

Audit Report

Executive Department

Office of the Governor Boards, Commissions, and Offices Governor's Office for Children Office of the Deaf and Hard of Hearing

November 2019



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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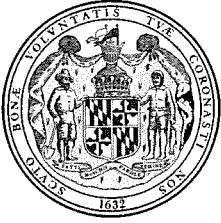
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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Victoria L. Gruber
Executive Director

Gregory A. Hook, CPA
Legislative Auditor

November 12, 2019

Senator Craig J. Zucker, Senate Chair, Joint Audit and Evaluation Committee
Delegate Shelly L. Hettleman, 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 following units of the Executive Department for the period beginning January 21, 2015 and ending November 18, 2018.

Office of the Governor
Boards, Commissions, and Offices
Governor's Office for Children
Office of the Deaf and Hard of Hearing

The Department provides oversight, guidance, and coordination to units within the Executive Department and to other budgetary units within the Executive Branch of State government.

Our audit disclosed that the Governor's Office of Crime Control and Prevention (GOCCP) did not have a clear methodology for awarding certain Local Law Enforcement (LLE) grants. Specifically, GOCCP did not require that grants awarded at its discretion be based on a competitive application process, and it did not have a comprehensive process to evaluate grant applications that ensured grants were awarded in an equitable manner. As a result, we could not determine the justification for certain grant awards, including two totaling \$381,000 that were awarded based on the discretion of GOCCP personnel without any competitive process.

We also found that, for both discretionary and statutory LLE grants, GOCCP did not have a comprehensive process to verify the appropriateness of expenditures and the attainment of established performance measures. While

GOCCP management advised us that support for grant expenditures was reviewed during grantee audits, these audits were only conducted triennially and were not performed for all grantees. For example, as of April 2019, GOCCP had not conducted audits of 57 percent of grantees, with grant awards of \$29.4 million during the period from January 2015 through November 2018. Furthermore, GOCCP did not verify performance data reported by grantees during these audits.

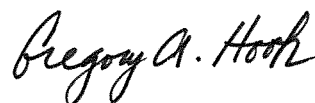
Our audit also disclosed that the Executive Department did not have sufficient malware protection to provide assurance that its computers were protected. For example, we found numerous workstations had not been updated with the latest releases for a certain software product known to have significant security-related vulnerabilities. In addition, the Department did not have sufficient procedures and controls over its equipment and collections. For example, the Department did not conduct complete physical inventories of its sensitive equipment. We also noted that the Department did not immediately record, restrictively endorse, and timely deposit all collections, nor did it independently verify that all collections were deposited.

Finally, our audit included a review to determine the status of the two findings contained in our preceding audit report on the Executive Department. We determined that the Department satisfactorily addressed these two findings.

The Executive Department's response to this audit is included as an appendix to this report. We reviewed the response and noted general agreement to our findings and related recommendations, and we will advise the Joint Audit and Evaluation Committee of any outstanding issues that we cannot resolve with the Department. In accordance with our policy, we have redacted the names of any private companies or products mentioned by the Department in this document.

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

Respectfully submitted,

A handwritten signature in black ink that reads "Gregory A. Hook". The signature is written in a cursive, flowing style.

Gregory A. Hook, CPA
Legislative Auditor

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Background Information

Agency Responsibilities

The Executive Department – Office of the Governor provides oversight, guidance, and coordination to units within the Executive Department and to other budgetary units within the Executive Branch of State government. The Department also provides the public with information about the Governor’s policies and goals, and about the functions of State government. According to the State’s accounting records, the Office of the Governor’s expenditures were approximately \$10.6 million for fiscal year 2018.

The Boards, Commissions, and Offices unit consists of various entities, including the Governor’s Office of Community Initiatives and the Governor’s Office of Crime Control and Prevention (GOCCP), which were created by statute or executive order to provide planning and coordination for Executive Branch functions. According to the State’s accounting records, these entities’ expenditures were approximately \$160.1 million during fiscal year 2018.

