

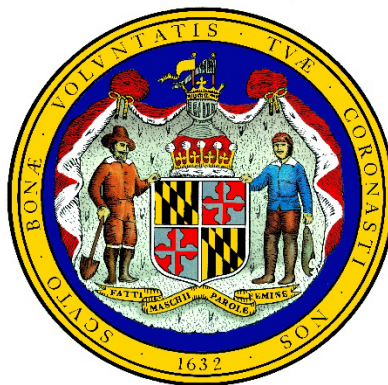
Audit Report

Maryland Department of Transportation Maryland Transit Administration

May 2025

Public Notice:

In compliance with the requirements of the State Government Article Section 2-1224(i), of the Annotated Code of Maryland, the Office of Legislative Audits has redacted cybersecurity findings and related auditee responses from this public report.



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DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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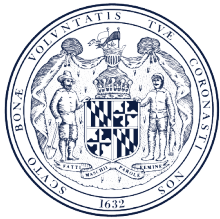
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Victoria L. Gruber
Executive Director

DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Brian S. Tanen, CPA, CFE
Legislative Auditor

May 16, 2025

Senator Shelly L. Hettleman, 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 Maryland Department of Transportation – Maryland Transit Administration (MTA) for the period beginning July 1, 2020 and ending June 30, 2023. MTA is responsible for the construction, operation, and maintenance of the Baltimore metropolitan area transit system and for commuter services in suburban areas of the State.

Our audit disclosed MTA did not ensure that critical personnel and payroll transactions were subject to documented independent supervisory review and did not remove terminated employees from the payroll timely, including some who remained on the payroll for between 14 days and 3 years after their termination. These conditions were commented upon in our two preceding audit reports dating back to November 2018 but not sufficiently corrected. In addition, MTA did not ensure the propriety of payments to its third-party administrator for employee and retiree healthcare costs, which totaled \$174.7 million during fiscal years 2021 through 2023.

Our audit also disclosed that MTA did not always publish contract awards on *eMaryland Marketplace Advantage (eMMA)* within 30 days as required by State regulations. Additionally, MTA increased the maximum amount it would reimburse a vendor for rides provided to individuals under its Call-a-Ride service for individuals in the Mobility Paratransit Program without a formal contract modification and did not obtain required customer signatures to support the propriety of ride sharing charges. MTA paid the vendor responsible for managing this program an additional \$600,000 from January to August 2023 due to the increased maximum reimbursement.

Furthermore, our audit disclosed cybersecurity-related findings. However, in accordance with the State Government Article, Section 2-1224(i) of the Annotated Code of Maryland, we have redacted the findings from this audit report. Specifically, State law requires the Office of Legislative Audits to redact cybersecurity findings in a manner consistent with auditing best practices before the report is made available to the public. The term “cybersecurity” is defined in the State Finance and Procurement Article, Section 3.5-301(b), and using our professional judgment we have determined that the redacted findings fall under the referenced definition. The specifics of the cybersecurity findings were previously communicated to those parties responsible for acting on our recommendations.

MTA’s response to this audit is included as an appendix to this report. Consistent with State law, we have redacted the elements of MTA’s response related to the cybersecurity audit findings. In accordance with State law, we have reviewed the response and, while MTA generally agrees with the recommendations in this report, we identified certain instances in which statements in the response disagree with a report finding and recommendations. In each instance, we reviewed and reassessed our audit documentation, and reaffirmed the validity of our finding. In accordance with generally accepted government auditing standards, we have included “auditor’s comments” within MTA’s response to explain our position. Finally, there are other aspects of MTA’s response which will require further clarification, but we do not anticipate that these will require the Committee’s attention to resolve.

We wish to acknowledge the cooperation extended to us during our audit by MTA.

Respectfully submitted,

Brian S. Tanen

Brian S. Tanen, CPA, CFE
Legislative Auditor

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Background Information

Agency Responsibilities

The Maryland Transit Administration (MTA), a modal administration of the Maryland Department of Transportation, is responsible for the construction, operation, and maintenance of the Baltimore metropolitan area transit system and for commuter services in suburban areas of the State. Transit modes in operation primarily include the Metro subway, bus, light rail, and the Maryland Area Regional Commuter service. MTA is headquartered in Baltimore City and maintains a workforce of approximately 3,400 employees.

