

Audit Report

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

November 2019



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DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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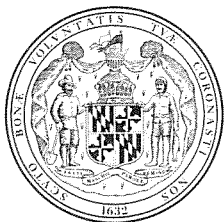
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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

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November 20, 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 central operations of the Department of Public Safety and Correctional Services (DPSCS). During the past few years, DPSCS has undergone several reorganizations and transfers of responsibilities within units. To promote consistency in reporting of audit issues, we have modified our audit approach and consolidated our audits into two audits- DPSCS Central Operations and DPSCS Regional Operations. We will continue to conduct separate audits of DPSCS Information Technology and Communication Division and Maryland Correctional Enterprises. This audit of the central operations covered certain fiscal activities performed for other DPSCS units and included the following units for the periods noted:

For the period beginning October 21, 2014 and ending March 31, 2018:

- Office of the Secretary (including the 9-1-1 Trust Fund)
- Deputy Secretary for Operations
- Maryland Parole Commission
- Inmate Grievance Office
- Police and Correctional Training Commissions
- Maryland Commission on Correctional Standards

For the period beginning July 1, 2015 and ending March 31, 2018:

- Division of Parole and Probation
- Division of Corrections
- Division of Pretrial Detention
- Patuxent Institution

For the period beginning July 1, 2014 and ending June 30, 2015:

South Region

Central Region

For the period beginning April 1, 2015 and ending June 30, 2015:

North Region

Through its correctional institutions and parole and probation programs, 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. In addition, DPSCS is responsible for administering the 9-1-1 Trust Fund as required by law.

Our audit disclosed that controls over the processing of payroll under the Statewide Personnel System were not sufficient. For example, individual adjustments to employee pay and leave balances were not sufficiently reviewed to ensure their propriety.

Our audit also disclosed contract monitoring and procurement deficiencies. Specifically, DPSCS did not conduct reviews of consumer price index adjustments for the inmate medical and mental health contracts, resulting in overpayments totaling approximately \$1 million. Procurement-related findings included the repeated purchases of fresh produce and maintenance services without consolidating and appropriately soliciting competitive bids and executing written contracts, certain purchasing card transactions artificially split to avoid soliciting vendor bids, and contract awards not always published on *eMaryland Marketplace*, as required.

In addition, DPSCS did not verify that 9-1-1 Trust Fund fees were properly calculated and remitted to the State, and we noted that one carrier appeared to be improperly collecting excessive fees from subscribers.

Finally, our audit included a review to determine the status of 15 findings contained in our preceding audit reports of DPSCS. These audit reports included the Office of the Secretary and Other Units (9 findings); the Division of Parole and Probation – Probation Intake and Fee Assessment Processes (4 findings); the South Region (1 of 5 findings); and the North Region (1 of 3 findings). The status of the remaining findings will be addressed during our audit of DPSCS – Regional Operations. We determined that DPSCS satisfactorily addressed 13 of these 15 findings. The remaining 2 findings are repeated as one finding in this report.

DPSCS' response to this audit is included as an appendix to this report. We reviewed the response to our findings and related recommendations, and have concluded 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 action.

Respectfully submitted,

A handwritten signature in black ink, reading "Gregory A. Hook". The signature is written in a cursive, flowing style.

Gregory A. Hook, CPA
Legislative Auditor

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Background Information

Agency Responsibilities and Organizational Change

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. In addition, DPSCS is responsible for administering the 9-1-1 Trust Fund as required by law.

This audit included 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 DPSCS central operations audit included payroll processed within the State Personnel System, all departmental disbursements and procurement transactions, all corporate purchasing card activity, equipment, certain controls over information systems, and all non-inmate cash receipts. According to the State's records, during fiscal year 2018, expenditures for the budgetary units audited, which are detailed on page 19, totaled approximately \$1.3 billion.

A separate DPSCS regional operations audit was also conducted and a separate audit report was issued. The DPSCS regional operations audit included financial activities unique to the facilities, such as inmate cash receipts, inmate funds, and the biometric timekeeping system used by correctional officers.

Finally, we continue to conduct separate audits of the DPSCS Information Technology and Communications Division and the Maryland Correctional Enterprises. The Information Technology and Communications Division develops, maintains, and supports DPSCS' information systems, and the Maryland Correctional Enterprises provides work and job training for inmates of the Maryland correctional system.

Prior to July 1, 2015, DPSCS operated under a regional approach to providing its inmate-related functions; however, effective July 1, 2015, DPSCS returned to its former organizational structure with the aforementioned individual functional divisions (the Division of Correction, the Division of Parole and Probation, and the Division of Pretrial Detention), and the Patuxent Institution. This organizational change was the catalyst for the varying audit periods of the units and activities subject to audit and included in this report.

