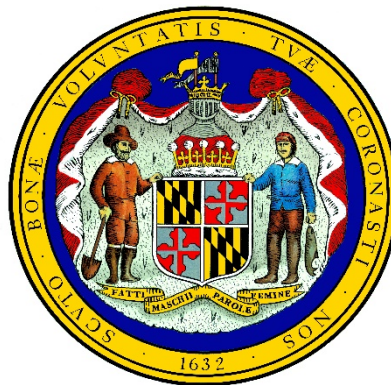


Audit Report

Department of Public Safety and Correctional Services Central Operations

September 2024



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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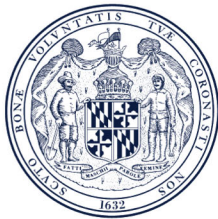
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Victoria L. Gruber
Executive Director

DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Brian S. Tanen, CPA, CFE
Legislative Auditor

September 17, 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 central operations of the Department of Public Safety and Correctional Services (DPSCS) for the period beginning April 1, 2018 and ending May 31, 2022. Through its correctional institutions and parole and probation programs, DPSCS has statewide responsibility for the supervision and rehabilitation of incarcerated individuals and paroled individuals. DPSCS also sets standards for criminal justice training and operates criminal justice information systems. During the audit period DPSCS had a significant vacancy rate, which may have contributed, at least in part, to the findings in this report, including several that were repeats from our preceding audit report.

Our audit disclosed that certain employees who separated from DPSCS were not removed from the payroll timely resulting in improper payments to these former employees totaling approximately \$173,000. In addition, DPSCS did not establish adequate controls to ensure the propriety of manually processed adjustments to employee pay and leave balances.

Our audit also disclosed that DPSCS did not consolidate procurements of certain goods and services circumventing certain oversight and limiting its leverage as a high-volume purchaser. Furthermore, DPSCS did not always publish contract awards on *eMaryland Marketplace Advantage*, as required by State procurement regulations.

Finally, we noted significant concerns with the procurement and monitoring of contracts related to the healthcare delivery system that provides comprehensive primary, secondary, specialty health, and hospitalization services to the pretrial

and resident populations of DPSCS. As a result, we expanded the scope of our review and the results will be issued in a separate audit report.

Our audit also included a review to determine the status of three of the six findings contained in our preceding audit report. We determined that DPSCS did not satisfactorily address these three findings, which are repeated in this report. Two of the remaining findings will be addressed in the next Comptroller of Maryland – Office of the Comptroller audit due to an organizational change further described below. The status of the finding related to health contracts for incarcerated individuals will be addressed in the above noted separate audit report.

DPSCS's response to this audit is included as an appendix to this report. We reviewed the response to our findings and related recommendations. Subsequent to the response receipt, but prior to the issuance of the final report, we contacted DPSCS and obtained clarification that satisfactorily resolved all outstanding questions and issues. Consequently, we have concluded that the written responses and clarification together indicate that the corrective actions identified are sufficient to address all audit issues.

We wish to acknowledge the cooperation extended to us during the audit by DPSCS and its willingness to address the audit issues and implement appropriate corrective actions.

Respectfully submitted,

Brian S. Tanen

Brian S. Tanen, CPA, CFE
Legislative Auditor

Table of Contents

Background Information	4
Agency Responsibilities	4
Organizational Change	6
Health Services Contracts	6
Former Department of Public Safety and Correctional Services (DPSCS) Management Employee Convicted of Bribery Related to COVID-19 Procurements	7
United States Department of Labor Investigations of Alleged Failure to Pay Overtime and Subsequent Payments	8
Status of Findings from Preceding Audit Report	8
Findings and Recommendations	10
Payroll	
Finding 1 – DPSCS did not ensure employees who were separated from DPSCS were removed timely from the payroll resulting in improper payments to former employees totaling at least \$173,000.	10
* Finding 2 – DPSCS did not establish adequate controls to ensure the propriety of manually processed adjustments to employee pay and leave balances.	11
Procurement	
* Finding 3 – DPSCS did not consolidate procurements of certain goods and services circumventing certain oversight and limiting its leverage as a high-volume purchaser.	13
* Finding 4 – DPSCS did not always publish contract awards as required by State procurement regulations.	15
Audit Scope, Objectives, and Methodology	17
Agency Response	Appendix
<p>* Denotes item repeated in full or part from preceding audit report</p>	

