



DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Victoria L. Gruber
Executive Director

Brian S. Tanen, CPA, CFE
Legislative Auditor

April 17, 2025

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

Delegate Benjamin S. Barnes, Chair
House Appropriations Committee
Lowe House Office Building, Room 121
6 Bladen Street
Annapolis, Maryland 21401

Dear Senator Guzzone and Delegate Barnes:

The Office of Legislative Audits (OLA) has reviewed the actions taken by the Department of General Services (DGS) Office of State Procurement (OSP) to resolve the four repeat findings (that were addressed by six recommendations) in our May 3, 2023, audit report. This review was conducted in accordance with a requirement specified in the April 2024 *Joint Chairmen's Report* (JCR), page 71. The JCR required that, prior to the release of \$100,000 of its administrative appropriation for fiscal year 2025, OSP must take corrective action on all repeat audit findings on or before November 1, 2024.

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. 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.

In accordance with the April 2024 JCR requirement, DGS on behalf of OSP provided a status report to OLA, dated November 1, 2024, detailing corrective actions that had been completed with respect to all four repeat audit findings (**Exhibit 1**). The DGS status report indicated that corrective actions had been completed for the recommendations on all the repeat findings (findings 2, 3, 4, and 5).

We reviewed the implementation status for all four repeat findings that DGS reported as complete on the status report. Specifically, we reviewed the related documentation, performed limited tests and analyses of the information, and held discussions with OSP 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. As summarized in **Exhibit 2**, our review determined that OSP took sufficient action

to resolve the recommendations for findings 3, 4 and 5 but had not yet taken sufficient actions to implement the recommendation for finding 2 as further described in **Exhibit 3**.

After discussing our review results, OSP generally agreed with the information presented. We wish to acknowledge the cooperation extended to us during the review by OSP. We trust our response satisfactorily addresses the JCR requirement. Please contact me if you need additional information.

Sincerely,

Brian S. Tanen

Brian S. Tanen, CPA, CFE
Legislative Auditor

cc: Senator Shelly L. Hettleman, Senate Chair, Joint Audit and Evaluation Committee
Delegate Jared Solomon, House Chair, Joint Audit and Evaluation Committee
Joint Audit and Evaluation Committee Members and Staff
Senator William C. Ferguson IV, President of the Senate
Delegate Adrienne A. Jones, Speaker of the House of Delegates
Governor Westley W. Moore
Comptroller Brooke E. Lierman
Treasurer Dereck E. Davis
Attorney General Anthony G. Brown
Secretary Helene T. Grady, Department of Budget and Management
Secretary Atif T. Chaudhry, DGS
Chichi Nyagah-Nash, Deputy Secretary, DGS
Wallace D. Sermons II, Chief Procurement Officer, OSP
Joan M. Peacock, Manager, Audit Compliance Unit, Department of Budget and Management
Victoria L. Gruber, Executive Director, Department of Legislative Services
David Propert, Policy Analyst, Department of Legislative Services

Exhibit 1 to April 17, 2025 Letter to Joint Chairmen



Wes Moore, Governor | Aruna Miller, Lt. Governor | Atif Chaudhry, Secretary

November 1, 2024

The Honorable Guy Guzzone
Chair, Budget and Taxation Committee

The Honorable Ben Barnes
Chair, Appropriations Committee

Office of Legislative Audits

Reference: 2024_p71_DGS_OSP_Corrective Action_eMaryland Marketplace Advantage

Dear Senator Guzzone and Delegate Barnes:

The April 2024 Joint Chairmen's Report (JCR), page 71, contains language prohibiting the Department of General Services (DGS) from spending \$100,000 of its administrative appropriation unless DGS has taken corrective action on or before November 1, 2024, with respect to all repeat audit findings in the May 3, 2023 audit report issued by the Office of Legislative Audits (OLA) on DGS's Office of State Procurement (OSP). Attached, please find the completed status report that details the corrective actions taken by the Department to address OLA's concerns.

Should you have any questions or require additional information, please feel free to contact Wallace Sermons, Department of General Services Office of State Procurement, Chief Procurement Officer, by phone at 410-260-3910 or via email at wallace.sermons@maryland.gov or Jamie Tomaszewski, Deputy Chief Procurement Officer, Acting at 410-260-7386 or jamie.tomaszewski@maryland.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "Atif Chaudhry".

Atif Chaudhry
Secretary

Attachment

Cc: Wallace Sermons, DGS OSP Chief Procurement Officer
Jamie Tomaszewski, Deputy Chief Procurement Officer, Acting
Lisa Nissley, DGS Deputy Director, Office of Government Affairs

Exhibit 1 to April 17, 2025 Letter to Joint Chairmen

eMaryland Marketplace Advantage

Finding 2

OSP did not require certain bidders on State contracts to utilize available functions in *eMMA* to take advantage of security features intended to ensure the integrity of the bidding process and did not always publish contract awards as required.

