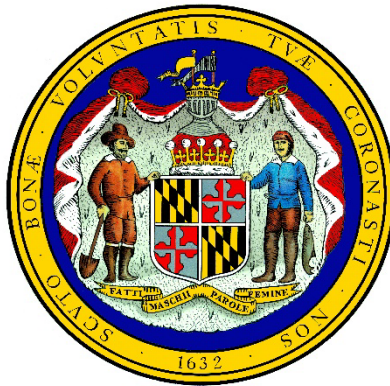


Audit Report

Department of Natural Resources

April 2025



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DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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Victoria L. Gruber
Executive Director

DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Brian S. Tanen, CPA, CFE
Legislative Auditor

April 24, 2025

Senator Shelly L. Hettleman, Senate Chair, Joint Audit and Evaluation Committee
Delegate Jared Solomon, House Chair, Joint Audit and Evaluation Committee
Members of Joint Audit and Evaluation Committee
Annapolis, Maryland

Ladies and Gentlemen:

We have conducted a fiscal compliance audit of the Department of Natural Resources (DNR) for the period beginning August 6, 2019 and ending December 31, 2023. DNR oversees the management and use of the State's living and natural resources for the current and future enjoyment of Maryland's citizens and visitors. These resources include the Chesapeake Bay and its tributaries, State forests and parks, and fisheries and wildlife.

Our audit disclosed that DNR did not effectively monitor State and local Forest Conservation Act programs to ensure they complied with the terms of the program and did not properly account for the related funds. For example, DNR did not use \$3.4 million collected for reforestation projects within the required timeframe and did not refund the funds to the paying entities to use for planting trees as required by State law. Similar conditions were noted in our preceding audit report.

Our audit also disclosed that DNR did not evaluate the Chesapeake and Atlantic Coastal Bays Trust Fund grant proposals using the published grant selection criteria and certain grants were not competitively awarded as required by law. For example, DNR awarded two grants totaling \$8.1 million without using a competitive selection process.

We also received a referral to our fraud, waste, and abuse hotline which noted that DNR was not receiving the maximum amount in the Mel Noland Woodland Incentive Fund as allowed under State law. Based on our review, we were able

to substantiate concerns raised in the allegation. Specifically, we noted that DNR did not use available information to ensure the Comptroller of Maryland (COM) transferred certain required revenue into the Fund (see Finding 5). Our analysis disclosed that for fiscal years 2020 to 2023 the COM did not transfer \$430,225 of the \$706,715 it should have under State law.

Our review also disclosed that DNR could not provide documentation to support the propriety of approximately \$1.7 million in federal fund accrued revenue. DNR also could not document the recovery of these funds and subsequently advised us that approximately \$603,000 is not recoverable because the related costs were deemed ineligible by the federal granting agency. Therefore, State general or special funds may be needed to cover these expenditures.

Finally, our review disclosed that DNR did not verify the propriety of charges totaling \$15.1 million related to technology enterprise services received from the Department of Information Technology during fiscal years 2021 through 2023. A similar condition was noted but not resolved from our preceding audit report.

DNR's 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 DNR.

Respectfully submitted,

Brian S. Tanen

Brian S. Tanen, CPA, CFE
Legislative Auditor

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- * Denotes items repeated in full or part from preceding audit report

