million in 2025 assessments was not completed. Specifically, our test of 6 of the 12 TCPs for individual taxpayers[13] disclosed that the Division did not issue assessments for the results of 1 TCP to approximately 2,200 (6 percent) of the 36,300 potentially delinquent taxpayers until we brought this to its attention in October 2025. We could not readily determine the value of the missing assessments.

Recommendation 6
We recommend that the Division
a. ensure all business and individual taxpayer TCPs are conducted and completed; and

[12] For example, if the IRS decreases a deduction this may cause an increase in the business' revenue and liability to the State.
[13] These TCPs were selected for testing based upon materiality.

b. **perform supervisory reviews over individual TCPs to ensure assessments are issued for all individual TCPs, including those noted above.**

Tax Adjustments

Finding 7
The Division's procedures for reviewing tax adjustments were not sufficiently comprehensive resulting in certain adjustments not being subject to independent review and approval.

Analysis
The Division's procedures for reviewing tax adjustments were not sufficiently comprehensive resulting in certain adjustments not being subject to independent review and approval. Tax adjustments, such as removing penalties and interest, were made for various reasons, such as when an error was made. According to the Division's records, between March 2022 and September 2025, 41 Division employees recorded approximately 5,800 tax adjustments which reduced business tax liabilities by $69.6 million.

Our review disclosed that certain adjustments were not subject to independent review and approval. For example, the monthly output reports which the Division used to review and approve adjustments did not include the tax adjustments made by three employees who processed approximately 2,600 (45 percent) of the adjustments totaling $31.8 million. Our test of 15 tax adjustments[14] performed by the three employees, which reduced tax liabilities by $17.2 million, did not identify any improper adjustments.

A similar condition regarding not reviewing adjustments was noted in our three preceding audit reports dating back to April 2017. In its response to our preceding report COM, on behalf of the Division, agreed to ensure that a reasonable number of critical adjustments identified on output reports would be reviewed by a supervisor and that documentation would be retained by September 2024. The Division could not explain why output reports did not include all adjustments and reviews were not completed.

Recommendation 7
We recommend that the Division establish comprehensive procedures to ensure the propriety of all tax adjustments, including those noted above (repeat).

---

[14] We selected our test items based on adjustment type and materiality.

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the Comptroller of Maryland (COM) - Compliance Division and two units within the Office of Law and Oversight Division for the period beginning March 16, 2022 and ending September 5, 2025. 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 the Division'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 the identification, assessment, and collection of individual income taxes and various business taxes; and the identification, collection, and distribution of unclaimed property. Our information systems security and control review addressed personally identifiable information and cloud computing. We also determined the status of the findings contained in our preceding audit report.

Our audit did not include certain support services provided to the Division by COM – Office of the Comptroller. These support services (such as processing of invoices, maintenance of accounting records, human resources, and related fiscal functions) are included within the scope of our audit of the Office of the Comptroller. In addition, our audit did not include certain support services provided to the Division by COM – Central Payroll Bureau. These support services (payroll processing) are included within the scope of our audit of the Central Payroll Bureau. Furthermore, our audit did not include certain support services provided to the Division by COM – Information Technology Division related to the monitoring of information technology equipment and services and the operation of the Annapolis Data Center. The operation of the Annapolis Data Center includes the development and maintenance of Division applications and maintenance of the operating system and security software environment. These support services are included in the scope of our audit of the Information Technology Division.

Our assessment of internal controls was based on agency procedures and controls in place at the time of our fieldwork. Our test of transactions and other auditing procedures were generally focused on the transactions occurring during our audit period of March 16, 2022 to September 5, 2025, 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 the Division's 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). 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 COM's automated State of Maryland Tax systems – SMART and GPE, and the systems used by the Division to account for and monitor unclaimed property for the purpose of testing certain areas, such as collection activity and the disposition of unclaimed property. We performed various tests of the relevant data and determined that the data was sufficiently reliable for the purposes the data was 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.

The Division'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 the Division, 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 the Division's ability to maintain reliable financial records, operate effectively and efficiently, and/or comply with applicable laws, rules, and regulations. Our audit also includes findings regarding significant instances of noncompliance with applicable laws, rules, or regulations. Other less significant findings were communicated to the Division that did not warrant inclusion in this report.

The response from the COM, on behalf of the Division 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 COM regarding the results of our review of its response.