Background Information

Agency Responsibilities

Through its correctional institutions and parole and probation programs, the Department of Public Safety and Correctional Services (DPSCS) has statewide responsibility for the supervision and rehabilitation of incarcerated and paroled individuals. DPSCS also sets standards for criminal justice training and operates criminal justice information systems. This audit covered DPSCS Central Operations, including:

- (1) the Office of the Secretary, which provides overall executive direction and coordination for the activities of DPSCS operating units;
- (2) the three main DPSCS functional divisions – Correction, Parole and Probation, and Pretrial Detention and Services; and
- (3) the Patuxent Institution.

The scope of this audit included activities of these units and certain support services performed by these units on behalf of other DPSCS units including payroll processed within the State Personnel System, disbursements and procurement transactions, corporate purchasing card activity, equipment, certain controls over information systems, and all non-incarcerated individual collections. As noted elsewhere, this audit does not include DPSCS' monitoring of the incarcerated individual health system or related contracts. Due to the concerns noted with those operations a separate report will be issued at a later date.

We conduct separate audits of DPSCS Central Operations, DPSCS Regional Operations, DPSCS Information Technology and Communications Division (ITCD), and Maryland Correctional Enterprises (MCE). As such, certain financial activities of DPSCS' five regional fiscal offices on behalf of detention and correctional facilities were subject to audit during the DPSCS Regional Operations audit, including incarcerated individual cash receipts, incarcerated individual funds, and the biometric timekeeping system used by correctional officers. In addition, activities associated with DPSCS' computer and network operations are subject to audit during the DPSCS-ITCD audit, and the major financial-related areas of operations, such as purchasing and disbursements, of the MCE are subject to audit during that respective audit.

As noted in Figure 1 on the following page, according to the State's records, during fiscal year 2022, expenditures for the budgetary units audited (see comments below) totaled approximately \$1.4 billion. Personnel costs accounted for the majority of these expenditures. During the period December 31, 2019

through June 30, 2022, DPSCS had vacancy rates that ranged from 13.7 percent to 21.5 percent. As of June 30, 2022, approximately 15 percent of the total 9,192 positions were vacant. These vacancies may have contributed, at least in part, to the findings in this report.

Figure 1
DPSCS Positions, Expenditures, and Funding Sources

Full-Time Equivalent Positions as of June 30, 2022		
	Positions	Percent
Filled	7,805	84.9%
Frozen ¹	8	0.1%
Vacant	1,379	15.0%
Total	9,192	
Fiscal Year 2022 Expenditures		
	Expenditures	Percent
Salaries, Wages, and Fringe		
Benefits	\$985,642,487	68.3%
Technical and Special Fees	7,728,342	0.5%
Operating Expenses	449,908,471	31.2%
Total	\$1,443,279,300	
Fiscal Year 2022 Funding Sources		
	Funding	Percent
General Fund	\$951,493,711	65.9%
Special Fund	69,720,047	4.8%
Federal	413,385,176	28.7%
Reimbursable Fund	8,680,366	0.6%
Total	\$1,443,279,300	

Source: State financial records and DPSCS personnel records

¹ Prior to December 1, 2021, a hiring freeze resulted in certain positions being frozen. Agencies were not authorized to fill frozen positions according to budgetary instructions from the Department of Budget and Management. Any position that is currently marked as frozen has not been filled since the freeze was lifted; however, these positions now are available to be filled.

Organizational Change

Chapter 287, Laws of Maryland 2021, effective October 1, 2021, transferred the Maryland 9-1-1 Board and related responsibilities and assets from DPSCS to the Maryland Department of Emergency Management (MDEM). The 9-1-1 Trust Fund included revenue from State and local fees, and a fee charged on prepaid wireless services (as well as investment earnings on the fund). Furthermore, Chapter 605, Laws of Maryland 2020, effective May 8, 2020, require the Comptroller of Maryland (COM), in consultation with the Board, to adopt procedures for auditing surcharge collections and remittance by telephone companies and commercial mobile radio service providers of 9-1-1 fees collected. In addition, the law authorizes the Comptroller to compel compliance with a related audit. Activities from April 1, 2018 until the transfer of auditing authority of the Fund to the COM are included in the scope of this audit.