The Governor’s Office for Children promotes the State’s vision for a stable, safe, and healthy environment for children and families and, according to the State’s accounting records, this Office’s expenditures were approximately \$1.4 million during fiscal year 2018.

The Office of the Deaf and Hard of Hearing advocates for and promotes the general welfare of individuals who are deaf or hard of hearing, and provides, advocates for, and coordinates the adoption of public policies, regulations, and programs that will benefit deaf and hard of hearing individuals. According to the State’s accounting records, this Office’s expenditures were approximately \$374,000 during fiscal year 2018.

Organizational Change

During our audit period, two budgetary units that we previously audited as separate entities were transferred to the Executive Department, consistent with State budget law. Specifically, Chapter 143, Laws of Maryland 2016, effective July 1, 2016, transferred the Maryland State Board of Contract Appeals (MSBCA) to the Executive Department – Boards, Commissions, and Offices. In addition, Chapter 422, Laws of Maryland 2018, effective July 1, 2018, created the Victim Services Unit (VSU) under GOCCP to coordinate the State’s responsibilities concerning services to victims. This law also transferred the existing oversight functions and operations of the Criminal Injuries Compensation

Board (CICB) from the Department of Public Safety and Correctional Services to the VSU. The last separate audits of the MSBCA and the CICB were through June 30, 2016 and June 30, 2018, respectively; consequently, the activities of MSBCA for the period from July 1, 2016 through November 18, 2018 and the activities of CICB (and VSU) for the period from July 1, 2018 through November 18, 2018 were included in the scope of this audit.

Status of Findings From Preceding Audit Reports

Our audit included a review to determine the status of the two findings contained in our preceding audit report dated September 4, 2015. We determined that the Department satisfactorily addressed these findings. We will determine the status of the two findings contained in our final CICB report dated November 2, 2018 during our next audit of the Executive Department – Office of the Governor. The preceding audit report of MSBCA dated January 11, 2017 did not contain any findings.

Findings and Recommendations

Governor's Office of Crime Control and Prevention Grants

Finding 1

The Governor's Office of Crime Control and Prevention did not have a comprehensive methodology for awarding certain Local Law Enforcement grants, and did not verify expenditure and performance data reported by grantees.

Analysis

The Governor's Office of Crime Control and Prevention (GOCCP) did not have a comprehensive methodology for selecting grantees to be awarded discretionary Local Law Enforcement (LLE) grants and for allocating grant funds. In addition, GOCCP did not verify expenditure and performance data reported by grantees. GOCCP awards LLE grants to government entities and private organizations throughout Maryland to help prevent and investigate crimes (including gun violence, internet crimes against children, and domestic violence). According to its records, during fiscal year 2018, GOCCP awarded LLE grants totaling \$31.4 million, comprised of \$17 million awarded in accordance with statute or budgetary appropriation, and \$14.4 million that was awarded at GOCCP's discretion.

There was No Comprehensive Methodology for Awarding Discretionary Grants

GOCCP did not have a comprehensive methodology for selecting entities to receive discretionary grant funds and for determining the amounts awarded. While GOCCP policy states that it strives for a competitive and transparent LLE grant application process, the policy did not specifically require that GOCCP discretionary grants be competitively awarded. In addition, the policy did not provide sufficient guidance for determining award amounts for those grants that had been competitively solicited. The policy provided for grant applications to be scored based on factors including the applicant's ability to achieve program goals, the population served, and the justification for the funding requested. However, the policy did not specify how the scores influenced the amount of funding awarded.

Our test of funds awarded under seven discretionary grant programs, totaling \$6.8 million in fiscal year 2018, disclosed that GOCCP had only scored the applications for four grant programs totaling \$4.8 million and the scores did not appear to correlate to the funding awarded. In addition, for two grant programs tested, funds totaling \$381,000 were not awarded on a competitive basis; rather, the grantees were individually selected for an award by GOCCP personnel.

