

# Audit Report

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## Comptroller of Maryland General Accounting Division

September 2024

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**OFFICE OF LEGISLATIVE AUDITS**  
**DEPARTMENT OF LEGISLATIVE SERVICES**  
**MARYLAND GENERAL ASSEMBLY**

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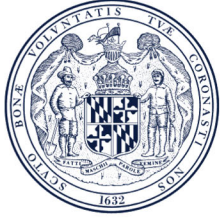
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Victoria L. Gruber  
Executive Director

DEPARTMENT OF LEGISLATIVE SERVICES  
OFFICE OF LEGISLATIVE AUDITS  
MARYLAND GENERAL ASSEMBLY

Brian S. Tanen, CPA, CFE  
Legislative Auditor

September 25, 2024

Senator Clarence K. Lam, M.D., Senate Chair, Joint Audit and Evaluation Committee  
Delegate Jared Solomon, House Chair, Joint Audit and Evaluation Committee  
Members of Joint Audit and Evaluation Committee  
Annapolis, Maryland

Ladies and Gentlemen:

We have conducted a fiscal compliance audit of the Comptroller of Maryland (COM) – General Accounting Division (GAD), for the period beginning December 2, 2019 and ending June 30, 2023. GAD is primarily responsible for maintaining the State's accounting records, centrally processing vendor invoice payments, and distributing checks prepared by the State Treasurer's Office. GAD also administers the State's corporate purchasing card program and prepares the State's annual financial statements.

Our audit disclosed that GAD did not adequately monitor corporate purchasing card activity, which totaled \$281.3 million during fiscal year 2023. We also found that GAD did not have a current and comprehensive listing of agencies that were granted a waiver from submitting supporting documentation to GAD for disbursements. For example, GAD's record of waivers provided to us included three waivers issued to an agency that ceased to exist in 1996. We further noted that GAD did not have formal procedures to periodically determine if waivers it had previously granted were still warranted.

Our audit also included a review to determine the status of the two findings contained in our preceding audit report. We determined that GAD satisfactorily addressed one of these findings. The remaining finding is repeated in this report.

COM's response to this audit, on behalf of GAD, is included as an appendix to this report. We reviewed the response and noted agreement to our findings and related recommendations, and while there are other aspects of COM's response which will require further clarification, we do not anticipate that these will require the Joint Audit and Evaluation Committee's attention to resolve.

We wish to acknowledge the cooperation extended to us during the audit by GAD. We also wish to acknowledge COM's and GAD's willingness to address the audit issues and implement appropriate corrective actions.

Respectfully submitted,

*Brian S. Tanen*

Brian S. Tanen, CPA, CFE  
Legislative Auditor

## Background Information

### Agency Responsibilities

The General Accounting Division (GAD), which is a unit of the Comptroller of Maryland (COM), is primarily responsible for maintaining the State's accounting records, centrally processing vendor invoice payments, and distributing checks prepared by the State Treasurer's Office. GAD also administers the State's corporate purchasing card program and prepares the State's annual financial statements. According to the State's accounting records, GAD's expenditures totaled approximately \$6.5 million during fiscal year 2023 (See Figure 1 below).

**Figure 1**  
**GAD Positions, Expenditures, and Funding Sources**

Full Time Equivalent Positions as of June 30, 2023		
	Positions	Percent
Filled	45	91.8%
Vacant	4	8.2%
<b>Total</b>	<b>49</b>	
Fiscal Year 2023 Expenditures		
	Expenditures	Percent
Salaries, Wages and Fringe Benefits	\$ 4,602,155	70.3%
Technical and Special Fees	173,301	2.6%
Operating Expenses	1,772,672	27.1%
<b>Total</b>	<b>\$ 6,548,128</b>	
Fiscal Year 2023 Funding Source		
	Funding	Percent
General Fund	\$ 6,548,128	100.0%
<b>Total</b>	<b>\$ 6,548,128</b>	

Source: State financial and personnel records

## Audit of the State's Financial Statements

An independent accounting firm is engaged by COM for the purpose of expressing an opinion on the State's annual financial statements. In the related audit reports for fiscal years ended June 30, 2020, 2021, 2022, and 2023, the firm stated that the State's financial statements presented fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

### Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of the two findings contained in our preceding audit report dated November 9, 2020. As disclosed in Figure 2, we determined that GAD satisfactorily addressed one of these findings. The other finding is repeated in this report.

