

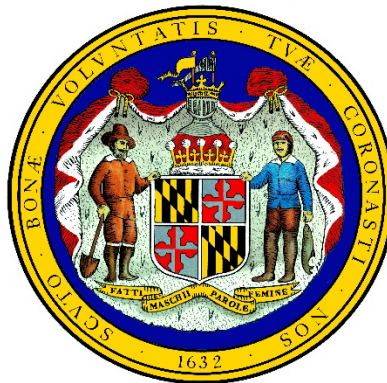
Audit Report

Comptroller of Maryland
Office of the Comptroller
Bureau of Revenue Estimates
Field Enforcement Bureau

May 2024

Public Notice

In compliance with the requirements of the State Government Article Section 2-1224(i) of the Annotated Code of Maryland, the Office of Legislative Audits has redacted cybersecurity findings and related auditee responses from this public report.



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

Joint Audit and Evaluation Committee

Senator Clarence K. Lam, M.D. (Senate Chair)	Delegate Jared Solomon (House Chair)
Senator Joanne C. Benson	Delegate Steven J. Arentz
Senator Paul D. Corderman	Delegate Andrea Fletcher Harrison
Senator Katie Fry Hester	Delegate Steven C. Johnson
Senator Shetty L. Hettleman	Delegate Mary A. Lehman
Senator Cheryl C. Kagan	Delegate David Moon
Senator Cory V. McCray	Delegate Julie Palakovich Carr
Senator Justin D. Ready	Delegate Stephanie M. Smith
Senator Bryan W. Simonaire	Delegate M. Courtney Watson
Senator Craig J. Zucker	One Vacancy

To Obtain Further Information

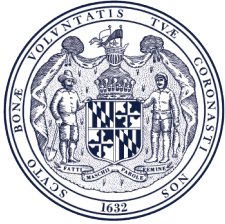
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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Victoria L. Gruber
Executive Director

Gregory A. Hook, CPA
Legislative Auditor

May 6, 2024

Senator Clarence K. Lam, M.D., 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) – Office of the Comptroller (OOC) and the Bureau of Revenue Estimates (BRE) for the period beginning January 22, 2019 and ending March 15, 2023, and the Field Enforcement Bureau (FEB) for the period beginning January 1, 2021 and ending March 15, 2023 (collectively referred to as the Office). The OOC aids the COM in the general supervision of State fiscal affairs; provides certain support services for COM's divisions (including database operations), the Board of Public Works, and the Registers of Wills; maintains accounting records for the State's general obligation debt; and administers the State's capital grants program. The BRE studies and analyzes State revenue sources and periodically prepares estimates of State revenues. FEB is responsible for the enforcement of trade practice regulations and revenue laws related to motor fuel and sales and use tax, for monitoring and enforcing the use of business licenses, and for testing motor fuel quality.

Our audit disclosed that OOC did not publish 40 contract awards totaling \$138.4 million on *eMaryland Marketplace Advantage* as required by State procurement laws.

Furthermore, our audit disclosed a cybersecurity-related finding. However, in accordance with the State Government Article, Section 2-1224(i) of the Annotated Code of Maryland, we have redacted the finding from this audit report. Specifically, State law requires the Office of Legislative Audits to redact cybersecurity findings in a manner consistent with auditing best practices before the report is made available to the public. The term "cybersecurity" is defined in

the State Finance and Procurement Article, Section 3.5-301(b), and using our professional judgment we have determined that the redacted finding falls under the referenced definition. The specifics of the cybersecurity finding were previously communicated to those parties responsible for acting on our recommendation.

COM's response to this audit is included as an appendix to this report. We reviewed the response to our findings and related recommendations, and have concluded that the corrective actions identified are sufficient to address all audit issues. Consistent with State law, we have redacted the elements of COM's response related to the cybersecurity audit finding.

We wish to acknowledge the cooperation extended to us during the audit by OOC, BRE, and FEB. We also wish to acknowledge COM's 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, prominent initial "G".

Gregory A. Hook, CPA
Legislative Auditor

Background Information

Agency Responsibilities

This audit includes the activities of the Comptroller of Maryland (COM) - Office of the Comptroller (OOC), Bureau of Revenue Estimates (BRE), and the newly established Field Enforcement Bureau (FEB).