For one grant program (Maryland Victims of Crime) tested, GOCCP received 38 applications. Our review of these application scores disclosed that four applications, each for \$100,000 in grant funds, received the same score but were awarded different amounts. Specifically, each applicant received a score of 92 (out of 100), but the awards ranged from \$40,000 to \$70,000. GOCCP could not explain the basis for the different award amounts or the rationale for those grants awarded without a competitive process.

Grant Expenditures and Performance Measure Data Were Not Verified

GOCCP did not have a comprehensive process for the periodic review and verification of LLE grantees' (both statutory and discretionary) expenditures and performance measures. To monitor grantees, GOCCP conducted triennial audits of grantees and reviewed quarterly grantee reports, which contained expenditure data and performance results, to ensure that grant funds were spent in accordance with the related grant agreements.

However, during the review of quarterly reports, GOCCP did not require the grantees to submit supporting documentation for expenditure data (such as payroll registers) and performance results (such as internal documents or reports of gun seizure or gun-related arrest activity).

Regarding grant-related expenditures, GOCCP management advised us that personnel reviewed the support for reported grant expenditures during grantee audits. However, these audits were only conducted triennially and were not performed for all grantees. Specifically, as of April 4, 2019, GOCCP had not conducted audits of 126 grantees (57 percent) that were awarded \$29.4 million during the period from January 21, 2015 through November 18, 2018, according to GOCCP records. In addition, we were advised by GOCCP management that they did not verify the performance data during those triennial audits that were conducted.

Consequently, there is no assurance that all grant funds were expended in accordance with the related grant agreements and that all grantees (both statutory and discretionary) were achieving the grant programs' intended objectives, as specified in the grant awards.

Recommendation 1

We recommend that GOCCP

- a. enhance its policy to provide a comprehensive methodology for evaluating LLE grant applications and for making award decisions, including the required use of a competitive award process, as appropriate;**

- b. ensure discretionary grants are awarded in compliance with the established policy and that documentation is retained for audit purposes; and
- c. verify grant expenditures and performance measure achievement by obtaining and periodically reviewing supporting documentation related to quarterly reports, and conducting audits for all grantees.

Information Systems Security and Control

Background

The Department of Information Technology (DoIT) provides information technology (IT) support services to most of the Executive Department's Offices and Commissions, including the Office of the Governor. These support services include:

- network firewalls and IT security services (such as firewall and intrusion detection prevention systems operations and maintenance),
- IT service desk assistance,
- hardware support,
- software support (including malware protection support), and
- DoIT maintenance of key Executive Department applications.

The Executive Department also uses the DoIT-operated statewide network services for connections to the Internet and to its internal network.

Finding 2

Malware protection controls were not sufficient to provide the Executive Department with adequate assurance that its computers were properly protected.

Analysis

Malware protection controls were not sufficient to provide the Executive Department with adequate assurance that its 231 active computers (as of June 6, 2019) were properly protected. Specifically, numerous Executive Department workstations had not been updated with the latest releases for a certain software product known to have significant security-related vulnerabilities. Although the vendor for this software product frequently provides software patches to address these vulnerabilities, these workstations had not been updated for these patches. As of June 2019, we noted that 110 of 116 workstations identified as having the software product installed were running outdated software versions, where the older installed versions had software release dates that ranged from October 2017

to January 2019. In addition we identified 10 Executive Department computers that were operating without installed malware protection software.

The State of Maryland *Information Technology Security Manual* requires that agencies protect against malicious code (viruses, worms, Trojan horses) by implementing anti-malware solutions that, to the extent possible, include a capability for automatic updates.

Recommendation 2

We recommend that the Executive Department, in conjunction with DoIT

- a. promptly install all critical security-related software updates for commonly vulnerable applications on all computers, and**
- b. ensure that all computers are operating with installed and current versions of the malware protection software supported by DoIT.**

Equipment

Finding 3

The Executive Department did not complete physical inventories of its sensitive equipment, and did not periodically reconcile control accounts with the detailed records.

