

Audit Report

Comptroller of Maryland
Office of the Comptroller
Bureau of Revenue Estimates

August 2019



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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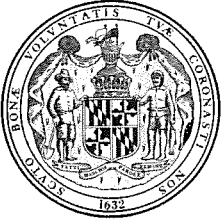
Office of Legislative Audits
301 West Preston Street, Room 1202
Baltimore, Maryland 21201
Phone: 410-946-5900 · 301-970-5900 · 1-877-486-9964 (Toll Free in Maryland)
Maryland Relay: 711
TTY: 410-946-5401 · 301-970-5401
E-mail: OLAWebmaster@ola.state.md.us
Website: www.ola.state.md.us

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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Victoria L. Gruber
Executive Director

Gregory A. Hook, CPA
Legislative Auditor

August 29, 2019

Senator Craig J. Zucker, Senate Chair, Joint Audit and Evaluation Committee
Delegate Shelly L. Hettleman, 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) – Office of the Comptroller (OOC) and the Bureau of Revenue Estimates (BRE) for the period beginning March 4, 2015 and ending January 21, 2019. The OOC aids the COM in the general supervision of State fiscal affairs; provides certain support services for units of the COM, the Board of Public Works, and the Registers of Wills; maintains accounting records for the State's general obligation debt; and administers the State's capital grants program. The BRE studies and analyzes State revenue sources and periodically prepares estimates of State revenues.

Our audit did not disclose any findings that warrant mention in this report.

We wish to acknowledge the cooperation extended to us during the course of this audit by the OOC and BRE.

Respectfully submitted,

Gregory A. Hook, CPA
Legislative Auditor

Background Information

Agency Responsibilities

The Office of the Comptroller (OOC) maintains the accounting records for the State's general obligation debt and administers the State's capital grants program. The OOC provides certain support services to all units of the Comptroller of Maryland, the Board of Public Works, and the Registers of Wills located in Maryland's 24 subdivisions. By law, the OOC's budgetary responsibility for the Registers of Wills, which are elected positions, is limited to setting the number of the assistant clerks or deputy registers and related salaries, and increasing the salary of each nonelected employee consistent with increases granted to State employees. The OOC is also responsible for providing guidance to the Registers of Wills regarding fiscal policies, approving certain procurements, and providing input on personnel matters. The Bureau of Revenue Estimates (BRE) studies and analyzes State revenue sources and periodically prepares estimates of State revenues.

According to the State's records, the expenditures for the OOC and BRE totaled approximately \$12.3 million during fiscal year 2018. According to the OOC's records, capital grant expenditures totaled \$57.6 million during fiscal year 2018.

Findings and Recommendations

Our audit did not disclose any significant deficiencies in the design or operation of the OOC's and BRE's (hereinafter collectively referred to as the Office) internal control. Our audit also did not disclose any significant instances of noncompliance with applicable laws, rules, or regulations. Findings that did not warrant inclusion in this report were separately communicated to the Office.

A draft copy of this report was provided to the Office. Since there are no recommendations in this report, a written response was not necessary.

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the Comptroller of Maryland – Office of the Comptroller and the Bureau of Revenue Estimates (hereinafter collectively referred to as the Office) for the period beginning March 4, 2015 and ending January 21, 2019. 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 the Office'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 capital grants monitoring, procurements and disbursements, corporate purchasing cards, and payroll. Our audit included various support services (such as processing of invoices, maintenance of accounting records, human resources, and related fiscal functions) provided by the Office to the other units of the Comptroller of Maryland, the Board of Public Works, and the Registers of Wills located in Maryland's 24 subdivisions.

Our audit did not include certain support services provided to the Office by the Comptroller of Maryland – Information Technology Division related to information technology equipment and related services. These support services are included in the scope of our audits of the Information Technology Division.

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, observations of the Office's operations, and tests of transactions. Generally, transactions were selected for testing based on auditor judgment, which primarily considers risk. Unless otherwise specifically indicated, neither statistical nor non-statistical audit sampling was used to select the transactions tested. Therefore, the results of the tests 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 the State's Central Payroll Bureau (payroll 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 various 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.

The Office'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.

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.

AUDIT TEAM

Robert A. Wells, Jr., CPA
Audit Manager

W. Thomas Sides
Senior Auditor

Gary B. Staples
Staff Auditor