**Figure 2**  
**Status of Preceding Findings**

<b>Preceding Finding</b>	<b>Finding Description</b>	<b>Implementation Status</b>
Finding 1	The General Accounting Division did not monitor agency compliance with the Board of Public Works requirement that vendors with contracts in excess of \$200,000 be paid electronically.	Not repeated
Finding 2	GAD did not have sufficient policies and procedures for its review of Statewide corporate purchasing card activity.	<b>Repeated</b> (Current Finding 1)

## Findings and Recommendations

### Corporate Purchasing Card Program

#### **Finding 1**

**The General Accounting Division (GAD) did not adequately monitor agency corporate purchasing card activity.**

#### **Analysis**

GAD did not adequately monitor agency corporate purchasing card (CPC) activity as required. The Comptroller of Maryland's *Corporate Purchasing Card Policy and Procedures Manual* requires GAD to provide overall control of agencies using a CPC. During fiscal year 2023, 83 agencies expended \$281.3 million under the State's CPC program.

- GAD did not conduct on-site field visits or obtain agency self-audits to help ensure agency compliance with the terms of the CPC Program. We were advised by GAD management that its unwritten policy<sup>1</sup> was to conduct field visits of approximately 20 agencies each year, and that agencies that did not receive a field visit in a particular year would be required to conduct a self-audit. Our review disclosed that GAD had not conducted any field visits between August 2021 and December 2022, during which CPC spending totaled \$364.8 million<sup>2</sup>. In addition, GAD did not request or obtain self-audits from agencies during that period. GAD started conducting field visits again in January 2023, but we noted that, as of August 2023, 52 agencies still had not received a field visit or been required to submit a self-audit. These 52 agencies had fiscal year 2023 CPC spending of approximately \$114 million.
- GAD did not conduct reviews of questionable purchases made by agencies as required by the *Manual*. Our review disclosed that GAD had not conducted any reviews of questionable purchases between August 2021<sup>2</sup> and May 2023. Although GAD began reviewing questionable purchases again in May 2023 and identified 111 questionable transactions totaling \$675,970, GAD had only obtained invoices supporting the propriety of two of the transactions totaling \$5,600 as of August 2023.

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<sup>1</sup> In response to our inquiries, GAD established written policies in July 2023.

<sup>2</sup> In response to the COVID-19 State of Emergency declared in March 2020, GAD suspended certain operational procedures, such as on-site field visits. In addition, GAD did not send out inquiries on questionable purchases to agencies during this time. GAD should have resumed normal monitoring activities in August 2021.

- GAD did not ensure that all 83 agencies participating in the CPC program submitted monthly compliance certifications as required by the *Manual*. Monthly certifications document that the agency has reviewed and reconciled cardholder statements. Our review noted that as of August 2023, 14 agencies with fiscal year 2023 CPC spending totaling \$60.9 million had not submitted any monthly certifications during calendar year 2023.

The aforementioned GAD monitoring is important because the CPC program streamlines procurement and accounts payable functions for small purchases by eliminating required support documentation and online approval requirements. In addition, the State credit cards are automatically paid so it is important to have timely reviews to ensure the transactions are proper and supported.

A similar condition regarding the lack of formal procedures was commented upon in our preceding audit report. In response to that report, GAD indicated that specific procedures for field visits and questionable purchases would be augmented.

