

# Audit Report

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## **Executive Department**

**Governor  
Boards, Commissions, and Offices  
Office for Children  
Office of the Deaf and Hard of Hearing**

October 2007

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

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Karl S. Aro  
Executive Director

DEPARTMENT OF LEGISLATIVE SERVICES  
OFFICE OF LEGISLATIVE AUDITS  
MARYLAND GENERAL ASSEMBLY

Bruce A. Myers, CPA  
Legislative Auditor

October 5, 2007

Delegate Steven J. DeBoy, Sr., Co-Chair, Joint Audit Committee  
Senator Nathaniel J. McFadden, Co-Chair, Joint Audit Committee  
Members of Joint Audit Committee  
Annapolis, Maryland

Ladies and Gentlemen:

We have audited the following units of the Executive Department, through the completion of the term of office of former Governor Robert L. Ehrlich, Jr., for the period beginning January 1, 2005 and ending January 16, 2007.

Governor  
Boards, Commissions, and Offices  
Office for Children  
Office of the Deaf and Hard of Hearing

Our audit disclosed certain internal control and record keeping deficiencies relating to the Department's State grants, federal funds, information systems security, equipment, and cash receipts. For example, the Governor's Office of Crime Control and Prevention (within the Boards, Commissions, and Offices) had not established procedures to ensure the propriety of certain grant expenditures, and the Executive Department had not established a complete disaster recovery plan for its computer operations.

Respectfully submitted,

Bruce A. Myers, CPA  
Legislative Auditor



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# **Executive Summary**

## **Legislative Audit Report on the Executive Department October 2007**

- **The Governor's Office of Crime Control and Prevention had not implemented comprehensive procedures to ensure expenditures for the Victim and Witness Protection Program were proper, in accordance with a recent Attorney General's Opinion.**

The Department should ensure that procedures are adequate to facilitate monitoring the use of these Program funds.

- **Certain control deficiencies were noted in the record keeping for federal funds. For example, one unit did not routinely reconcile federal fund activity recorded in its records with the State's accounting records.**

The Department should take the recommended actions to improve internal controls in this area.

- **Internal control and record keeping deficiencies were noted with respect to information systems security, equipment, and cash receipts. For example, a complete disaster recovery plan was not developed, and security over the Department's internal network needs to be enhanced.**

The Department should take the recommended actions to improve internal controls and record keeping in these areas.

- **A contractual employee was improperly paid approximately \$7,500 after terminating from State service.**

The Department should consult with the Office of the Attorney General in this matter and take appropriate action.





## **Background Information**

### **Agencies' Responsibilities**

- The Executive Department – Governor provides oversight, guidance, and coordination to units within the Executive Department and to other budgetary units within the Executive Branch of the State government. The Department also provides the public with information about the Governor's policies and goals, and about the functions of State government. According to the State's accounting records, the Governor's expenditures were approximately \$8.7 million during fiscal year 2006.
- The Boards, Commissions, and Offices unit consists of various entities, including the Office of Crime Control and Prevention, which were created by statute or executive order to provide planning and coordination for Executive Branch functions. According to the State's accounting records, these entities' expenditures were approximately \$51 million during fiscal year 2006.
- The Governor's Office for Children promotes the State's vision for a stable, safe, and healthy environment for children and families and, according to the State's accounting records, had expenditures of approximately \$1.5 million during fiscal year 2006.
- The Office of the Deaf and Hard of Hearing advocates for and promotes the general welfare of individuals who are deaf or hard of hearing, and provides, advocates, and coordinates the adoption of public policies, regulations, and programs that will benefit deaf and hard of hearing individuals. According to the State's accounting records, this Office's expenditures were approximately \$220,000 during fiscal year 2006.

### **Organizational Changes**

- Chapter 62, Laws of Maryland 2006, effective July 1, 2006 combined the State Labor Relations Board (previously budgeted under the Department of Budget and Management) with the Higher Education Labor Relations Board to establish an independent unit of State government under Executive Department – Boards, Commissions, and Offices.

- The Office for Children, Youth, and Families (OCYF) closed on June 30, 2005 with the expiration of its authorizing legislation. Certain duties performed by OCYF were assumed by the Governor's Office for Children. Certain other duties previously performed by OCYF were transferred to the Department of Health and Mental Hygiene and the State Department of Education.

