



DEPARTMENT OF LEGISLATIVE SERVICES  
OFFICE OF LEGISLATIVE AUDITS  
MARYLAND GENERAL ASSEMBLY

March 1, 2016

Warren G. Deschenaux  
Executive Director

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 Maryland Department of Agriculture (MDA) to resolve four repeat findings in our April 24, 2013 audit report. This review was conducted in accordance with a requirement specified in the April 2015 *Joint Chairmen's Report* (JCR), page 61. The JCR required that, prior to release of \$200,000 of its administrative appropriation for fiscal year 2016, MDA must take corrective action on all unresolved repeat audit findings. The JCR language further provided that OLA submit a report to the budget committees listing each unresolved 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. This is the second consecutive year that a requirement regarding repeat audit findings has been included in the JCR for MDA. In response to the requirement in the April 2014 JCR, we notified the budget committees on January 28, 2015 that MDA had resolved only part of one of the four findings.

The April 24, 2013 audit report of MDA contained four repeat audit findings (findings 1 through 4) that were addressed by six recommendations. In our January 28, 2015 letter, we concluded that one of the six recommendations was resolved, and consequently the remaining unresolved five recommendations, which related to findings 1 through 4, were the subject of our current review. In accordance with the April 2015 JCR requirement, MDA provided a report to OLA, dated October 22, 2015, detailing the corrective actions that it had taken with respect to these unresolved repeat audit findings. We reviewed this report and related documentation, performed limited tests and analyses of the information, and held discussions with MDA personnel as 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 MDA's October 22, 2015 status report, which indicated that certain corrective actions had been taken to address the unresolved recommendations for all four findings, although, for two findings, the indicated actions suggested the corrective actions were not yet complete, but were ongoing. Our review determined that MDA had taken the necessary corrective actions to satisfactorily implement three of the unresolved five recommendations. Two recommendations, relating to the two findings for which corrective actions were ongoing, remain unresolved.

A summary of OLA's assessment of the status of each of the unresolved repeat audit findings is included in the attached Exhibit 2. Exhibit 3 contains OLA's assessments regarding the two repeat findings that had not been resolved. After discussing our review results, MDA generally agreed with the accuracy of the information presented. We wish to acknowledge the cooperation extended to us by MDA 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 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  
David R. Brinkley, Secretary, Department of Budget and Management  
Joseph Bartenfelder, Secretary, Maryland Department of Agriculture  
James P. Eichhorst, Deputy Secretary, Maryland Department of Agriculture  
James P. Wallace, Director, Administrative Services, Maryland Department of Agriculture  
Joan Peacock, Manager, Audit Compliance Unit, DBM  
Warren G. Deschenaux, Executive Director, Department of Legislative Services  
Andrew Gray, Policy Analyst, Department of Legislative Services

# Exhibit 1 to March 1, 2016 Letter to Joint Chairmen



## Maryland Department of Agriculture

*Office of the Secretary*

Larry Hogan, Governor  
Boyd K. Rutherford, Lt. Governor  
Joseph Bartenfelder, Secretary  
James P. Eichhorst, Deputy Secretary

*Administration*

The Wayne A. Cawley Jr. Building  
50 Harry S. Truman Parkway  
Annapolis, Maryland 21401  
[www.mda.maryland.gov](http://www.mda.maryland.gov)

Agriculture | Maryland's Leading Industry

410.841.5855 Baltimore/Washington  
410.841.5914 Fax  
800.492.5590 Toll Free

October 22, 2015

Mr. Thomas J. Barnickel III, CPA  
Acting Legislative Auditor  
State of Maryland  
Office of Legislative Audits  
State Office Building, Room 1202  
301 West Preston Street  
Baltimore, MD 21201

Re: Audit of Maryland Department of Agriculture Report Date: April 24, 2013

Dear Mr. Barnickel:

Per your request, the Department's Summary of Audit Action as of October 15, 2015 is attached for your review. As required, both electronic and paper copies will be provided.

The Summary of Audit Action stipulates corrective actions that have been taken in response to the audit report issued by the Office of Legislative Audits on April 24, 2013. As a consequence of the four repeat findings, the Joint Chairmen's Report contained language prohibiting the Department from spending \$200,000 of our administrative appropriation unless corrective action is taken.