Pharmacy Contract

DPSCS continues to obtain pharmaceuticals under a June 2005 contract. The contract has been extended 14 times since the expiration of the third renewal option in June 2010 and has been subject to numerous modifications. The original two-year contract value was approximately \$32 million and, as of September 5, 2018, the cumulative value of the contract, from inception, was approximately \$518.3 million. According to State records, contract expenditures through June 30, 2018 totaled approximately \$425.3 million.

DPSCS attempted to procure a new contract in 2011 but, after the award was the subject of a vendor protest and related litigation, the procurement was cancelled in October 2013. A new pharmacy contract request for proposal (RFP) was released on June 22, 2017, with proposals due August 22, 2017. The due date for proposals was extended multiple times as a result of the volume of questions received and a protest to the specifications filed on April 11, 2018. Numerous amendments were issued that ultimately extended the due date for proposals to April 22, 2019; proposals received are currently under evaluation.

Status of Findings From Preceding Audit Reports

Our audit included a review to determine the status of 15 findings contained in our preceding audit reports of DPSCS. These audit reports included the Office of the Secretary and Other Units, dated November 18, 2015 (9 findings); the Division of Parole and Probation – Probation Intake and Fee Assessment Processes, dated November 30, 2015 which was based on an allegation received through our fraud hotline (4 findings); the South Region, dated October 28, 2015 (1 of 5 findings) and the North Region, dated October 28, 2015 (1 of 3 findings).

As disclosed in the following table, we determined that DPSCS satisfactorily addressed 13 of these 15 findings. The remaining 2 findings are repeated in this report as one finding (Finding 3). Due to their subject matter, the status of the remaining findings from the South Region and North Region reports will be addressed during our audit of DPSCS – Regional Operations.

Status of Preceding Findings

Preceding Finding	Finding Description	Implementation Status
Office of the Secretary and Other Units		
Finding 1	The structure of an inmate services procurement may have limited competition and the procurement improperly included items available from a provider with procurement preference.	Not repeated
Finding 2	Interagency agreements enabled the Office to augment its staff beyond its budgeted positions and enhance related salaries.	Not repeated
Finding 3	Liquidated damages were not always assessed for an inmate mental health care contract, and contract changes were authorized without timely Board of Public Works approval.	Not repeated
Finding 4	The Office did not ensure certain information was properly transferred to its new offender case management system.	Not repeated
Finding 5	Personally identifiable information was not appropriately safeguarded.	Not repeated
Finding 6	Account, password, and monitoring controls were not sufficient.	Not repeated
Finding 7	The cash balance of fines, costs, fees, and restitution funds was not adequately reconciled with the corresponding balance on the State's records.	Not repeated
Finding 8	The Office had not established adequate procedures and controls over certain critical transactions.	Not repeated
Finding 9	Information technology equipment was not adequately controlled and accounted for.	Not repeated
Division of Parole and Probation – Probation Intake and Fee Assessment Processes		
Finding 1	The Division of Parole and Probation (DPP) lacked policies to guide the offender intake process at field office locations.	Not repeated
Finding 2	DPP had not established adequate procedures and controls to ensure that all fees and restitution were properly assessed.	Not repeated
Finding 3	Procedures and controls over Offender Case Management System user access were not sufficient, system roles were not appropriately restricted, and data input validation controls were not comprehensive.	Not repeated
Finding 4	Drinking Driver Monitor Program and supervision fees were not properly assessed in the Offender-Based State Correctional Information System II for 32 of the 45 cases judgmentally selected for review.	Not repeated
South Region		
Finding 3	The Region made repeated purchases from two vendors without competitive bids and written contracts.	Repeated (Current Finding 3)
North Region		
Finding 3	The Region made repeated purchases from a vendor without consolidating and soliciting bids or executing written contracts.	Repeated (Current Finding 3)

Findings and Recommendations

Payroll

Finding 1

Adequate controls had not been established to ensure the propriety of payroll, including adjustments to employee pay.

Analysis

The Department of Public Safety and Correctional Services (DPSCS) had not established adequate controls over the processing of payroll under the Statewide Personnel System (SPS), which was implemented for DPSCS in October 2016. Specifically, manually processed adjustments to employee pay and leave balance adjustments were not sufficiently reviewed to ensure their propriety. In addition, total biweekly payments from the Central Payroll Bureau (CPB) were not reconciled with total payroll as reflected in the agency payroll reports generated from SPS. According to the State's records, DPSCS' payroll expenditures (excluding Maryland Correctional Enterprises, which is audited separately) totaled approximately \$855.7 million during fiscal year 2018.

