



**Department of Legislative Services
Office of Legislative Audits**

Department of State Police

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Presentation to the Joint Audit Committee

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Audit Overview

- The Department of State Police (DSP) comprises the Maryland State Police, the Office of the State Fire Marshal, and the State Fire Prevention Commission.
- DSP is responsible for
 - safeguarding the lives of all persons within the State,
 - protecting property, and
 - assisting in securing to all persons the equal protection of the law.
- FY 2014 operating expenditures totaled approximately \$319.3 million.
- Report included 12 findings, 1 of which was repeated from the preceding audit report (current Finding 12).



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Key Audit Issues

- DSP did not properly account for financial activity pertaining to certain special funds for which the related year-end balances at June 30, 2014 appeared questionable. DSP could not support revenues totaling \$28.2 million recorded at FYE 2014 to cover expenditures.
- For four service contracts totaling \$9 million, DSP either did not include or could not support the expected levels of service needed in the related procurement solicitations, which in some cases raises questions about the award decisions.
- DSP procedures over handgun qualification licenses and registration applications were not sufficiently comprehensive and DSP did not ensure the accuracy of handgun serial numbers recorded in its automated systems.



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Special Funds

Background

DSP received revenue from various sources (such as speed camera fees) that was used to support certain field operations. DSP also received reimbursements from other governmental units and private entities for the cost of providing certain services. During FY 2014, DSP billed approximately \$50.5 million for these services, of which \$36.7 million was billed to

- MDOT for operations of the Commercial Vehicle Enforcement Division (CVED) and Automotive Safety Enforcement Division (ASED), and for patrol and criminal enforcement on the JFK Memorial Highway,
 - public and private entities for services such as police patrols stationed at construction zones (Reimbursable Overtime), and
 - local jurisdictions for providing police enforcement (Resident Trooper Program).
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Special Funds (continued)

- DSP did not properly account for financial activity pertaining to certain special funds for which the related year-end balances appeared questionable (**Finding 1**).
 - The financial activity for five different services was combined and reflected in two special fund balances, and certain activity was not properly recorded. DSP was unable to readily determine whether it recovered all costs charged for these activities.
 - Both special fund balances at June 30, 2014 appeared questionable. One fund used to account for three services had a deficit balance of \$44.2 million (an amount that exceeded the FY 2014 DSP costs related to these services) and the other fund had a positive balance of \$34.4 million.
 - DSP had not identified and investigated the aforementioned inconsistencies and could not determine if the positive and negative balances in these funds were related.
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Budgetary and Year-End Closing

- DSP's budgetary year-end closing transactions for FY 2014 were not always adequately supported or accurately reported (**Finding 3**).
 - DSP did not maintain adequate documentation to support that \$28.2 million in revenues recorded during the FY 2014 budgetary closeout were available to cover incurred expenditures. For any revenues that are not available, general fund or deficiency appropriations may be needed to eliminate any resulting deficits.
 - DSP neither accurately reported nor had valid legal justification for retaining certain special funds at year-end. DSP reported that it retained special fund balances as of June 30, 2014 in four budgetary programs totaling \$22.9 million. However, the legal justification for retaining \$15.7 million of these funds did not substantiate that these funds could be retained.



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Procurements

OLA tested the procurement of 5 contracts collectively valued at \$16.1 million.

- For 4 of the contracts, totaling \$9 million, DSP did not include or could not support the approximate quantities of services needed in its solicitations, as required by State regulations.

This condition impeded DSP's ability to determine whether it received the most favorable bids, made the appropriate award decisions, and established reasonable contract values.

For example, for one contract for transmission repairs totaling \$1.6 million, DSP solicited unit prices for the repair of 39 different types of DSP vehicles without providing any estimate of the expected transmission repair activity for each vehicle type. The award was made based on the sum of these unit prices without regard to the expected activity (**Finding 4**).



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Procurements (continued)

- Procedural and documentation deficiencies were noted regarding the evaluation of vendor bids for certain service contracts.
 - The technical evaluations were not completed and adequately documented for 2 of the contracts totaling \$5.4 million. For example, for one contract, all of the evaluation attributes were not addressed by the evaluators.
 - DSP awarded a portion of one contract to a vendor that did not meet all required specifications.
 - The award amount for another contract (\$400,000) was almost double the value of the services based on DSP estimated quantities and the vendor's bid (**Finding 5**).



Handgun Registration

Background

- Obtaining and registering a handgun is a multi-step process with specific procedural and documentation requirements for handgun dealers, DSP, and applicants.
 - Effective October 1, 2013, a handgun dealer or any other person may not sell, rent, or transfer a handgun unless the individual receiving the handgun first obtains and presents to the dealer or other person a valid Handgun Qualification License (HQL) issued by DSP. Certain individuals, such as former police officers, are exempt from the HQL requirement.
 - Once an HQL is obtained (or is exempt as noted above) the individual may submit a handgun registration application to the dealer (or individual if a private sale), which is then forwarded to DSP for evaluation. If the application is not disapproved by DSP, the handgun can be transferred.
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Handgun Registration (continued)

- DSP procedures over HQLs and handgun registration applications lacked certain controls (**Findings 6**).
 - DSP did not require handgun dealers to submit a copy of an applicant's HQL with the handgun registration application, as required by State law.
 - DSP did not have a procedure to ensure that dealers submitted finalized handgun registration applications within 7 days of delivery of the handguns to the applicants, as required. Ten of 40 finalized applications tested were received 20 – 201 days after the handguns were transferred.
 - Numerous individuals had unnecessary system access allowing them to approve handgun applications even though they did not require that capability.



Handgun Registration (continued)

- Certain quality control procedures were not comprehensive to ensure the accuracy of handgun registration information (such as registrant name, gun make, and serial number). Although quality control reviews were conducted of selected registrations, these verification procedures do not appear to be sufficient.

OLA's automated comparison of 27,500 applications found different handgun serial numbers for about 4,000 registered handguns in the two automated systems used to record the initial handgun registration application and the completed registration information (**Finding 7**).



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Other Findings

- DSP lacked adequate controls over collections and the related accounts receivable for external services provided to other governmental units and private entities, and for handgun registration application fees (**Finding 2 & 8**).
- Numerous security and control issues were noted regarding DSP's information systems and critical data. Specifically, DSP's network and numerous workstations were not properly secured and maintained, and assurance was lacking that critical data hosted by a third-party service provider were adequately safeguarded (**Findings 9, 10, & 11**).
- DSP did not complete annual physical inventories of its sensitive equipment and did not always record equipment purchases. Similar conditions have been commented upon in six preceding audit reports dating back to January 1998 (**Finding 12**).



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Conclusion

DSP should ensure that

- all special fund activity is properly accounted for, and related special fund balances are investigated and the necessary corrections made;
 - all revenue transactions recorded to cover expenditures are accurate and supported, proper legal justification exists for all funds retained at year-end, and any deficits are resolved;
 - procurement solicitations contain supportable quantity of services needed, evaluation documents are complete, and the methodologies used to evaluate vendors' proposals are reasonable;
 - procedures are implemented to improve controls over HQL and handgun registration applications, and all critical information is recorded accurately in its automated systems; and
 - recommended actions are made to improve security and controls, including for information systems, cash receipts, accounts receivable, and equipment.
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