It is our sincere wish that the Office of Legislative Audits review of the Department's corrective actions will be favorable thereby allowing the budget committees to review and release funds prior to the end of fiscal year 2016.

Please let us know if you have any questions or concerns.

Sincerely,

James P. Wallace  
Assistant Secretary for Administration

Attachment: Maryland Department of Agriculture's (MDA) Audit Action Plan

Cc: Joseph Bartenfelder, MDA Secretary  
James Eichhorst, MDA Director of Administration

**Accounts Receivable****Finding 1****MDA lacked adequate controls over non-cash credit adjustments.**

- a. MDA has separated non-cash credit capabilities duties from employees who perform cash receipts process.
- b. Output reports are verified to DAFR2261 AZ transactions to original source documents regularly by CFO.

**Property****Finding 2****Significant control deficiencies existed over property records and physical inventories.**

MDA has worked diligently to set up a new database, perform physical inventory, and have controls in place to have a good valuation number for the control account, which is now in place. Work is continuing as MDA has over 26 locations throughout the state and we need to have additional training for Accountable Officers to assure the compliance with the DGS Property Manual. DGS has completed an audit of MDA's inventory systems and have found that the Department has generally complied with the standards.

**Cash Receipts****Finding 3****Certain cash receipts were not adequately controlled, verified to deposit, or reconciled with licenses issued.**

The use of lockbox has been expanded and currently, 94.4% of all deposits come through this method. In FY 2015 MDA received \$1.16 million in checks out of \$21 million total. MDA is continuing to take steps to reduce this amount

MDA instituted the use of a standard check log in sheet and procedures for processing checks programs may still receive.

Reconciliations of licenses or registration certificates are ongoing as the Chemists program database did not include a field for dollars received for registrants in the past. This field has been recently added to the existing Oracle Data base. MDA is currently building a new Sequel Database with additional functionality which will make reconciliations much easier to perform. Within a year MDA plans on moving the Chemist registration process to NIC Web on line system which is being utilized currently by Weights and Measures and Pesticide Regulation programs.

October 15, 2015

**Auditor's Note: MDA has mislabeled the finding numbers from the April 24, 2013 Audit Report. The correct associations are Finding 1 - Cash Receipts, Finding 2 - Purchases and Disbursement, Finding 3 – Property, and Finding 4 - Accounts Receivable.**

**Purchasing and Disbursement**

**Finding 4**

**Proper internal controls were not established over the processing of purchasing and disbursement transactions.**

The approval paths in both FMIS and ADPICS have been corrected and we do not expect this to be a finding

October 15, 2015

**Auditor's Note: MDA has mislabeled the finding numbers from the April 24, 2013 Audit Report. The correct associations are Finding 1 - Cash Receipts, Finding 2 - Purchases and Disbursement, Finding 3 – Property, and Finding 4 - Accounts Receivable**

## Status of Repeat Findings in OLA’s April 24, 2013 Audit Report on the Maryland Department of Agriculture

Shaded recommendations are more fully described in Exhibit 3.

## **Exhibit 3 to March 1, 2016 Letter to Joint Chairmen**

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

#### **Cash Receipts**

##### **Prior Report Recommendation – Finding 1**

**We recommend that MDA**

- d. implement a procedure to independently reconcile the total value of registrations issued and fees collected according to its records with the related revenues deposited (repeat).**

##### **Status: Not Resolved**

MDA made certain changes to its automated records to facilitate the reconciliation of registrations issued to fees collected and deposited, such as including a field for the amount of the registration fees received. However, MDA was not performing independent reconciliations of the value of registrations issued with the corresponding revenue deposited.

#### **Property**

##### **Prior Report Recommendation – Finding 3**

**We recommend that MDA comply with the *Inventory Control Manual* requirements (repeat).**

##### **Status: Not Resolved**

Although MDA's status report stated that an equipment control account was now in place, we found that it was not complete, as all equipment on the detail records were not included. Therefore, the account was not providing a summary control over all detail records.