Health Services Contracts

DPSCS is responsible for a healthcare delivery system that provides comprehensive primary, secondary, specialty health, and hospitalization services to the pretrial and resident populations of DPSCS. The healthcare delivery system includes medical, mental health, pharmaceutical, and dental services that were provided through four contracts with contract award amounts originally totaling approximately \$1.15 billion. In December 2023, DPSCS processed no-cost contract modifications for both the Medical and Mental Health contracts extending the contracts through March 2024. In March 2024, DPSCS requested additional contract modifications to allow sufficient time to complete new procurements for these contracts. These modifications were approved by the Board of Public Works and executed in May 2024 (see Figure 2 on page 7).

Figure 2
Incarcerated Individual Health Care Contracts
(\$ in millions)

Type	Original Contract Term	Original Contract Amount	Contract Modifications	Modified Contract Term	Total Contract Amount	Payments as of June 30, 2024
Medical	January 2019 - December 2023	\$680.0	\$160.0	January 2024 - December 2024	\$840.0	\$732.7
Mental Health	January 2018 - December 2023	155.6	26.4	January 2024 - December 2024	182.0	157.3
Pharmaceutical	January 2020 - December 2024	250.0	-		250.0	161.5
Dental	January 2022 - January 2027	67.6	-		67.6	29.1
Totals		<u>\$1,153.2</u>	<u>\$186.4</u>		<u>\$1,339.6</u>	<u>\$1,080.6</u>

Source: DPSCS records

DPSCS has a long history of issues with these contracts dating back to February 2007 that have been addressed in OLA’s routine fiscal compliance audits, a special review, and a performance audit. During our current audit we noted significant concerns with the procurement and monitoring of these contracts. As a result, we expanded the scope of our review and the results will be issued in a separate audit report.

Former DPSCS Management Employee Convicted of Bribery Related to COVID-19 Procurements

During our audit, we received an allegation regarding a former DPSCS management employee that was under investigation by the Office of the Attorney General’s (OAG’s) Criminal Division. Due to the ongoing investigation, we did not pursue this allegation. On October 23, 2023, the Criminal Division reported that the former employee was convicted of bribery related to the procurement of personal protective equipment (PPE) during the COVID-19 pandemic, that according to State records totaled \$25.7 million.

According to the OAG’s press release, the former employee favored a company associated with the employee’s sibling, and on at least two occasions, declined offers from vendors with lower prices for the same products. In addition, the

sibling's company paid a \$3 million kickback to the former employee that was used to fund the employee's personal investment account and a \$278,540 boat. The former employee and the sibling were each sentenced to 10 years in prison, with all but one year and one day suspended, followed by three years of supervised probation. Assets seized by the State from the former employee and sibling totaled approximately \$2.6 million, and the former employee was ordered to pay an additional \$1.2 million in restitution, less the proceeds from the sale of the boat.

While we did not review these particular procurements and payments due to the ongoing investigation, we did identify other deficiencies with DPSCS procurement procedures. As further addressed below, these deficiencies impaired the transparency and oversight of procurements during the audit period.

United States Department of Labor (US DOL) Investigations of Alleged Failure to Pay Overtime

In November 2020, the US DOL initiated an investigation regarding DPSCS' Jessup Correctional Institution (JCI) allegedly not paying overtime for employees who worked past the scheduled end of their shift. As a result of the investigation, in December 2021, DPSCS agreed to pay US DOL \$468,000, which would then disburse the funds to the 343 affected employees. In March 2022, the US DOL expanded its initial investigation to include all DPSCS correctional institutions and as a result, in July 2023, DPSCS paid \$13 million to the US DOL to resolve similar additional claims affecting 3,874 employees. Finally, in March 2024, DPSCS paid the US DOL \$9.5 million to resolve all claims related to additional US DOL investigations.

Status of Findings From Preceding Audit Report

Our audit included a review to determine the current status of 3 of the 6 findings contained in our preceding audit report dated November 20, 2019. As disclosed in Figure 3 on the following page, we determined that these findings are repeated in this report. We did not follow up on three findings in our preceding audit report. Two findings related to the administration of the 9-1-1 Trust Fund; the status of these findings will be addressed in the next Comptroller of Maryland – Office of the Comptroller audit. The status of the remaining finding related to health contracts for incarcerated individuals will be addressed in the above noted separate audit report.