## **Questioned Costs**

The Office of Inspector General of the Corporation for National and Community Service (an independent federal agency) contracted with a private firm to audit grants awarded to the Maryland Governor's Office on Service and Volunteerism (GOSV)—a unit under Executive Department – Boards, Commissions and Offices. The related audit report, which was issued on May 19, 2006, disclosed questioned costs totaling \$818,673. The audit covered the period from October 1, 2003 through December 31, 2005, and included a total of \$5.8 million in costs claimed by GOSV. In response to the audit report, the Executive Department submitted additional documentation and explanations regarding the costs. The Department has been informally advised that, as of June 21, 2007, the amount of disallowed costs has been reduced to \$95,012; the final amount of disallowed costs is still being negotiated.

## **Current Status of Findings From Preceding Audit Report**

We reviewed the current status of the 11 fiscal/compliance items from our preceding audit report dated November 7, 2005. We determined that the Department satisfactorily addressed six of these items. The remaining five items are repeated in this report, two of which are combined into one item.

We also determined the status of the remaining issue from our preceding audit report that was initially identified in our August 16, 1996 special report on the Systems Reform Initiative. We have determined that the Governor's Office for Children has taken satisfactory action to resolve this issue.

## Findings and Recommendations

### Governor's Office of Crime Control and Prevention Grants

#### **Finding 1**

**The Governor's Office of Crime Control and Prevention (GOCCP) had not implemented procedures to ensure that expenditures for the Victim and Witness Protection Program were proper.**

#### **Analysis**

As of July 31, 2007, GOCCP had not implemented comprehensive procedures to ensure that expenditures from the Victim and Witness Protection and Relocation Program had been approved, were consistent with the purpose of the Program, and had not exceeded the amount of the appropriation. According to the State's accounting records, GOCCP made six grant payments, totaling \$600,000, to the State's Attorneys' Coordinator during our audit period.

State law established the position of the State's Attorneys' Coordinator and specified that the Coordinator would administer the Victim and Witness Protection and Relocation Program. The purpose of the Program is to protect crime victims and witnesses, and their families, and to relocate victims and witnesses to protect them or to facilitate their participation in court proceedings.

In our preceding audit report, we recommended that GOCCP enter into written agreements with the State's Attorneys' Coordinator for the Victim and Witness Protection Program which delineate the uses of the funds, the responsibilities of all parties, the expenditure reporting requirements, and verification procedures for funds spent. We also recommended that GOCCP obtain expenditure reports and monitor the use of the funds. The Department disagreed with these recommendations and contended that it was only responsible for distributing the funds to the State's Attorneys' Coordinator and not for monitoring the use of the funds. As a result, an Opinion from the Office of the Attorney General was requested to clarify the duties of GOCCP with respect to the Program. In an Opinion, dated October 23, 2006, the Attorney General concluded that the State's Attorneys' Coordinator is responsible for approving expenditures of the Program by individual State's Attorneys and that GOCCP has no authority to question those decisions. However, the Opinion stated that, because the Program funds appear in GOCCP's budget, it is responsible for ensuring that the State's

Attorneys' Coordinator has approved the expenditures of funds, that the disbursements of funds appear to be consistent with the purposes of the Program, and that the disbursements do not exceed the amount of the appropriation.

On May 2, 2007, the Coordinator and GOCCP entered into an agreement which defines each party's responsibilities. For example, the agreement provides that the Coordinator will obtain an accounting of expenditures made under the Program from the individual State's Attorneys. The agreement also specifies that GOCCP will ensure that the Coordinator has approved expenditures under the Program, that disbursements were consistent with the purposes of the Program, and that disbursements did not exceed the appropriation. While correspondence between the Coordinator and the GOCCP indicates that reports of activity will be provided to GOCCP, the details of these reports had not been determined and no reports had been provided as of July 31, 2007. In our opinion, to accomplish GOCCP's oversight responsibility, the Office should obtain detailed information (such as, expenditure reports by individual State's Attorneys, by category of expense) from the Coordinator, in accordance with the intent of the aforementioned Opinion.