Employee Pay and Leave Balance Adjustments Were Not Adequately Reviewed

Adjustments to employee pay and leave balances were not adequately reviewed for propriety and to ensure proper processing. During the period from October 12, 2016 through March 31, 2018, DPSCS processed 5,878 payroll adjustments, such as retroactive payroll payments, which increased employee pay by approximately \$1.8 million. During this period, DPSCS also processed 9,979 leave adjustments, such as leave bank donations, which resulted in a net increase to employee leave balances of 29,162 hours.

Each pay period, a DPSCS employee was responsible for submitting a manually prepared listing of payroll adjustments to the Department of Budget and Management (DBM) for processing in SPS. Although DPSCS advised us that the listing was reviewed by supervisory personnel prior to submission, there was no documentation to substantiate that this occurred. In addition, DPSCS did not have a procedure in place to verify the propriety of leave balance adjustments that could be processed by 36 DPSCS employees directly in SPS. DPSCS also did not use available system output reports of all payroll and leave adjustments recorded to ensure that only authorized adjustments had been processed.

Total Payroll Disbursements Were Not Verified

Biweekly payroll payments from CPB were not reconciled, in the aggregate, to the payroll payments reflected in reports generated from SPS. Generally,

employees recorded their work time directly into SPS for online approval by their assigned supervisors. Payroll payments were processed by CPB based on the approved work time for the pay period and the salary information reflected in SPS. However, DPSCS did not compare the total payroll, as reflected in the CPB payroll registers, with the SPS payroll summary reports reflecting the amount that should have been paid based on each employee's approved work time and salary information. While DPSCS advised us that detailed biweekly payroll registers from CPB were reviewed for unusual items, there was no documentation that these reviews occurred.

This reconciliation is particularly important with respect to SPS because certain unique system design features often resulted in differences between the CPB and SPS reports. For example, we compared DPSCS' CPB payroll register with the SPS payroll summary report for the pay period ending March 13, 2018. Our comparison disclosed that the total payroll reflected in the CPB payroll register (\$21,088,575) exceeded the SPS payroll summary report total (\$20,961,486) by \$127,089. We were able to reconcile \$73,962 of the difference, which related to employees assigned to other "supervisory organizations."

Specifically, within SPS, employees appear on the SPS payroll summary report for their assigned "supervisory organization" which, in some cases, does not correspond with the agencies for which they work. For example, employees from the Office of the Attorney General provided services to and were paid by DPSCS, but were reflected on SPS payroll summary reports for the Office of the Attorney General supervisory organization. Accordingly, these salaries represented reconciling items between DPSCS' SPS payroll summary report and the CPB payroll register.

While we were unable to readily reconcile the remaining \$53,127 because of the large number of DPSCS employees, this difference could be attributed to adjustments processed after the pay period. Specifically, the SPS payroll summary reports reflect all activity relevant to the pay period irrespective of when the transactions are processed, including adjustments to employee pay processed in subsequent pay periods. The CPB check register only reflects employee pay adjustments that have been processed during the specific pay period.

Because these reconciliations were not performed, DPSCS lacked assurance that payroll payments were proper and were supported by the related time records and salary information maintained within SPS.

Recommendation 1

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;**
- 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; and**
- c. reconcile payroll registers received from CPB each pay period with SPS payroll summary reports, investigate any differences, and ensure that these reconciliations are documented.**

Inmate Medical and Mental Health Contracts

Finding 2

DPSCS did not conduct a documented review of consumer price index (CPI) adjustments for the inmate medical and mental health contracts. We noted errors resulting in overpayments totaling \$1 million.

Analysis

DPSCS did not conduct documented reviews of CPI adjustments for the inmate medical and mental health contracts. We noted errors resulting in overpayments totaling \$1 million. Both contracts provide for annual increases in the monthly fee paid the contractors based on changes in the applicable CPI specified in the contracts. Annually, DPSCS staff manually calculated the new monthly contractor fixed fee based on a 12-month change in the CPI. Although DPSCS management advised us that these CPI adjustments were subject to an independent review, it could not provide any documentation of the reviews.

We reviewed the CPI adjustments for the inmate medical and mental health contracts for fiscal years 2016, 2017, and 2018. Our review disclosed that, for both contracts, DPSCS did not use the correct CPI factor for 2016. Specifically, DPSCS used a CPI factor of .019 rather than .016 to increase the monthly fee paid to the contractor. Furthermore, while the CPI factors used in the fiscal year 2017 and 2018 adjustments were proper, because each year's contractor fee was based on the preceding year's fee, the fiscal year 2016 error also caused the fees to be overstated for both 2017 and 2018. As a result, during the period from July 1, 2015 through December 31, 2017, we determined that DPSCS overpaid the inmate medical and mental healthcare contractors \$883,000 and \$120,000, respectively.