#### **Recommendation 1**

**We recommend that GAD**

- establish, and adhere to, formal policies and procedures, as appropriate, for its review of Statewide CPC activity which include the criteria to be used for identification and review of questionable transactions (repeat), and the frequency of field visits and questionable purchase reviews;**
- require all agencies submit self-audits if they have not received a field review, including those noted above; and**
- ensure all agencies submit required monthly compliance certifications, including those noted above.**

## **Vendor Payments**

### **Finding 2**

**GAD did not have a current and comprehensive listing of agencies that were granted an exemption (waiver) from submitting support for disbursements.**

### **Analysis**

GAD did not have a current and comprehensive listing of agencies that were granted an exemption (waiver) from submitting support for disbursements, and did not periodically determine if waivers granted were still warranted. State regulations generally require agencies to submit detailed supporting documentation (such as an invoice) for all disbursements, which GAD uses to



verify the payment is proper on a test basis. GAD may grant an agency a waiver from this requirement with respect to certain specified agency payments. For example, GAD could waive the requirement if the invoices would contain confidential information, such as for payments related to a program subject to the Health Insurance Portability and Accountability Act (HIPAA).

- GAD did not maintain a current comprehensive listing of waivers and could only provide us with a binder of waivers it had issued since 1980. Our review of the binder identified waivers for approximately 67 programs across multiple agencies that were authorized by GAD during the period between 1980 and 2011, including 60 established prior to 2000. The records were not current or comprehensive. For example, we noted three waivers granted to the Department of Personnel, an agency that has not been in existence since 1996. Based on the nature of the exemptions, these waivers may now relate to the Department of Budget and Management and the Maryland Department of Labor, but GAD could not readily provide documentation of whether they were still being used. Another waiver was issued to Crownsville Hospital Center, which was closed for budget concerns in July 2004.
- GAD did not have formal procedures to periodically review the waivers to determine whether they were still warranted and could not readily document to what extent agencies were still using the waivers.

Subsequent to our inquiries, GAD stated that they had begun reaching out to agencies in order to determine the current status of waivers granted. However, GAD was only able to provide an email sent to one agency to justify continuance of its waiver.

## **Recommendation 2**

### **We recommend that GAD**

- a. establish a current and comprehensive listing of agencies granted a waiver from the aforementioned State regulations, and**
- b. establish and adhere to formal policies to periodically review waivers granted to ensure that they are still warranted.**

## **Audit Scope, Objectives, and Methodology**

We have conducted a fiscal compliance audit of the Comptroller of Maryland (COM) – General Accounting Division (GAD) for the period beginning December 2, 2019, and ending June 30, 2023. The audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

As prescribed by the State Government Article, Section 2-1221 of the Annotated Code of Maryland, the objectives of this audit were to examine GAD's financial transactions, records, and internal control, and to evaluate its compliance with applicable State laws, rules, and regulations.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of significance and risk. The areas addressed by the audit included GAD's management of the corporate purchasing card program, vendor payment processing, vendor table maintenance, and State agency working funds. We also determined the status of the findings contained in our preceding audit report.

Our audit did not include certain other support services provided to GAD by the COM – Office of the Comptroller. These support services (such as processing of invoices, maintenance of accounting records, and related fiscal functions) are included in the scope of our audit of the Office of the Comptroller. In addition, our audit did not include certain support services provided to GAD by COM – Central Payroll Bureau, these support services (payroll processing) are included within the scope of our audits of COM – Central Payroll Bureau. Our audit also did not include certain support services provided to GAD by the COM – Information Technology Division (ITD) related to information technology equipment and related services. These support services are included in the scope of our audits of ITD.

Our assessment of internal controls was based on agency procedures and controls in place at the time of our fieldwork. Our tests of transactions and other auditing procedures were generally focused on the transactions occurring during our audit period of December 2, 2019 and ending June 30, 2023, but may include transactions before or after this period as we considered necessary to achieve our audit objectives.

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, tests of transactions, and to the extent practicable, observations of GAD's operations. Generally, transactions were selected for testing based on auditor judgment, which primarily considers risk, the timing or dollar amount of the transaction, or the significance of the transaction to the area of operation reviewed. As a matter of course, we do not normally use sampling in our tests, so unless otherwise specifically indicated, neither statistical nor non-statistical audit sampling was used to select the transactions tested. Therefore, unless sampling is specifically indicated in a finding, the results from any tests conducted or disclosed by us cannot be used to project those results to the entire population from which the test items were selected.