#### **Recommendation 1**

**We again recommend that GOCCP implement comprehensive procedures to monitor the use of the funds from this Program. We also recommend that GOCCP obtain detailed information from the Coordinator to facilitate the performance of its responsibilities, as outlined in the Attorney General's Opinion, and as defined in the aforementioned agreement.**

### **Federal Funds**

#### **Finding 2**

**Controls over the records related to federal fund activity at certain units were deficient.**

#### **Analysis**

Controls over the records related to federal funds at the Governor's Office on Service and Volunteerism (GOSV) and GOCCP—both units under Boards, Commissions, and Offices—were deficient. Specifically, we noted the following conditions:

- GOSV did not routinely reconcile federal fund activity recorded in its system with the State's accounting records (FMIS). As of January 31, 2007, no monthly reconciliations for activity subsequent to June 30, 2006 had been

completed. In addition, when the reconciliations were performed, supervisory review of the monthly reconciliations was not documented. Consequently, assurance was lacking that these reconciliations were properly performed and reviewed.

- The time allocation sheets used to record employee time in the GOCCP time and attendance database were not always available or signed by the respective supervisors. These time allocation sheets are critical for ensuring that personnel costs are properly allocated to the various federal programs. Specifically, our test of a two-month period for 13 employees disclosed that, for 4 of these employees, there was inadequate documentation supporting the time allocation. The allocation document could not be located for one month for one employee and, for all 4 employees, the time allocation sheets were not properly reviewed and approved by supervisory personnel for either one or both months reviewed.

According to the State's records, fiscal year 2006 GOSV and GOCCP federal fund expenditures totaled \$3.9 million and \$18.6 million, respectively.

## **Recommendation 2**

**We recommend that adequate controls be established over federal fund activity. Specifically, we recommend that the Department ensure that monthly reconciliations of federal fund activity are performed. We further recommend that supervisory personnel review and approve these reconciliations. We also recommend that the Department ensure that all time allocation documents are properly reviewed and approved by supervisory personnel and that they be maintained for future reference.**

## **Information Systems Security and Control**

### **Background**

The Department of Budget and Management – Office of Information Technology (DBM—OIT) provides information technology services to the Executive Department – Governor. DBM—OIT operates and maintains a wide area network for the Executive Department which provides connectivity and Internet access to its various units. DBM—OIT provides IT support services, such as network and server administration, to the Executive Department's units and maintains key Executive Department applications, including the Letter Scanning and Routing System application (LSARS), the email system, and the Governor's website.

**Finding 3**

**The Executive Department did not adequately address disaster recovery or backup of critical files.**

**Analysis**

The Department did not adequately address disaster recovery or backup of critical files.

- The Department did not have a complete information technology disaster recovery plan for recovering from disaster scenarios (for example, a fire). In accordance with the Department of Budget and Management's *IT Disaster Recovery Guidelines*, a complete information systems disaster recovery plan should, at a minimum, address backup procedures, offsite storage, roles, responsibilities and complete contact listings of critical personnel, network connectivity considerations and equipment replacement. However, the Department's plan did not sufficiently address any of these elements. Without a formal information technology disaster recovery plan, a disaster could cause significant delays (for an undetermined period of time) in restoring operations above and beyond the expected delays that would exist in a planned recovery scenario. A similar condition was commented upon in our two preceding audit reports.
- As of February 26, 2007, the most recent backup tapes for critical servers stored at an offsite facility were two months old. In addition, our testing of file backup procedures disclosed that, for the three dates tested, backup tapes were not created for three of seven critical servers tested.

**Recommendation 3**

**We again recommend that the Department comply with the aforementioned *IT Disaster Recovery Guidelines* and develop and implement a complete disaster recovery plan. We also recommend that the Department maintain recent backups of all critical servers.**

**Finding 4****Security over the Department's computer network needs to be enhanced.****Analysis**

Security over the Department's internal network needs to be enhanced.

Specifically, we noted the following conditions:

- A number of publicly accessible servers were located on the internal network rather than in a separate network zone to minimize security risks. These servers, which could potentially be compromised, exposed the internal network to attack from external sources. A similar condition was commented upon in our two preceding audit reports.
- Firewall rules allowed various unnecessary or outdated connections to portions of the Department's internal network, placing various network devices at risk. For example, we identified 38 outdated firewall rules, many of which allowed Internet access to the Department's internal network over numerous ports.
- Intrusion detection prevention (IDP) systems were not used to protect critical portions of the network. While the network included an IDP system, it was not enabled. IDP systems gather and analyze network traffic to identify and block network security breaches and attacks, and alert network administrators of these situations. A similar condition was commented upon in our preceding audit report.
- The Department operated a wireless network with connectivity to the internal network. However, the encryption protocol used to secure transmission of data was not secure and could be easily compromised using readily available tools.
- We were advised that the firewall logs were not regularly reviewed. In addition, any reviews performed were not documented. Accordingly, there were increased risks of unauthorized or malicious network activity occurring and not being detected in a timely manner. A similar condition was commented upon in our two preceding audit reports.

