



DEPARTMENT OF LEGISLATIVE SERVICES  
OFFICE OF LEGISLATIVE AUDITS  
MARYLAND GENERAL ASSEMBLY

April 20, 2016

Warren G. Deschenaux  
Executive Director

Thomas J. Barnickel III, CPA  
Legislative Auditor

Senator Edward J. Kasemeyer, Chair  
Senate Budget and Taxation Committee  
Miller Senate Office Building, 3 West Wing  
11 Bladen Street  
Annapolis, Maryland 21401

Delegate Maggie McIntosh, Chair  
House Appropriations Committee  
House Office Building, Room 121  
6 Bladen Street  
Annapolis, Maryland 21401

Dear Senator Kasemeyer and Delegate McIntosh:

The Office of Legislative Audits (OLA) has conducted a review of the actions taken by the Maryland Department of General Services (DGS) – Office of Procurement and Logistics (OPL) to resolve two repeat findings in our November 8, 2013 audit report. This review was conducted in accordance with a requirement specified in the April 2015 *Joint Chairmen's Report* (JCR), page 43. The JCR required that, prior to release of \$200,000 of its administrative appropriation for fiscal year 2016, OPL must take corrective action on all unresolved repeat audit findings. The JCR language further provided that OLA submit a report to the budget committees listing each unresolved repeat audit finding along with a determination that each finding was corrected. The OLA report is required to be submitted to allow 45 days for the budget committees to review and release the funds prior to the end of the fiscal year. This is the second consecutive year that a requirement regarding repeat audit findings has been included in the JCR for OPL. In response to the requirement in the April 2014 JCR, we notified the budget committees on December 8, 2014 that OPL had resolved two of four repeat findings.

The November 8, 2013 audit report of OPL contained four repeat audit findings (findings 5, 8, 11, and 13). In our December 8, 2014 letter, we concluded that two of the four findings were resolved and, consequently, the remaining unresolved two findings (5 and 8) were the subject of our current review. In accordance with the April 2015 JCR requirement, DGS provided a report to OLA, dated November 18, 2015, detailing the corrective actions that it had taken with respect to these unresolved repeat audit findings. We reviewed this report and related documentation, performed limited tests and analyses of the information, and held discussions with OPL personnel as necessary to assess the implementation status of the related recommendations. Our review did not constitute an audit conducted in accordance with generally accepted government auditing standards.

Senator Edward J. Kasemeyer  
Delegate Maggie McIntosh

April 20, 2016

Exhibit 1 is DGS's November 18, 2015 status report, which indicated that certain corrective actions had been taken to address the unresolved recommendations for the two remaining repeat findings; for one of these findings, the corrective actions were ongoing. Our review determined that OPL had taken the necessary corrective actions to satisfactorily implement one of the two unresolved recommendations. As noted in the status report, the remaining finding is unresolved.

A summary of OLA's assessment of the status of each of the unresolved repeat audit findings is included in the attached Exhibit 2. Exhibit 3 contains OLA's assessment regarding the repeat finding that had not been resolved. After discussing our review results, OPL generally agreed with the accuracy of the information presented. We wish to acknowledge the cooperation extended to us by OPL during this review.

We trust our response satisfactorily addresses the JCR requirement. Please contact me if you need additional information.

Sincerely,



Thomas J. Barnickel III, CPA  
Legislative Auditor

cc: Senator Guy J. Guzzone, Co-Chair, Joint Audit Committee  
Delegate C. William Frick, Co-Chair, Joint Audit Committee  
Joint Audit Committee Members and Staff  
Senator Thomas V. Mike Miller, Jr., President of the Senate  
Delegate Michael E. Busch, Speaker of the House of Delegates  
Governor Lawrence J. Hogan, Jr.  
Comptroller Peter V.R. Franchot  
Treasurer Nancy K. Kopp  
Attorney General Brian E. Frosh  
David R. Brinkley, Secretary, Department of Budget and Management  
C. Gail Bassette, Secretary, Department of General Services  
Nelson E. Reichart, Deputy Secretary, Department of General Services  
Suzette Moore, Assistant Secretary for Procurement, Department of General Services  
Joan Peacock, Manager, Audit Compliance Unit, DBM  
Warren G. Deschenaux, Executive Director, Department of Legislative Services  
Brandon R. Juhaish, Policy Analyst, Department of Legislative Services

## Exhibit 1 to April 20, 2016 Letter to Joint Chairmen

Larry Hogan  
Governor  
Boyd K. Rathjford  
Lt. Governor



C. Gail Bassett  
Secretary

### MARYLAND DEPARTMENT OF GENERAL SERVICES OFFICE OF THE SECRETARY

November 18, 2015

Thomas J. Barnickel III, CPA  
Legislative Auditor  
Office of Legislative Audits  
301 West Preston Street, Room 1202  
Baltimore, Maryland 21201

Reference: Audit of the Department of General Services  
Office of Procurement & Logistics  
Report Date: November 8, 2013

Dear Mr. Barnickel,

In accordance with the April 2015 *Joint Chairmen's Report*, page 43, we submit our report detailing the corrective actions that have been taken with respect to recommendations 5a and 8a of the November 8, 2013 audit of the Office of Procurement & Logistics (OPL) at the Department of General Services (DGS).