We also performed various data extracts of pertinent information from the State's Financial Management Information System (such as revenue and expenditure data) and data from the contractor administering the State's Corporate Purchasing Card Program (credit card activity). The extracts are performed as part of ongoing internal processes established by the Office of Legislative Audits and were subject to various tests to determine data reliability. We determined that the data extracted from these sources were sufficiently reliable for the purposes the data were used during this audit. Finally, we performed other auditing procedures that we considered necessary to achieve our audit objectives. The reliability of data used in this report for background or informational purposes was not assessed.

GAD's management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records; effectiveness and efficiency of operations, including safeguarding of assets; and compliance with applicable laws, rules, and regulations are achieved. As provided in *Government Auditing Standards*, there are five components of internal control: control environment, risk assessment, control activities, information and communication, and monitoring. Each of the five components, when significant to the audit objectives, and as applicable to GAD, were considered by us during the course of this audit.

Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

Our reports are designed to assist the Maryland General Assembly in exercising its legislative oversight function and to provide constructive recommendations for improving State operations. As a result, our reports generally do not address activities we reviewed that are functioning properly.

This report includes a finding that we consider to be a significant deficiency in the design or operation of internal control that could adversely affect the Office's ability to maintain reliable financial records, operate effectively and efficiently, and/or comply with applicable laws, rules, and regulations. Additional findings were also regarded as a significant instance of noncompliance with applicable laws, rules, or regulations. Other less significant findings were communicated to the Office that did not warrant inclusion in this report.

The response from COM, on behalf of GAD, to our findings and recommendations is included as an appendix to this report. As prescribed in the State Government Article, Section 2-1224 of the Annotated Code of Maryland, we will advise COM regarding the results of our review of its response.

**Exhibit 1**  
**Listing of Most Recent Office of Legislative Audits**  
**Fiscal Compliance Audits of Comptroller of Maryland Divisions**  
**As of August 2024**

Name of Audit		Areas Covered	Most Recent Report Date
1	Office of the Comptroller, Bureau of Revenue Estimates, and Field Enforcement Bureau	<ul style="list-style-type: none"> <li>• Capital grants monitoring</li> <li>• Procurement and disbursements</li> <li>• Support services to other divisions of the Comptroller, such as processing invoices, maintenance of accounting records, human resources, and related fiscal functions</li> </ul>	05/06/24
2	Compliance Division	<ul style="list-style-type: none"> <li>• Investigations, collection of delinquent taxes, and other taxpayer compliance activities related to individual income taxes</li> <li>• Audits and investigations, collection of delinquent taxes, and other taxpayer compliance activities related to business taxes</li> <li>• Identification, collection, and distribution of unclaimed property</li> </ul>	05/03/24
3	Revenue Administration Division	<ul style="list-style-type: none"> <li>• Processing, evaluating, verifying, and recording tax data as reported by taxpayers and other parties</li> <li>• Collection of tax receipts</li> <li>• Distribution of tax refunds</li> </ul>	01/22/24
4	Central Payroll Bureau	<ul style="list-style-type: none"> <li>• Management of the State payroll system</li> <li>• Non-budgeted funds maintained for payroll deductions</li> <li>• Critical information systems</li> <li>• Support services to other divisions of the Comptroller for processing payroll timekeeping records</li> </ul>	10/05/23
5	Information Technology Division (Fiscal Operations)	<ul style="list-style-type: none"> <li>• Procurement</li> <li>• Equipment</li> <li>• Support services to other divisions of the Comptroller for monitoring information technology related services and maintaining information technology equipment inventory records</li> </ul>	09/07/21
6	Information Technology Division – Annapolis Data Center Operations	<ul style="list-style-type: none"> <li>• Maintenance and monitoring of mainframe operating system, various security functions, and critical databases</li> </ul>	07/27/20

## APPENDIX



# COMPTROLLER of MARYLAND

**Brooke E. Lierman**  
*Comptroller*

**Luther Dolcar**  
*Director*  
*General Accounting Division*

September 20, 2024

Mr. Brian S. Tanen, CPA  
Legislative Auditor  
Office of Legislative Audits  
The Warehouse at Camden Yards  
351 West Camden Street, Suite 400  
Baltimore, MD 21201

Dear Mr. Tanen:

Enclosed is the Comptroller of Maryland's response to your fiscal compliance audit report of the Comptroller of Maryland – General Accounting Division for the period December 2, 2019 and ending June 30, 2023.

