

Audit Report

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**Department of Transportation  
Financial Management Information System  
Centralized Operations**

September 2015

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

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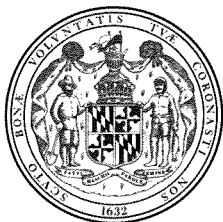
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DEPARTMENT OF LEGISLATIVE SERVICES  
OFFICE OF LEGISLATIVE AUDITS  
MARYLAND GENERAL ASSEMBLY

Karl S. Aro  
Executive Director

September 9, 2015

Thomas J. Barnickel III, CPA  
Legislative Auditor

Senator Guy J. Guzzone, Co-Chair, Joint Audit Committee  
Delegate, Craig J. Zucker, Co-Chair, Joint Audit Committee  
Members of Joint Audit Committee  
Annapolis, Maryland

Ladies and Gentlemen:

We have conducted a fiscal compliance audit of the centralized operations of the Financial Management Information System (FMIS) as administered by the Department of Transportation – Secretary's Office. FMIS is used to support the Department's purchasing, accounting, and payment functions. According to the State's accounting records, expenditures processed through the Department of Transportation's FMIS for fiscal year 2014 totaled approximately \$2.7 billion.

Our audit disclosed that although numerous reports had been created by the Department's FMIS unit to assist its modal administrations in assessing security controls over FMIS operations, these reports were not generated and provided to the modals unless specifically requested by a modal.

The response from the Department of Transportation – Secretary's Office to this audit is included as an appendix to this report. We wish to acknowledge the cooperation extended to us during the audit by the Office.

Respectfully submitted,

Thomas J. Barnickel III, CPA  
Legislative Auditor



## **Background Information**

### **General Information**

The Maryland Department of Transportation's (MDOT) Financial Management Information System (FMIS) is an integrated database system with purchasing and accounting components. The FMIS purchasing and accounting components are operational in all MDOT modal administrations. FMIS runs on the MDOT Office of Transportation Technology Services' (OTTS) mainframe computer. According to the State's accounting records, expenditures processed through MDOT's FMIS for fiscal year 2014 totaled approximately \$2.7 billion.

A separate version of FMIS (known as Statewide FMIS) is maintained by the State's Department of Information Technology and the Comptroller of Maryland's General Accounting Division for the use of most Executive Branch agencies and is outside the scope of this audit. Because of the unique MDOT needs, particularly with respect to federal grants and projects, MDOT maintains its own version of FMIS.

### **FMIS Responsibilities**

The FMIS Unit, within MDOT's Secretary's Office, and the MDOT OTTS are responsible for daily FMIS administration, including maintenance, operation, security, and backup of related database records, and the computer programs, which perform online and overnight processing. The modals within MDOT are responsible for establishing and monitoring their employees' security accesses to FMIS.

The Office of Legislative Audits separately audits the Secretary's Office and all of MDOT's modal administrations. Our most recent audits of these entities included a review of their agency-based FMIS responsibilities. This central audit included elements of FMIS operation and internal control not included in these agency audits (for example, database and security controls). For an expanded explanation of the nature and purpose of this audit, see the Audit Scope, Objectives, and Methodology section of this report.

### **FMIS Interface**

MDOT interfaces certain FMIS financial information to the Statewide FMIS for recordation, payment processing, and reporting. This audit included a review of

the controls and processing over financial information interfaced to and recorded on Statewide FMIS.

## **Findings and Recommendations**

### **Security Administration**

#### **Finding 1**

**MDOT FMIS security reports for modal administrations were not routinely generated and provided to the modals.**

#### **Analysis**

MDOT FMIS security reports for its modal administrations were not generated and made available to the modals unless specifically requested by a modal. We noted that the MDOT FMIS unit had created and could generate numerous security reports of FMIS user capabilities and other critical security related concerns (for example, initiating departments with no approval paths). However, these reports were not routinely generated and provided to the modals.

These security reports provide the modals with an effective tool for monitoring the adequacy of their internal controls involving online approvals and employee access to critical FMIS functions. We were advised that MDOT holds the modals responsible for ensuring that effective internal controls exist over FMIS processing, and requires that the modals monitor their employees' FMIS access rights.

#### **Recommendation 1**

**We recommend that the MDOT FMIS unit routinely (at least quarterly) generate the aforementioned security reports and provide these reports to the respective modals. We also recommend that the MDOT FMIS unit provide guidance to the modals on the contents and expected usage of these reports.**

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

We have conducted a fiscal compliance audit of the centralized operations of the Department of Transportation Financial Management Information System (FMIS). Fieldwork associated with our review was conducted during the period from February 2015 to June 2015. 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 finding and conclusions based on our audit objectives.