Figure 3
Status of Preceding Findings

Preceding Finding	Finding Description	Implementation Status
Finding 1	Adequate controls had not been established to ensure the propriety of payroll, including adjustments to employee pay.	Repeated (Current Finding 2)
Finding 3	DPSCS made repeated purchases of fresh produce and maintenance services without consolidating and appropriately soliciting competitive bids and executing written contracts.	Repeated (Current Finding 3)
Finding 4	DPSCS did not always publish contract awards, as required by State procurement regulations, and artificially split certain purchases made with purchasing cards to avoid soliciting vendor bids.	Repeated (Current Finding 4)

Findings and Recommendations

Payroll

Background

DPSCS uses a biometric timekeeping system in all of its detention facilities that requires employees to scan their fingerprints into the timekeeping system each day to record “in” and “out” times. As of June 30, 2022, there were 6,709 authorized positions at regional detention facilities which utilized a biometric timekeeping system. The remaining 2,483 DPSCS employees who were not located in detention facilities enter time worked directly into the Statewide Personnel System (SPS). At the end of each pay period, the DPSCS Payroll Department transfers all approved time entries from the biometric timekeeping system into SPS and processes payroll for the entire agency. According to State records, during fiscal year 2022 DPSCS payroll expenditures totaled approximately \$985.6 million.

Finding 1

DPSCS did not ensure employees who separated from DPSCS were removed timely from the payroll resulting in improper payments to former employees totaling at least \$173,000.

Analysis

DPSCS did not ensure employees who separated from DPSCS were removed timely from the payroll, resulting in improper payments totaling at least \$173,000 made to former employees. SPS automatically generates payments to every active employee unless adjustments are made to deactivate the employee or reduce the amount paid (such as for employees on leave without pay). Our review disclosed that one employee was solely responsible for entering separation dates in SPS without any independent supervisory review and approval. As a result, delays and errors in entering information were not readily detected.

Our review of DPSCS employee records identified 3,996 employee separations from DPSCS between July 1, 2017 and July 20, 2022 of which 154 employees were still active in SPS from 10 to 860 days after their separation date. Our test of disbursements to seven of these employees disclosed payments totaling \$173,000 that were improper. For example, the last day of work for one employee was recorded in SPS as August 5, 2016; however, the termination date was recorded as October 12, 2016 more than two months later. Furthermore, this transaction was not recorded in SPS until June 7, 2018 resulting in the employee continuing to be paid and related improper payments totaling approximately

\$58,300. DPSCS was not aware of the improper payments to these employees until we brought the matter to their attention.

Recommendation 1

We recommend that DPSCS

- a. perform an independent supervisory review to ensure the accuracy of termination dates entered into SPS and establish appropriate procedures to monitor the timeliness of postings to SPS, and**
- b. investigate payments to employees after the separation date including those noted above and pursue recovery of any improper payments.**

Finding 2

DPSCS did not establish adequate controls to ensure the propriety of manually processed adjustments to employee pay and leave balances.

Analysis

DPSCS did not establish adequate controls to ensure the propriety of manually processed adjustments to employee pay and leave balances. During the audit period (April 1, 2018 through May 31, 2022), DPSCS processed 23,243 manual payroll adjustments, such as pay related to military leave and retroactive payroll payments, which increased employee pay by approximately \$4.2 million. During this period, DPSCS also processed 21,072 leave adjustments, such as leave bank donations, which resulted in a net increase to employee leave balances of 230,669 hours.

Each pay period, a DPSCS employee manually prepared a listing of payroll adjustments and submitted it to the Department of Budget and Management (DBM) for processing in SPS. The listing was prepared from individual adjustment forms that were approved by the respective employees' supervisors. Leave balance adjustments were processed directly in SPS by one of thirty DPSCS employees.

Our review disclosed that DPSCS did not have an independent documented review and approval of the payroll and leave adjustments. Specifically, for payroll adjustments, there was no review prior to submission to DBM, and for leave adjustments there was no independent review of the propriety of the adjustments. DPSCS also did not use available system output reports of all payroll and leave adjustments recorded in SPS or perform any other verification to ensure that only authorized adjustments had been processed.