According to State records, during fiscal year 2023, MTA's operating and capital expenditures totaled approximately \$1.56 billion. These expenditures were funded by special funds (Transportation Trust Fund) totaling approximately \$920.5 million, and federal funds totaling approximately \$640.2 million¹ (see Figure 1).

¹ Federal funds included \$369.9 million in COVID-related grant funds (Coronavirus Aid, Relief, and Economic Security Act, Coronavirus Response and Relief Supplement Act, and the American Rescue Plan Act).

Figure 1
MTA Positions, Expenditures, and Funding Sources

Full-Time Equivalent Positions as of June 30, 2023	
	Positions
Filled	3,089
Vacant	278
Total	3,367
Fiscal Year 2023 Expenditures	
	Expenditures
Salaries, Wages, and Fringe Benefits	\$ 447,580,747
Technical and Special Fees	1,088,270
Operating Expenses	1,111,997,514
Total	\$1,560,666,531
Fiscal Year 2023 Expenditure Funding Sources	
	Funding
Special Fund	\$ 920,451,002
Federal Fund	640,215,529
Total	\$1,560,666,531

Source: State financial and personnel records

Referral of Contract to the Office of Attorney General

In February 2021, as a result of concerns noted by MTA's Office of Procurement, the Office of Audits (OA) was tasked to perform a review of a 5-year contract for environmental services. At the time of OA's review, MTA had paid the vendor approximately \$2.7 million of the \$3.3 million contract value within the first three years of the contract.

MTA's OA performed a review of the contract and related payments and issued a report dated March 31, 2022 which concluded that the vendor invoiced exorbitant prices and invalid rates that resulted in overpayments totaling \$1.7 million. OA advised us that it referred the contract issues to its legal counsel in March 2022 for review. As of April 2025, we were advised that legal actions are still pending.

Purple Line Project

Background

The Purple Line project is a 16.2-mile light rail line that will extend from Bethesda in Montgomery County to New Carrollton in Prince George's County, with 21 stations. In April 2016, MTA entered into a public-private partnership agreement with a consortium of private equity vendors to serve as the concessionaire with responsibility for the design, construction, operation, and maintenance of the Purple Line. The concessionaire contracted with one vendor for the design-build phase and another vendor for the operations phase of the project.

In September 2020, the design-build vendor terminated its contract and MTA assumed control of over 150 contracts and purchase orders. In January 2022, the concessionaire entered into a \$3.4 billion contract with a new design-build vendor with approval from MTA and BPW. MTA advised that the new design-build vendor had assumed control of the 150 contracts by December 2023.

As of December 2023, MTA's payments for the Purple Line project totaled approximately \$1.6 billion (\$1.2 billion to the concessionaire and \$423.6 million paid directly to the contract vendors it assumed from the former design-build vendor). As of March 2024, the estimated cost of the Purple Line project was approximately \$9.8 billion comprised of design/build costs totaling \$4.1 billion and operational costs totaling \$5.7 billion.

We conducted a review of MTA's procedures for monitoring performance and making payments on the concessionaire and certain of the 150 contracts. Our review did not identify any findings that warranted inclusion in this report.

Referral to Our Fraud, Waste, and Abuse Hotline

We received a referral to our fraud, waste, and abuse hotline alleging that MTA's Call-a-Ride (a service for individuals eligible for the Mobility Paratransit Program) taxis were charging the maximum allowable amount, regardless of miles driven. We reviewed the monitoring and payment procedures for the Call-a-Ride contract. Although our review did not substantiate the allegation, we identified other issues that require corrective actions by MTA (see Finding 4).

Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of the five findings contained in our preceding audit report dated March 11, 2022. See Figure 2 for the results of our review.

Figure 2 Status of Preceding Findings		
Preceding Finding	Finding Description	Implementation Status
Finding 1	MTA had not established adequate controls over certain aspects of its union personnel, payroll, and pension processes.	Repeated (Current Finding 1)
Finding 2	MTA did not ensure that programming errors in its new cloud-based system were corrected or recover related overpayments.	Status Redacted ²
Finding 3	MTA did not have sufficient procedures to ensure pension payments were not made to deceased individuals. We identified payments to 14 individuals totaling \$81,610 subsequent to their reported date of death.	Not repeated
Finding 4	MTA lacked assurance that adequate information technology security and operational controls existed over its union payroll and pension processing system that was hosted, operated, and maintained by a service provider.	Status Redacted ²
Finding 5	MTA did not perform an independent verification that all bus fare collections were subsequently deposited.	Not repeated

² Specific information on the current status of this cybersecurity-related finding has been redacted for the publicly available report in accordance with State Government Article, Section 2-1224(i) of the Annotated Code of Maryland.

