

DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

December 8, 2014

Karl S. Aro
Executive Director

Thomas J. Barnickel III, CPA
Legislative Auditor

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

Delegate Norman H. Conway
Chairman, House Appropriations Committee
House Office Building, Room 121
6 Bladen Street
Annapolis, Maryland 21401

Dear Senator Kasemeyer and Delegate Conway:

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 the four repeat findings in our November 8, 2013 audit report. This review was conducted in accordance with a requirement specified in the April 2014 *Joint Chairmen's Report* (JCR), page 46. The JCR required that, prior to release of \$100,000 of its administrative appropriation for fiscal year 2015, OPL must take corrective action on all repeat audit findings. The JCR language further provided that OLA submit a report to the budget committees listing each repeat audit finding along with a determination that each repeat finding was corrected within sufficient time to allow 45 days for the budget committees to review and release the funds prior to the end of fiscal year 2015.

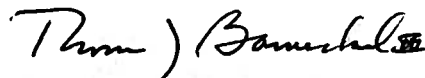
The November 8, 2013 OPL audit report contained four repeat audit findings (findings 5, 8, 11, and 13). In accordance with the aforementioned JCR requirement, DGS provided a report to OLA, dated October 21, 2014, detailing the corrective actions that OPL has taken with respect to these repeat audit findings. We reviewed this report and related documentation, performed limited tests and analyses of the information, and held discussions with OPL personnel, as deemed 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.

DGS' October 21, 2014 status report indicated that the recommendations for the repeat findings had been addressed. Our review determined that OPL had taken the necessary corrective actions to resolve two of the four findings that DGS's report indicated had been corrected. For the remaining two findings, the actions taken did not satisfactorily address the related recommendations.

A summary of OLA's assessment of the status of each of the repeat audit findings is included in the attached Exhibit 1. Exhibit 2 contains OLA's assessments regarding the two repeat recommendations that had not been resolved. After discussing our review results, DGS generally agreed with the accuracy of the information presented and indicated that the remaining corrective actions will be taken. We wish to acknowledge the cooperation extended to us by DGS 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 James C. Rosapepe, Co-Chair, Joint Audit Committee
Delegate Guy J. Guzzone, 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 Martin J. O'Malley
Comptroller Peter V.R. Franchot
Treasurer Nancy K. Kopp
Attorney General Douglas F. Gansler
Secretary T. Eloise Foster, Department of Budget and Management
The Honorable Alvin C. Collins, Secretary, Department of General Services
Barthol L. Thomas, Deputy Secretary, DGS
Nancy I. Hevey, Director, Office of Procurement and Logistics, DGS
Joan Peacock, Manager, Audit Compliance Unit, DBM
Karl S. Aro, Executive Director, Department of Legislative Services
Jolshua Rosado, Policy Analyst, Department of Legislative Services

Exhibit 1 to December 8, 2014 Letter to Joint Chairmen

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

Prior Recommendations Pertaining to Repeat Findings	Status Based on OLA Review
Intergovernmental Cooperative Purchasing Agreements (ICPA) 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.	Not Resolved
Monitoring of Providers with Procurement Preferences 8a. We recommend that OPL independently determine and publish the fair market prices of MCE's goods and services.	Not Resolved
Statewide Purchasing Transactions 11. We recommend that OPL fully use the available FMIS security features by establishing adequate independent online approval requirements for all critical purchasing transactions.	Corrected
DGS Equipment 13. We recommend that OPL comply with the applicable requirements of the <i>Inventory Control Manual</i> . Specifically, OPL should pursue missing equipment noted during its annual inventories of equipment.	Corrected

Shaded recommendations are more fully described in Exhibit 2.

Exhibit 2 to December 8, 2014 Letter to Joint Chairmen

OLA's Findings Regarding Repeat Findings That Had Not Been Resolved

Intergovernmental Cooperative Purchasing Agreements (ICPA)

Prior Report Recommendation – Finding 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 (repeat).

Status: Not Resolved

Although OPL developed a formal document checklist to indicate that all required items for ICPA contracts have been completed, we noted that supporting documentation was not maintained. Our review of OPL's most recent ICPA procurement, which occurred in October 2014, disclosed that, although a written determination was prepared by the procurement officer stating that participating in the ICPA would provide cost benefits to the State and promote administrative efficiencies, OPL could not substantiate these assertions. For example, the related document checklist indicated that pricing had been sampled, however, OPL could not provide us with documentation of the prices sampled to substantiate that the unit costs available on the ICPA were in the best interest of the State.

Monitoring of Providers With Procurement Preferences

Prior Report Recommendation – Finding 8a

We recommend that OPL independently determine and publish the fair market prices of MCE's goods and services (repeat).

Status: Not Resolved

OPL updated its procedures for reviewing MCE pricing, but the procedures were not sufficiently comprehensive and were not always followed. Specifically, the procedures only required a verification of the fair market value of all MCE products or items submitted for approval by MCE (which should include new items and items for which MCE was requesting a price change). Although the DGS status report also stated that OPL had established a procedure for reviewing existing catalog pricing by randomly selecting multiple products and comparing their current price to online pricing of the same type product, our review found that the updated OPL procedures did not include such a step. Furthermore, our review of the sample verifications that OPL indicated had been performed related to new items or existing items that had a price increase subsequent to the procedural changes disclosed that OPL could not document the results of the fair market price verifications as required by its procedures.