#### **Recommendation 4**

**We again recommend that the Department improve security over its internal network. Specifically, we made detailed recommendations which, if implemented, should provide for adequate security over the internal network.**

### **Equipment**

#### **Finding 5**

**Proper controls were not established over the Department's equipment.**

#### **Analysis**

Record keeping and physical inventory procedures at the Department were not in compliance with certain provisions of the Department of General Services (DGS) *Inventory Control Manual*. The Governor's Finance Office (GFO) provides various support services to units of the Executive Department, including the maintenance of the equipment control accounts. According to the Department's records, as of June 30, 2006, the value of the equipment for all of these units totaled approximately \$4 million, including the Governor's Office equipment of approximately \$1.6 million. Our review disclosed the following conditions:

- Although the Department advised us that an annual physical inventory had been conducted of the Governor's Office equipment, it did not maintain support, such as inventory count sheets, to document that the inventory had been conducted and that the results of the physical inventory had been reconciled to the related detail records.
- The detail equipment records for the Governor's Office were not adequately maintained. For example, our test of 41 equipment purchases, totaling \$32,778, disclosed that 4 items (consisting of 3 monitors and a computer), valued at \$1,254, were not recorded in the detail records. In addition, of the 18 items selected for testing from the detail records, 17 items valued at \$67,442 (consisting of scanners, printers and related computer equipment) could not be physically located by the Governor's Office property officer.
- The GFO performed a reconciliation of the control accounts for all units with the related detail records as of June 30, 2006. However, as of April 2007, unreconciled differences totaling approximately \$211,000 remained. In addition, for four of the units, with equipment valued at approximately



\$353,000, the GFO did not submit an annual report of fixed assets as required by DGS for the period ending June 30, 2006.

The DGS *Inventory Control Manual* requires that detail equipment records be maintained by State agencies and that physical inventories be conducted and reconciled to the detail records on a periodic basis. The *Manual* also states that a control account should be maintained and that a periodic reconciliation of the control account to the detail records should be performed and approved.

#### **Recommendation 5**

**We recommend that the Department comply with the aforementioned requirements of the *Inventory Control Manual*.**

### **Cash Receipts**

#### **Finding 6**

**Internal controls over collections at two units were not adequate, and collections were not always deposited timely.**

#### **Analysis**

Collections received by the State Ethics Commission and Volunteer Maryland—both units under Boards, Commissions and Offices—were not adequately controlled and deposited in a timely manner. According to the records of the Governor's Finance Office (GFO), collections deposited by these two units totaled approximately \$238,000 for fiscal year 2006. Specifically, we noted the following conditions:

- Independent verifications were not performed at either unit to ensure that collections were forwarded to and received by the GFO for deposit, or that they had been recorded in the State's accounting records. Furthermore, the Volunteer Maryland employee who maintained the accounts receivable records also had access to the related cash receipts.
- Neither of these units forwarded collections to the GFO for deposit in a timely manner. Our test of 29 receipts, totaling \$162,600 from both offices, disclosed that 27 receipts totaling \$153,050 were deposited from three to eight business days after receipt. In addition, late fees collected by the enforcement unit of the State Ethics Commission which, according to its records totaled approximately \$11,000 during fiscal year 2006, were sometimes held for several weeks prior to deposit and were not adequately secured during this

time. The Comptroller of the Treasury's *Accounting Procedures Manual* requires that receipts be deposited no later than the first working day after receipt.

Similar situations related to the State Ethics Commission were commented upon in our preceding audit report.