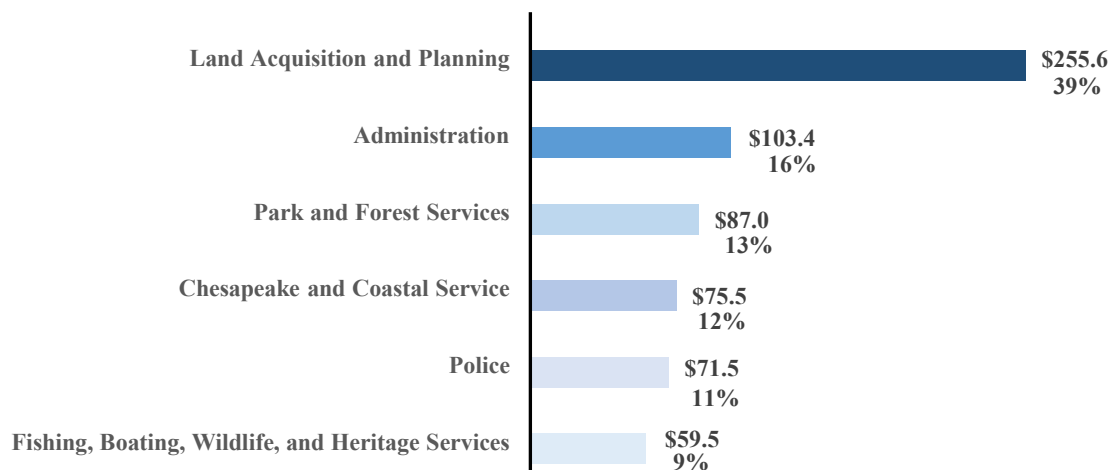
Background Information

Agency Responsibilities

The Department of Natural Resources (DNR) oversees the management and use of the State's living and natural resources for the current and future enjoyment of Maryland's citizens and visitors. These resources include the Chesapeake Bay and its tributaries, State forests and parks, and fisheries and wildlife. DNR maintains a headquarters location in Annapolis and eight Regional Service Centers.

According to the State's records, during fiscal year 2023, DNR's expenditures totaled \$652.5 million, including \$255.6 million for land acquisition through Program Open Space and \$43.1 million for capital improvement projects. See Figure 1 for DNR's fiscal year 2023 expenditures by major functional area. See Figure 2 for DNR's positions, expenditures and funding for fiscal year 2023. During the period June 30, 2021 through June 30, 2023, DNR had vacancy rates that ranged from 8.4 percent to 11.1 percent. As of June 30, 2023, approximately 11.1 percent of the total 1,386 positions were vacant. These vacancies may have contributed, at least in part, to the findings in this report.

Figure 1
DNR Expenditures by Major Functional Area
Fiscal Year 2023
(amounts in millions)



Source: Fiscal Year 2025 Operating Budget Book

Figure 2
DNR Positions, Expenditures, and Funding Sources

Full-Time Equivalent Positions as of June 30, 2023	
	Positions
Filled	1,232
Vacant	154
Total	1,386
Fiscal Year 2023 Expenditures	
	Expenditures
Salaries, Wages, and Fringe Benefits	\$156,972,744
Technical and Special Fees	14,678,776
Operating Expenses	480,869,464
Total	\$652,520,984
Fiscal Year 2023 Funding Sources	
	Funding
General Fund	\$106,574,357
Special Fund	491,318,921
Federal Fund	43,568,085
Reimbursable Fund	11,059,621
Total	\$652,520,984

Source: State financial and personnel records

Referral to Our Fraud, Waste, and Abuse Hotline

We received a referral to our fraud, waste, and abuse hotline alleging that DNR was not receiving the maximum amount in the Mel Noland Woodland Incentive Fund as allowed under State law. We reviewed DNR's process to ensure it received the maximum amount as allowed under the law.

Based on our review, we were able to substantiate the concerns raised in the allegation (see Finding 5). However, the results of our review of the allegation did not identify any issues that warranted a referral to the Office of the Attorney General – Criminal Division.

Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of the seven findings contained in our preceding audit report dated April 5, 2021. See Figure 3 for the results of our review.

Figure 3 Status of Preceding Findings		
Preceding Finding	Finding Description	Implementation Status
Finding 1	The Department of Natural Resources (DNR) overpaid for Conservation Reserve Enhancement Program easements and did not ensure that land owners complied with the terms of the easements.	Not repeated
Finding 2	DNR did not obtain required documentation needed to effectively monitor the State Forest Conservation Act (FCA) program. In addition, DNR did not use \$3.5 million collected for reforestation projects within the time required.	Repeated (Current Finding 2)
Finding 3	DNR did not effectively monitor local FCA programs to ensure local jurisdictions complied with the terms of the program and did not properly account for the related funds.	Repeated (Current Finding 1)
Finding 4	DNR did not perform periodic reviews to determine the propriety of user access to its COMPASS web-based licensing and registration system. As a result, from our limited review, we identified several users who had improper access or could process critical transactions without adequate supervisory review and certain transactions were not properly supported.	Not repeated
Finding 5	Collections at DNR's headquarters complex and the Annapolis Regional Service Center were not always safeguarded and independently verified to subsequent deposit, and certain collection functions were not separated as required.	Not repeated
Finding 6	DNR did not always comply with State procurement regulations including documenting bid openings, retaining proposals, executing contracts, and publishing contract awards on <i>eMaryland Marketplace</i> .	Not repeated
Finding 7	DNR did not ensure it received technology enterprise services during fiscal year 2020 valued at \$5 million from the Department of Information Technology.	Repeated (Current Finding 6)

Findings and Recommendations

Forest Conservation Act (FCA)

Background

Under the FCA, the State protects forests, trees, and sensitive areas by establishing standards and for development activities (subdivisions, project planning, grading permits, and sediment control plans) on certain projects. The implementation of the program is primarily performed by local jurisdictions through local forest conservation programs.