Our test of 23 manual adjustments identified 7 employees who were granted military administrative leave between August 2015 and September 2022, for which we determined that DPSCS overpaid four employees and lacked required support for three others. For example, two employees were paid \$84,557 because the manual adjustments paid them their full State salary, instead of the difference between their active duty base salary and their State salary as required.

Documentation was not readily available to determine the amount these employees were overpaid. For three other employees, DPSCS did not have approved military orders to support adjustments for military leave payments totaling \$60,108. Due to the lack of supervisory review of manual adjustments, DPSCS was not aware of these issues until we brought them to its attention.

A similar condition regarding the review of employee pay and leave adjustments was noted in our prior audit report. In response to that report, DPSCS agreed with our findings and indicated that procedures would be in place by December 2019 to ensure manually prepared listings of payroll adjustments would be approved by independent supervisory personnel and that SPS output reports of payroll and leave balance adjustments would be independently verified. However, we were advised that these procedures were not implemented because of staffing limitations.

Recommendation 2

We recommend that DPSCS

- a. ensure that manually prepared listings of payroll adjustments are reviewed and approved by independent supervisory personnel, and that this approval is documented, before the listings are submitted to DBM for processing (repeat);**
- b. independently verify SPS output reports of payroll and leave balance adjustments to ensure only authorized adjustments had been processed, at least on a test basis (repeat);**
- c. maintain documentation supporting the calculation of pay adjustments, such as military leave, for independent supervisory review; and**
- d. take appropriate action to recover any overpayments, including those noted above.**

Procurements

Finding 3

DPSCS did not consolidate procurements of certain goods and services circumventing certain oversight and transparency requirements and limiting its leverage as a high-volume purchaser.

Analysis

DPSCS did not consolidate procurements of kitchen and public safety equipment and certain maintenance services totaling \$5.4 million circumventing certain oversight and transparency requirements and limiting its leverage as a high-volume purchaser. Our review of purchasing and payment activity during the period from April 2018 through May 2022, disclosed that DPSCS issued 1,051 purchase orders totaling approximately \$4.3 million to nine vendors, without a formal competitive procurement process. DPSCS made payments totaling \$3.8 million on these purchase orders and an additional 689 payments totaling \$1.6 million to these vendors that were not associated with the purchase orders as detailed in Figure 4 on page 14.

DPSCS could not readily justify why the goods and services procured from these vendors were not consolidated to maximize its leverage as a high-volume purchaser. Furthermore, because these contracts were not consolidated, certain of the contracts were not subject to enhanced oversight (such as control agency and Board of Public Works (BPW) approval) and enhanced controls and transparency required of higher cost contracts (such as competitive sealed bidding and public notice of contract solicitation and related award).

Figure 4
Vendor Purchasing Activity
April 1, 2018 through May 31, 2022

Vendor	Type of Purchase	Purchase Orders			Direct Payments*	Total Paid
		Number	Total Value	Payments		
1	Kitchen equipment	159	\$ 342,200	\$ 273,900	\$ 41,100	\$ 315,000
2	Kitchen equipment	76	446,600	366,200	545,500	911,700
3	Public safety equipment	154	787,400	741,700	189,800	931,500
4	Public safety equipment	156	590,200	461,500	134,200	595,700
5	Maintenance services	139	789,800	710,800	520,500	1,231,300
6	Maintenance services	130	449,900	366,800	33,100	399,900
7	Maintenance services	128	554,300	535,600	4,800	540,400
8	Maintenance services	100	287,800	259,900	57,400	317,300
9	Maintenance services	9	97,400	97,300	100,500	197,800
		1,051	\$ 4,345,600	\$ 3,813,700	\$ 1,626,900	\$ 5,440,600

Source: State financial records

* Direct payments are not associated with purchase orders, such as direct voucher payments and corporate purchasing card payments.

Our review of purchasing and payment activity for these vendors disclosed that DPSCS had a pattern of not consolidating its own procurements. Rather, it split purchases into multiple purchase orders, made direct payments not associated with purchase orders such as direct voucher payments, and made corporate purchasing card payments (see Figure 4 above). Generally, each of these purchase orders and payments were in amounts below its delegated purchase limit of \$100,000.

