



DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Karl S. Aro
Executive Director

March 10, 2015

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 conducted a review of the actions taken by the Comptroller of Maryland – Revenue Administration Division (RAD) to resolve the four repeat findings in our August 23, 2013 audit report. This review was conducted in accordance with a requirement specified in the April 2014 *Joint Chairmen's Report* (JCR), page 30. The JCR required that, prior to release of \$100,000 of its administrative appropriation for fiscal year 2015, RAD must take corrective action on all repeat audit findings. 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 repeat finding was corrected within sufficient time to allow 45 days for the budget committees to review and release the funds prior to the end of fiscal year 2015.

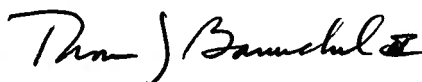
The August 23, 2013 RAD audit report contained four repeat audit findings (findings 4, 6, 9, and 10) that were addressed by five recommendations. In accordance with the aforementioned JCR requirement, RAD provided a report to OLA, dated October 31, 2014, detailing the corrective actions that RAD has taken with respect to these repeat audit findings. We reviewed this report and related documentation, performed limited tests and analyses of the information, and held discussions with RAD personnel, as deemed necessary, 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 RAD's October 31, 2014 status report, which indicated all repeat findings had been resolved. Our review determined that RAD had not taken the necessary corrective actions to satisfactorily address three of the recommendations found in two of the findings.

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 two repeat finding that had not been resolved. After discussing our review results, the Comptroller of Maryland's office, on behalf of RAD, generally agreed with the accuracy of the information presented and indicated that the remaining corrective actions would be taken immediately. We wish to acknowledge the cooperation extended to us by RAD during this review.

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 Guy J. Guzzone, Co-Chair, Joint Audit Committee
Delegate Craig J. Zucker, 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
David R. Brinkley, Secretary Department of Budget and Management
Wallace A. Eddleman, Interim Director, Revenue Administration Division
Joan Peacock, Manager, Audit Compliance Unit, DBM
Karl S. Aro, Executive Director, Department of Legislative Services
Jolshua S. Rosado, Policy Analyst, Department of Legislative Services

Exhibit 1 to March 10, 2015 Letter to Joint Chairmen



Peter Franchot
Comptroller

Wallace A. Eddleman
Interim Director
Revenue Administration Division

October 31, 2014

Re: Audit of the Comptroller of Maryland – Revenue Administration Division;
Report Date: August 23, 2013

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

Dear Mr. Barnickel:

The Revenue Administration Division of the Comptroller of Maryland provides the following information with respect to corrective actions taken to address all repeat audit findings (findings 4, 6, 9 and 10) in the August 23, 2013 audit report issued by the Office of Legislative Audit (OLA):

Finding 4

Procedures were not in place to ensure that taxpayers reported valid social security numbers for dependents claimed on their individual income tax returns.

Recommendation 4

We recommend that RAD take steps to ensure the validity of dependent social security numbers reported by taxpayers on their individual income tax returns (repeat).

Agency Response

We have been working on this item since our initial response to resolve numerous technical difficulties. The new capability went into production on July 9, 2014 and RAD employees have been working the output daily. In addition, we are performing post-processing reviews of 2012 and 2013 returns with invalid dependent SSN's.

Finding 6

Accountability and verification procedures for refund checks need to be improved.

Recommendation 6

We recommend that RAD:

- a. verify the proper disposition of returned refund checks by agreeing the original log of returned checks to the record used to verify the disposition of those checks (repeat);**
- b. use the log prepared by the employee responsible for re-mailing returned checks to verify the proper disposition of those checks (repeat).**

Agency Response

Corrective action to address this finding was implemented and in place prior to release of the audit report and we have confirmed continuing compliance.

Finding 9

Sensitive personally identifiable information was unnecessarily stored in plain text on a publicly accessible iFile web server and controls over the security of sensitive taxpayer information in various systems need improvement.

Recommendation 9

We recommend that RAD:

- a. remove the described sensitive PII from the publicly accessible server (repeat).**

Agency Response

Corrective action to address this finding was implemented and in place prior to release of the audit report and we have confirmed continuing compliance. The agency has scrutinized our publicly accessible iFile system, and is confident that there are no plain text files containing personally identifiable information (PII). Additionally, we have write protected the relevant directories as well as modified application code to prevent the logging of PII data in plain text files.

Finding 10

Deposit verification procedures for certain collections were not sufficient.

Recommendation 10

We recommend that RAD:

- a. ensure that employees who prepare the initial record of collections forward a copy of that record directly to the independent employee responsible for performing the deposit verifications (repeat).**

Agency Response

Corrective action to address this finding was implemented and in place prior to release of the audit report and we have confirmed continuing compliance.

Sincerely,



Wallace A. Wddleman, Director

Exhibit 2 to March 10, 2015 Letter to Joint Chairmen

Status of Repeat Findings in OLA's August 23, 2013 Audit Report on the Comptroller of Maryland – Revenue Administration Division

Prior Recommendations Pertaining to Repeat Findings		Status Based on OLA Review
Individual Income Tax Return Processing		
4.	We recommend that RAD take steps to ensure the validity of dependent social security numbers reported by taxpayers on their individual income tax returns.	Corrected
Individual Income Tax Return Processing		
6.	We recommend that RAD	
a.	verify the proper disposition of returned refund checks by agreeing the original log of returned checks to the record used to verify the disposition of those checks.	Not Resolved
b.	use the log prepared by the employee responsible for re-mailing returned checks to verify the proper disposition of those checks.	Not Resolved
Information Systems Security and Control		
9.	We recommend that RAD remove the described sensitive personally identifiable information (PII) from the publicly accessible server.	Corrected
Cash Receipts		
10.	We recommend that RAD	
a.	ensure that employees who prepare the initial record of collections forward a copy of that record directly to the independent employee responsible for performing the deposit verifications.	Not Resolved

Shaded recommendations are more fully described in Exhibit 3.

Exhibit 3 to March 10, 2015 Letter to Joint Chairmen

OLA's Assessments Regarding Repeat Findings That Had Not Been Resolved

Individual Income Tax Return Processing

Prior Report Recommendation – Finding 6

We recommend that RAD

- a. verify the proper disposition of returned refund checks by agreeing the original log of returned checks to the record used to verify the disposition of those checks (repeat).**
- b. use the log prepared by the employee responsible for re-mailing returned checks to verify the proper disposition of those checks (repeat).**

Status: Not Resolved

Our review noted that the unit responsible for verifying the proper disposition (voided or re-mailed) of all returned checks did not use the original log of returned checks (or a copy of the original log) received directly from the preparer of the log. Rather, the unit relied on logs forwarded to and controlled by the employees responsible for researching and determining the proper disposition of the checks. In addition, the unit's verification of re-mailed checks did not include a review of the record of checks mailed that was prepared by the employee who mailed them.

Cash Receipts

Prior Report Recommendation – Finding 10a

We recommend that RAD ensure that employees who prepare the initial record of collections forward a copy of that record directly to the independent employee responsible for performing the deposit verifications (repeat).

Status: Not Resolved

Our review found that that the employee who prepared the initial record of collections forwarded this record directly to an employee independent of the collection process for verification purposes as recommended. However, once received by the second employee, the initial record was accessible to all employees during the day, including many employees who handled cash receipts and the second employee did not compare the initial record of collections to proof of deposit as part of the verification procedures.