Analysis

The Executive Department did not complete physical inventories of its sensitive equipment, and did not periodically reconcile its equipment control account balances with the related detailed records as required. According to the Executive Department's records, as of June 30, 2018, the value of its equipment totaled approximately \$3.8 million. The Office of the Governor's Finance Office (GFO) controls and accounts for equipment assigned to the Office of the Governor and provides certain support services (such as maintaining equipment control accounts) to the units within the Executive Department, as well as to other budgetary units including the Department of Disabilities, the Maryland Energy Administration, and the Secretary of State. Each unit was responsible for conducting its own equipment physical inventories.

- As of March 2019, GFO had not completed its fiscal year 2018 physical inventory of sensitive equipment for the Office of the Governor. Specifically, 247 sensitive equipment items totaling approximately \$320,000 had not been located. According to the Executive Department's records, the value of Office of the Governor's sensitive equipment totaled approximately \$706,000 as of June 30, 2018.

- The GFO did not periodically reconcile its equipment control accounts with the related detail records of the Office of the Governor or for any of the six units tested receiving support services. As a result, differences were not identified and investigated. For example, as of June 30, 2018, the Office of the Governor's equipment balance, according to its detail records, totaled \$1,261,780, which exceeded the related control account balance of \$1,074,218 by \$187,562. The Executive Department could not readily explain these differences.

The Department of General Services' (DGS) *Inventory Control Manual* requires that annual physical inventories be conducted for sensitive equipment and that missing items are to be investigated, reported to DGS, and removed from the detail records. The *Manual* also requires that equipment control accounts be maintained on a current basis and be periodically reconciled with the detail records.

Recommendation 3

We recommend that the Executive Department comply with the requirements of the DGS' *Inventory Control Manual*. Specifically, we recommend that the Executive Department

- a. conduct complete physical inventories of its sensitive equipment items and promptly investigate all missing equipment (including those noted above), and**
- b. periodically reconcile control accounts balances with the related detail records and investigate any differences.**

Cash Receipts

Finding 4

The Executive Department did not have adequate procedures and controls to ensure that all collections were deposited.

Analysis

The Executive Department did not establish adequate controls over collections received from its various units. Specifically, certain collections were not immediately recorded and restrictively endorsed, and deposits were not made timely and independently verified. These collections were initially received at the various Executive Department units and forwarded to the GFO for deposit and recordation in the State's accounting records. According to State records, the

GFO processed cash receipts totaling approximately \$909,000 during fiscal year 2018, of which 96 percent (\$874,000) related to collections received at the units.

- Checks received at certain units were not recorded and restrictively endorsed immediately upon receipt. For example, checks received at the Governor's Office of Community Initiatives, which totaled approximately \$247,000 in fiscal year 2018, were handled by at least two employees prior to being recorded and endorsed.
- Certain units did not timely process checks and forward them to the GFO for deposit. The Executive Department used a courier to transfer collections from the units to the GFO on a daily basis. Our test of 15 deposits forwarded to the GFO by four units, totaling approximately \$329,000, disclosed that 8 deposits from three units totaling \$295,000, were forwarded to the GFO between 3 and 7 business days after initial receipt at the unit. Consequently, these 8 deposits were not deposited timely in accordance with State policy.
- The GFO employee responsible for verifying that all checks were deposited also initially received the checks from the units and, consequently, was not independent of the cash receipts process.

The Comptroller of Maryland's *Accounting Procedures Manual* requires immediate recording and restrictive endorsement of checks. Additionally, the *Manual* requires that a reconciliation of the initial record of collections to the amounts deposited be performed by an employee independent of the cash receipts function, and that deposits be made by the next business day.