- OOC maintains the accounting records for the State's general obligation debt and administers the State's capital grants program and provides certain support services to other COM divisions and the Board of Public Works. State law also assigns the OOC budgetary responsibility for the State's 24 elected Registers of Wills (ROW). The OOC's budgetary responsibility for ROWs is limited to setting the number of the assistant clerks or deputy registers and related salaries and increasing the salary of each nonelected employee consistent with increases granted to State employees. In addition, a unit within OOC is responsible for operating a database utilized by other COM divisions, including BRE. Finally, the OOC is also responsible for providing guidance to the ROWs regarding fiscal policies, approving certain procurements, providing input on personnel matters, and for providing certain support services.
- BRE studies and analyzes State revenue sources and periodically prepares estimates of State revenues.
- FEB is responsible for the enforcement of trade practice regulations and revenue laws related to motor fuel and sales and use taxes, for monitoring and enforcing the use of business licenses, and for testing motor fuel quality.

According to the State's records, the expenditures for the OOC, BRE, and FEB totaled approximately \$19.6 million during fiscal year 2022 (see Figure 1 on the following page). According to the OOC's records, capital grant expenditures totaled \$51.3 million during fiscal year 2022.

Our office conducts separate fiscal compliance audits of other COM divisions. A listing of the most recent fiscal compliance audits of COM divisions performed during the current audit cycle can be found in Exhibit 1 of this report.

Figure 1
OOO, BRE, and FEB
Positions, Expenditures, and Funding Sources

Full-Time Equivalent Positions as of June 30, 2022		
	Positions	Percent
Filled	104	90.4%
Vacant	11	9.6%
Total	115	
Fiscal Year 2022 Expenditures		
	Expenditures	Percent
Salaries, Wages, and Fringe Benefits	\$13,811,882	70.3%
Technical and Special Fees	63,680	0.3%
Operating Expenses	5,764,872	29.4%
Total	\$19,640,434	
Fiscal Year 2022 Funding Sources		
	Funding	Percent
General Fund	\$10,727,851	54.6%
Special Fund	5,602,906	28.5%
Federal Fund	18,990	0.1%
Reimbursable Fund	3,290,687	16.8%
Total	\$19,640,434	

Source: State financial and personnel records

Organizational Change

Prior to January 1, 2021, COM’s Field Enforcement Division (FED) was responsible for the enforcement of trade practice regulations and revenue laws related to alcoholic beverages, tobacco, motor fuel, and sales and use taxes. Additionally, FED was responsible for monitoring and enforcing the use of business licenses and for testing motor fuel quality. Effective January 1, 2021, authority to enforce the State’s laws concerning alcoholic beverages and tobacco products was transferred, by law, to the newly established Alcohol and Tobacco Commission (ATC)¹. All other authority and responsibilities of FED remain with

¹ Effective May 3, 2023, Chapter 255, Laws of Maryland 2023 renamed the Alcohol and Tobacco Commission as the Alcohol, Tobacco, and Cannabis Commission.

the Comptroller, although the name of FED was effectively changed at that time to the Field Enforcement Bureau (FEB).

Our final audit report on FED was issued on September 7, 2021. This report contained a finding that will be followed up on during our subsequent separate audit of the ATC, which has yet to be conducted. FEB was currently, and will be in the future, subject to audit during our audit of OOC.

Findings and Recommendations

Publishing of Contract Awards

Finding 1

The Office of the Comptroller (OOC) did not publish 40 contract awards totaling \$138.4 million on *eMaryland Marketplace Advantage (eMMA)* as required.

Analysis

OOC did not publish numerous contract awards on *eMMA*² as required by State procurement laws. We tested 50 contracts totaling \$194.6 million awarded during the period from January 2019 to January 2023. Our test disclosed that, as of March 2023, the OOC had not published 40 of the awards totaling \$138.4 million on *eMMA* even though they had been awarded 2 to 46 months prior to that date. The aforementioned 40 awards included 25 designated by OOC as sole source procurements. State procurement laws require awards for contracts greater than \$50,000 and all contracts identified as sole source to be published on *eMMA* not more than 30 days after award of the contract. Publishing awards on *eMMA* provides transparency over State procurements, including information about winning bidders and the amount of the related awards.