#### **Recommendation 6**

**We again recommend that employees without access to the collections verify that all recorded collections were received by the GFO for deposit. We also recommend that an employee without access to collections maintain the related accounts receivable records. In addition, we again recommend that collections be deposited no later than the first working day after receipt, as required. Finally, we recommend that all receipts be adequately secured prior to deposit.**

## **Payroll**

#### **Finding 7**

**A contractual employee was improperly paid \$7,557 after terminating from State service.**

#### **Analysis**

A contractual employee was improperly paid \$7,557 after terminating from State service. Specifically, this employee terminated service with the State on May 9, 2005, but continued to receive compensation through June 30, 2005. We were advised that the employee's immediate supervisor believed that the supervisor's own unused compensatory leave could be used so that the employee could continue to be paid through the end of the contract. However, State regulations do not provide for this. Since the employee did not work during the period from May 9, 2005 through June 30, 2005, nor did the employee have available leave to cover this time frame, the employee was not entitled to the compensation under the terms of the service contract. In this regard, the applicable service contract states that the employee should be compensated for the performance of services that were set forth in the contract.

#### **Recommendation 7**

**We recommend that the Department consult with the Office of the Attorney General in this matter and take appropriate action.**

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

We have audited the following units of the Executive Department for the periods noted. At the request of the Executive Department – Governor, the units were audited concurrently and one audit report is being issued.

Governor	January 1, 2005 to January 16, 2007
Boards, Commissions, and Offices	January 1, 2005 to January 16, 2007
Office for Children, Youth, and Families	January 1, 2005 to June 30, 2005
Office for Children	July 1, 2005 to January 16, 2007
Office of the Deaf and Hard of Hearing	January 1, 2005 to January 16, 2007

The audit was conducted in accordance with generally accepted government auditing standards.

As prescribed by State Government Article, Section 2-1221 of the Annotated Code of Maryland, the objectives of this audit were to examine the Department's financial transactions, records and internal controls, and to evaluate its compliance with applicable State laws, rules, and regulations. We also determined the current status of the fiscal/compliance findings, as well as the remaining issue that pertained to our 1996 special report on Systems Reform Initiative at the Office for Children, Youth, and Families (subsequently the Office for Children), included in our preceding audit report.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of materiality and risk. Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of the Department's operations. We also tested transactions and performed other auditing procedures that we considered necessary to achieve our objectives. Data provided in this report for background or informational purposes were deemed reasonable, but were not independently verified.

Our audit included various support services (such as payroll, processing vendor payment transmittals) provided by the Executive Department – Governor on a centralized basis to certain units and agencies within the Executive and Administrative Control area of State Government (such as the Secretary of State), as well as to the Maryland State Board of Contract Appeals. As previously

requested by the Governor's Office, our audit also included activities related to the operation and maintenance of Government House (for example, payroll for staff, inventory record keeping).

We did not audit the Department's federal financial assistance programs for compliance with federal laws and regulations because the State of Maryland engages an independent accounting firm to annually audit such programs administered by State agencies.

Our audit scope was limited with respect to the Department's cash transactions because the Office of the State Treasurer was unable to reconcile the State's main bank accounts during a portion of the audit period. Due to this condition, we were unable to determine, with reasonable assurance, that all Department cash transactions prior to July 1, 2005 were accounted for and properly recorded on the related State accounting records as well as the banks' records.

The Department's management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records, effectiveness and efficiency of operations including safeguarding of assets, and compliance with applicable laws, rules and regulations are achieved.

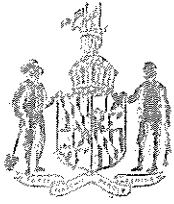
Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

Our reports are designed to assist the Maryland General Assembly in exercising its legislative oversight function and to provide constructive recommendations for improving State operations. As a result, our reports generally do not address activities we reviewed that are functioning properly.

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 the Department's ability to maintain reliable financial records, operate effectively and efficiently, and/or comply with applicable laws, rules, and regulations. Our report also includes findings regarding significant instances of noncompliance with applicable laws, rules, or regulations. Other less significant findings were communicated to the Department that did not warrant inclusion in this report.

The Executive 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



MICHAEL R. ENRIGHT  
CHIEF OF STAFF

STATE OF MARYLAND  
OFFICE OF THE GOVERNOR

October 3, 2007

Mr. Bruce A. Meyers, CPA  
Legislative Auditor  
Office of Legislative Audits  
301 West Preston Street, Room 1202  
Baltimore, Maryland 21201

Dear Mr. Meyers:

Enclosed please find our responses, prepared by the appropriate Executive Department staff, to the draft report dated September 2007 of the audit of the Office of the Governor; Executive Department Boards, Commissions and Offices; Office for Children; and Office of the Deaf and Hard of Hearing. The responses are in the same order as presented in the draft report.