Findings and Recommendations

Union Payroll

Background

The Maryland Transit Administration (MTA) maintains labor agreements with each of its three labor unions, which set forth employment terms for these employees (including wages and pension benefit calculations). MTA is responsible for all aspects of its union payroll and pensions, including tracking employee pay rates and hours worked, maintaining pension and leave records, posting adjustments to the payroll and pension records, and processing weekly payroll payments via check or direct deposit. As noted in Figure 3, during calendar year 2023, union payroll and pension expenditures totaled approximately \$292.2 million.

Figure 3
Union Payroll and Pension Expenditures
Calendar Year 2023

Labor Union	Number of Employees (as of 12/31/23)	Total Expenditures (in Millions)
Local 1300 – Bus and Rail Operators and Maintenance Employees	2,480	\$215.2
Local 1859 – MTA Police	167	15.1
Local 2 – Clerical Support Employees	189	9.7
Total Union Payroll	2,836	\$240.0
Pensions (Local 2 and Local 1300)*	2,155	52.2
Total Union Payroll and Pension	4,991	\$292.2

Source: MTA Payroll Reports

* Pension payments excludes Local 1859 sworn officers, since MTA police participate in the Law Enforcement Officers' Pension System administered by the Maryland State Retirement Agency. The employers' pension contribution is billed by the Agency to MTA, and not processed through MTA's union payroll system.

MTA contracts with a vendor to operate and maintain a cloud-based system used to process payroll and pension payments for the MTA union employees and pensioners. During the period July 1, 2020 through June 30, 2023, MTA paid the vendor approximately \$1.7 million.

Finding 1

MTA did not establish adequate controls over certain aspects of its union personnel, payroll, and pension transactions.

Analysis

MTA did not establish adequate controls over certain aspects of its union personnel, payroll, and pension transactions.

- MTA did not ensure that critical personnel and payroll transactions were subject to documented independent supervisory review and approval. For example, during fiscal year 2023, MTA did not review any of the 2,604 manual personnel transactions, (such as new hires and changes to pay rates).
- Terminated employees³ were not always removed from the payroll system timely, resulting in certain individuals continuing to receive unwarranted payments after their termination dates. Our test of 15 arbitrarily selected terminations from calendar year 2022 and 2023 disclosed 11 employees were not removed timely⁴ resulting in 9 being paid \$5,461 after their effective termination date. According to a report of employees terminated during fiscal year 2023, 91 of the 268 terminated employees remained on the payroll for between 14 days and 3 years after their termination date.

Similar conditions were commented upon in our two preceding audit reports dating back to November 2018. In response to our prior report, MTA indicated that it would implement monthly audits of critical changes in the payroll system by January 2022 and would ensure timely notification and documentation of terminations by March 2022. According to MTA management the audits of critical changes were not conducted primarily due to lack of staffing and, as noted above, MTA did not take sufficient action to ensure terminated employees were removed timely.

Recommendation 1

We recommend that MTA

- a. ensure that independent supervisory personnel perform a documented review to verify the propriety of critical personnel and payroll transactions (repeat), including those noted above; and**

³ Terminated employees includes employees who were no longer on the union payroll, such as employees who resigned or were terminated.

⁴ These 11 employees were removed from the payroll between 24 and 191 days after their termination date.

- b. ensure that terminated employees are immediately removed from the payroll system and take appropriate action to recover any related improper payments, including those noted above (repeat).**

Healthcare Third Party Administrator

Finding 2

MTA did not ensure the propriety of payments to its third-party administrator (TPA) for employee and retiree healthcare costs.

Analysis

MTA did not ensure the propriety of payments to its TPA for employee and retiree healthcare costs. MTA contracted with a TPA to administer and pay healthcare claims on behalf of its union employees and retirees. The TPA provides medical coverage options that include medical plans, and prescription drug, dental, and vision plans. According to State records, MTA paid the TPA \$174.7 million during fiscal years 2021 through 2023.