According to the State's records, DPSCS paid the inmate medical and mental health contractors \$245.8 million and \$39.9 million, respectively, during the period from July 1, 2015 through December 31, 2017.

Recommendation 2

We recommend that DPSCS

- a. ensure CPI adjustments to inmate healthcare contracts are subject to a documented supervisory review and approval; and**
- b. review the CPI adjustments made during the audit period and recover any amounts improperly paid, including those noted above.**

Contract Procurements

Finding 3

DPSCS made repeated purchases of fresh produce and maintenance services without consolidating and appropriately soliciting competitive bids and executing written contracts.

Analysis

DPSCS did not consolidate repeated purchases from certain vendors for fresh produce and maintenance services, and did not appropriately solicit competitive bids and execute written contracts. The purchases were made by staff at DPSCS Office of the Secretary, as well as DPSCS Regional fiscal offices.

Fresh Produce Purchases

According to the State's records, during fiscal years 2014 through 2018 (as of April 30, 2018), DPSCS made 3,568 individual payments to three produce vendors totaling approximately \$9,861,000. DPSCS did not consolidate the purchases to maximize its leverage as a high-volume purchaser and did not have any written contracts. Rather, the purchases were made by the respective units as separate purchases during the year.

In addition, DPSCS did not always competitively solicit bids as required by State procurement regulations. We judgmentally selected for review 13 produce purchases (from all DPSCS purchasing locations) totaling approximately \$147,000. For one purchase totaling \$27,990, there was no documentation to substantiate the purchase was subject to competitive bidding and was approved by the Department of General Services (DGS), as required. For 3 other purchases ranging from \$6,840 to \$15,387, there was no documentation of the solicitation of vendor bids, and for another 3 purchases

totaling \$26,594, only one vendor quote was obtained. DPSCS did not enter into formal written contracts for any of the 13 purchases tested.

Maintenance Services Procurements

DPSCS repeatedly used corporate purchasing cards to procure correctional facility maintenance services from one vendor without soliciting competitive bids and entering into written contracts as required. During the period from July 14, 2014 to May 18, 2018, DPSCS made 240 payments to this vendor totaling approximately \$677,000. Although the individual purchases were valued at \$5,000 or less, which do not require formal competitive bids, combined purchases to this vendor significantly exceeded this level. Consequently, this procurement methodology may not have maximized DPSCS' leverage as a high-volume purchaser in order to obtain services at the best value.

A similar condition regarding the procurement of fresh produce was commented upon in our preceding reports of the DPSCS North and South Regions. State procurement regulations generally require a formal written competitive procurement and Board of Public Works (BPW) and/or control agency approvals for larger procurements. For example, while DGS delegated the procurement of fresh produce to DPSCS, contracts exceeding \$25,000 require DGS approval. Also under State procurement regulations, purchases expected to cost between \$5,000 and \$15,000 require at least two bids, which can be solicited in writing or orally directly from vendors at the discretion of the agency's purchasing agent.

Recommendation 3

We recommend that DPSCS comply with State procurement regulations.

Specifically, we recommend that DPSCS

- a. work with DGS, if necessary, to competitively procure fresh produce and maintenance services in a manner that meets DPSCS' needs and ensures these goods and services are obtained at the best value (repeat); and**
- b. ensure that formal written contracts are executed and control agency approvals are obtained, as needed (repeat).**

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.

Analysis

DPSCS did not always adhere to State procurement regulation requirements to publish contract awards and artificially split certain purchasing card purchases.

- Our test of 17 contracts totaling \$230.7 million disclosed that, for 7 contracts totaling \$186 million (including the \$156 million inmate mental health contract), DPSCS did not publish the awards on *eMaryland Marketplace* as required. State regulations require that contract awards greater than \$25,000 be published on *eMaryland Marketplace* not more than 30 days after the execution and approval of the contract. Publishing awards provides transparency regarding winning bidders and award amounts.
- Our test of 25 purchasing card purchases totaling \$93,820 made from ten vendors, by 9 cardholders, disclosed that 5 purchases totaling \$22,297 from two of these vendors had been artificially split. Splitting purchases allows the cardholder to circumvent the cardholder's single transaction limit, as well as to avoid soliciting competitive bids. State procurement regulations prohibit procurements from being artificially divided to circumvent these regulations, and generally require vendor bids be obtained for purchases of \$5,000 or more. DPSCS management advised us that its Division of Procurement Services periodically reviews purchasing card purchases to identify opportunities to consolidate procurements for similar services, but could not provide any documentation that these reviews occurred.