We further noted that certain other procurements (not included in the figure above) appeared to have been artificially split. Specifically, our test of 10 disbursements totaling \$44,000 from five vendors between June 2019 and March 2022, disclosed that 6 purchases totaling \$25,486 from three of these vendors had been artificially split. Splitting these purchases allowed DPSCS to avoid the requirement to solicit competitive bids.

A similar condition regarding not consolidating procurement of maintenance services was commented upon in our preceding audit report. In its response,

DPSCS indicated that it would coordinate with the Department of General Services (DGS) to confirm the most appropriate procurement method for the referenced services and that it would execute written contracts, as applicable, by June 30, 2020. Furthermore, DPSCS indicated that it would review purchasing activity to ensure that competitive bids would be obtained when applicable. DPSCS could not explain why these steps were not implemented.

State procurement regulations prohibit procurements from being artificially divided to circumvent procurement requirements, and for vendor bids to be obtained for purchases of \$5,000 or more. Regulations also generally provide that solicitations and award of contracts for goods of \$50,000 or more be posted on *eMaryland Marketplace Advantage (eMMA)*² and obtain DGS approval,³ and that contracts for maintenance services of \$200,000 or more obtain DGS and BPW approval.

Recommendation 3

We recommend that DPSCS comply with State procurement regulations to enhance oversight and transparency and maximize its leverage as a high-volume purchaser. Specifically, we recommend that DPSCS

- a. work with DGS, if necessary, to competitively procure equipment and maintenance services in a manner that meets DPSCS' needs and ensures these goods and services are obtained at the best value (repeat);**
- b. ensure that control agency approvals are obtained, as needed (repeat); and**
- c. refrain from the practice of artificially splitting purchases and solicit competitive bids, as required.**

Finding 4

DPSCS did not always publish contract awards as required by State procurement regulations.

Analysis

DPSCS did not always publish contract awards as required by State procurement regulations. Our test of 10 contracts effective between June 2019 and April 2022 and totaling \$249 million, disclosed that for 9 contracts totaling \$248.2 million DPSCS did not publish the awards on *eMMA* as required. As of December 28,

² *eMaryland Marketplace Advantage (eMMA)* is an internet-based, interactive procurement system managed by the Department of General Services. Effective July 2019, DGS replaced *eMaryland Marketplace* with *eMMA*.

³ Effective October 2023, the maximum dollar limit for small procurements increased from \$50,000 to \$100,000, except for DGS and Maryland Department of Transportation construction contracts where the limit increased to \$200,000.

2022, six contracts effective between June 2019 and December 2020 totaling \$35 million had not been published for periods ranging from 9 to 41 months after the contract effective date. The remaining three contracts effective between January 2022 and March 2022 totaling \$213.3 million were published between 6 and 10 months after the contract effective date.

State regulations require that contract awards greater than \$50,000 be published on *eMMA* not more than 30 days after the execution and approval of the contract.³ Publishing awards provides transparency regarding winning bidders and award amounts.

A similar condition regarding the publication of contract awards on *eMMA* was noted in our prior report. In response to that report, DPSCS indicated that it would immediately take steps to ensure that all applicable contract awards were properly published as of November 2019. We were advised by DPSCS that it had not implemented the recommendation because of staff turnover.

Recommendation 4

We recommend that DPSCS publish contract awards on *eMaryland Marketplace Advantage* as required (repeat).

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the Department of Public Safety and Correctional Services (DPSCS) Central Operations for the period beginning April 1, 2018 through May 31, 2022. 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 DPSCS' 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 (including certain purchasing activities of the DPSCS Regional fiscal offices), payroll, equipment, and background investigations. Our audit also included certain support services (such as payroll, purchasing, maintenance of accounting records and related fiscal functions) provided by the DPSCS – Office of the Secretary on a centralized basis for the Regional offices. We also determined the status of three of the six findings contained in our preceding audit report.

Our audit did not include an evaluation of the procurement and monitoring of health care services contracts administered by DPSCS, which will be addressed in a subsequent audit report. In addition, our audit did not include the computer operations of the DPSCS Information and Technology and Communications Division and the Maryland Correctional Enterprises, which are audited separately. Our audit also did not include incarcerated individual cash receipts, incarcerated individual funds, other earnings and overtime payments related to the Division of Correction employees, and usage of a biometric timekeeping system by correctional officers; these activities are audited during our DPSCS regional operations audit.