Our review disclosed that MTA did not ensure the amounts invoiced by the TPA for claim reimbursements and administrative fees were proper. For example, MTA paid a September 2023 invoice totaling \$2.3 million without obtaining and reviewing a list of claims paid by enrolled employees, retirees, and dependents to ensure it was only billed for eligible plan participants.

MTA also did not conduct claims audits to ensure that the TPA only paid claims in accordance with the contract terms, and to ensure that services were actually provided. In this regard, the Department of Budget Management, which has similar claims processing contracts for State employees, contracted with a third-party vendor (other than the TPA processing the claims) to conduct audits of claims paid.

Recommendation 2

We recommend that MTA

- a. verify the propriety of claims reimbursements and administrative fees invoiced by the TPA,**
- b. conduct comprehensive claims audits to ensure that only valid claims were paid for services actually provided for covered members, and**
- c. recover any improper payments identified.**

Procurements

Finding 3

MTA did not timely publish contract awards on *eMaryland Marketplace Advantage (eMMA)* as required.

Analysis

MTA did not timely publish contract awards on *eMMA*⁵ as required. According to MTA's records, during the period fiscal year 2021 through fiscal year 2023, MTA awarded \$1.8 billion in operational, architectural and engineering, and construction contracts.⁶ Based on risk and materiality, we tested certain procurement attributes for 16 contracts totaling approximately \$1 billion. MTA procured these contracts between December 2020 and March 2023.

Our review disclosed that MTA did not publish 11 of the contract awards totaling approximately \$495 million on *eMMA* for between 2 and 28 months after the contract execution. State regulations require contract awards to be published on *eMMA* not more than 30 days after the execution and approval of the contract. MTA advised that these delays occurred due to employees' unfamiliarity with the award posting process and inadequate supervisory review to ensure timely award posting. Publishing awards on *eMMA* provides potentially greater reach to the vendor community and improved transparency over State procurements including information about winning bidders and the amount of the related awards.

Recommendation 3

We recommend that MTA publish contract awards in *eMMA* in a timely manner, as required.

Call-a-Ride

Background

MTA offers Call-a-Ride services for individuals enrolled in the Mobility Paratransit Program and subsidizes the ride costs. MTA contracts with a vendor to provide management and monitoring of the Call-a-Ride service, which allows the vendor to subcontract with transportation vendors, such as taxi companies and a transportation network company (also referred to as a ride sharing company). This contract was procured in March 2018 with an original cost of \$48.7 million

⁵ *eMMA* is an internet-based, interactive procurement system managed by the Department of General Services.

⁶ Excludes Purple Line contracts.

and has been extended through December 31, 2025 with a total contract cost of \$105.7 million.

The vendor submits invoices each month for the cost of the ride subsidy. For taxi rides the rates are based on the Public Service Commission approved rates – primarily on the trip distance and time elapsed. According to MTA records, as of June 30, 2023 there were 21,700 certified Call-a-Ride participants, and payments to the vendor totaled approximately \$31 million during the period from July 2020 and June 2023.

We received a referral on our fraud, waste, and abuse hotline alleging taxi companies were charging the maximum allowed, regardless of the mileage driven. As a result, we conducted a review of the Call-a-Ride procedures, to include MTA’s contract monitoring and payment processes. Although our review did not substantiate the allegation, we identified other issues that require corrective actions by MTA, as further described below.

Finding 4

MTA increased the maximum amount it would reimburse the vendor for rides provided by taxi companies without a formal contract modification and did not obtain required customer signatures to support the propriety of the ride sharing charges.

Analysis

MTA increased the maximum amount it would reimburse the vendor for rides provided by taxi companies without processing a contract modification and did not collect required customer signatures to support the propriety of ride sharing invoices.

- In October 2021, MTA increased the maximum amount it would reimburse the vendor from \$25 to \$40 per trip without a formal contract modification. MTA management advised us that this was due to difficulty in maintaining services during the COVID-19 pandemic. During the period from January to August 2023, MTA paid the vendor an additional \$600,000 due to the increased maximum reimbursement.
- MTA did not obtain customer signatures as required by the contract to support the propriety of ride sharing company charges totaling \$2 million for the period January through August 2023. MTA requires customer signatures to ensure payments are made only for rides provided to eligible individuals.