Recommendation 1

We recommend that OOC

- a. comply with State procurement laws by publishing contract awards on *eMMA* within 30 days of the contract award, and**
- b. publish the aforementioned awards on *eMMA*.**

² *eMaryland Marketplace Advantage (eMMA)* is an internet-based, interactive procurement system managed by the Department of General Services. Effective July 2019, DGS replaced *eMaryland Marketplace* with *eMMA*.

Information Systems Security and Control

We determined that Finding 2 related to “cybersecurity,” as defined by the State Finance and Procurement Article, Section 3.5-301(b) of the Annotated Code of Maryland, and therefore is subject to redaction from the publicly available audit report in accordance with the State Government Article 2-1224(i). Consequently, the specifics of the following finding, including the analysis, related recommendation(s), along with COM’s responses, have been redacted from this report copy.

**Finding 2
Redacted cybersecurity-related finding.**

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the Comptroller of Maryland (COM) – Office of the Comptroller (OOC) and the Bureau of Revenue Estimates (BRE) for the period beginning January 22, 2019 and ending March 15, 2023, and the Field Enforcement Bureau (FEB) for the period beginning January 1, 2021 and ending March 15, 2023 (collectively referred to as the Office).

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 Office’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 capital grants monitoring, procurements and disbursements, information systems security and control, and certain human resource activity for payroll. Our audit included various support services (such as processing of invoices, maintenance of accounting records, human resources, and related fiscal functions) provided by OOC to the other divisions of the COM, the

Board of Public Works, and the Registers of Wills located in Maryland's 24 subdivisions.

Our audit did not include certain support services provided to the Office by COM – Central Payroll Bureau (CPB). These support services (payroll processing) are included in the scope of our audit of CPB. Our audit also did not include certain support services provided to the Office by COM – Information Technology Division (ITD) related to the monitoring of information technology equipment and services. These support services are included in the scope of our audits of ITD.

Our assessment of internal controls was based on agency procedures and controls in place at the time of our fieldwork. Our tests of transactions and other auditing procedures were generally focused on the transactions occurring during our audit period of January 22, 2019 to March 15, 2023, 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 Office'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) and the State's Central Payroll Bureau (payroll 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 various 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.

The Office’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 Office, 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 a finding relating to a condition that we consider to be a significant deficiency in the design or operation of internal control that could adversely affect the Office’s ability to maintain reliable financial records, operate effectively and efficiently, and/or comply with applicable laws, rules, and regulations. An additional finding is also regarded as a significant instance of noncompliance with applicable laws, rules, or regulations. Another less significant finding was communicated to the Office that did not warrant inclusion in this report.

State Government Article Section 2-1224(i) requires that we redact in a manner consistent with auditing best practices any cybersecurity findings before a report is made available to the public. This results in the issuance of two different versions of an audit report that contains cybersecurity findings – a redacted version for the public and an unredacted version for government officials responsible for acting on our audit recommendations.

The State Finance and Procurement Article, Section 3.5-301(b), states that cybersecurity is defined as “processes or capabilities wherein systems, communications, and information are protected and defended against damage, unauthorized use or modification, and exploitation.” Based on that definition, and in our professional judgment, we concluded that a finding in this report falls under

that definition. Consequently, for the publicly available audit report all specifics as to the nature of the cybersecurity finding and required corrective actions have been redacted. We have determined that such aforementioned practices, and government auditing standards, support the redaction of this information from the public audit report. The specifics of this cybersecurity finding have been communicated to COM and those parties responsible for acting on our recommendations in an unredacted audit report.