Exhibit 1
Listing of Most Recent Office of Legislative Audits
Fiscal Compliance Audits of Comptroller of Maryland Divisions
As of July 2026

	Name of Audit	Areas Covered	Most Recent Report Date
1	General Accounting Division	• State agency vendor payment processing • Vendor table maintenance • State agency working funds • Corporate purchasing card program	09/25/24
2	Office of the Comptroller Bureau of Revenue Estimates, and Field Enforcement Bureau	• Capital grants monitoring • Procurement and disbursements • Support services to other divisions of the Comptroller, such as processing invoices, maintenance of accounting records, human resources, and related fiscal functions	05/06/24
3	Information Technology Division – Annapolis Data Center Operations	• Maintenance and monitoring of mainframe operating systems, various security functions, and critical databases	04/22/24
4	Revenue Administration Division	• Processing, evaluating, verifying, and recording tax data as reported by taxpayers and other parties • Collection of tax receipts • Distribution of tax refunds	01/22/24
5	Central Payroll Bureau	• Management of the State payroll system • Non-budgeted funds maintained for payroll deductions • Critical information systems • Support services to other units of the Comptroller for processing payroll timekeeping records	10/05/23
6	Information Technology Division (Fiscal Operations)	• Procurement • Equipment • Support services to other units of the Comptroller for monitoring information technology related services and maintaining information technology equipment inventory records	02/02/22

APPENDIX

COMPTROLLER of MARYLAND
S E R V I N G T H E P E O P L E

Brooke E. Lierman
Comptroller

Erica Roach
Chief Deputy Comptroller of Revenue Operations

September 9, 2026

Mr. Brian S. Tanen, CPA, CFE
Legislative Auditor
Office of Legislative Audits
The Warehouse at Camden Yards
351 West Camden Street, Suite 400
Baltimore, MD 21201

Dear Mr. Tanen:

Enclosed is the Comptroller of Maryland's response to your fiscal compliance audit report of the Comptroller of Maryland – Compliance Division for the period beginning March 16, 2022 and ending September 5, 2025.

We have carefully reviewed each finding and believe that our written responses satisfy each recommendation in the report. If any additional information is needed, please contact Buthany Nuon, Director – Governance, Risk, and Compliance at bnuon@marylandtaxes.gov or by phone at 410-260-6267.

The Comptroller appreciates your objective and fair appraisal of our operations and the associated recommendations made for improvement. We would also like to commend your audit team for their professionalism during the audit, and for performing a thorough review of the Compliance Division.

Michael Parks
Digitally signed by Michael Parks
Date: 2026.08.28 09:40:19 -04'00'

Compliance Director

August 28, 2026
Date

Erica Roach
Digitally signed by Erica Roach
Date: 2026.08.28 09:58:04 -04'00'

Agency Head

Date

80 Calvert Street, Annapolis, Maryland 21404 410-260-7147 1-800-552-3941 (MD) www.marylandtaxes.gov
Fax: 443-681-1065 Maryland Relay 711 TTY 410-260-7157 eroach@marylandtaxes.gov

Comptroller of Maryland

Compliance Division
Office of Law and Oversight

Agency Response Form

Enforcement Actions

Finding 1 **The Division did not always perform wage garnishments and bank attachments on delinquent individual taxpayers including numerous delinquent accounts which had significant wages.**

We recommend that the Division perform wage garnishments and bank attachments for delinquent individual taxpayers.

Agency Response			
Analysis	**Factually Accurate**		
Please provide additional comments as deemed necessary.	Individual wage garnishments and individual bank attachments are part of the collections flow but are not mandated to be utilized. These processes were turned off in the SMART legacy system in lieu of the MVA hold process and have been performed since 2011.		
Recommendation 1	Agree	**Estimated Completion Date:**	11/30/26
Please provide details of corrective action or explain disagreement.	Streamlined garnishment and attachment functionality will be available in the new modernized tax system, GPE Release 3, being rolled out in September 2026. This will allow the Collection Unit to utilize these tools in conjunction with the MVA hold process. It is important to note that, according to historic trends, the MVA hold process has proven to be the section’s most effective collection tool. This strategy resulted in a record year for personal income tax collections totaling $679M in FY 2026.		

Comptroller of Maryland

Compliance Division
Office of Law and Oversight

Agency Response Form

Finding 2 **The new cloud-based automated system referred to as Government Premier (GPE) did not have critical functionality that was available on the previous automated system. In addition, the Division did not use GPE functionality that was available to effectively monitor and follow up on delinquent business accounts.**

We recommend the Division

a. **ensure GPE has the required functionality to effectively identify, monitor, and pursue delinquent business accounts; and**

b. **use available GPE functionality to identify, monitor, and pursue collections for amounts due, including the cases noted above.**