Recommendation 4

We recommend that MTA

- a. execute formal contract modifications for significant changes in contract terms, including the aforementioned increase in reimbursement amounts; and**
- b. ensure customers signatures are collected as required.**

Information Systems Security and Control

We determined that the Information Systems Security and Control section, including Findings 5 and 6 related to “cybersecurity,” as defined by the State Finance and Procurement Article, Section 3.5-301(b) of the Annotated Code of Maryland, and therefore are subject to redaction from the publicly available audit report in accordance with the State Government Article 2-1224(i). Consequently, the specifics of the following findings, including the analysis, related recommendations, along with MTA’s responses, have been redacted from this report copy.

Finding 5

Redacted cybersecurity-related finding.

Finding 6

Redacted cybersecurity-related finding.

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the Maryland Department of Transportation (MDOT) – Maryland Transit Administration (MTA) for the period beginning July 1, 2020 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 MTA'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 procurements and disbursements for capital projects and operating expenditures, cash receipts, payroll, federal funds, State grants, and information systems security and control. In addition, we reviewed certain activities related to Call-a-Ride services based on a referral to our fraud, waste, and abuse hotline. We also determined the status of the findings contained in our preceding audit report.

Our audit did not include certain payroll support services (such as processing of personnel transactions and maintenance of employee leave records) provided by MDOT – The Secretary's Office to MTA for its non-union management payroll. These payroll support services are included within the scope of our audit of MDOT. Our audit also did not include an evaluation of internal controls over compliance with federal laws and regulations for federal financial assistance programs and an assessment of MTA's compliance with those laws and regulations because the State of Maryland engages an independent accounting vendor to annually audit such programs administered by State agencies, including MTA.

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 July 1, 2020 to 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 MTA'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 and MDOT's Financial Management Information System (such as revenue and expenditure data), as well as 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.

We also extracted data from MTA's automated union personnel, payroll, and pension system for the purpose of testing payroll and pension transactions. We also extracted data from MTA's Driver's License Monitoring System for the purpose of testing driver's license suspensions. We also extracted data from MTA's Call-a-Ride system for taxi trip data for the purpose of testing taxi trip accuracy and reasonableness. We performed various tests of the relevant data and determined that the data was sufficiently reliable for the purposes the data were used during the audit. Finally, we performed other auditing procedures that we considered necessary to achieve our objectives. The reliability of data used in this report for background or informational purposes was not assessed.

MTA'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 MTA, 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 findings relating to conditions that we consider to be significant deficiencies in the design or operation of internal control that could adversely affect MTA's ability to maintain reliable financial records, operate effectively and efficiently, and/or comply with applicable laws, rules, and regulations. Our report also includes findings regarding significant instances of noncompliance with applicable laws, rules, or regulations. Other less significant findings were communicated to MTA that did not warrant inclusion in this report.

State Government Article Section 2-1224(i) requires that we redact in a manner consistent with auditing best practices any cybersecurity findings before a report is made available to the public. This results in the issuance of two different versions of an audit report that contains cybersecurity findings – a redacted version for the public and an unredacted version for government officials responsible for acting on our audit recommendations.

The State Finance and Procurement Article, Section 3.5-301(b), states that cybersecurity is defined as “processes or capabilities wherein systems, communications, and information are protected and defended against damage, unauthorized use or modification, and exploitation”. Based on that definition, and in our professional judgment, we concluded that certain findings in this report fall under that definition. Consequently, for the publicly available audit report all specifics as to the nature of cybersecurity findings and required corrective actions have been redacted. We have determined that such aforementioned practices, and government auditing standards, support the redaction of this information from the public audit report. The specifics of these cybersecurity findings have been communicated to MTA and those parties responsible for acting on our recommendations in an unredacted audit report.

The response from MDOT, on behalf of MTA, to our findings and recommendations is included as an appendix to this report. Depending on the version of the audit report, responses to any cybersecurity findings may be redacted in accordance with State law. As prescribed in the State Government Article, Section 2-1224 of the Annotated Code of Maryland, we will advise MDOT regarding the results of our review of its response.

