

Audit Report

Board of Public Works

November 2017



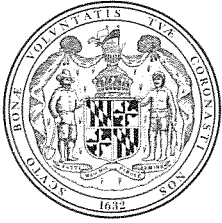
OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Warren G. Deschenaux
Executive Director

Thomas J. Barnickel III, CPA
Legislative Auditor

November 13, 2017

Senator Craig J. Zucker, Co-Chair, Joint Audit Committee
Delegate C. William Frick, Co-Chair, Joint Audit Committee
Members of Joint Audit Committee
Annapolis, Maryland

Ladies and Gentlemen:

We have conducted a fiscal compliance audit of the Board of Public Works (BPW) for the period beginning March 24, 2014 and ending July 10, 2017. BPW is responsible for the review, approval, and oversight of a number of statutorily mandated projects and programs, including significant State expenditures and general obligation bond issuances.

Our audit did not disclose any findings that warrant mention in this report.

We wish to acknowledge the cooperation extended to us during the course of this audit by BPW.

Respectfully submitted,

Thomas J. Barnickel III, CPA
Legislative Auditor

Background Information

Agency Responsibilities

The Board of Public Works (BPW) was established by Article XII of the State Constitution and comprises the Governor, the Comptroller of Maryland, and the State Treasurer. BPW reviews, approves, and/or oversees a number of statutorily mandated projects and programs, including significant State expenditures and general obligation bond issuances. BPW maintains an administrative staff, which is directed by the Executive Secretary. According to State records, BPW's expenditures totaled approximately \$7.6 million during fiscal year 2017.

Findings and Recommendations

Our audit did not disclose any significant deficiencies in the design or operation of BPW's internal control. Our audit also did not disclose any significant instances of noncompliance with applicable laws, rules, or regulations. A finding that did not warrant inclusion in this report was separately communicated to BPW.

A draft copy of this report was provided to BPW. Since there are no recommendations in this report, a written response was not necessary.

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the Board of Public Works (BPW) for the period beginning March 24, 2014 and ending July 10, 2017. 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 BPW'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 grants to nonprofits, the State's contingent fund, cash receipts, and procurement activity.

Our audit did not include BPW's Capital Appropriation that is administered by the Department of General Services and is audited during our fiscal compliance audit of that Department. In addition, our audit did not include the Interagency Committee for Public School Construction which, although a budgetary unit of BPW, is audited and reported upon separately.

Furthermore, our audit did not include the Small, Minority, and Women-Owned Businesses Account, which was statutorily under BPW's authority but administered by the Department of Commerce (DOC) in accordance with a Memorandum of Understanding between the two entities. The Office of Legislative Audits was required to conduct an annual audit of certain Account activity until the State law was changed during the 2016 Legislative Session to eliminate that requirement. At that time, we had audited activity through fiscal year 2014 for which separate reports were issued. Effective July 1, 2017, State law transferred the authority for all aspects of the Account to DOC. Accordingly, all Account activities after July 1, 2014 will be included in the scope of our fiscal compliance audits of DOC.

Our audit also did not include certain support services (such as payroll, processing of invoices, maintenance of accounting records, and related fiscal functions) provided to BPW by the Comptroller of Maryland – Office of the Comptroller. These support services are included in the scope of our audits of the Office of the Comptroller.

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, observations of the BPW's operations, and tests of transactions. Generally, transactions were selected for testing based on auditor judgment, which primarily considers risk. Unless otherwise specifically indicated, neither statistical nor non-statistical audit sampling was used to select the transactions tested. Therefore, the results of the tests 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). 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 this source 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.

BPW'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.

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.

AUDIT TEAM

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