

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE

Senate Bill 1002 (Senator Conway)
Budget and Taxation

**State Government - Audit of Procurements by the Maryland Stadium Authority
and Selected Higher Education Institutions**

This bill requires the Legislative Auditor to conduct a fiscal compliance audit of the procurement for architectural services, engineering services, construction, and construction-related services for fiscal 2004 through 2008 by • the Maryland Stadium Authority; • Morgan State University; • St. Mary's College of Maryland; and • the University System of Maryland (USM). The results of each audit must be submitted to the Legislative Policy Committee; the Senate Budget and Taxation Committee; the Senate Education, Health, and Environmental Affairs Committee; the House Appropriations Committee; and the House Health and Government Operations Committee.

The bill takes effect July 1, 2008 and terminates June 30, 2010.

Fiscal Summary

State Effect: None. Any additional workload for the Office of Legislative Audits could be handled with existing budgeted resources.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: The Office of Legislative Audits (OLA) must perform fiscal compliance audits of each unit of State government at least once every three years. OLA has

authority to conduct a separate investigation of an act or allegation of fraud, waste, or abuse in the obligation, expenditure, receipt, or use of State funds. The Legislative Auditor may determine whether an investigation must be conducted in conjunction with an audit, or separately. OLA also conducts performance audits, financial audits, reviews, and investigations when directed by the Legislative Auditor, the Executive Director of Legislative Services, or the Joint Audit Committee.

If the Legislative Auditor discovers any alleged criminal violation by a person during the course of an audit, review, or investigation, the Legislative Auditor must report the alleged violation to the Attorney General and an appropriate State's Attorney.

Background: During a typical fiscal compliance audit, OLA reviews a sample of contracts for architectural and engineering services, as required by the bill. According to the Board of Public Works, approximately \$1.2 billion in contracts were approved by the board during the five-year period for services and entities specified in the bill. Two institutions, University of Maryland College Park (UMCP) and University of Maryland Baltimore County (UMBC), usually administer architecture and engineering construction contracts for other USM campuses. The Maryland Stadium Authority has also contracted for the design and construction of facilities at UMCP and UMBC campuses as well as Coppin State University and Towson University. **Exhibit 1** identifies the most recent fiscal compliance audit for the entities specified in the bill.

Exhibit 1
OLA Financial Compliance Audits

<u>Unit of State Government</u>	<u>Date of Last OLA Audit Report</u>
Maryland Stadium Authority	February 2007
Morgan State University	February 2008
St. Mary's College of Maryland	March 2007
University System of Maryland	Varies By Campus
University of Maryland, Baltimore County	May 2006
University of Maryland, College Park	January 2006

Source: Office of Legislative Audits

In February 2008, OLA published its most recent audit of Morgan State University and disclosed significant deficiencies related to the management and oversight of the university's capital improvement projects. A number of questionable matters were

identified which resulted in their referral to the Criminal Division of the Office of the Attorney General.

In November 2003, the UMBC Police Department and the University System of Maryland Internal Audit Office contacted the Office of the Attorney General Criminal Investigations Division regarding the possible misappropriation of certain campus construction funds. As a result of the investigation, which also involved the Maryland State Police, it was determined that at least \$137,000 had been stolen from UMBC through fraudulent inflated construction invoices. One former UMBC employee was convicted of procurement fraud, felony theft, and bribery and another was convicted of felony theft. Two contractors were found guilty of bribery, and the owner of a construction contracting company was convicted of felony theft, conspiracy to commit theft, and bribery.

State Fiscal Effect: As advised by OLA, the bill would require one audit covering the four entities. The amount of audit work performed for each entity would vary based on the magnitude of architectural and engineering contracts awarded and to the extent that applicable audit work performed in previous audits could be used. Based on past audits, the one-time audit would require approximately 340 audit days at a cost of approximately \$600 per day, resulting in a total cost of approximately \$204,000.

Since much of the work performed under this one-time audit would reduce future audit efforts of those entities when OLA conducts the regular fiscal compliance audits, the bill would merely require OLA to reallocate existing resources and would not require additional expenditures.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): St. Mary's College, Morgan State University, Maryland Stadium Authority, University System of Maryland, Department of Legislative Services

Fiscal Note History: First Reader - March 17, 2008
mcp/hlb

Analysis by: Erik P. Timme

Direct Inquiries to:
(410) 946-5510
(301) 970-5510