Office of the Secretary

May 13, 2025

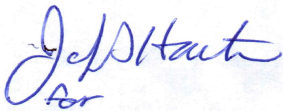
Brian S. Tanen, CPA, CFE
Legislative Auditor
Office of Legislative Audits
The Warehouse at Camden Yards
351 West Camden Street, Suite 400
Baltimore MD 21201

Dear Mr. Tanen:

Attached please find responses to the audit report from the Office of Legislative Audits for the Maryland Department of Transportation (MDOT) Maryland Transit Administration (MTA) for the period beginning July 1, 2020, and ending June 30, 2023.

If you have any additional questions or concerns, please contact Ms. Jaclyn D. Hartman, MDOT Assistant Secretary of Transportation Investments, at jhartman1@mdot.maryland.gov or at 410-865-1005. You may also contact Ms. Loyda Sequeira, MDOT Chief of Audits and Rail Safety, at lsequeira@mdot.maryland.gov or at 410-865-1168. Ms. Hartman and Ms. Sequeira will be happy to assist you. Of course, you may always contact me directly.

Sincerely,



Paul J. Wiedefeld
Secretary

Attachment

cc: Ms. Holly Arnold, Administrator, MTA
Ms. Samantha Biddle, Deputy Secretary, MDOT
Ms. Jaclyn Hartman, Assistant Secretary of Transportation Investments, MDOT
Ms. Tecla D. Kellum, Director of Audits, MTA
Mr. Joe McAndrew, Assistant Secretary of Planning, Project Development and Delivery, MDOT
Ms. Octavia Robinson, Chief Financial Officer, MDOT
Ms. Dianna Rosborough, Assistant Secretary of Administration, MDOT
Ms. Loyda Sequeira, Chief of Audits and Rail Safety, MDOT

Maryland Department of Transportation

Maryland Transit Administration

Agency Response Form

Union Payroll

Finding 1

MTA did not establish adequate controls over certain aspects of its union personnel, payroll, and pension transactions.

We recommend that MTA

- a. ensure that independent supervisory personnel perform a documented review to verify the propriety of critical personnel and payroll transactions (repeat), including those noted above; and**
- b. ensure that terminated employees are immediately removed from the payroll system and take appropriate action to recover any related improper payments, including those noted above (repeat).**

Agency Response			
Analysis	Factually Accurate		
Please provide additional comments as deemed necessary.	N/A		
Recommendation 1a	Agree	Estimated Completion Date:	June 30, 2025
Please provide details of corrective action or explain disagreement.	MTA will implement a monthly review process of critical personnel and payroll transactions which will be formally documented. Additional resources were allocated and management will continue to evaluate the process to ensure reviews are consistently completed.		
Recommendation 1b	Agree	Estimated Completion Date:	Sept 30, 2025
Please provide details of corrective action or explain disagreement.	MTA HR processes terminations when personnel action forms (AS-1s) are received from supervisors. Training and a monitoring process will be implemented to ensure timely submission of forms. Additionally, MTA will implement a process to review monthly terminations to include termination dates and payments made and owed to employees to formally close out employee terminations including those noted.		

Maryland Department of Transportation Maryland Transit Administration

Agency Response Form

Healthcare Third Party Administrator

Finding 2

MTA did not ensure the propriety of payments to its third-party administrator (TPA) for employee and retiree healthcare costs.

We recommend that MTA

- a. verify the propriety of claims reimbursements and administrative fees invoiced by the TPA,**
- b. conduct comprehensive claims audits to ensure that only valid claims were paid for services actually provided for covered members, and**
- c. recover any improper payments identified.**

Agency Response			
Analysis	Factually Accurate		
Please provide additional comments as deemed necessary.	N/A		
Recommendation 2a	Agree	Estimated Completion Date:	June 30, 2025
Please provide details of corrective action or explain disagreement.	MTA will establish a process to verify the propriety of claims reimbursed and administrative fees invoiced for all active and retired union employees. Additional documentation and/or reports from the TPA will be requested to assist with the verification process as determined necessary.		
Recommendation 2b	Agree	Estimated Completion Date:	Dec 30, 2026
Please provide details of corrective action or explain disagreement.	MTA will utilize services with a TPA who will conduct ongoing comprehensive claims audits of all healthcare TPA claims paid and services provided.		
Recommendation 2c	Agree	Estimated Completion Date:	June 30, 2025
Please provide details of corrective action or explain disagreement.	MTA will seek to recover payments identified by notifying the TPA immediately and taking the appropriate actions as determined necessary.		