Recommendation 2b

We recommend that OSP comply with State procurement laws and regulations by publishing contract awards on *eMMA* within 30 days of the contract award (repeat).

| Status of Recommendation 2b | | | |
|--|---|------------------|-----------|
| Status as of 11/1/2024 | Completed | Completion Date: | 6/30/2024 |
| Please provide details of corrective action taken. | <u>Topline:</u> DGS enhanced written guidance to procurement officers and established regular audits to identify instances of non-compliance. | | |
| | <u>Additional information:</u> To help maintain compliance with this requirement, DGS created and distributed a “Procurement Timeline Checklist” for procurement officers and their supervisors, which specifically highlights the step for posting on eMMA. DGS has also updated the MS-22 for procurement officers to explicitly state the requirement to post contract awards on eMMA within 30 days of contract award. | | |
| | To ensure ongoing compliance, DGS conducts monthly and quarterly audits. If an issue is identified, the Director of Procurement Operations and Associate Directors are notified to follow-up and address the identified issue. | | |

State Agency Procurement Monitoring

Finding 3

OSP did not adequately monitor certain State agency procurements that were specifically subject to its oversight.

Recommendation 3a

We recommend that OSP ensure that PRRB monitor agency procurements by conducting audits of delegated procurements in accordance with State regulations and its procedures (repeat). In this regard, PRRB should establish a schedule to ensure audits are conducted on a regular basis (such as once every three to four years).

Exhibit 1 to April 17, 2025 Letter to Joint Chairmen

| Status of Recommendation 3a | | | |
|--|---|------------------|-----------|
| Status as of 11/1/2024 | Completed | Completion Date: | 3/31/2024 |
| Please provide details of corrective action taken. | <u>Topline:</u> DGS established a new structure for regularly auditing agency procurements, and is developing enhanced guidance for staff to implement more efficient and focused audits. | | |
| | <u>Additional information:</u> To address this finding, DGS evaluated and revamped the Agency Procurement Compliance Program (“APCP”) and hired a new Program Manager with prior audit experience. DGS established a new approach to monitoring agency procurements under the Agency’s authority and oversight, which focuses on conducting "Agency Health Checks" on a routine basis (inclusive of audits of delegated procurements) and added levels of oversight any time an agency requests additional delegation. As of March 31, 2024, the program updated its manual and established a schedule for performing “Agency Health Checks” for all agencies, and steady progress has been made in conducting audits of agency procurements since implementing the new program. | | |
| | The unit is also creating additional guidelines for the DGS OSP Procurement Operations to use for staff conducting audits to increase the number of Agencies/Procurement Files being reviewed and to identify risk factors and red flags for more efficient and focused audits. In addition, DGS has added a Policy Unit to address policy changes or clarifications that are needed based on the audit findings. | | |

Recommendation 3b

We recommend that OSP ensure that PRRB’s workpaper conclusions are consistent with the audit report or explained and that the audits are comprehensive (repeat).

| Status of Recommendation 3b | | | |
|--|---|------------------|-----------|
| Status as of 11/1/2024 | Completed | Completion Date: | 3/31/2024 |
| Please provide details of corrective action taken. | <u>Topline:</u> DGS has established and documented a standardized process for collecting and maintaining files related to audits. | | |
| | <u>Additional Information:</u> The revamped Agency Procurement Compliance Program has established a systematic process for collecting and retaining work papers and creating audit reports that reflect those papers. In addition, | | |

Exhibit 1 to April 17, 2025 Letter to Joint Chairmen

| | |
|--|---|
| | <p>training focused on documentation best practices and review checklists has been provided, and the process is periodically reviewed with the unit.</p> <p>To ensure ongoing compliance, the unit regularly reviews the reports and files.</p> |
|--|---|

Providers with Procurement Preference

Finding 4

OSP lacked documentation that it independently determined and published the fair market prices of MCE goods and services.

Recommendation 4a

We recommend that DGS, through OSP, in its role as a member of the Pricing and Selection Committee for Preferred Providers, perform independent documented reviews of the fair market value of existing and new MCE goods and services in a timely manner (repeat).

| Status of Recommendation 4a | | | |
|---|---|------------------|-----------|
| Status as of 11/1/2024 | Completed | Completion Date: | 6/30/2024 |
| Please provide details of corrective action taken. | <p><u>Topline:</u> DGS has initiated a new process with MCE and BISM to receive pricing timely and perform a review of fair market value. DGS also created guidance for the PSC voting process.</p> <p><u>Additional Information:</u> DGS has established a scheduled timeline to contact MCE and BISM to request new pricing for each fiscal year. Once the new pricing list or requests for updated pricing are received, the assigned DGS OSP Procurement Officer conducts the Fair Market Value (FMV) price testing to ensure prices are valued correctly. This FMV Test worksheet is uploaded to the Shared Drive as proof of FMV Testing. MCE sends its pricing file during the last quarter of the fiscal year for the next fiscal year's pricing. BISM's price testing takes place in the second quarter of each fiscal year for the current fiscal year.</p> <p>To ensure ongoing compliance, DGS created a policy and procedures for conducting the FMV price testing and verification process.</p> | | |

Exhibit 1 to April 17, 2025 Letter to Joint Chairmen

Finding 5

OSP did not monitor Maryland Works to ensure it coordinated contracting activity in accordance with the EWP.