Recommendation 4

We recommend that the Executive Department ensure that collections are

- a. recorded and restrictively endorsed immediately upon receipt,**
- b. processed and forwarded by the units to the GFO for timely deposit, and**
- c. verified to deposit by an employee independent of the cash receipts functions.**

We advised the Executive Department on accomplishing the necessary separation of duties using existing personnel.

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the following units of the Executive Department for the period beginning January 21, 2015 and ending November 18, 2018.

Office of the Governor
Boards, Commissions, and Offices
Governor's Office for Children
Office of the Deaf and Hard of Hearing

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 Department'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, equipment, disbursements, grants, federal funds, information systems, and payroll. Our audit included various support services (such as payroll and processing vendor payment transmittals) provided by the Executive Department – Office of the Governor on a centralized basis to certain units and agencies within the Executive and Administrative Control area of State Government (such as the Maryland Energy Administration, Department of Disabilities, and Secretary of State). As previously requested by the Governor's Office, our audit also included activities related to the operation and maintenance of Government House (for example, inventory record keeping), even though the Department of General Services receives an appropriation for and performs these activities. We also determined the status of the findings contained in our preceding audit report.

Our audit did not include an evaluation of internal controls over compliance with federal laws and regulations for federal financial assistance programs and an assessment of the Department's compliance with those laws and regulations because the State of Maryland engages an independent accounting firm to

annually audit such programs administered by State agencies, including the Department.

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, observations of the Department's operations, and tests of transactions. Generally, transactions were selected for testing based on auditor judgment, which primarily considers risk. Unless otherwise specifically indicated, neither statistical nor non-statistical audit sampling was used to select the transactions tested. Therefore, the results of the tests cannot be used to project those results to the entire population from which the test items were selected.

We also performed various data extracts of pertinent information from the State's Financial Management Information System (such as revenue and expenditure data) and the State's Central Payroll Bureau (payroll data). The extracts are performed as part of ongoing internal processes established by the Office of Legislative Audits and were subject to various tests to determine data reliability. We determined that the data extracted from these sources were sufficiently reliable for the purposes the data were used during this audit. Finally, we performed other auditing procedures that we considered necessary to achieve our objectives. The reliability of data used in this report for background or informational purposes was not assessed.

The Department'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.

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 Department'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 Department that did not warrant inclusion in this report.

The Department's response to our findings and recommendations is included as an appendix to this report. As prescribed in the State Government Article, Section 2-1224 of the Annotated Code of Maryland, we will advise the Department regarding the results of our review of its response.

APPENDIX

STATE OF MARYLAND
OFFICE OF THE GOVERNOR



LARRY HOGAN
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TTY USERS CALL VIA MD RELAY

November 7, 2019

Mr. Gregory A. Hooks, CPA
Legislative Auditor
Office of Legislative Audits
301 W. Preston Street, Room 1202
Baltimore, MD 21201

Dear Mr. Hooks:

Attached please find our responses, prepared by the appropriate Executive Department staff to the draft audit report dated October 2019 for the Executive Department- Office of the Governor; Boards, Commissions and Offices; Governor's Office for Children; and the Office of the Deaf and Hard of Hearing. The responses are in the same order as presented in the draft report.

Thank you for the opportunity to respond to the draft audit report. If you or your staff has any questions concerning the responses, please do not hesitate to contact the Mona Vaidya, Director of Financial Administration.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt A. Clark".

Matthew A. Clark
Chief of Staff

encl.

cc: Mona A. Vaidya, Director of Financial Administration



**Executive Department
Office of the Governor, Boards, Commissions, and Offices, Governor's Office
for Children, Office of the Deaf and Hard of Hearing**

Agency Response Form

Governor's Office of Crime Control and Prevention Grants

Finding 1

The Governor's Office of Crime Control and Prevention did not have a comprehensive methodology for awarding certain Local Law Enforcement grants, and did not verify expenditure and performance data reported by grantees.