Finding 1

The Department of Natural Resources (DNR) did not effectively monitor local FCA programs to ensure they complied with the terms of the program and did not properly account for the related funds.

Analysis

DNR did not effectively monitor local FCA programs to ensure they complied with the terms of the program. State law requires DNR to monitor the local FCA programs including conducting biennial reviews that evaluate local jurisdiction compliance with performance measures and required forest conservation measures. State regulations further require as part of the biennial reviews, DNR to perform field checks at development projects subject to the local program. Our review of the most recent cycle of biennial reviews conducted in fiscal year 2022 disclosed that DNR did not conduct reviews for 15 of the 22 jurisdictions requiring a review. Although DNR advised us that it had periodically performed site visits to monitor local FCA projects, it did not provide documentation of any site visits.

DNR also did not effectively monitor and account for local forest conservation funds.¹ State law requires a local authority within each jurisdiction with a forest conservation fund to provide DNR with detailed accounting procedures for accurately tracking money received into and expended out of the local forest conservation fund. While local jurisdiction reported collections and expenses they did not report fund balances. This is significant because money deposited into the fund for reforestation or afforestation, must be used within five years (or six growing cycles) or be returned to the person who provided the funds. Without

¹ When a developer cannot reasonably plant the required acreage of trees either onsite or offsite, the developer pays a fee to the Forest Conservation Fund for the State or the local authority to perform reforestation, maintenance of existing forest, and achieving urban canopy goals.

an accurate fund balance, DNR could not readily determine whether any funds needed to be refunded.

Similar conditions were commented upon in our preceding audit report. In response to that report, DNR stated biennial reviews would be conducted in 2022 and that it would obtain a detailed listing of the local forest conservation projects from the jurisdictions. DNR also stated that it uses information in a jurisdiction's annual report to monitor fund balances and that beginning and ending balances would be added to facilitate reconciliation to the prior year's report and verification of the information. However, as noted above, most biennial reviews were not conducted. Furthermore, 12 jurisdictions did not submit annual reports to DNR and the reports that were submitted did not contain sufficient information to account for local forest conservation funds.

Recommendation 1

We recommend that DNR

- a. perform biennial reviews of all local forest conservation programs (repeat),**
- b. maintain a complete listing of local projects (repeat),**
- c. ensure all local jurisdictions submit annual reports, and**
- d. properly identify and account for the use of local forest conservation funds in accordance with State law (repeat).**

Finding 2

DNR did not use \$3.4 million collected for reforestation projects within the required timeframe and did not refund the funds to the paying entities to use for planting trees as required by State law.

Analysis

DNR did not ensure it used State FCA funds collected for reforestation projects within the time required by State law. State law requires DNR to use the funds for reforestation or afforestation (the process of introducing trees and tree seedlings to an area not previously forested) within five years or six growing seasons² after receipt of the funds or return the funds to the paying entity for tree planting. Our analysis disclosed that as of March 2024, DNR had not used or returned \$3.4 million collected prior to fiscal year 2019 as required.

² Chapter 542, Laws of Maryland 2023, effective July 1, 2023, increased the amount of time to accomplish reforestation or afforestation from two years or three growing seasons to five years or six growing seasons.

A similar condition was commented upon in our preceding audit report. In response to that report, DNR stated that it would adapt State FCA record keeping and tracking policies by September 2021 that identify if funds were used within the required time frame and refund any amounts that were not used. However, as noted above, DNR still had not ensured State FCA funds were used timely.

Recommendation 2

We recommend that DNR

- a. ensure State FCA funds are expended for reforestation and afforestation in accordance with State law (repeat); and**
- b. determine the amount of State FCA funds that have not been spent within the time required, refund those funds back to the entities in accordance with State law, and ensure that those funds are used for tree planting (repeat).**

Chesapeake and Atlantic Coastal Bays Trust Fund

Finding 3

DNR did not evaluate Chesapeake and Atlantic Coastal Bays Trust Fund grant proposals using the published grant selection criteria, and certain grants were not competitively awarded as required by State law.

