

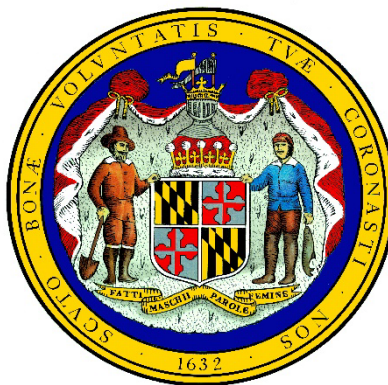
Audit Report

Maryland Department of Labor Division of Occupational and Professional Licensing

July 2025

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.



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DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Victoria L. Gruber
Executive Director

Brian S. Tanen, CPA, CFE
Legislative Auditor

July 21, 2025

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 Maryland Department of Labor (MDL) – Division of Occupational and Professional Licensing (DOPL) for the period beginning April 1, 2021 and ending January 15, 2025. DOPL licenses, regulates, and monitors 25 business occupations and professions in concert with the applicable boards and commissions whose members are appointed by the Governor. Each of these boards and commissions is primarily funded by license and exam fees from the specific professional or trade group regulated as well as some general funds. During the audit period DOPL had a significant vacancy rate, which may have contributed, at least in part, to the findings in this report.

Our audit disclosed that DOPL did not take sufficient steps to ensure that occupational and professional licenses were issued only to applicants who met all education and experience requirements stipulated in State law. Similar conditions were commented upon in our two preceding audit reports dating back to November 2017 but were not sufficiently corrected.

In addition, 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 recommendations.

MDL's response to this audit, on behalf of DOPL, is included as an appendix to this report. Consistent with State law, we have redacted the elements of MDL's response related to the cybersecurity audit finding. We reviewed the response and noted agreement to our findings and related recommendations and will notify MDL of any needed clarification to ensure the responses sufficiently addresses the related findings.

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

Respectfully submitted,

Brian S. Tanen

Brian S. Tanen, CPA, CFE
Legislative Auditor

Background Information

Agency Responsibilities

The Division of Occupational and Professional Licensing (DOPL) of the Maryland Department of Labor (MDL) licenses, regulates, and monitors 25 business occupations and professions in concert with the applicable boards and commissions whose members are appointed by the Governor. According to MDL records, as of June 30, 2024, DOPL regulated more than 288,000 licensees. According to the State's records, DOPL's expenditures for fiscal year 2024 totaled approximately \$11.5 million (as noted in Figure 1). These expenditures were funded primarily by special funds, as well as licensing and exam fees. During the period from fiscal year 2021 through 2024, DOPL had vacancy rates that ranged from 7.7 to 26 percent. As of June 2024, approximately 26 percent of the total 77 positions were vacant. These vacancies may have contributed, at least in part, to the findings in this report.

Figure 1

DOPL Positions, Expenditures, and Funding Sources

Full-Time Equivalent Positions as of June 30, 2024	
	Positions
Filled	57
Vacant	20
Total	77
Fiscal Year 2024 Expenditures	
	Expenditures
Salaries, Wages, and Fringe Benefits	\$ 6,664,064
Technical and Special Fees	1,207,390
Operating Expenses	3,650,133
Total	\$11,521,587
Fiscal Year 2024 Funding Sources	
	Funding
General Fund	\$ 330,294
Special Fund	9,552,617
Reimbursable Fund	1,638,676
Total	\$11,521,587

Source: State financial and personnel records

Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of the three findings contained in our preceding audit report dated March 11, 2022. See Figure 2 for the results of our review.

Figure 2 Status of Preceding Findings		
Preceding Finding	Finding Description	Implementation Status
Finding 1	DOPL did not have sufficient procedures to ensure that individuals who were issued occupational and professional licenses had met all required qualifications.	Repeated (Current Finding 1)
Finding 2	DOPL collection procedures did not ensure that all collections were properly recorded and deposited.	Not repeated
Finding 3	DOPL did not reconcile its record of the Home Improvement and the Real Estate Guaranty Funds to the State's accounting records to ensure that all related cash transactions were properly accounted for and recorded.	Not repeated

Findings and Recommendations

Licensing

Finding 1

The Division of Occupational and Professional Licensing (DOPL) did not ensure that individuals who were issued occupational and professional licenses met all required qualifications.

Analysis

DOPL did not ensure individuals issued occupational and professional licenses met all required qualifications. DOPL used a vendor to administer examinations for 11 boards and commissions including verifying that applicants met the educational and work experience requirements prior to administering the examinations. Our review disclosed that DOPL did not have a Division-wide policy or process requiring each board or commission to ensure that the vendor was performing these pre-examination educational and work requirement verifications required by each of the contracts. As a result, 6 of the 8¹ boards/commissions that we selected for review had not conducted any independent verifications.

The lack of independent verifications is significant because our test of 11 licenses² issued between December 2023 and June 2024 by 7 of the 8 aforementioned boards/commissions, disclosed that there was no documentation to support the propriety of 7 licenses issued. For example, 3 licenses were issued to individuals who were required to provide documentation that they passed national and state examinations but there was no documentation of these test results. As a result, there was a lack of assurance that the licenses were issued properly.