Thank you for the opportunity to respond to the draft audit report. If you or your staff has any questions concerning the responses, please do not hesitate to contact Deputy Chiefs of Staff Peggy Watson and Matt Gallagher or the Director of Financial Administration, Robert Platky.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael R. Enright".

Michael R. Enright  
Chief of Staff

MRE:kt  
encl.

cc: Peggy J. Watson, Deputy Chief of Staff  
Matthew D. Gallagher, Deputy Chief of Staff  
Robert Platky, Director of Financial Administration

**Questioned Costs - Governor's Office on Service and Volunteerism**

Agency Update: Virtually all outstanding documentation has been received from GOSV's grantees and forwarded to the Corporation for National and Community Service with a formal appeal as to the disallowed costs. The Office is currently in discussion with the CNCS Office of Audit Resolution and Policy regarding this appeal.

**Recommendation 1 - State's Attorneys' Coordinator Grants**

**We again recommend that GOCCP implement comprehensive procedures to monitor the use of the funds from this Program. We also recommend that GOCCP obtain detailed information from the Coordinator to facilitate the performance of its responsibilities, as outlined in the Attorney General's Opinion, and as defined in the aforementioned agreement.**

We partially agree. As has been noted in the audit report, in furtherance of the recommendations of the preceding legislative audit regarding this Program, GOCCP staff negotiated and entered into a written agreement with the State's Attorney's Coordinator. Subsequently, on July 17, 2007, staff met with the Coordinator to determine the precise nature of the reporting to be required both from the local State's Attorneys offices to the Coordinator and from the Coordinator to GOCCP. As this agreement was not in effect for the fiscal year just closed, it was agreed at that time that the required FY2007 year-end expenditure report would delineate total expenditures by jurisdiction, as certified by the Coordinator, and would be submitted by the end of August. This report was received by GOCCP on August 29<sup>th</sup>.

Beginning with FY2008, the local State's Attorneys will be required to complete and submit a newly-developed quarterly accounting form, detailing expenditures by categories and attested to by the State's Attorney, to the Coordinator. The Coordinator will then submit to GOCCP a summary quarterly report, detailing the distribution of funds by jurisdiction. Accompanying this report will be a statement certifying that "the State's Attorneys' Coordinator has approved the expenditure of the foregoing funds by the jurisdictions indicated and the disbursement of these funds was consistent with the purposes of the Witness Protection and Relocation Fund". This report is due to GOCCP thirty days after the end of each quarter.

The Coordinator has incorporated the new process, as summarized above, into revised Witness Protection & Relocation Fund Guidelines and Regulations, which have been approved by the State's Attorneys Coordination Council and distributed statewide. We believe that the procedures that have been established and are being implemented are fully consistent with the prior audit recommendations and both the Coordinator's and GOCCP's legal responsibilities under law, as outlined in the Attorney General's opinion.

**Recommendation 2 – Controls over Federal Funds**

**We recommend that adequate controls be established over federal fund activity. Specifically, we recommend that the Department ensure that monthly reconciliations of federal fund activity are performed. We further recommend that supervisory personnel review and approve these reconciliations. We also recommend that the Department ensure that all time allocation documents are properly reviewed and approved by supervisory personnel and that they be maintained for future reference.**

We agree. While GOSV had confirmed the proper recording of most of its Federal fund activities, insufficient documentation was kept. The agency will implement an assurance procedure for monthly reconciliations that includes supervisory review and approval.

GOCCP will ensure that all time allocation documents and employee time sheets are properly reviewed and approved by supervisory personnel and that the time allocation documents be maintained for future audit verification. It should be noted that at the time of the audit, however, the use of their time and attendance database to properly allocate payroll expenses to the appropriate Federal or State funding sources was quite new; this process did not officially begin until FY06, although the initial start up and testing were being undertaken during FY05. There were some inevitable learning curves that had to be overcome, and they have been; the Federal funding agency is now recommending that other States adopt GOCCP's methodology for tracking staff time allocations.