Analysis

DNR did not evaluate Chesapeake and Atlantic Coastal Bays Trust Fund grant proposals using the published grant selection criteria, and certain grants were not competitively awarded as required by State law. The grant solicitation provided that grant proposals would be evaluated based on (1) geographic targeting, (2) readiness and ability to proceed, and (3) cost efficiency. According to the Chesapeake and Atlantic Coastal Bays Trust Fund Annual Report and Expenditure Plans, DNR awarded grants totaling \$64.1 million during fiscal years 2021 through 2023. Our test of seven grants³ executed between August 2020 and October 2023 totaling approximately \$23.4 million disclosed the following:

- For five grants totaling approximately \$15.3 million, DNR did not evaluate the grant proposals using the published selection criteria. Specifically, DNR only considered the readiness and ability to proceed in the evaluation process and used two criteria (maximizing opportunities and overall project) not listed in the grant solicitation. DNR could not document its change in selection criteria. We could not readily determine if the change in selection criteria

³ Grants were selected based on materiality.

resulted in awards that would otherwise not have been made if the grant proposal selection criteria was used.

- For two other grants totaling approximately \$8.1 million, DNR did not use a competitive selection process. State law requires that to the maximum extent practicable, Chesapeake and Atlantic Coastal Bays Trust Fund grants should be awarded on a competitive basis. DNR advised us that it awarded the grants without competition based on a determination by management that the related projects were a priority but could not document the basis for its decision. Both grant awards were made to one entity to help restore a portion of the Severn River that had experienced significant erosion and pollution.

Recommendation 3

We recommend that DNR

- a. evaluate grant proposals submitted based on the published selection criteria, and**
- b. ensure all grant awards are competitively solicited as required.**

Budgetary and Year-End Closing

Finding 4

DNR could not provide documentation to support the propriety of approximately \$1.7 million in federal fund accrued revenue. DNR also could not document the recovery of the funds and subsequently advised us that approximately \$603,000 is not recoverable because the related costs were deemed ineligible by the federal granting agency.

Analysis

DNR could not provide documentation to support the propriety of approximately \$1.7 million in federal fund accrued revenue or the subsequent recovery of the funds due from the Federal Emergency Management Agency (FEMA). At the end of fiscal year 2023, DNR recorded 117 non-budgeted and federal fund accrued revenue entries totaling \$18.9 million, consisting of 97 positive accrued revenue entries (recording a receivable for anticipated future funds due) totaling \$15 million, and 20 negative accrued revenue entries (deferred revenue) totaling \$3.9 million.

We reviewed six positive material federal fund accrued revenue entries totaling \$7.9 million and noted that DNR could not support the amounts accrued for two entries totaling \$2.9 million. DNR could not document that the total amount accrued was proper and represented amounts that were actually collectable.

Specifically, DNR could not support \$1.1 million of a \$1.6 million accrued revenue entry and could not support \$595,700 of a \$1.3 million accrued revenue entry. The failure to ensure these amounts were proper is significant because as of July 2024, DNR could not demonstrate that these unsupported amounts had been recovered from the federal government. After bringing this to DNR's attention, it determined that \$603,000 was not recoverable because FEMA deemed certain costs ineligible for reimbursement. Therefore, State general or special funds may be needed to cover these expenditures.

The Comptroller of Maryland's General Accounting Division's year-end closing instructions provide that accrued revenue transactions should reflect amounts that are collectable within 60 days of the end of the fiscal year.

Recommendation 4

We recommend that DNR

- a. maintain supporting documentation for accrued revenue entries; and**
- b. determine the disposition of the aforementioned entries, properly report any amounts determined to be uncollectable, and work with the Department of Budget and Management to resolve any related deficits.**

Mel Noland Woodland Incentive Fund

Background

The Natural Resources Article, Section 5-307 of the Annotated Code of Maryland established the Mel Noland Woodland Incentive Fund (Fund) to finance the Woodland Incentive Program and the Mel Noland Fellowship Program. The Woodland Incentive Program assists eligible landowners in conducting woodland management and the Mel Noland Fellowship Program supports students seeking a career in fields relating to natural resources.