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 April 1, 2018 to May 31, 2022, 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 the DPSCS' 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 the State's Central Payroll Bureau (payroll data). 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 certain modules of DPSCS's background investigation system for the purpose of testing the timeliness of applications processing and investigations. 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 audit objectives. The reliability of data used in this report for background or informational purposes was not assessed.

DPSCS' 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 DPSCS, 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 DPSCS' 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, and regulations. Other less significant findings were communicated to DPSCS that did not warrant inclusion in this report.

The DPSCS response 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 DPSCS regarding the results of our review of its response.

APPENDIX



Department of Public Safety and Correctional Services

Office of the Secretary

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STATE OF MARYLAND

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RENARD E. BROOKS
ASSISTANT SECRETARY
PROGRAMS, TREATMENT & RE-
ENTRY SERVICES

September 12, 2024

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

Dear Mr. Tanen:

The Department of Public Safety and Correctional Services (DPSCS) has reviewed the Draft Audit Report dated August 2024 for the DPSCS – Central Operations. We appreciate the constructive findings and recommendations that were made as the result of this audit.

Please find attached the Department's itemized responses to the findings and recommendations. Corrective action has or will be taken for all the findings identified in your audit, and the Office of the Inspector General will conduct periodic follow up audits to monitor the status of compliance.

If you have any questions regarding this response, please contact me.

Sincerely,

A handwritten signature in cursive script, reading "Carolyn J. Scruggs".

Carolyn J. Scruggs
Secretary

Attachment

Copy: Adam Flasch, Deputy Chief of Staff for Public Safety and Homeland Security

**Department of Public Safety and Correctional Services
Central Operations**

Agency Response Form

Payroll

Finding 1

DPSCS did not ensure employees who separated from DPSCS were removed timely from the payroll resulting in improper payments to former employees totaling at least \$173,000.

We recommend that DPSCS

- a. perform an independent supervisory review to ensure the accuracy of termination dates entered into SPS and establish appropriate procedures to monitor the timeliness of postings to SPS, and**
- b. investigate payments to employees after the separation date including those noted above and pursue recovery of any improper payments.**

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 1a	Agree	Estimated Completion Date:	12/31/24 and ongoing
Please provide details of corrective action or explain disagreement.	An independent supervisory review of termination dates is currently being done to ensure the accuracy of termination dates entered into SPS. Employees with the Human Resource Coordinator role (HRC) initiate the transactions and a Human Resource Partner (HRP) approves the transactions. HR will establish a procedure to monitor the timeliness of postings to SPS.		
Recommendation 1b	Agree	Estimated Completion Date:	11/15/2022 and ongoing
Please provide details of corrective action or explain disagreement.	Payroll will investigate payments to employees after the separation date, including those noted above and pursue recovery of any improper payments. DBM has also begun providing backdated termination reports to review so future instances can be caught before overpayment happens.		

Department of Public Safety and Correctional Services

Central Operations

Agency Response Form

Finding 2

DPSCS did not establish adequate controls to ensure the propriety of manually processed adjustments to employee pay and leave balances.

We recommend that DPSCS

- a. ensure that manually prepared listings of payroll adjustments are reviewed and approved by independent supervisory personnel, and that this approval is documented, before the listings are submitted to DBM for processing (repeat);**
- b. independently verify SPS output reports of payroll and leave balance adjustments to ensure only authorized adjustments had been processed, at least on a test basis (repeat)**
- c. maintain documentation supporting the calculation of pay adjustments, such as military leave, for independent supervisory review; and**
- d. take appropriate action to recover any overpayments, including those noted above.**

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 2a	Agree	Estimated Completion Date:	11/15/2022 and ongoing
Please provide details of corrective action or explain disagreement.	<p>We will ensure that manually prepared listings of payroll adjustments are reviewed and approved by independent supervisory personnel, and that this approval is documented, before the listings are submitted to DBM for processing.</p> <p>This review already occurs and is documented based on documentation required by DBM via the Input Audit Checklist for all manual pay adjustments that we may request.</p>		
Recommendation 2b	Agree	Estimated Completion Date:	11/15/2022 and ongoing

