

**Summary of OLA Reports Issued and
Recommended Committee Action**

September 1, 2011 to November 30, 2011

Presentation to Joint Audit Committee

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December 13, 2011

OLA Reports Issued September 1, 2011 to November 30, 2011

Summary

Total Reports Issued 18

Reports Recommended for Action 3

<u>Agency</u>	<u>Recommended Action</u>
1. Department of Human Resources – Child Support Enforcement Administration	JAC Hearing
2. Department of Labor, Licensing and Regulation – Office of the Secretary – Division of Administration – Division of Workforce Development and Adult Learning	JAC Letter of Concern
3. Department of Transportation – State Highway Administration – Construction Inspection Services Contracts (Special)	JAC Hearing

Summary of Recommended Action

Joint Audit Committee (JAC) Hearing	2
JAC Letter of Concern	<u>1</u>
Total	<u><u>3</u></u>

<p style="text-align: center;">REPORTS ISSUED SEPTEMBER 1, 2011 TO NOVEMBER 30, 2011</p>

<u>Agency</u>	<u>Report Date</u>	<u>Number of Pages</u>
Department of Human Resources – Child Support Enforcement Administration	9/01/11	28
Carroll County – Office of the Clerk of Circuit Court	9/07/11	6
Subsequent Injury Fund	9/21/11	14
Department of Health and Mental Hygiene – Holly Center	9/26/11	6
Uninsured Employers' Fund	9/28/11	12
Department of Health and Mental Hygiene – Eastern Shore Hospital Center and Upper Shore Community Mental Health Center	9/30/11	8
Department of Labor, Licensing and Regulation – Office of the Secretary – Division of Administration – Division of Workforce Development and Adult Learning	10/04/11	24
Baltimore County – Office of the Clerk of Circuit Court	10/13/11	6
Department of Transportation – Maryland Port Administration	10/14/11	7
Maryland Legal Services Corporation	10/18/11	5
Department of Public Safety and Correctional Services – Western Maryland Region	10/18/11	4
Office of the Secretary of State	10/20/11	12
Queen Anne's County Public Schools (Financial Management Practices Performance Audit)	10/25/11	34
Department of Health and Mental Hygiene – Regulatory Services	11/07/11	13
Video Lottery Operation Licensees – Minority Business Participation (Performance)	11/10/11	8
Department of the Environment	11/21/11	26
Department of Transportation – State Highway Administration – Construction Inspection Services Contracts (Special)	11/21/11	13
Kent County – Office of the Register of Wills	11/28/11	6

Total Number of Reports Issued: 18

Reports Recommended for Committee Action
Significant Audit Findings
September 1, 2011 to November 30, 2011

1) Department of Human Resources – Child Support Enforcement Administration (CSEA)
(9/01/11 – 28 pages – 11 findings)

- CSEA did not utilize wage withholding orders to the fullest extent possible. We matched a CSEA file of noncustodial parents who owed child support with a file from the Department of Labor, Licensing and Regulation (DLLR) of employees with wages during the third quarter of calendar 2010. This match identified 8,763 individuals with child support arrearages totaling \$88 million whose wages, which totaled \$43 million in the quarter, were not being garnished. Our tests of 22 of these accounts disclosed that, in 12 cases, wages should have been withheld.
- Although the federal Office of Child Support Enforcement had a process to notify CSEA of noncustodial parents with wages, our tests disclosed that local offices were not always following up on these notifications. Furthermore, the vendor who maintains the State's new hire registry did not ensure that employers reported all new hires, as required.
- CSEA did not effectively use occupational license suspensions as an enforcement tool for delinquent child support obligors. CSEA only obtained licensing data from 7 of the 15 licensing authorities permitted by State law and its matches of child support obligors with licensing data were limited by a restrictive match design. Our match of CSEA obligors with 10 licensing authorities identified 6,966 individuals with occupational licenses that owed child support totaling \$47 million. Our test of 25 disclosed that 17 were eligible for license suspensions.
- Although State law allows CSEA to seize the bank accounts of delinquent child support obligors (that is, unpaid for more than 60 days) owing \$500 or more, CSEA only seized accounts of obligors that owed more than \$2,500. We identified 25,550 cases with account balances totaling \$33.6 million that were not subject to bank garnishment procedures because the account balances were between \$500 and \$2,500.
- CSEA did not have adequate procedures to ensure incorrect obligor social security numbers recorded in its automated records were investigated and corrected.
- CSEA did not always review and process driver's license suspension referrals rejected by the Motor Vehicle Administration (MVA) because of system edits.
- Control deficiencies were noted with respect to various areas of CSEA's operations, including local office monitoring, payments to deceased individuals, contracts, and computer access.