State law requires applicants for occupational and professional licenses from certain boards and commissions to meet certain education and/or work experience requirements. For example, applicants for a real estate broker's license must have at least 3 years of brokerage service experience (affiliated with a licensed real estate broker). According to DOPL records, there were approximately 107,000

¹ (1) Real Estate; (2) Home Improvement; (3) Plumbing; (4) Electricians; (5) Stationary Engineers; (6) Elevator Safety; (7) Heating, Ventilation, Air Conditioning and Refrigeration; and (8) Real Estate Appraisers, Appraisal Management Companies, and Home Inspectors. These boards/commissions were judgmentally selected for review based on volume of licenses, use of the exam administrator vendor, and previous audit findings.

² Test items were judgmentally selected based on date of issuance, volume of licenses issued by board/commission, and type of license issued (for example, original and renewal).

active licenses that were issued or renewed during our audit period from the aforementioned 6 boards and commissions referenced above as of June 30, 2024.

Similar conditions have been commented upon in our two prior audit reports dating back to November 28, 2017. In response to our prior audit report, DOPL stated they would implement procedures to ensure licenses under the related boards, on a test basis, met all required qualifications. However, we were advised by DOPL that due to staffing changes, procedures were not established and as noted above, the verifications were not conducted.

Recommendation 1

We recommend that, for all boards and commissions that use a licensing exam services vendor to screen applicants, DOPL establish procedures to ensure that applicants have met all required qualifications in accordance with State law. Specifically, we recommend that DOPL

- a. inspect at least on a test basis the vendor's records to ensure that applicants met the education and experience requirements for licensure (repeat), and**
- b. maintain documentation of the results of these inspections and verifications for future reference (repeat).**

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 MDL’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 Maryland Department of Labor (MDL) – Division of Occupational and Professional Licensing (DOPL) for the period beginning April 1, 2021 and ending January 15, 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 DOPL'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 cash receipts, licensing, guaranty funds, and complaint processing. We also determined the status of the findings contained in our preceding audit report.

Our audit did not include certain support services provided by the MDL – Office of the Secretary. These support services (such as payroll, purchasing, data processing, maintenance of accounting records, and related fiscal functions including cash receipts processed through MDL's online licensing system and certain bank lockbox account transactions) are included within the scope of our audits of the Office of the Secretary.

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 April 1, 2021 to ending January 15, 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 DOPL'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 this source were sufficiently reliable for the purposes the data were used during this audit.

We also extracted data from DOPL's automated licensing system for the purpose of testing cash receipts, licensing, and guaranty funds. We performed various tests of the relevant data and determined that the data 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.

DOPL'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 DOPL, 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 DOPL's ability to maintain reliable financial records, operate effectively and efficiently, and/or comply with applicable laws, rules, and regulations. Our report also includes findings regarding significant instances of noncompliance with applicable laws, rules, or regulations. Other less significant findings were communicated to DOPL 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 the cybersecurity finding have been communicated to DOPL and those parties responsible for acting on our recommendations in an unredacted audit report.

The response from MDL, on behalf of DOPL, 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 the MDL regarding the results of our review of its response.

APPENDIX



OFFICE OF THE SECRETARY
100 S. Charles Street Tower 1, 9th Floor
Baltimore, MD 21201
Portia Wu, Secretary

July 21, 2025

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,

I am writing to acknowledge receipt of the audit report for the Maryland Department of Labor – Division of Occupational and Professional Licensing, covering the period from April 1, 2021, through January 15, 2025. We have reviewed the report and are providing our responses to the two findings outlined.

I would like to extend our sincere appreciation to auditors Mike Murdzak, Patrick Cavanaugh, and the entire audit team for their professionalism, cooperation, and support throughout the course of the audit. Please convey our thanks to your team for their diligence and commitment.

An electronic version of our response will be submitted to response@ola.state.md.us.

Sincerely,

A handwritten signature in dark ink, appearing to read "J. Perkins-Cohen". The signature is fluid and cursive, with a large initial "J" and a long, sweeping underline.

Jason Perkins-Cohen

Deputy Secretary of Labor

CC: John C. Dove, Jr., Commissioner, DOPL
Sarah J. McDermott, Assistant Commissioner, DOPL
Samuel K. Pannoh, Director, Office of Program Analysis and Audit, MD Labor

Maryland Department of Labor - Division of Occupational and Professional Licensing

Agency Response Form

Licensing

Finding 1

The Division of Occupational and Professional Licensing (DOPL) did not ensure that individuals who were issued occupational and professional licenses met all required qualifications.

We recommend that, for all boards and commissions that use a licensing exam services vendor to screen applicants, DOPL establish procedures to ensure that applicants have met all required qualifications in accordance with State law. Specifically, we recommend that DOPL

- a. inspect at least on a test basis the vendor's records to ensure that applicants met the education and experience requirements for licensure (repeat), and
- b. maintain documentation of the results of these inspections and verifications for future reference (repeat).

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.	N/A		
Recommendation 1a	Agree	Estimated Completion Date:	10/1/2025
Please provide details of corrective action or explain disagreement.	DOPL Boards will establish procedures necessary to review four (4) exam applications from the exam vendor on a quarterly basis.		
Recommendation 1b	Agree	Estimated Completion Date:	10/1/2025
Please provide details of corrective action or explain disagreement.	Inspection findings will be stored in a file on the shared drive and monitored by the Commissioner's Office.		

Maryland Department of Labor - Division of Occupational and Professional Licensing

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 the State Government Article 2-1224(i). Although the specifics of the following finding, including the analysis, related recommendation(s), along with MDL’s responses, have been redacted from this report copy, MDL’s responses indicated agreement with the findings and related recommendations.

Finding 2 Redacted cybersecurity-related finding.

Agency Response has been redacted by OLA.

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