Agency Response			
Analysis	**Factually Inaccurate**		
Please provide additional comments as deemed necessary.	As of September 1st, functionality in GPE that was previously unavailable in SMART became available to the Individual Income Tax unit. Because enforced compliance actions can significantly affect businesses and individuals, extreme care was taken to safeguard against errors and unintended enforcement actions. Collection actions will continue to be added over the coming weeks.		
Recommendation 2a	Agree	**Estimated Completion Date:**	11/30/26
Please provide details of corrective action or explain disagreement.	The Division will utilize this functionality now that GPE has been implemented. This will assist the Division in effectively identifying, monitoring, and pursuing delinquent business accounts.		
Recommendation 2b	Agree	**Estimated Completion Date:**	Completed
Please provide details of corrective action or explain disagreement.	The reviews of the cases noted above have been completed. Throughout this review, the Division identified accounts with delinquent balances that included uncollectable items, reducing the total significantly below the amount originally presented. The Division uses a combination of available GPE functionality and business processes to achieve desired results. In FY 2023, prior to the rollout of GPE, the Division produced 1,584 liens. In FY 2026, 2,150 liens were processed for a total of $53,120,837.52.		

Comptroller of Maryland

Compliance Division
Office of Law and Oversight

<u>Agency Response Form</u>

<u>**Auditor's Comment**</u>**:** COM notes that our analysis is not factually accurate because as of September 1st, functionality in GPE that was previously unavailable in SMART became available to the Individual Income Tax unit. However, this finding focuses on the GPE functionality to effectively monitor business accounts which Division management advised during fieldwork was in the process of being corrected. As a result, we continue to believe that the analysis is accurate.

Comptroller of Maryland

Compliance Division
Office of Law and Oversight

<u>Agency Response Form</u>

Suspended Accounts

Finding 3
The Division did not use available output reports to monitor individual taxpayer accounts suspended from automated collection procedures resulting in numerous accounts being suspended for extended periods without adequate justification or management approval.

We recommend that the Division
a. use available output reports to monitor suspended accounts; and
b. obtain required justification and management approval for all accounts suspended for more than 90 days, including those noted above.

Agency Response			
Analysis	**Factually Accurate**		
Please provide additional comments as deemed necessary.	The Division has a process in place to review suspended accounts. However, the 90-day timeframe in the collections flow is not the Division's policy.		
Recommendation 3a	Agree	**Estimated Completion Date:**	12/15/26
Please provide details of corrective action or explain disagreement.	The Division will establish an escalation procedure to address any accounts that have been suspended for more than 90 days after they have been received.		
Recommendation 3b	Agree	**Estimated Completion Date:**	12/15/26
Please provide details of corrective action or explain disagreement.	The Division will utilize available output reports to monitor suspended accounts. The Division will also explore collection holds to require an end date.		

Comptroller of Maryland

Compliance Division
Office of Law and Oversight

Agency Response Form

Payment Plans

Finding 4 **The Division did not pursue available collection actions when business entities stopped making payments on their payment plans.**

We recommend the Division ensure collection actions are taken for non-compliant payment plans, including those noted above.

Agency Response			
Analysis	**Factually Accurate**		
Please provide additional comments as deemed necessary.	As noted above, enforced compliance actions can significantly affect businesses and individuals. Extreme care is given to safeguard against errors and unintended enforcement actions. The attention to these safeguards impacted automated collection flows when business entities stop making payments on payment plans. Of the examples provided, we identified that the impact was less than the originally indicated amount.		
Recommendation 4	Agree	**Estimated Completion Date:**	10/31/26
Please provide details of corrective action or explain disagreement.	The Division will continue to conduct collection actions for non-compliant payment plans, including those noted above. The collections team will utilize existing functionality and business processes to continue these efforts. In FY 2026, the business collections team processed 1,423 payment plans for a total of $69,297,515.88.		

Comptroller of Maryland

Compliance Division
Office of Law and Oversight

<u>Agency Response Form</u>

Questionable Tax Returns

Finding 5
The Division did not follow up on 6,121 of the 6,574 questionable tax returns identified by its vendor and did not refer possible fraudulent activity to the Office of Attorney General (OAG).

We recommend that the Division

a. develop a comprehensive plan to conduct documented reviews of questionable returns identified by its vendor and expand testing when patterns of questionable activity are identified, including those noted above; and

b. refer any possible criminal activity to the OAG, including those noted above.

Agency Response			
Analysis	**Factually Accurate**		
Please provide additional comments as deemed necessary.	COM has a comprehensive program for identifying questionable returns. That data reviewed was extracted from several tools available within the data warehouse that are intended to support audit research, not fraud identification. As a result, the entries included in the report do not necessarily represent fraudulent activity. Instead, they reflect returns processed within the specified category and should not be interpreted as confirmed fraudulent leads.		
Recommendation 5a	Agree	**Estimated Completion Date:**	11/15/26
Please provide details of corrective action or explain disagreement.	The Division generates leads from multiple sources for the audit teams to review. Based on the priority level of the available programs, the audit teams take a sample from each filter to determine whether additional reviews are needed. Due to limited budget and staffing resources, the Division cannot feasibly review every lead generated from all available sources on a one-to-one basis. To manage this volume effectively, the Division uses a risk-based sampling approach to select leads for review. In FY 2026, the post-audit team utilized a risk-based sampling approach and worked on 14,479 cases for an assessment total of $3,776,258.46.		