Recommendation 4

We recommend that DPSCS

- a. publish contract awards on *eMaryland Marketplace* as required;**
- b. refrain from the practice of artificially splitting purchasing card purchases and solicit competitive bids, as required; and**
- c. document the periodic review of cardholder activity for opportunities to consolidate procurements.**

9-1-1 Trust Fund

Background

State law requires all counties and Baltimore City to operate a 9-1-1 emergency telephone system. These systems, which may be used by the public to summon emergency aid, are intended to eliminate delays caused by a lack of familiarity with emergency telephone numbers and to eliminate confusion during periods of crisis. The Emergency Number Systems Board, which is a budgetary program under DPSCS, is responsible for coordinating the enhancement of these systems. DPSCS provides support services to the Board and is responsible for administering the 9-1-1 Trust Fund, which finances the operation, maintenance, and enhancement of 9-1-1 systems.

The 9-1-1 Trust Fund is financed by a monthly fee paid by subscribers to their service carriers. Prior to July 1, 2019, the monthly subscriber fee, which is included on customer bills, consisted of a State fee of 25 cents per subscriber and a local jurisdiction fee of up to 75 cents per subscriber. (Currently all local jurisdictions have established the local fee at 75 cents.) Beginning July 1, 2019, the State fee was increased to 50 cents, with both the State and local jurisdiction fees to be charged on a per-line basis rather than per subscriber.

Carriers are required to report activity and remit fee collections monthly to the Comptroller of Maryland for deposit into the 9-1-1 Trust Fund. The Comptroller forwards these activity reports to DPSCS. According to DPSCS records, 9-1-1 Trust Fund deposits totaled approximately \$55.5 million in fiscal year 2018. On a quarterly basis, DPSCS distributes the local jurisdiction fees on a prorated basis in accordance with the level of fees collected in each jurisdiction as reported by the carriers. DPSCS receives an appropriation from the 9-1-1 Trust Fund to carry out the purposes of the enabling legislation, pay administrative costs (including those of the Board), and reimburse local jurisdictions for the cost of enhancing the 9-1-1 system.

During our current audit, we reviewed the DPSCS procedures for monitoring the service carrier collections.

Finding 5

DPSCS did not verify that 9-1-1 Trust Fund fees were properly collected and remitted to the State. We identified one carrier that appeared to be improperly collecting excessive fees from subscribers.

Analysis

DPSCS did not verify that 9-1-1 Trust Fund fees were properly collected by mobile telecommunication service carriers (wireless providers) and by telephone service carriers (wired providers) and remitted to the State. Specifically, the carriers submitted a report of State and local fees collected from subscribers in each local jurisdiction along with their monthly fee submissions, but did not provide a detailed listing of the subscribers to enable verification of the collections reported. While DPSCS asked the carriers to explain any significant variances in fees compared to the prior month, it did not conduct audits or any other verifications of the collections reported. Consequently, DPSCS failed to identify one wireless carrier that appeared to be improperly collecting and remitting excessive fees from its subscribers.

Because of the lack of detailed records and audits, we obtained a detailed listing of the 9-1-1 fees collected for January 2019 directly from one carrier. Our review disclosed that, although this carrier reported to the Comptroller that the January 2019 fees remitted were collected on a per-subscriber basis, the carrier actually charged and collected the 9-1-1 fee on a per-line basis. For example, a subscriber with seven lines was charged a monthly fee of \$7 per month rather than \$1 per month. We consulted with DPSCS legal counsel who confirmed that, prior to July 1, 2019, the fee should have been charged on a per-subscriber basis. Through a review of the January 2019 fees submitted by this carrier and the aforementioned related supporting documentation, we determined that the carrier collected and remitted approximately \$490,000 in excess fees from its subscribers for that month. We could not determine the extent or the duration of the excess fees collected by this provider due to the lack of readily available records at DPSCS.

State regulations require DPSCS and/or the Board to adopt procedures for auditing the collection and remittance of 9-1-1 fees by telecommunication and telephone service carriers. Although DPSCS developed procedures for auditing the 9-1-1 fees in September 2007, it has not conducted any audits since 2009. The 2009 audit reviewed the collection and remittance of fees during fiscal years 2004 to 2007 and identified \$179,000 in fees that were not remitted. DPSCS management advised that no audits have been conducted since 2009 because DPSCS had determined that the audits were not cost-effective.