We recommend that GOCCP

- a. enhance its policy to provide a comprehensive methodology for evaluating LLE grant applications and for making award decisions, including the required use of a competitive award process, as appropriate;**
- b. ensure discretionary grants are awarded in compliance with the established policy and that documentation is retained for audit purposes; and**
- c. verify grant expenditures and performance measure achievement by obtaining and periodically reviewing supporting documentation related to quarterly reports, and conducting audits for all grantees.**

| Agency Response | | | |
|--|---|----------------------------|------|
| Analysis | | | |
| Please provide additional comments as deemed necessary. | NA | | |
| Recommendation 1a | Agree | Estimated Completion Date: | FY20 |
| Please provide details of corrective action or explain disagreement. | Beginning in FY 19, GOCCP has implemented the consistent use of a standard application spreadsheet documenting award making decisions. The summary tab of this spreadsheet includes the criteria used for making award decisions, listed in priority order, as well as a breakdown of awards by jurisdiction. Beginning with FY 20 applications, the detailed tab of this spreadsheet now consistently includes narrative/comments from reviewers and internal staff that directly ties to the award decisions based on the criteria publicized in the Notice of Funding Availability (NOFA). | | |
| Recommendation 1b | Agree | Estimated Completion Date: | FY20 |
| Please provide details of corrective action or explain disagreement. | GOCCP will complete a thorough review of all discretionary, state funded grant programs to ensure compliance with the award process based on merit and eligibility. This will include review of the history of the funding and the associated bill that initially established the funding. Additionally, GOCCP has established a Team Share Drive within google | | |

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Office of the Governor, Boards, Commissions, and Offices, Governor's Office
for Children, Office of the Deaf and Hard of Hearing**

Agency Response Form

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| | in which all grant staff have access to historical data. Beginning FY 20, all final application documents, including the final application recommendations spreadsheet for each funding source is retained within this Team Share Drive for future reference. | | |
| Recommendation 1c | Agree | Estimated Completion Date: | FY20-FY21 |
| Please provide details of corrective action or explain disagreement. | GOCCP has undertaken several new initiatives recently, and will continue to restructure risk assessment and monitoring processes to include review of progress /performance measures report to support fiscal reimbursement requests submitted on a quarterly basis by sub-recipients. Collectively in FY 20, program managers will have the capacity to extract on a quarterly basis, award-level data from GOCCP's electronic Grants Management System (GMS) and dashboards to make informed decisions. In FY 21, GOCCP will complete an objective risk assessment tool for all subgrantees to determine audit and monitoring activities proportional to risk levels. This process will resemble pre-award to post-award risk levels consistent with corresponding initiatives supported by Governor's Grants Office. This tool will resemble guidance provided for Federal grants in 2 CFR Part 200.331. GOCCP will begin communicating this requirement to all grantees starting in Spring/Summer 2020. | | |

Information Systems Security and Control

Finding 2

Malware protection controls were not sufficient to provide the Executive Department with adequate assurance that its computers were properly protected.

We recommend that the Executive Department, in conjunction with DoIT

- a. promptly install all critical security-related software updates for commonly vulnerable applications on all computers, and**
- b. ensure that all computers are operating with installed and current versions of the malware protection software supported by DoIT.**

| Agency Response | |
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| Analysis | |
| Please provide additional comments as deemed necessary. | As of 10/30/19 all 235 computers were running either of two operating systems found in our reporting. All devices are reporting into the DoIT malware prevention software management console. |

**Executive Department
Office of the Governor, Boards, Commissions, and Offices, Governor's Office
for Children, Office of the Deaf and Hard of Hearing**