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Procurements

Finding 3

MTA did not timely publish contract awards on *eMaryland Marketplace Advantage (eMMA)* as required.

We recommend that MTA publish contract awards in *eMMA* in a timely manner, as required.

Agency Response			
Analysis	Factually Accurate		
Please provide additional comments as deemed necessary.	N/A		
Recommendation 3	Agree	Estimated Completion Date:	Jan 31, 2025
Please provide details of corrective action or explain disagreement.	MTA updated its procurement operational checklists and reporting tools to include a mechanism for tracking the closeout process and mandated eMMA reporting requirement for applicable awards.		

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Call-a-Ride

Finding 4

MTA increased taxi company reimbursement rates without a formal contract modification and did not obtain required customer signatures to support the propriety of the ride sharing charges.

We recommend that MTA

- a. execute formal contract modifications for significant changes in contract terms, including the aforementioned increase in reimbursement rates; and**
- b. ensure customers signatures are collected as required.**

Agency Response			
Analysis	Not Factually Accurate		
Please provide additional comments as deemed necessary.	<p>MTA did not increase taxi company reimbursement rates. The maximum amount subsidy rate was increased from \$25.00 to \$40.00 per trip during the COVID-19 pandemic.</p> <p>Ride sharing companies do not use written receipts. They use technology to collect the same information in lieu of written receipts.</p>		
Recommendation 4a	Disagree	Estimated Completion Date:	Not Applicable
Please provide details of corrective action or explain disagreement.	<p>The change in subsidy from \$25.00 to \$40.00 did not constitute a change in contract terms and did not change the reimbursement rates. This did not constitute a significant change in the scope, schedule or contract amount and thus did not require a formal contract modification or approval by the Board of Public Works in accordance with COMAR 21.02.01.04C (1)(f).</p>		
Recommendation 4b	Disagree	Estimated Completion Date:	Not Applicable
Please provide details of corrective action or explain disagreement.	<p>Ride share companies are technology based and utilize technology to collect the same information in lieu of written receipts; therefore, there are no written receipts to collect.</p>		

Auditor's Comment: MTA indicates our analysis is not factually accurate and disagrees with the related recommendations. We reviewed the responses and stand by the accuracy of our findings and recommendations. Specifically, in

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regard to the change in the maximum reimbursement from \$25 to \$40, the response indicates it did not constitute a change in contract terms, did not change the reimbursement rates, and did not constitute a significant change in the scope, schedule or contract amount. While the rate charged did not change, the maximum reimbursed for these rates increased by 60 percent resulting in an additional \$600,000 being paid to the vendor over eight months, a fact that was not disputed in the response. As such, and contrary to MTA's assertion, OLA does consider this to be a significant change in the contract amount and continues to believe a formal contract modification should have been prepared and approved by the Board of Public Works. We have modified the language in the report to clarify that the change was not to the rate but to the maximum reimbursement.

In regard to lack of customer signatures, the response indicates that the ride share companies are technology based and utilize technology to collect the same information in lieu of written receipts; therefore, there are no written receipts to collect. The assertion that the technology collects the same information in lieu of written receipts was not previously raised by MTA during or subsequent to the audit, and no additional support has been provided to document how the contract's requirements have been satisfied by the vendor's use of technology. As such, based on the documentation provided during and subsequent to the audit, we stand by the factual accuracy of our analysis and related recommendation.

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Information Systems Security and Control

The Office of Legislative Audits (OLA) has determined that Findings 5 and 6 related to “cybersecurity,” as defined by the State Finance and Procurement Article, Section 3.5-301(b) of the Annotated Code of Maryland, and therefore are subject to redaction from the publicly available audit report in accordance with the State Government Article 2-1224(i). Although the specifics of the following findings, including the analysis, related recommendations, along with MDOT’s responses, have been redacted from this report copy, MDOT’s responses indicated agreement with the findings and related recommendations.

Finding 5
Redacted cybersecurity-related finding.

Agency Response has been redacted by OLA.

Finding 6
Redacted cybersecurity-related finding.

Agency Response has been redacted by OLA.

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