

Summary of Reports Issued and Recommended Committee Action

October 1, 2020 to November 30, 2020

Presentation to Joint Audit and Evaluation Committee

Gregory A. Hook, CPA
Legislative Auditor

December 8, 2020

Reports Issued October 1, 2020 to November 30, 2020

Summary

Total Reports Issued	9
Reports Recommended for Action	4

<u>Agency</u>	<u>Recommended Action</u>
1. Comptroller of Maryland – Information Technology Division – Annapolis Data Center Operations	JAEC Letter of Concern
2. University System of Maryland – Frostburg State University	JAEC Letter of Concern
3. Maryland Department of Transportation – Motor Vehicle Administration	JAEC Hearing
4. State Department of Assessments and Taxation	JAEC Hearing

Summary of Recommended Action

Joint Audit and Evaluation Committee (JAEC) Hearing	2
JAEC Letter of Concern	<u>2</u>
Total	<u><u>4</u></u>

**REPORTS ISSUED
OCTOBER 1, 2020 TO NOVEMBER 30, 2020**

<u>Agency</u>	<u>Report Date</u>	<u>Number of Pages</u>
State Department of Assessments and Taxation	10/05/20	29
Wicomico County Public Schools (Financial Management Practices Audit)	10/08/20	30
Garrett County – Office of the Clerk of Circuit Court	10/26/20	5
Garrett County – Office of the Register of Wills	10/27/20	5
Comptroller of Maryland – General Accounting Division	11/09/20	8
Maryland Department of Health – Vital Statistics Administration	11/10/20	14
Financial Management Information System – Centralized Operations	11/10/20	7
Department of Human Services – Office of the Secretary and Related Units	11/17/20	16
Baltimore County Public Schools (Financial Management Practices Audit)	11/19/20	39

Total Number of Reports Issued: 9

Reports Recommended for Committee Action

October 1, 2020 to November 30, 2020

1) Comptroller of Maryland – Information Technology Division (ITD) – Annapolis Data Center Operations (7/27/20 – 11 pages – 4 findings, including 2 repeats)

This audit report contained several recommendations related to the four report findings. Although ITD agreed to implement certain recommendations, ITD continues to disagree with two recommendations. Since we believe all report recommendations are appropriate and necessary, we attempted to obtain ITD concurrence on these two issues through the OLA's routine audit follow-up process. Unfortunately, OLA was unable to persuade ITD to implement the recommended necessary controls.

State Government Article, Section 2-1224(g)(1)(v) of the Annotated Code of Maryland requires the OLA to advise this Committee (JAEC) when the response by the agency is not considered appropriate to carry out an audit recommendation. For that reason, OLA recommends, as a first step, that the JAEC issue a letter of concern to ITD requesting implementation of the recommended corrective action for the following items.

- ITD maintained sensitive personally identifiable information (PII) in a manner that did not provide adequate safeguards (Finding 1). The audit report recommended that ITD implement appropriate information security safeguards for sensitive PII it maintains. In a recent follow-up letter response, ITD provided additional information regarding the cost to provide adequate protection of PII. The response also stated that ITD feels a long-term effort to implement encryption is the only viable alternative, and that the three types of mitigating controls described in the State of Maryland *Information Technology Security Manual* (ITSM) as possible alternatives would be more costly, time consuming, and ultimately ineffective. We continue to believe that the PII should be adequately protected, as public studies have concluded that the cost of data breaches involving PII can be considerable, and potentially exceed the costs of preventive safeguards. We also believe that if remediation costs via a preferred security option are proven to be excessive, that ITD needs to pursue an alternative option, in a prioritized manner, to implement the three-part substantial mitigating controls, as defined per the ITSM, with related communications shared to customer agencies as necessary. ITD continued to disagree with our position.
- Security risks existed from information technology (IT) contractors having unnecessary network-level access to the Comptroller's network, despite certain indirect security measures implemented (Finding 4). The audit report recommended that ITD restrict IT contractors' network-level access within the Comptroller network to only those servers and workstations necessary for them to perform their duties. In a recent follow-up letter response, ITD continued to disagree with the recommendation incorrectly stating that our criteria was not policy, but rather an aspirational goal. The criteria cited in the audit report, related to the principle of least privileged access, is formal Department of Information Technology policy. This particular State IT security policy guidance has long required limiting access to IT resources in accordance with the least privilege principle. Our position that the ITSM's least privilege security principles extends to network security is long-standing and readily accepted by other State agencies, and we might add by ITD last audit. Specifically, this is a repeat audit finding, and in response to the prior report ITD accepted