We received a referral to our fraud, waste and abuse hotline alleging that DNR was not receiving all required funds allowed under State law. Based on our review, we were able to substantiate the allegation. We did not identify any issues that warranted a referral to the Office of the Attorney General's Criminal Division but did identify certain deficiencies that require corrective action by DNR as further described in the finding below.

Finding 5

DNR did not use available information to ensure the Comptroller of Maryland (COM) transferred certain required revenue into the Fund.

Analysis

DNR did not use available information to ensure COM transferred certain required revenue into the Fund. One of the Fund's revenue sources consists of up to \$200,000 annually of the proceeds of the Agricultural Land Transfer Tax that are attributable to the taxation of land that are entirely woodland. The taxes collected are submitted to COM which is responsible for distributing the revenue into the Fund.

Our review disclosed that DNR did not use available reports from the State Department of Assessments and Taxation (DAT) to ensure the proper amount was transferred to the Fund. Our analysis of DNR and DAT records for fiscal years 2020 to 2023, disclosed that COM did not transfer \$430,225 of the \$706,715 it should have under State law. For example, during fiscal year 2023 the COM only transferred \$101,240 of the \$200,000 that should have been transferred. DNR was unaware of the underfunding until we brought the matter to their attention.

Recommendation 5

We recommend that DNR

- a. ensure COM deposits the proper amount into the Fund, and**
- b. work in conjunction with COM to recover the aforementioned \$430,225.**

Disbursements**Finding 6**

DNR did not verify the propriety of \$15.1 million in charges for technology enterprise services received from the Department of Information Technology (DoIT) during fiscal years 2021 through 2023.

Analysis

DNR did not obtain adequate documentation to verify the propriety of charges totaling \$15.1 million related to technology enterprise services received from DoIT during fiscal years 2021 through 2023. Specifically, DNR did not utilize available DoIT reports to support the estimated units billed by comparing them to actual usage. For example, DNR did not attempt to verify the propriety of the support service charges for 424 desktops at a cost of \$1.2 million for fiscal year 2023.

At the beginning of fiscal year 2020, DoIT transitioned to a cost allocation model for technology enterprise services provided to State agencies, including DNR. Under this model, a total budget for services to be provided is prepared by DoIT and invoiced in four equal quarterly payments.

A similar condition regarding the verification of invoices was commented upon in our preceding audit report. In response to that report, DNR indicated it would work with DoIT on alternative methods of ensuring detailed technology enterprise invoices are received before payments are issued. DNR advised they made several attempts to obtain supporting detail from DoIT since our preceding audit report but have yet to receive adequate documentation to support services billed.

Recommendation 6

We recommend that DNR continue to work with DoIT to obtain the necessary information to ensure all technology enterprise services invoiced are supported and received, including those noted above (repeat).

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the Department of Natural Resources (DNR) for the period beginning August 6, 2019 and ending December 31, 2023. The audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

As prescribed by the State Government Article, Section 2-1221 of the Annotated Code of Maryland, the objectives of this audit were to examine DNR'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, corporate purchasing cards, cash receipts, payroll, equipment, and special funds. Our information systems security and control review included cloud computing, system access and authentication, and malware prevention. Furthermore, we reviewed activities related to the Mel Noland Woodland Incentive Fund based on a referral to our fraud, waste, and abuse hotline. Finally, we determined the status of the findings contained in our preceding audit report.

Our audit did not include an evaluation of internal controls over compliance with federal laws and regulations for federal financial assistance programs and an assessment of DNR's compliance with those laws and regulations because the State of Maryland engages an independent accounting firm to annually audit such programs administered by State agencies, including DNR.

Our assessment of internal controls was based on agency procedures and controls in place at the time of our fieldwork. Our tests of transactions and other auditing procedures were generally focused on the transactions occurring during our audit period of August 6, 2019 to December 31, 2023, but may include transactions before or after this period as we considered necessary to achieve our audit objectives.

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, tests of transactions, and to the extent practicable, observations of DNR's operations. Generally,

transactions were selected for testing based on auditor judgment, which primarily considers risk, the timing or dollar amount of the transaction, or the significance of the transaction to the area of operation reviewed. As a matter of course, we do not normally use sampling in our tests, so unless otherwise specifically indicated, neither statistical nor non-statistical audit sampling was used to select the transactions tested. Therefore, unless sampling is specifically indicated in a finding, the results from any tests conducted or disclosed by us cannot be used to project those results to the entire population from which the test items were selected.

