

DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Victoria L. Gruber
Executive Director

February 7, 2018

Thomas J. Barnickel III, CPA
Legislative Auditor

Senator Edward J. Kasemeyer, Chair
Senate Budget and Taxation Committee
Miller Senate Office Building, 3 West Wing
11 Bladen Street
Annapolis, Maryland 21401

Delegate Maggie McIntosh, Chair
House Appropriations Committee
House Office Building, Room 121
6 Bladen Street
Annapolis, Maryland 21401

Dear Senator Kasemeyer and Delegate McIntosh:

The Office of Legislative Audits (OLA) has reviewed the actions taken by the Department of Juvenile Services (DJS) to resolve the four repeat findings in our May 15, 2014 audit report. This review was conducted in accordance with a requirement specified in the April 2017 *Joint Chairmen's Report* (JCR), page 174. The JCR required that, prior to the release of \$50,000 of its administrative appropriation for fiscal year 2018, DJS must take corrective action on all repeat audit findings on or before November 1, 2017. The JCR language further provided that OLA submit a report to the budget committees listing each repeat audit finding along with a determination that each finding was corrected. The OLA report is required to be submitted to allow 45 days for the budget committees to review and release the funds prior to the end of the fiscal year.

The May 15, 2014 audit report of DJS contained four repeat audit findings (findings 1, 4, 7, and 12) that were addressed by five recommendations. This is the second year that a requirement regarding repeat audit findings in this audit report has been included in the JCR for DJS. In response to the requirement in the April 2015 JCR, we notified the budget committees on May 9, 2016 that DJS had resolved the two recommendations related to findings 1 and 4, and that the three recommendations relating to findings 7 and 12 remained unresolved. In addition, we have recently issued our subsequent audit report on DJS, dated November 1, 2017, in which we reviewed the status of all repeat findings from the May 15, 2014 audit report.


In accordance with the April 2017 JCR requirement, DJS provided a report to OLA, dated October 26, 2017, detailing the corrective actions it had taken with respect to the repeat audit findings. We reviewed this report and considered the results of our recently completed audit of DJS to assess the implementation status of the related recommendations. Our review did not constitute an audit conducted in accordance with generally accepted government auditing standards.

Exhibit 1 is DJS's October 26, 2017 status report, which indicated that corrective actions had been completed to address the recommendations for three findings and that corrective actions were ongoing for the remaining finding. Our review determined that DJS had not taken sufficient actions to correct finding 7, while findings 1, 4, and 12 were resolved.

A summary of OLA's assessment of the status of each of the repeat audit findings is included in the attached Exhibit 2. Exhibit 3 contains OLA's assessment regarding the repeat finding that had not been resolved, which is primarily based on our recent audit report and is consistent with DJS' October 26, 2017 status report.

We trust our response satisfactorily addresses the JCR requirement. Please contact me if you need additional information.

Sincerely,



Thomas J. Barnickel III, CPA
Legislative Auditor

cc: Senator Craig J. Zucker, Co-Chair, Joint Audit Committee
Delegate C. William Frick, Co-Chair, Joint Audit Committee
Joint Audit Committee Members and Staff
Senator Thomas V. Mike Miller, Jr., President of the Senate
Delegate Michael E. Busch, Speaker of the House of Delegates
Governor Lawrence J. Hogan, Jr.
Comptroller Peter V.R. Franchot
Treasurer Nancy K. Kopp
Attorney General Brian E. Frosh
Honorable David R. Brinkley, Secretary, Department of Budget and Management
Honorable Sam J. Abed, Secretary, Department of Juvenile Services
Lynette E. Holmes, Deputy Secretary, Support Services, DJS
Linda S. McWilliams, Deputy Secretary, Operations, DJS
Sheri S. Sanford, Director of Internal Audit, DJS
Michael DiBattista, Chief Financial Officer, DJS
Joan M. Peacock, Manager, Audit Compliance Unit, DBM
Victoria L. Gruber, Executive Director, Department of Legislative Services
Rebecca J. Ruff, Policy Analyst, Department of Legislative Services
Stephen M. Ross, Policy Analyst, Department of Legislative Services
Hannah E. Dier, Policy Analyst, Department of Legislative Services

Exhibit 1 to February 7, 2018 Letter to Joint Chairmen



MARYLAND Department of Juvenile Services

Successful Youth • Strong Leaders • Safer Communities

One Center Plaza
120 West Fayette Street
Baltimore, MD 21201

Boyd K. Rutherford
Lt. Governor

Larry Hogan
Governor

Sam Abed
Secretary

October 26, 2017

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

Dear Mr. Barnickel:

Attached is the corrective action taken by the Department of Juvenile Services for the four (4) repeat findings in our May 14, 2014 audit report issued by the Office of Legislative Audits.