Recommendation 5a

We recommend that OSP monitor Maryland Works to ensure that it is fulfilling its CE responsibilities required by State law (repeat), including ensuring providers recommended for contract awards are eligible for those awards.

| Status of Recommendation 5a | | | |
|--|---|------------------|-----------|
| Status as of 11/1/2024 | Completed | Completion Date: | 3/31/2024 |
| Please provide details of corrective action taken. | <u>Topline:</u> DGS checks each month's EWP contracts to confirm they are verified providers as listed on DORS' website. | | |
| | <u>Additional Information:</u> DGS serves as the PSC chair. The chair met with the other agency members of the PSC to establish guidelines for reviewing the prices from the preferred providers for the market research and requested that DORS affirm in writing that the recommended Employment Works Program (EWP) is approved before moving forward with the preferred provider contract. As needed, the PSC members meet prior to the monthly meeting with the preferred providers to clarify any concerns with the EWP pricing. | | |
| | To ensure compliance, DGS checks each month's list of EWP contracts to be reviewed and approved by the PSC to ensure that they are verified DORS providers as listed on DORS' website. DGS also meets regularly with Maryland Works as the Coordinating Entity (CE) to ensure the terms and conditions of the MOU are satisfied. | | |

Recommendation 5b

We recommend that OSP monitor Maryland Works to ensure that it is fulfilling its CE responsibilities required by State law (repeat), including that cost justifications are in the best interest of the State.

Exhibit 1 to April 17, 2025 Letter to Joint Chairmen

| Status of Recommendation 5b | | | |
|--|--|------------------|------------|
| Status as of 11/1/2024 | Completed | Completion Date: | 12/31/2023 |
| Please provide details of corrective action taken. | <p><u>Topline:</u> DGS will continue to monitor whether Maryland Works is fulfilling its CE responsibilities and has implemented a plan to ensure pricing is in the best interest of the state.</p> <p><u>Additional Information:</u> As summarized in the response above to 5a, DGS has taken steps to monitor whether Maryland Works is fulfilling its Coordinating Entity responsibilities.</p> <p>Response 4a referenced a plan shared with Senator Lam and DLS to update the existing MCE and BISM market analysis policy and PSC voting guidelines. As this plan continues to be implemented, we anticipate a better understanding of cost justifications to ensure that the pricing is in the best interest of the State.</p> | | |

Exhibit 2 to April 17, 2025 Letter to Joint Chairmen

Status of Repeat Findings in Office of Legislative Audits' (OLA) May 3, 2023 Audit Report on the Department of General Services (DGS) – Office of State Procurement (OSP)

| Prior Recommendations Pertaining to Repeat Findings | DGS Reported Status | Status Based on OLA Review |
|---|---------------------|-------------------------------|
| eMaryland Marketplace Advantage (eMMA) 2. We recommend that OSP b. comply with State procurement laws and regulations by publishing contract awards on <i>eMMA</i> within 30 days of the contract award. | Completed | Not Resolved (In Progress) |
| State Agency Procurement Monitoring 3. We recommend that OSP a. ensure that the Policy, Procurement Review, and Reporting Bureau (PRRB) monitor agency procurements by conducting audits of delegated procurements in accordance with State regulations and its procedures. | Completed | Resolved |
| b. ensure that PRRB's workpaper conclusions are consistent with the audit report or explained and that the audits are comprehensive. | Completed | Resolved |
| Preferred Providers 4. We recommend that DGS through OSP, in its role as a member of the Pricing and Selection Committee for Preferred Providers a. perform independent documented reviews of the fair market value of existing and new Maryland Correctional Enterprises goods and services in a timely manner. | Completed | Resolved |
| 5. We recommend that OSP monitor Maryland Works to ensure that it is fulfilling its coordinating entity responsibilities required by State law, including a. ensuring providers recommended for contract awards are eligible for those awards. | Completed | Resolved |
| b. that cost justifications are in the best interest of the State. | Completed | Resolved |

Exhibit 3 to April 17, 2025 Letter to Joint Chairmen

Comments on Findings OLA Assessed as Unresolved

Prior Report Recommendation – Finding 2

We recommend that Department of General Services (DGS) – Office of State Procurement (OSP)

b. comply with State procurement laws and regulations by publishing contract awards on *eMaryland Marketplace Advantage (eMMA)* within 30 days of the contract award (repeat).

Status as determined by DGS – Completed

Office of Legislative Audits (OLA) Assessment of Status – Not Resolved

Although DGS indicated in its status report that it implemented this recommendation on June 30, 2024, our review of contracts awarded after this date disclosed OSP did not timely publish the contract awards on *eMMA*. Specifically, our test of 10 contracts awarded between July 2024 and January 2025 totaling \$99.1 million, disclosed that 3 contracts awarded between July and September 2024 were not published on *eMMA* as of February 2025. In addition, OSP did not publish one contract awarded in August 2024 until January 2025.