Comptroller of Maryland

Compliance Division
Office of Law and Oversight

Agency Response Form

Recommendation 5b	Agree	Estimated Completion Date:	10/31/26
Please provide details of corrective action or explain disagreement.	The Division will continue to refer any potential fraudulent activity to the OAG.		

Comptroller of Maryland

Compliance Division
Office of Law and Oversight

Agency Response Form

Tax Compliance Programs

Finding 6 **The Division did not conduct or complete certain business and individual tax compliance programs (TCPs) and did not perform supervisory reviews over individual TCPs resulting in 2,200 missed assessments.**

We recommend that the Division

a. **ensure all business and individual taxpayer TCPs are conducted and completed; and**
b. **perform supervisory reviews over individual TCPs to ensure assessments are issued for all individual TCPs, including those noted above.**

Comptroller of Maryland

Compliance Division
Office of Law and Oversight

Agency Response Form

Agency Response			
Analysis	**Factually Accurate**		
Please provide additional comments as deemed necessary.	The Compliance team prioritizes conducting TCPs that generate the greatest ROI for the state.		
Recommendation 6a	Agree	**Estimated Completion Date:**	10/31/26
Please provide details of corrective action or explain disagreement.	The Division will ensure that business and individual taxpayer TCPs are fully conducted and completed. Automated compliance programs generate leads for the ITA team, and these leads are prioritized and executed in accordance with established guidelines, which also take into account each program's historical performance. A risk-based sampling approach is used to determine whether additional reviews are warranted. While parameters are in place to assess program outputs, current budgetary constraints and staffing levels do not allow for one-to-one reviews of all generated leads. In FY 2026, the ITA section completed 39,129 audits, resulting in $73,785,967.99. For the business team, the Division intentionally discontinued the RAR program to focus on research that could produce higher-value audit opportunities and invested in internal training to build the capacity to address more complex audit issues. The intention is to maximize the ROI for the hours worked by each available auditor. In FY 2026, the BTA team completed 712 audits totaling $41,624,497.11. In FY 2027, the BTA team will utilize some of the new PINs provided to reinstate the RAR audits. This will be a good learning tool for newly hired auditors. Also, it's worth noting that none of the prior RAR leads are out of statute. Finally, both units exceeded the audit plan approved for the fiscal year.		
Recommendation 6b	Agree	**Estimated Completion Date:**	10/31/26
Please provide details of corrective action or explain disagreement.	The Division will create a formal procedure to perform supervisory reviews of individual TCPs to ensure that assessments are issued for all individual TCPs, including those noted above.		

Comptroller of Maryland

Compliance Division
Office of Law and Oversight

Agency Response Form

Tax Adjustments

Finding 7
The Division's procedures for reviewing tax adjustments were not sufficiently comprehensive resulting in certain adjustments not being subject to independent review and approval.

We recommend that the Division establish comprehensive procedures to ensure the propriety of all tax adjustments, including those noted above (repeat).

Agency Response			
Analysis	**Factually Accurate**		
Please provide additional comments as deemed necessary.	The prior audit report's Finding 2 raised that adjustments to business taxpayer accounts identified in the output reports were not always reviewed by an auditor. OLA considers this a repeat finding in the current report; however, there was no procedural error. The review could not be completed comprehensively because the content of the output reports was truncated, and has now been resolved in GPE.		
Recommendation 7	Agree	**Estimated Completion Date:**	Completed
Please provide details of corrective action or explain disagreement.	All tax adjustments are now reported in the output report as intended. The Division will compare the adjustment results vs. the output report to ensure the information is accurate going forward. None of the adjustments reviewed by OLA had been incorrectly completed.		

AUDIT TEAM

Robert A. Wells Jr., CPA
Audit Manager

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

David R. Fahnestock, CPA
Data Analytics Manager

Nathan H. Suffin, CPA
Matusala Y. Abishe
Senior Auditors

Vickey K. Micah
Information Systems Senior Auditor

Ian T. Pontius
Data Analytics Senior Auditor

Kevin M. Billard
Joshua H. Leff
Paul A. McGrew
Jennifer N. Sayre, CFE
Nga T. Nguyen Simmons
Staff Auditors