We also performed various data extracts of pertinent information from the State's Financial Management Information System (such as revenue and expenditure data) and the State's Central Payroll Bureau (payroll data), as well as from the contractor administering the State's Corporate Purchasing Card Program (credit card activity). The extracts are performed as part of ongoing internal processes established by the Office of Legislative Audits and were subject to various tests to determine data reliability. We determined that the data extracted from these sources were sufficiently reliable for the purposes the data were used during this audit. Finally, we performed other auditing procedures that we considered necessary to achieve our audit objectives. The reliability of data used in this report for background or informational purposes was not assessed.

DNR'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. As provided in *Government Auditing Standards*, there are five components of internal control: control environment, risk assessment, control activities, information and communication, and monitoring. Each of the five components, when significant to the audit objectives, and as applicable to DNR, were considered by us during the course of this audit.

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

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

This report includes findings related to conditions that we consider to be significant deficiencies in the design or operation of internal control that could adversely affect DNR'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 DNR that did not warrant inclusion in this report.

DNR'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 DNR regarding the results of our review of its response.

APPENDIX



Wes Moore, Governor
Aruna Miller, Lt. Governor
Josh Kurtz, Secretary
David Goshorn, Deputy Secretary

April 24, 2025

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

Dear Mr. Tanen,

Thank you for your draft audit report for the Department of Natural Resources for the period beginning August 6, 2019, through December 31, 2023. Enclosed is our agency response.

We would like to thank you and your team for your professionalism and collaborative approach throughout the audit process. Should you need clarification or additional information, please contact Dona Goeller at 410-260-8394 or Dona.Goeller@Maryland.gov.

Sincerely,



Josh Kurtz
Secretary

Department of Natural Resources

CC: David Goshorn, Deputy Secretary
Julia Solomon, Assistant Secretary
Dona Goeller, Director, Audit and Management Review

Department of Natural Resources

Agency Response Form

Forest Conservation Act (FCA)

Finding 1

The Department of Natural Resources (DNR) did not effectively monitor local FCA programs to ensure they complied with the terms of the program and did not properly account for the related funds.

We recommend that DNR

- a. perform biennial reviews of all local forest conservation programs (repeat),**
- b. maintain a complete listing of local projects (repeat),**
- c. ensure all local jurisdictions submit annual reports, and**
- d. properly identify and account for the use of local forest conservation funds in accordance with State law (repeat).**

Agency Response	
Analysis	
Please provide additional comments as deemed necessary.	<p>The Department performs biennial reviews of all local forest conservation programs as required by the Forest Conservation Act (FCA). As of April 2025, there are 22 counties and 36 municipalities with local programs. Allegany and Garrett Counties, along with the towns of Highland Beach, North Beach, and Port Tobacco Village are exempt. The Department agrees with the recommendations and will continue to monitor all local forest conservation programs and funds in accordance with the FCA.</p> <p>There are multiple reasons why the review of local forest conservation programs and their respective report submissions were less than fully compliant with FCA requirements in fiscal year 2022. During that time period there were significant changes to staff and an increase in remote working conditions at both state and local levels that caused delays of site visits and reviews. Additionally, the reporting requirements changed to include more detailed questions about local projects and a new virtual/electronic process was implemented that contributed to a reduction in reporting. Due to these circumstances, desired documentation of the local jurisdiction biennial reviews was not available for the audit period. The staff changes, remote work situations, and reduction in local jurisdiction reporting also caused the challenges in tracking local forest conservation funds and project-level expenditures needed for reconciliation of the Forest Conservation Fund.</p>

Department of Natural Resources

Agency Response Form

Recommendation 1a	Agree	Estimated Completion Date:	12/31/26
Please provide details of corrective action or explain disagreement.	DNR agrees that we should perform biennial reviews of all local forest conservation programs. Since this audit period, DNR has hired staff within the FCA program and improved its internal record-keeping and review processes to resolve the issues found during this audit.		
Recommendation 1b	Agree	Estimated Completion Date:	6/30/25
Please provide details of corrective action or explain disagreement.	DNR agrees that we should maintain a complete listing of local projects. As part of the 2024 annual reporting protocol (deadline: 3/31/25), local program officers were required to upload a spreadsheet containing detailed information for every project they reviewed during the previous calendar year.		
Recommendation 1c	Agree	Estimated Completion Date:	6/30/25
Please provide details of corrective action or explain disagreement.	DNR will vigorously pursue all local jurisdictions' timely and complete submission of annual reports.		
Recommendation 1d	Agree	Estimated Completion Date:	12/31/25
Please provide details of corrective action or explain disagreement.	Since the audit period, DNR has implemented a more comprehensive process to identify and account for the use of the Forest Conservation Fund with increased access for multiple staff to avoid loss of data seen in prior methods. Additionally, DNR is hiring a new program manager to oversee the FCA program this year.		