As requested, we are sending both a paper copy and an electronic copy of our response. If you have any questions, or require additional information, please do not hesitate to call me at 410-230-3101.

Sincerely,

Sam Abed
Secretary

Attachment

OCT 30 2017



Maryland Department of Juvenile Services
Audit Response – October 26, 2017

Recommendation 1

We recommend that DJS establish independent online approval requirements for all critical disbursement transactions (repeat). If DJS elects to use alternate approval processes, we recommend that DJS comply with the applicable requirements of the *Manual*.

As per the draft audit report dated September 27, 2017, this item was satisfactorily addressed.

Recommendation 4

We recommend that DJS

- a. obtain financial statements within the required timeframes and follow up with the contractors that are delinquent in submitting financial statements on a timely basis (repeat), and
- b. conduct the required audits within the established time intervals.

As per the draft audit report dated September 27, 2017, this item was satisfactorily addressed.

Recommendation 7

We recommend that

- a. DJS restrict restitution system access to ensure that employees with the capability to establish or adjust case data do not also have the capability to post and initiate payments on the system (repeat), or ensure an independent supervisor performs a documented review to determine the propriety of all critical transactions posted to the restitution system on a timely basis (that is, monthly),
- b. an independent employee conduct reconciliations of DJS' restitution records with corresponding records maintained by the bank and by the State Comptroller (repeat) and investigate and resolve any differences, and
- c. DJS pursue recovery of the above identified overpayments.

As per the draft audit report dated September 27, 2017, item (c) has been satisfactorily addressed.

The Department will continue ongoing efforts to address the deficiencies in the Restitution process. Work papers related to item (b) and (a) have reviewed by the OLA during the most recent audit.

Recommendation 12

We recommend that DJS comply with the requirements of the *DGS Inventory Control Manual* (repeat).

As per the draft audit report dated September 27, 2017, this item was satisfactorily addressed.



Exhibit 2 to February 7, 2018 Letter to Joint Chairmen

Status of Repeat Findings in OLA's May 15, 2014 Audit Report on the Department of Juvenile Services (DJS)

Prior Recommendations Pertaining to Repeat Findings	Status Based on OLA Review
Purchases and Disbursements 1. We recommend that DJS establish independent online approval requirements for all critical disbursement transactions.	Resolved
Youth Care Contracts 4. We recommend that DJS <ul style="list-style-type: none"> a. obtain financial statements within the required timeframes and follow up with contractors that are delinquent in submitting financial statements on a timely basis. 	Resolved
Restitution 7. We recommend that <ul style="list-style-type: none"> a. DJS restrict restitution system access to ensure that employees with the capability to establish or adjust case data do not also have the capability to post and initiate payments on the system. 	Not Resolved
<ul style="list-style-type: none"> b. an independent employee conducts reconciliations of DJS' restitution records with corresponding records maintained by the bank and by the State Comptroller 	Not Resolved
Equipment 12. We recommend that DJS comply with the requirements of the DGS <i>Inventory Control Manual</i> .	Resolved *

* - For equipment audit findings, OLA customarily makes a generic recommendation for the agency to comply with DGS policy. In the case of the repeat finding in the May 15, 2014 audit report, the specific audit findings were not repeated in the November 1, 2017 report and OLA deemed the finding to have been resolved.

Exhibit 3 to February 7, 2018 Letter to the Joint Chairmen

OLA's Assessments Regarding Repeat Findings That Were Not Resolved

Prior Report Recommendation – Finding 7

We recommend that

- a. DJS restrict restitution system access to ensure that employees with the capability to establish or adjust case data do not also have the capability to post and initiate payments on the system (repeat), and**
- b. an independent employee conduct reconciliations of DJS' restitution records with corresponding records maintained by the bank and by the State Comptroller (repeat).**

Status: Not Resolved

In our November 1, 2017 audit report, we noted that DJS had not adequately restricted restitution system access. Specifically, one headquarters employee had full, unrestricted access to the Restitution Tracking System (RTS) and was primarily responsible for recording changes to restitution orders entered into RTS and processing restitution payments. This employee also had the capability to record new restitution orders and none of these transactions were subject to independent supervisory review.

We also noted that DJS had not reconciled its records of unmatched collections on RTS with the corresponding balance on the State Comptroller's records since January 1997. The unmatched collections balance represents lockbox payments that could not be readily identified to a specific restitution account. As of December 31, 2015, the fund balance of unmatched collections on the Comptroller's records (approximately \$162,400) exceeded the balance on RTS (approximately \$91,500) by \$70,900. According to RTS, the balance of the unmatched collections comprises 1,012 payments dating back to December 7, 1993. As a result, the accuracy of RTS account balances is questionable, and DJS cannot know for certain if each account is active, delinquent, or has already been paid and should have been closed.

In its status report, DJS stated that it would continue ongoing efforts to address the deficiencies in the restitution process.