As FMIS is a vital procurement and accounting application in all of the Department's modal administrations, internal control over FMIS is critical to these modals. Since we are responsible for auditing these modals and evaluating their internal control, we periodically evaluate FMIS' internal control. The State of Maryland maintains its own Statewide version of FMIS, which is not included in the scope of this audit.

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 elements of FMIS operations, relative to the Department's overall internal control, and to evaluate compliance with applicable State laws, rules, and regulations not included in our audits of the Department's modals.

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 central FMIS security administration and maintenance, database and security controls, and the Relational Standard Accounting and Reporting System (R\*STARS) component operations, which supports the Department's accounting operations.

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, observations of FMIS 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. 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.

The Department's management is responsible for establishing and maintaining effective internal control over FMIS operations. 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.

This report includes a finding relating to a condition that we consider to be a significant deficiency in the operation of internal control that could adversely affect MDOT modals' ability to maintain reliable financial records, operate effectively and efficiently, and/or comply with applicable laws, rules, and regulations. Our audit did not disclose any significant instances of noncompliance with applicable laws, rules, or regulations.

The Department's 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 the Department regarding the results of our review of its response.



**APPENDIX**



**Maryland Department of Transportation**  
The Secretary's Office

**Larry Hogan**  
Governor

**Boyd K. Rutherford**  
Lt. Governor

**Pete K. Rahn**  
Secretary

September 1, 2015

Thomas J. Barnickel III, CPA  
Legislative Auditor Manager  
Office of Legislative Audits  
Department of Legislative Services  
301 West Preston Street, Room 1202  
Baltimore MD 21201

Dear Mr. Barnickel:

Enclosed please find the Maryland Department of Transportation's (MDOT) responses to the Legislative Auditor's current audit of the Financial Management Information System (FMIS) - MDOT for the period beginning May 2011 and ending February 2015.

An electronic version was forwarded by email. If you have any questions or need additional information, please contact Mr. David L. Fleming, MDOT Chief Financial Officer, at 410-865-1035. Of course, you may always contact me directly.

Sincerely,

A handwritten signature in black ink, appearing to read "Pete K. Rahn", with a large, stylized initial "P" and "K".

Pete K. Rahn  
Secretary

Confidential Enclosures

cc: Ms. Brenda Cachuela, Director, Office of Audits, MDOT  
Mr. David L. Fleming, Chief Financial Officer, Office of Finance, MDOT  
Mr. Stephen P. Jersey, Audit Manager, Office of Legislative Audits  
Mr. Edwin L. Paul, Senior Auditor, Office of Legislative Audits  
Dennis R. Schrader P.E., Deputy Secretary of Policy, Planning, and Enterprise Services, MDOT  
Mr. Steven P. Watson, Deputy Chief Financial Officer, Office of Finance, MDOT

**Maryland Department of Transportation**  
**Financial Management Information Systems – Centralized Operations**  
**Draft Audit Report Responses**  
**August 2015**

## **Security Administration**

### **Finding 1**

**MDOT FMIS security reports for modal administrations were not routinely generated and provided to the modals.**

### **Recommendation 1**

**We recommend that the MDOT FMIS unit routinely (at least quarterly) generate the aforementioned security reports and provide these reports to the respective modals. We also recommend that the MDOT FMIS unit provide guidance to the modals on the contents and expected usage of these reports.**

### **Response**

We concur with the recommendations. We will continue to review and make improvements to the existing reports to ensure we provide MDOT modal administration users with consistent and comprehensive methods for monitoring internal controls involving on-line approvals and critical FMIS functionality. We will develop a process by October 15, 2015, the next quarterly cycle, which will automatically generate and distribute these reports to the respective modal administrations quarterly. We will work with the modal administration staff to provide guidance on the content and usage of the reports in order to identify weaknesses in the internal control structure. The guidance will be incorporated with the next report cycle in October 2015. The guidance will include that the MDOT FMIS unit will follow up with the modal administrations to ensure that the identified issue are addressed and remediated.

AUDIT TEAM

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Information System Audit Manager

**Edwin L. Paul, CPA, CISA**  
Information System Senior Auditor

**Matthew D. Walbert**  
Information System Staff Auditor