Recommendation 5**We recommend DPSCS**

- a. audit service carriers to ensure the proper fees are being collected and subsequently remitted to the 9-1-1 Trust Fund;**
- b. take appropriate action regarding any improper fees collected identified by the audits; and**
- c. work with the aforementioned service carrier to determine the extent of improper fees collected, and consult with legal counsel on the feasibility and options for refunding subscribers for amounts improperly collected.**

Finding 6**The annual report of 9-1-1 Trust Fund activities was not submitted as required by law.****Analysis**

As of September 19, 2019, the Emergency Numbers System Board had not submitted the annual report of 9-1-1 Trust Fund activities as required by State law for 2018. Public Safety Article, Section 1-307 of the Annotated Code of Maryland requires the Board to submit an annual report on the Fund to the Governor, the Secretary of DPSCS, and the Legislative Policy Committee. The reports are intended to provide information regarding various aspects of the 9-1-1 Trust Fund, such as State and local jurisdiction fees charged, the funding formula in effect, and any statutory or regulatory violations noted in annual subdivision audit reports.

Recommendation 6**We recommend that DPSCS ensure that the Board submits annual reports on the Fund on a timely basis, as required by law.**

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the Department of Public Safety and Correctional Services (DPSCS). DPSCS reorganized into its current structure, effective July 1, 2015. Because of that reorganization (as further explained on page 6 of this report), our audit included the following units for the periods indicated:

For the period beginning October 21, 2014 and ending March 31, 2018:

- Office of the Secretary (including the 9-1-1 Trust Fund)
- Deputy Secretary for Operations
- Maryland Parole Commission
- Inmate Grievance Office
- Police and Correctional Training Commissions
- Maryland Commission on Correctional Standards

For the period beginning July 1, 2015 and ending March 31, 2018:

- Division of Parole and Probation (DPP)
- Division of Corrections (DOC)
- Division of Pretrial Detention
- Patuxent Institution

For the period beginning July 1, 2014 and ending June 30, 2015:

- South Region
- Central Region

For the period beginning April 1, 2015 and ending June 30, 2015:

- North Region

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 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 procurements and disbursements (including certain purchasing activities of the DPSCS Regional fiscal offices); contracts; cash receipts; equipment; payroll; collection and disbursement of fines, costs, fees, and restitution; and information systems security and control. 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 and for the Criminal Injuries Compensation Board (CICB) through June 30, 2018 when CICB operations were transferred from DPSCS to the Victim’s Services Unit within the Governor’s Office of Crime Control and Prevention.

We also determined the status of the findings contained in our preceding audit reports of the DPSCS – Office of the Secretary and Other Units, and the DPSCS – DPP – Probation Intake and Fee Assessment Processes. We also determined the status of one finding included in our preceding audit report of the DPSCS-South Region and one finding included in our preceding report of the DPSCS-North Region.

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 inmate cash receipts, inmate 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.

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, observations of the DPSCS’ 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). 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 also extracted data from the Office's Offender Based State Correctional Information System II and Offender Case Management System for the purposes of testing fines, costs, fees, and restitution transactions and system access. 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 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.

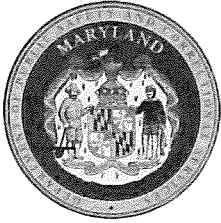
Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

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

The DPSCS – Office of the Secretary'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 Office 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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November 13, 2019

Mr. Gregory A. Hook, CPA
Legislative Auditor
Department of Legislative Services
Office of Legislative Audits
301 West Preston Street, Room 1202
Baltimore, Maryland 21201

Dear Mr. Hook:

The Department of Public Safety and Correctional Services (DPSCS) has reviewed the Draft Audit Report dated October 2019 for the DPSCS – Central Operations (Office of the Secretary). 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 noted by the Legislative Auditor, and the Office of the Inspector General will conduct periodic follow up reviews to monitor the status of compliance.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Robert L. Green".

Robert L. Green
Secretary

Attachment

Copy: Walter Pete Landon, Deputy Chief of Staff

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

Agency Response Form

Payroll

Finding 1

Adequate controls had not been established to ensure the propriety of payroll, including adjustments to employee pay.