Recommended Committee Action – Hearing

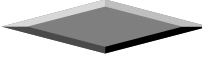
Reports Recommended for Committee Action
Significant Audit Findings
September 1, 2011 to November 30, 2011

2) Department of Labor, Licensing and Regulation (DLLR) – Office of the Secretary – Division of Administration – Division of Workforce Development and Adult Learning (10/04/11 – 24 pages – 9 findings)

- The Office of Information Technology (OIT), within the Division of Administration, operates and maintains a Department website that provides several online services. Sensitive personal and financial information relating to unemployment insurance claims submitted through the Department's website and processed by DLLR's Division of Unemployment Insurance was not adequately protected. For example, files containing sensitive personal and financial information, including names, social security numbers, and dates of birth, transferred from the Annapolis Data Center to a DLLR server, were not encrypted. These conditions were commented upon in our preceding audit report.
- Proper security measures were not established over the electronic licensing application administered by the Divisions of Occupational and Professional Licensing and Financial Regulation. For example, as commented upon in our preceding audit report, appropriate controls were not established over the credit card service provider account used to process occupational and professional license fees and personal information of new licensees on the web server was not sufficiently protected.
- The electronic licensing application was not properly monitored or protected from external threats. As commented upon in our preceding audit report, the website's logged activity was not reviewed to identify unusual activity. Furthermore, there were unusually high levels of website traffic originating from suspicious sources that should be investigated.
- Cash receipts of two DLLR offices, which totaled \$1.2 million during fiscal year 2010, were not adequately controlled. For example, certain collections were not restrictively endorsed and recorded immediately upon receipt, and verifications of deposits were not always performed or were not performed by personnel independent of the cash receipts process.
- Internal control and record keeping deficiencies were noted with respect to DLLR's payroll and equipment. For example, individuals who approved online personnel transactions and payroll adjustments did not review related supporting documentation when doing so.

Recommended Committee Action – Letter of Concern

Reports Recommended for Committee Action
Significant Audit Findings
September 1, 2011 to November 30, 2011



3) Department of Transportation – State Highway Administration (SHA) – Construction Inspection Services Contracts (Special) (11/21/11 – 13 pages – 5 findings)

- SHA and 10 architectural and engineering firms arranged to use unexpended balances of contracts for construction inspection services to pay for work that was outside the scope of those contracts. These arrangements circumvented State procurement regulations which require a formal contract modification and Board of Public Works (BPW) approval for a significant change in contract scope. Our review of invoices totaling \$70 million identified \$11.3 million that was charged to 10 contracts for project work that was unrelated to the applicable contracts. The arrangements made between SHA and the firms are indicative of a less than arm's-length relationship between those parties that, in turn, could raise questions regarding the integrity of the procurement and payment process for subsequent contracts involving these firms.
- SHA did not issue written task orders to formally assign work and to manage construction inspection services contracts awarded to the firms because, according to SHA personnel, it would be too cumbersome to do so for individual projects. Consequently, SHA could not effectively monitor services provided by firms, as well as the related charges billed by the firms.
- SHA extended contract terms without BPW approval. During the period from September 2008 through August 2009, SHA improperly extended the contract expiration dates for all nine construction inspection services contracts reviewed that had expired, allowing SHA to retain approximately \$26 million in unspent contract funds.
- SHA could not adequately document the basis for the maximum value of construction inspection contracts submitted to the BPW for approval. Our test of four contract awards, totaling \$34 million and approved by the BPW, disclosed that SHA could not adequately support the amount of funds that had been requested. For those four contracts, the percentage of construction inspection contract values to related construction costs ranged from 3 to 27 percent based on original estimates.
- SHA procured new construction inspection contracts when there were unspent funds remaining on existing contracts.

Recommended Committee Action – Hearing