Department of Public Safety and Correctional Services

Central Operations

Agency Response Form

Please provide details of corrective action or explain disagreement.	<p>On a test basis, we will independently verify SPS output reports of payroll and leave balance adjustments to ensure only authorized adjustments had been processed.</p> <p>This review of the reports is also included in the review of the Input Audit Checklist. However, leave balance adjustments are separate and reviewed on a test basis for backup documentation that is kept on file within the payroll shared drives.</p>		
Recommendation 2c	Agree	Estimated Completion Date:	11/15/2022 and ongoing
Please provide details of corrective action or explain disagreement.	<p>Payroll will maintain documentation supporting the calculation of pay adjustments, such as the application of military leave, for independent supervisory review.</p> <p>Adjustments that payroll takes part in are fully documented, such as those processed on input. However, military leave is not a payroll function; it is specifically processed by Human Resources with no review by payroll.</p>		
Recommendation 2d	Agree	Estimated Completion Date:	11/15/2022 and ongoing
Please provide details of corrective action or explain disagreement.	<p>Should it be determined that there are any overpayments, DPSCS will correct the records and take necessary action to recover the overpayments.</p>		

Department of Public Safety and Correctional Services

Central Operations

Agency Response Form

Procurements

Finding 3

DPSCS did not consolidate procurements of certain goods and services circumventing certain oversight and transparency requirements and limiting its leverage as a high-volume purchaser.

We recommend that DPSCS comply with State procurement regulations to enhance oversight and transparency and maximize its leverage as a high-volume purchaser. Specifically, we recommend that DPSCS

- a. work with DGS, if necessary, to competitively procure equipment and maintenance services in a manner that meets DPSCS' needs and ensures these goods and services are obtained at the best value (repeat);**
- b. ensure that control agency approvals are obtained, as needed (repeat);**
and
- c. refrain from the practice of artificially splitting purchases and solicit competitive bids, as required.**

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 3a	Agree	Estimated Completion Date:	6/15/2022 and Ongoing
Please provide details of corrective action or explain disagreement.	The Office of Procurement Services will continue to work with DGS, as necessary, to competitively procure equipment and maintenance services in a manner that meets DPSCS' needs and ensures these goods and services are obtained at the best value.		
Recommendation 3b	Agree	Estimated Completion Date:	6/15/2022 and Ongoing
Please provide details of corrective action or explain disagreement.	The Office of Procurement Services will ensure that control agency approvals are obtained, as needed.		

Department of Public Safety and Correctional Services

Central Operations

Agency Response Form

Recommendation 3c	Agree	Estimated Completion Date:	6/15/2022 and Ongoing
Please provide details of corrective action or explain disagreement.	<p>We will refrain from the practice of artificially splitting purchases and solicit competitive bids, as required. The Office of Procurement Services understands that split purchases are prohibited. Supervisors and procurement officers are reminded during weekly staff meetings that split purchasing is not allowed. On October 31, 2023, a statement was issued to the Commodities Unit asking Procurement Officers to combine requisitions if similar work is being performed in a different location at the same facility. When split purchases are caught, the Procurement Officer assigned to the requisition will ask the end user if the requisitions can be combined to avoid split purchasing, and will also notify the end user that artificially splitting purchases are prohibited and illegal according to COMAR.</p> <p>In addition, the Quality Assurance and Quality Control (QAQC) Unit within the Procurement Division reviews and audits purchases to ensure end users are not artificially splitting purchases. The audit consists of reviewing data from CPC and FMIS reports to determine if end users are submitting similar requisition requests within 30 days of each other. QAQC Unit also plans to create training sessions for end users to prevent split purchasing from occurring.</p>		

Department of Public Safety and Correctional Services

Central Operations

Agency Response Form

Finding 4

DPSCS did not always publish contract awards as required by State procurement regulations.

We recommend that DPSCS publish contract awards on *eMaryland Marketplace Advantage* as required (repeat).

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 4	Agree	Estimated Completion Date:	6/15/2022 and Ongoing
Please provide details of corrective action or explain disagreement.	<p>We will publish contract awards on <i>eMaryland Marketplace Advantage</i> as required. The Office of Procurement Services QAQC Unit conducts audits on a bi-weekly basis to ensure contract awards are appropriately posted on <i>eMMA</i>. If contract awards are not posted within 30 days, the QAQC Unit notifies the Procurement Officer, their supervisor, Deputy Director and Executive Director of Procurement for subsequent follow up.</p>		

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