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;**
- 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; and**
- c. reconcile payroll registers received from CPB each pay period with SPS payroll summary reports, investigate any differences, and ensure that these reconciliations are documented.**

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.	Page 10: response to OLA's "In addition, DPSCS did not have a procedure in place to verify the propriety of leave balance adjustments that could be processed by 36 DPSCS employees directly in SPS." Response: DPSCS leave balance adjustments were primarily a result of reconciliations between the previous leave system and SPS because of the conversion and incomplete transfer of old balances to SPS.		
Recommendation 1a	Agree	Estimated Completion Date:	8/22/19
Please provide details of corrective action or explain disagreement.	The Division of Financial Services shall 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. Each Regional Timekeeper Supervisor shall provide documented review of payroll adjustments submitted to the Office of the Secretary (OSEC) Payroll Office. The OSEC Payroll Unit shall prepare one Excel payroll input spreadsheet for review by the Supervisor, and certified by the Payroll Director or designee. In addition, the OSEC Payroll Office shall complete, sign and submit the DBM External Process Audit Checklist for Input Packet.		

Recommendation 1b	Agree	Estimated Completion Date:	12/31/19
Please provide details of corrective action or explain disagreement.	The Division of Financial Services shall independently verify SPS output reports of payroll and leave balance adjustments to ensure only authorized adjustments have been processed, at least on a test basis. This shall be evidenced by a biweekly documented review of the SPMS Payroll Summary Report and the SPMS Accrual and Time Off Adjustments Overrides Reports by Regional Timekeeper Supervisors and the OSEC Payroll Audit Team.		
Recommendation 1c	Agree	Estimated Completion Date:	12/31/19
Please provide details of corrective action or explain disagreement.	The Division of Financial Services shall reconcile payroll registers received from CPB each pay period with SPS payroll summary reports, investigate any differences, and ensure that these reconciliations are documented. The Division of Financial Services is in the process of developing a query report to assist in identifying the exceptions, and to effectively and timely complete the analysis and reconciliation.		

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

Agency Response Form

Inmate Medical and Mental Health Contracts

Finding 2

DPSCS did not conduct a documented review of consumer price index (CPI) adjustments for the inmate medical and mental health contracts. We noted errors resulting in overpayments totaling \$1 million.

We recommend that DPSCS

- a. ensure CPI adjustments to inmate healthcare contracts are subject to a documented supervisory review and approval; and**
- b. review the CPI adjustments made during the audit period and recover any amounts improperly paid, including those noted above.**

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.	The DPSCS prior Contract Manager used an incorrect period to calculate the FY 16 CPI adjustments for the Inmate Medical and Mental Health contracts.		
Recommendation 2a	Agree	Estimated Completion Date:	Dec. 31, 2018
Please provide details of corrective action or explain disagreement.	For FY 17 – FY 19, the DPSCS current Contract Manager has ensured that all CPI adjustments have been in accordance with the contract and have been properly documented with a supervisory review and approval. The Medical contract expired December 31, 2018, and the Mental Health contract expired December 31, 2017. New Medical and Mental Health fixed price contracts have no CPI adjustment requirements.		
Recommendation 2b	Agree	Estimated Completion Date:	June 6, 2019
Please provide details of corrective action or explain disagreement.	<p>The Contracts Administration Unit reviewed the OLA's audit finding with the Office of the Inspector General to determine the actual amount of overpayment to the prior Medical Contractor. On November 20, 2018, the DPSCS Contract Manager informed the prior Medical Contractor of DPSCS' intent to deduct the amount of the overpayment from their next monthly invoice, absent any dispute.</p> <p>On November 27, 2018, the prior Medical Contractor submitted a dispute challenging DPSCS' attempt to recover the overpaid amounts resulting from the error to adjust the FY 16 CPI properly. On December</p>		

	<p>11, 2018, the Contract Manager forwarded the vendor's dispute to the DPSCS Procurement Director and the Assistant Attorney General for their review. The Department determined that since the FY 16 CPI adjustment rate was mutually agreed to between the Department's former Contract Manager and the former Medical Contractor, the Department would not pursue the recovery of the aforementioned overpayment to the Medical Contractor. The Department considers this matter closed. The Medical contract expired on December 31, 2018.</p> <p>The amount of overpayment to the Mental Health Contractor has been recovered without dispute. That contract expired on December 31, 2017, and is closed.</p>
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**Department of Public Safety and Correctional Services
Central Operations**

Agency Response Form

Contract Procurements

Finding 3

DPSCS made repeated purchases of fresh produce and maintenance services without consolidating and appropriately soliciting competitive bids and executing written contracts.