this criteria, and agreed to implement the similar recommendation of restricting the Comptroller's IT contractors' network level access to only IT resources needing to be accessed to fulfill their contractual requirements. In our opinion, ITD is not in compliance with current State security policy and is placing its IT resources at risk by allowing its IT contractors unnecessary network-level access to almost all of the Comptroller's network.

Recommended Committee Action – Letter of Concern

Reports Recommended for Committee Action

October 1, 2020 to November 30, 2020

2) University System of Maryland (USM) – Frostburg State University (FSU) (8/5/20 – 13 pages – 5 findings, including 1 repeat)

This audit report contained several recommendations related to the five report findings. Although FSU agreed to implement the majority of the recommendations, USM continues to disagree with one of the recommendations. OLA attempted to obtain USM concurrence on this issue through the OLA's routine audit follow-up process, but was unable to persuade USM – FSU to document its compliance with certain USM Board of Regents' policies and procedures.

State Government Article, Section 2-1224(g)(1)(v) of the Annotated Code of Maryland requires the OLA to advise this Committee (JAEC) when the response by the agency is not considered appropriate to carry out an audit recommendation. For that reason, OLA recommends, as a first step, that the JAEC issue a letter of concern to USM requesting implementation of the recommended corrective action for the following item (audit report Finding 1).

- FSU lacked documentation of its compliance with USM Board of Regents procurement policies and procedures regarding the use of contracts established by other organizations, institutions, or agencies. In this instance, those policies allow a USM institution to use contracts procured by others, if the institution concludes that it is in its best interest. However, the applicable Board of Regents' policy does not require an institution to document how this determination was made; hence the disagreement. Consequently, OLA was unable to assess compliance due to a lack of documentation and the audit report recommended, in part, that FSU document for each applicable contract, the steps it took to comply with the applicable USM Board of Regents' policy and that the contracts were properly procured.

In recent audit follow-up correspondence, USM, on behalf of FSU, stated that it felt strongly that creating additional documentation requirements, beyond those specifically delineated in the USM Procurement Policies and Procedures, is not in the best interest of USM. The response further stated that USM, on behalf of FSU, respectfully disagrees with the recommendation that additional documentation is necessary or would support a more efficient and effective procurement process. Frankly, as noted in our finding, without such documentation we are unable to ensure the use of these contracts is compliant with USM policy and in the best interest of FSU. We draw the Committee's attention to the higher documentation standard required of other State agencies for similar types of procurements by State Procurement Regulations (such as intergovernmental purchasing agreements). Accordingly, implementing a process to document compliance with USM Board policies is both appropriate and reasonable, and would not impose an onerous documentation requirement on FSU. Accordingly, we continue to believe FSU should comply with this fundamental control and document its efforts to comply with the USM policy.

Recommended Committee Action – Letter of Concern

Reports Recommended for Committee Action

October 1, 2020 to November 30, 2020

- 3) Maryland Department of Transportation – Motor Vehicle Administration (9/23/20 – 25 pages – 9 findings, including 1 repeat)**
- 4) State Department of Assessments and Taxation (10/5/20 – 29 pages – 9 findings, including 3 repeats)**

Recommended Committee Action – JAEC Hearing