Department of Natural Resources

Agency Response Form

Finding 2

DNR did not use \$3.4 million collected for reforestation projects within the required timeframe and did not refund the funds to the paying entities to use for planting trees as required by State law.

We recommend that DNR

- a. ensure State FCA funds are expended for reforestation and afforestation in accordance with State law (repeat); and
- b. determine the amount of State FCA funds that have not been spent within the time required, refund those funds back to the entities in accordance with State law, and ensure that those funds are used for tree planting (repeat).

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.	<p>The Forest Conservation Act requires developers to pay a fee-in-lieu to the state if appropriate afforestation or reforestation cannot be accomplished. DNR then has an obligation to re-plant the mitigation acres in the affected county or watershed within a certain timeframe, or be subject to refunding payments where conditions are met.</p> <p>DNR does not dispute that funds for tree planting remain in the Forest Conservation Fund and that improved project-level tracking is needed. We want to clarify that significant acres required for mitigation have been planted (60.5 acres on 18 properties between 2019 and 2023 in the FCA-WIP program alone). Other sites are in planning stages to assure fully documented acres can be tracked for all received fee-in-lieu funds.</p> <p>DNR has managed the Fund repayments in accordance with COMAR 08.19.04.09 C., refunding payments if an application was received and the applicant demonstrated that funds were being spent on eligible tree planting. Funds have been expended for authorized reforestation and afforestation activities, including site identification, acquisition, and preparation, maintenance of existing forests, and achieving urban canopy goals.</p>		
Recommendation 2a	Agree	Estimated Completion Date:	6/30/25
Please provide details of corrective action or explain disagreement.	<p>Since the audit period, DNR has transferred all of its relevant paper files to a digital cloud-based platform that has greatly improved its ability to track State FCA funds collected and use them in accordance with State law.</p>		

Department of Natural Resources

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Recommendation 2b	Agree	Estimated Completion Date:	12/31/25
Please provide details of corrective action or explain disagreement.	Deposits to the state Forest Conservation Fund have been accounted for and Maryland Forest Service staff is working to plant trees or issue refunds upon request and proper documentation in compliance with state law.		

Department of Natural Resources

Agency Response Form

Chesapeake and Atlantic Coastal Bays Trust Fund

Finding 3

DNR did not evaluate Chesapeake and Atlantic Coastal Bays Trust Fund grant proposals using the published grant selection criteria, and certain grants were not competitively awarded as required by State law.

We recommend that DNR

- a. evaluate grant proposals submitted based on the published selection criteria, and
- b. ensure all grant awards are competitively solicited as required.

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.	The Conservation Finance Act, effective as of July 1, 2022 required the Trust Fund to consider co-benefits associated with projects in addition to geographic targeting, readiness to proceed, and cost efficiency. Co-benefits include environmental justice/DEIJ, carbon sequestration, habitat and aquatic restoration, recreational opportunities, and climate resiliency. These co-benefits are embedded within the maximizing opportunities review criteria and the geographic targeting criteria through a specific map developed in consultation with the Trust Fund Scientific Advisory Panel. As a result, high and multiple co-benefit scores can impact overall considerations of the selection criteria. Additionally, DNR independently evaluates cost-effectiveness for accuracy (based on monitoring data and appropriate application in the field) as well as readiness to proceed based on progress made during the review period.		
Recommendation 3a	Agree	Estimated Completion Date:	7/1/24
Please provide details of corrective action or explain disagreement.	DNR will evaluate grant proposals submitted based on the published selection criteria. The SFY26 solicitation has been updated to make our scoring, review questions and language more transparent. Guidance on the co-benefit and targeting map is also available online. DNR will continue to review and select all proposals using published criteria and in SFY26 will have clearer documentation regarding selection decisions within the review files.		
Recommendation 3b	Agree	Estimated Completion Date:	12/1/24
Please provide details of corrective action or explain disagreement.	DNR will ensure all grant awards are competitively solicited as required. All proposals will be submitted through the Grants Gateway portal and will be reviewed using the published selection criteria.		