**Recommendation 3 – IT Disaster Recovery/Backup of Files**

**We again recommend that the Department comply with the aforementioned *IT Disaster Recovery Guidelines* and develop and implement a complete disaster recovery plan. We also recommend that the Department maintain recent backups of all critical servers.**

We agree. A Disaster Recovery Plan (DRP) and a Continuity of Operations Plan (COOP) exist and do contain the processes and procedures to restore critical IT systems in support of critical Executive Office of the Governor (EOG) business functions. However, these plans have not been updated to accurately reflect personnel and technological changes associated with the current Administration. This Disaster Recovery Plan is being re-written in accordance with the Department of Budget and Management's *IT Disaster Recovery Guidelines*, and will contain all elements noted in the auditor's analysis. Additionally, this plan will be periodically reviewed and updated. The revised DRP is expected to be completed by December 2007.



During the audit period, the Department recognizes that there was a problem in performing the normal backup procedures of the referenced servers. The application errors that caused this issue have been resolved and backups resumed in accordance with Departmental procedures, which were developed based on the Department's business impact analysis and risk mitigation strategies. Since March 2007, weekly backup tapes have been sent to a local off-site location while monthly backup tapes are sent to a secure third party tape vaulting service.

#### **Recommendation 4 – Computer Network Security**

**We again recommend that the Department improve security over its internal network. Specifically, we made detailed recommendations which, if implemented, should provide for adequate security over the internal network.**

We agree. At the time of the audit, the Department had just recently replaced the firewall. Configurations and policies were migrated "as is" from the old unit to the new one. This strategy was the preferred method to minimize potential security risks resulting from a required reengineering of the firewall's configuration, and to minimize the possibility of service unavailability during the 2007 General Assembly Session.

The Department has reviewed firewall configurations and made the changes necessary to comply with best practices and the State security policy. The new configuration addresses the audit issues to ensure that security exposures to critical systems inside the network are limited.

The Department has corrected the configuration associated with referenced wireless network and will continue to ensure the proper configuration of all approved wireless access devices to ensure the network is secured. The Department also implemented firewall logs, which are centrally reviewed by DBM - OIT security personnel. These reviews and investigations of any unusual activity noted are documented and maintained for future reference.

The Department is in process of implementing additional recommendations discussed with the auditors to provide for adequate security over the internal network. Implementation of these recommendations should be completed by December 2007.

#### **Recommendation 5 – Controls Over Equipment**

**We recommend that the Department comply with the aforementioned requirements of the *Inventory Control Manual*.**

We agree. The Department has made progress in its efforts to improve its inventory procedures and remains committed to conducting these activities in accordance with applicable procedures. As part of this effort, in addition to those procedures enumerated in this recommendation, we will strengthen our accountability procedures for portable electronic devices.

#### **Recommendation 6 – Controls Over Collections**

**We again recommend that employees without access to the collections verify that all recorded collections were received by the GFO for deposit. We also recommend that an employee without access to collections maintain the related accounts receivable records. In addition, we again recommend that collections be deposited no later than the first working day after receipt, as required. Finally, we recommend that all receipts be adequately secured prior to deposit.**

We agree. While both agencies cited in the audit report already substantially comply with appropriate internal control procedures regarding reconciliations and timeliness, efforts will be made to ensure more complete compliance. In addition, the State Ethics Commission staff has eliminated its practice of holding certain deposits until action is taken by the Commission on the relevant enforcement action.

#### **Recommendation 7 – Payments to Contractual Employee**

**We recommend that the Department consult with the Office of the Attorney General in this matter and take appropriate action.**

We agree. These events occurred under a prior Administration and, as a result, we are not aware of all of the facts and circumstances leading to the decision to approve the referenced leave. We do note that there is evidence that the supervisor in question sought and received the approval of her supervisor, a former Deputy Chief of Staff to the Governor, prior to allowing the subject employee to be paid through the end of her contract. According to our review, it appears that both the immediate supervisor and the employee attempted to follow proper procedures with regard to this request (the supervisor's compensatory leave balance was reduced by the amount of leave used by the employee).

Based on the facts that are known to us, we would not elect to seek recovery of the funds paid to the employee, nor to take action against the supervisor, more than two years after the money was paid, as a result of a decision made by a prior Administration. We agree, however, to consult with the Office of the Attorney General in this matter.

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