The response from COM, on behalf of the Office, to our findings and recommendations is included as an appendix to this report. Depending on the version of the audit report, responses to any cybersecurity findings may be redacted in accordance with State law. 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 March 2024

Name of Audit		Areas Covered	Most Recent Report Date
1	Revenue Administration Division	<ul style="list-style-type: none"> • 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
2	Central Payroll Bureau	<ul style="list-style-type: none"> • Management of the State payroll system • Non-budgeted funds maintained for payroll deductions • Critical information systems • Support services to other divisions of the Comptroller for processing payroll timekeeping records 	10/05/23
3	Information Technology Division (Fiscal Operations)	<ul style="list-style-type: none"> • Procurement • Equipment • Support services to other divisions of the Comptroller for monitoring information technology related services and maintaining information technology equipment inventory records 	09/07/21
4	Field Enforcement Bureau (FEB) ³	<ul style="list-style-type: none"> • Confiscated property • Business licenses • Routine inspections 	09/07/21
5	Compliance Division	<ul style="list-style-type: none"> • Investigations, collection of delinquent taxes, and other taxpayer compliance activities related to individual income taxes • Audits and investigations, collection of delinquent taxes, and other taxpayer compliance activities related to business taxes • Identification, collection, and distribution of unclaimed property 	12/09/20
6	General Accounting Division	<ul style="list-style-type: none"> • State agency vendor payment processing • Vendor table maintenance • State agency working funds • Corporate purchasing card program 	11/09/20
7	Information Technology Division – Annapolis Data Center Operations	<ul style="list-style-type: none"> • Maintenance and monitoring of mainframe operating system, various security functions, and critical databases 	07/27/20

³ As a result of an organizational change previously referenced on page 5, a separate audit of FEB will no longer be conducted.

APPENDIX



COMPTROLLER of MARYLAND

Brooke E. Lierman
Comptroller

Wayne P. Green, CPA
Director
Administration & Finance

April 17, 2024

Office of Legislative Audits
The Warehouse at Camden Yards
351 West Camden Street, Suite 400
Baltimore, MD 21201

Dear Mr. Hook:

Enclosed is the Comptroller's response to your report on the Office of the Comptroller for the period beginning January 22, 2019 and ending March 15, 2023.

We have carefully reviewed each finding, and we believe that our responses fully address each recommendation contained in the report. Should you need additional information or clarification, please contact David Hildebrand, Director, Office of Risk Management by email at dhildebr@marylandtaxes.gov or by telephone at 410-260-7768.

The Comptroller appreciates your objective appraisal of our operations and your recommendations for continuous improvement and commends your auditors for their professionalism and thorough review.

Sincerely,

Rianna Matthews-Brown

Chief of Staff

Wayne P. Green

Director, Administration and Finance

Cc: Honorable Brooke Elizabeth Lierman, Comptroller



Comptroller of Maryland - Office of the Comptroller - Bureau of Revenue Estimates - Field Enforcement Bureau

Agency Response Form

Publishing of Contract Awards

Finding 1

The Office of the Comptroller (OOC) did not publish 40 contract awards totaling \$138.4 million on *eMaryland Marketplace Advantage (eMMA)* as required.

We recommend that OOC

- a. comply with State procurement laws by publishing contract awards on *eMMA* within 30 days of the contract award, and
- b. publish the aforementioned awards on *eMMA*.

Agency Response			
Background / Analysis	Factually Accurate		
Please explain any concerns with factual accuracy.			
Recommendation a	Agree	Estimated Completion Date:	September 2023
Please provide details of corrective action or explain disagreement.	A comprehensive checklist has been established to ensure all contract awards are published as required. Many of the contracts noted were awarded during the pandemic when the goal was to procure necessary and critical goods/services with limited available staff. Unfortunately, this final step was not performed in the required time frame. All missing award publications have been identified and published in compliance with State procurement laws and regulations.		
Recommendation b	Agree	Estimated Completion Date:	September 2023
Please provide details of corrective action or explain disagreement.	The awards have been posted to eMMA.		

**Comptroller of Maryland - Office of the Comptroller - Bureau of
Revenue Estimates - Field Enforcement Bureau**

Agency Response Form

Information Systems Security and Control

The Office of Legislative Audits (OLA) has determined that Finding 2 related to “cybersecurity,” as defined by the State Finance and Procurement Article, Section 3.5-301(b) of the Annotated Code of Maryland, and therefore is subject to redaction from the publicly available audit report in accordance with State Government Article 2-1224(i). Although the specifics of the finding, including the analysis, related recommendations, along with COM’s responses have been redacted from this report copy, COM’s responses indicated agreement with the finding and related recommendations.

Finding 2
Redacted cybersecurity-related finding.

Agency response has been redacted by OLA.

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