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Budgetary and Year-End Closing

Finding 4

DNR could not provide documentation to support the propriety of approximately \$1.7 million in federal fund accrued revenue. DNR also could not document the recovery of the funds and subsequently advised us that approximately \$603,000 is not recoverable because the related costs were deemed ineligible by the federal granting agency.

We recommend that DNR

- a. maintain supporting documentation for accrued revenue entries; and
- b. determine the disposition of the aforementioned entries, properly report any amounts determined to be uncollectable, and work with the Department of Budget and Management to resolve any related deficits.

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 4a	Agree	Estimated Completion Date:	7/1/2025
Please provide details of corrective action or explain disagreement.	DNR agrees to maintain supporting documentation for accrued revenue entries and to facilitate this we are in the process of centralizing the Grants Management Division. With this centralization there will be sufficient oversight of all federal funds to ensure proper documentation and tracking. This centralization is set to occur July 1, 2025.		
Recommendation 4b	Agree	Estimated Completion Date:	7/1/2025
Please provide details of corrective action or explain disagreement.	We agree to determine the disposition of the aforementioned entries, and properly report any amounts determined to be uncollectable. DNR continues to work through Federal Grant Reimbursements to ensure proper accounting of each accrual. DNR is working in conjunction with our DBM Analyst in the event of any possible deficiencies. This task will be completed by July 1, 2025.		

Department of Natural Resources

Agency Response Form

Mel Noland Woodland Incentive Fund

Finding 5

DNR did not use available information to ensure the Comptroller of Maryland (COM) transferred certain required revenue into the Fund.

We recommend that DNR

- a. ensure COM deposits the proper amount into the Fund, and**
- b. work in conjunction with COM to recover the aforementioned \$430,225.**

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.			
Recommendation 5a	Agree	Estimated Completion Date:	12/31/25
Please provide details of corrective action or explain disagreement.	DNR will ensure the Comptroller of Maryland deposits the proper amount into the Fund. The Forest Service has re-established a solid communication channel with employees of the State Department of Assessments and Taxation in order to request and receive reports containing data on woodland tax collection. DNR will use that data to ensure the proper amount of funding is transferred to the Mel Noland Woodland Incentives and Fellowship Fund.		
Recommendation 5b	Agree	Estimated Completion Date:	12/31/25
Please provide details of corrective action or explain disagreement.	DNR agrees to work in conjunction with COM to recover the \$430,225.		

Department of Natural Resources

Agency Response Form

Disbursements

Finding 6

DNR did not verify the propriety of \$15.1 million in charges for technology enterprise services received from the Department of Information Technology (DoIT) during fiscal years 2021 through 2023.

We recommend that DNR continue to work with DoIT to obtain the necessary information to ensure all technology enterprise services invoiced are supported and received, including those noted above (repeat).

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.	DNR provided proof to OLA auditors that several requests were made through emails, ServiceNow tickets, and several meetings with DoIT over several years to obtain adequate documentation to verify the charges totaling \$15.1 million related to technology enterprise services received from DoIT during fiscal years 2021 through 2023. Despite DoIT's annual meetings to explain the budget data entered in Apptio for DNR's projected expenses, it was not until 1/23/25 that DNR received sufficient documentation from DoIT to reconcile some of the estimated service costs with the services received in prior years.		
Recommendation 6	Agree	Estimated Completion Date:	4/1/25
Please provide details of corrective action or explain disagreement.	DNR agrees with the recommendation that we should continue to work with DoIT to obtain the necessary information to ensure all technology enterprise services invoiced are supported and received. DNR IT leadership now meets regularly with DoIT project managers and leadership to go over active projects and recent and imminent expenditures of funds provided to DoIT for DNR. Through those meetings we have created shared documents for inventory tracking purposes, and DoIT has provided records of expenditures. Importantly, however, DNR is not part of the workflow for ordering, inventorying, deploying, and disposing of DoIT's services and equipment. Thus, DNR's ability to ensure all services invoiced are supported and received is contingent upon DoIT providing the requested information to DNR. DNR commits to continuing to collaborate with its connections at DoIT and will seek expenditure documentation regularly to reconcile that data with annual budget projections.		

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