**Finding 5a** recommended that the OPL comply with State law and ensure that a written determination for using an Intergovernmental Cooperative Purchasing Agreement (ICPA) is prepared and that such a determination is properly substantiated.

**Resolved-Finding 5a** the OPL implemented a new Procurement Submittal Form (attached) as of June 30, 2015 that requires the requesting agency to prepare / submit a written determination that participating in the ICPA would be cost beneficial and promote efficiencies. The OPL will confirm the sufficiency of the submitted documentation and, where deficient, will return the form to the requesting agency for correction. For ICPA's initiated by DGS, a determination is prepared to substantiate that the ICPA is cost beneficial and will promote efficiencies.

**Finding 8a** recommended that the OPL independently determine and publish the fair market prices of MCE's good and services.

**Open-Finding 8a** the OPL is working to update its procedures for reviewing MCE pricing and will establish a process for reviewing and publishing existing catalog pricing by randomly selecting multiple products and comparing their current price to online pricing of the same type product.

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TTY: 1-800-735-2258

NOTE: The new Procurement Submittal Form referenced by DGS in its resolution to Finding 5a, is an eight page document that was not included by OLA in this correspondence.

Mr. Thomas J. Barnickel III, CPA  
Page 2

Sincerely,

A handwritten signature in cursive script, appearing to read "C. Gail Bassette".

C. Gail Bassette  
Secretary

cc: John Thornton, Assistant Secretary, OPL  
Nancy Hevey, Director, OPL

Attachment

**Exhibit 2 to April 20, 2016 Letter to Joint Chairmen**

**Status of Unresolved Repeat Findings in OLA's November 8, 2013  
Audit Report on the Department of General Services –  
Office of Procurement and Logistics (OPL)**

<b>Prior Unresolved Recommendations Pertaining to Repeat Findings</b>	<b>Status Based on OLA Review</b>
<b>Intergovernmental Cooperative Purchasing Agreements (ICPA)</b> 5a. We recommend that OPL comply with State law and ensure that a written determination for using an ICPA is prepared and that such a determination is properly substantiated.	Corrected
<b>Monitoring of Providers With Procurement Preferences</b> 8a. We recommend that OPL independently determine and publish the fair market prices of Maryland Correctional Enterprises' (MCE) goods and services.	Not Resolved

Shaded recommendations are more fully described in Exhibit 3.

## **Exhibit 3 to April 20, 2016 Letter to Joint Chairmen**

### **OLA's Assessments Regarding Repeat Findings That Had Not Been Resolved**

#### **Monitoring of Providers With Procurement Preferences**

##### **Prior Report Recommendation – Finding 8a**

**We recommend that OPL independently determine and publish the fair market prices of Maryland Correctional Enterprises' (MCE) goods and services.**

##### **Status: Not Resolved**

In its November 18, 2015 status report, DGS stated that OPL was working to update its procedures for reviewing MCE pricing and will establish a process for reviewing existing (MCE) catalog prices by randomly selecting multiple MCE products and comparing current prices to other online vendor prices. However, OPL's intention of randomly reviewing MCE pricing for some products and services may not be in accordance with State Procurement Regulations (SPR). SPR require that the DGS Secretary (OPL) determine the fair market prices for MCE supplies and services and compile, publish, and distribute at least annually a master list with the fair market price for each supply and service.

OPL's existing procedures only required a verification of the fair market prices of MCE products submitted for OPL's approval, which only included new items and existing items for which MCE was requesting a price change. These procedures did not require a review of catalog pricing for existing items even though, as commented upon in our November 2013 audit report, OPL had not independently determined MCE prices since 2003.

Furthermore, OPL had not complied with its existing procedures because it did not determine the fair market prices of the 23 new and existing items with price changes submitted by MCE for approval during the period from March 2015 through October 2015.

Finally, OPL did not specify in its response whether it would annually publish a master price list, as required. At this time, State agencies must use MCE's 225 page catalog for pricing information.