We have carefully reviewed each finding and believe that our written response satisfies each recommendation in the report. If any additional information is needed, please contact me at [LDolcar@marylandtaxes.gov](mailto:LDolcar@marylandtaxes.gov) or by phone at 410-260-7914.

The Comptroller appreciates your objective and fair appraisal of our operations and associated recommendations made for improvement. We would also like to commend your audit team for their professionalism during the audit and performing a thorough review of the General Accounting Division.

*Luther Dolcar*

GAD Director

9/20/2024

Date



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# Comptroller of Maryland General Accounting Division

## Agency Response Form

### Corporate Purchasing Card Program

#### Finding 1

The General Accounting Division (GAD) did not adequately monitor agency corporate purchasing card activity.

We recommend that GAD

- a. establish, and adhere to, formal policies and procedures, as appropriate, for its review of Statewide CPC activity which include the criteria to be used for identification and review of questionable transactions (repeat), and the frequency of field visits and questionable purchase reviews;
- b. require all agencies submit self-audits if they have not received a field review, including those noted above; and
- c. ensure all agencies submit required monthly compliance certifications, including those noted above.

Agency Response			
Analysis	Factually Accurate		
Please provide additional comments as deemed necessary.	In 2020 due to COVID GAD suspended the monitoring methods previously utilized and established some mitigating controls to monitor CPC. Due to staffing constraints the mitigating controls were in place through December 2022. GAD resumed the pre-COVID monitoring methods in January 2023.		
Recommendation 1a	Agree	Estimated Completion Date:	1/1/2023
Please provide details of corrective action or explain disagreement.	In December 2022 GAD updated the CPC policy and restarted Field Reviews January 2023. The policy requires 15-20 reviews per year. In 2023 GAD completed 20 field reviews and has scheduled 20 for 2024 of which 15 were completed as of 9/12/2024.		
Recommendation 1b	Agree	Estimated Completion Date:	1/1/2023
Please provide details of corrective action or explain disagreement.	In December 2022 GAD updated the CPC policy and restarted Self-Audits January 2023. In calendar year 2023 28 agencies completed the 2023 self-audits, and 5 agencies completed them by 2/14/2024. The 20 agencies that received a field review are not required to complete self-audits. As of 9/12/2024 GAD has received 43 self-audits.		

# Comptroller of Maryland General Accounting Division

## Agency Response Form

<b>Recommendation 1c</b>	Agree	<b>Estimated Completion Date:</b>	12/31/2024
Please provide details of corrective action or explain disagreement.	GAD has a master list of all agencies which includes the due date and the date monthly certifications are received. In FY2025 GAD is building an automated collection and reporting tool for monthly certifications.		

### Vendor Payments

#### Finding 2

GAD did not have a current and comprehensive listing of agencies that were granted an exemption (waiver) from submitting support for disbursements.

We recommend that GAD

- a. establish a current and comprehensive listing of agencies granted a waiver from the aforementioned State regulations, and
- b. establish and adhere to formal policies to periodically review waivers granted to ensure that they are still warranted.

Agency Response			
<b>Analysis</b>	<b>Factually Accurate</b>		
Please provide additional comments as deemed necessary.	GAD maintained a binder of all exemption (waiver) documents both current and expired.		
<b>Recommendation 2a</b>	Agree	<b>Estimated Completion Date:</b>	6/30/2024
Please provide details of corrective action or explain disagreement.	GAD has scanned all exemption (waiver), indexed them and filed them in a current or archived folder.		
<b>Recommendation 2b</b>	Agree	<b>Estimated Completion Date:</b>	9/30/2024
Please provide details of corrective action or explain disagreement.	GAD has drafted a policy and will finalize it by September 30, 2024, which includes the periodic review of waivers.		



AUDIT TEAM

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