Agency Response Form

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| Recommendation 2a | Agree | Estimated Completion Date: | 12/31/19 |
| Please provide details of corrective action or explain disagreement. | DoIT now uses a specific software product for application patching of commonly vulnerable applications and operating systems. Additionally, DoIT is in the process of deploying another separate software product using agents to scan for missing patches and vulnerabilities due to misconfiguration of software. DoIT has scheduled deployment of this other software product and its agents to the Governor's Office systems on 11/12/2019. This will complete rollout to DoIT environment. | | |
| Recommendation 2b | Agree | Estimated Completion Date: | 12/31/19 |
| Please provide details of corrective action or explain disagreement. | DoIT believes that the discrepancy in device counts found was due to a difference in the way devices were counted. We believe that many of these devices were removed from production as part of the remediation effort for an older installed operating system and that the 235 devices currently reporting are an accurate representation of the current production environment. All systems are running a supported version of the DoIT malware prevention software product. | | |

Equipment

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| Finding 3 |
| The Executive Department did not complete physical inventories of its sensitive equipment, and did not periodically reconcile control accounts with the detailed records. |

We recommend that the Executive Department comply with the requirements of the DGS' *Inventory Control Manual*. Specifically, we recommend that the Executive Department

- a. conduct complete physical inventories of its sensitive equipment items and promptly investigate all missing equipment (including those noted above), and
- b. periodically reconcile control accounts balances with the related detail records and investigate any differences.

| Agency Response | | | |
|--|-------|-----------------------------------|-------------|
| Analysis | | | |
| Please provide additional comments as deemed necessary. | NA | | |
| Recommendation 3a | Agree | Estimated Completion Date: | Immediately |

**Executive Department
Office of the Governor, Boards, Commissions, and Offices, Governor's Office
for Children, Office of the Deaf and Hard of Hearing**

Agency Response Form

| | | | |
|---|--|-----------------------------------|-------------|
| Please provide details of corrective action or explain disagreement. | The Executive Department is actively working with DoIT and has located many of the items noted as 'missing'. The Executive Department will continue to manage the sensitive inventory and accordingly utilize DGS forms EPDs & Missing/Stolen for reporting. | | |
| Recommendation 3b | Agree | Estimated Completion Date: | Immediately |
| Please provide details of corrective action or explain disagreement. | One GFO employee is responsible to update and oversee the inventory control accounts for each unit, reconcile to the T100 reports, and ensure accuracy of each submission as dictated by DGS requirements. Furthermore, in FY20 each unit will be required to submit a mid- and end-cycle inventory for better management of office equipment. | | |

**Executive Department
Office of the Governor, Boards, Commissions, and Offices, Governor's Office
for Children, Office of the Deaf and Hard of Hearing**

Agency Response Form

Cash Receipts

Finding 4

The Executive Department did not have adequate procedures and controls to ensure that all collections were deposited.

We recommend that the Executive Department ensure that collections are

- a. recorded and restrictively endorsed immediately upon receipt,**
- b. processed and forwarded by the units to the GFO for timely deposit, and**
- c. verified to deposit by an employee independent of the cash receipts functions.**

We advised the Executive Department on accomplishing the necessary separation of duties using existing personnel.

| Agency Response | | | |
|---|---|-----------------------------------|-------------|
| Analysis | | | |
| Please provide additional comments as deemed necessary. | NA | | |
| Recommendation 4a | Agree | Estimated Completion Date: | Immediately |
| Please provide details of corrective action or explain disagreement. | Checks are received via mail and courier. Upon receipt, envelopes are opened, date stamped and endorsed "For Deposit Only" on the same business day. The Units internally log each check and create a supporting memo prior to forwarding to the GFO. | | |
| Recommendation 4b | Agree | Estimated Completion Date: | Immediately |
| | The Units forward the checks and supporting memos to the GFO within two business days of receipt. | | |
| Recommendation 4c | Agree | Estimated Completion Date: | Immediately |
| Please provide details of corrective action or explain disagreement. | One GFO employee has been identified to verify the deposit. This employee does not handle the checks upon receipt. Their responsibility is to verify the deposit has occurred utilizing the deposit slip stamped by the bank. Once this is received, the deposit entry is made in FMIS. | | |

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