We recommend that DPSCS comply with State procurement regulations. Specifically, we recommend that DPSCS

- a. work with DGS, if necessary, to competitively procure fresh produce and maintenance services in a manner that meets DPSCS' needs and ensures these goods and services are obtained at the best value (repeat); and**
- b. ensure that formal written contracts are executed and control agency approvals are obtained, as needed (repeat).**

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 3a	Agree	Estimated Completion Date:	06/30/2020
Please provide details of corrective action or explain disagreement.	The Department will create a strategic plan with DGS to competitively procure and obtain best value for the listed items in a manner that meets DPSCS' needs. Depending on the value of the procurement, the Department will determine the appropriate procurement method to utilize and award these contracts.		
Recommendation 3b	Agree	Estimated Completion Date:	06/30/2020
Please provide details of corrective action or explain disagreement.	Formal written contracts for these items and services will be executed upon the approval of the Department of General Services and the Board of Public Works.		

**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, and artificially split certain purchases made with purchasing cards to avoid soliciting vendor bids.

We recommend that DPSCS

- a. publish contract awards on *eMaryland Marketplace* as required;**
- b. refrain from the practice of artificially splitting purchasing card purchases and solicit competitive bids, as required; and**
- c. document the periodic review of cardholder activity for opportunities to consolidate procurements.**

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 4a	Agree	Estimated Completion Date:	Immediately
Please provide details of corrective action or explain disagreement.	Publishing of awarded contracts over the small procurement threshold will be placed on <i>eMaryland Marketplace</i> as required.		
Recommendation 4b	Agree	Estimated Completion Date:	Immediately
Please provide details of corrective action or explain disagreement.	The Department is conducting reviews of all purchasing card requisitions and combining requisitions whenever possible to eliminate artificial split purchases, and will solicit competitive bids as required.		
Recommendation 4c	Agree	Estimated Completion Date:	Immediately
Please provide details of corrective action or explain disagreement.	Credit card purchases are reviewed on a quarterly basis to seek opportunities to consolidate procurements and established contracts. These reviews will be documented.		

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

Agency Response Form

9-1-1 Trust Fund

Finding 5
DPSCS did not verify that 9-1-1 Trust Fund fees were properly collected and remitted to the State. We identified one carrier that appeared to be improperly collecting excessive fees from subscribers.

We recommend that DPSCS

- a. audit service carriers to ensure the proper fees are being collected and subsequently remitted to the 9-1-1 Trust Fund;**
- b. take appropriate action regarding any improper fees collected identified by the audits; and**
- c. work with the aforementioned service carrier to determine the extent of improper fees collected, and consult with legal counsel on the feasibility and options for refunding subscribers for amounts improperly collected.**

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.	While the ENSB has not conducted carrier audits on a routine basis, it has in the past and has found minimal discrepancies. The ENSB does verify that each carrier that does business in Maryland is remitting the required fees.		
Recommendation 5a	Agree	Estimated Completion Date:	July 31, 2020
Please provide details of corrective action or explain disagreement.	The ENSB is currently preparing a Task Order Request For Proposal (TORFP) to contract with an auditing service to provide carrier audits of those companies that are currently remitting 9-1-1 fees to the State. However, it is anticipated that emergency legislation will be pre-filed for the 2020 General Assembly Session that, if passed, will transfer the auditing authority from the ENSB to another State entity. If that occurs before an auditing contract is awarded, the ENSB itself may no longer be able to legally conduct this audit, and the TORFP will be cancelled.		
Recommendation 5b	Agree	Estimated Completion Date:	September 30, 2020
Please provide details of corrective action or explain disagreement.	This recommendation completion timeframe is dependent on the completion of the audits outlined in Recommendation 5a. If discrepancies are found, the ENSB will work with each carrier not in compliance to rectify the improper fee collection. The ENSB has no statutory authority to implement penalties or force compliance, so if any		

	companies refuse to come into compliance, they will be referred to the Attorney General's Office for additional action.		
Recommendation 5c	Agree	Estimated Completion Date:	February 29, 2020
Please provide details of corrective action or explain disagreement.	The ENSB will work with the aforementioned carrier in question to determine the extent of any improper fees collected. Once the scope of the issue is determined, the ENSB will consult with legal counsel to determine the best way to remedy this situation.		

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

Agency Response Form

Finding 6

The annual report of 9-1-1 Trust Fund activities was not submitted as required by law.

We recommend that DPSCS ensure that the Board submits annual reports on the Fund on a timely basis, as required by law.

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.	The FY 2018 Annual Report was delayed by the late submission of certain county 9-1-1 fee audits by the county's selected independent auditors. These audits are required by the legislature to demonstrate that each county has not supplanted or diverted its county additional 9-1-1 fees to non 9-1-1 uses.		
Recommendation 6	Agree	Estimated Completion Date:	October 31, 2019
Please provide details of corrective action or explain disagreement.	The FY 2018 Annual Report has been submitted to the legislative library. Future Annual Reports on the Trust Fund will be submitted on a timely basis.		

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