

E00A
Comptroller of Maryland

Operating Budget Data

(\$ in Thousands)

	<u>FY 15</u> <u>Actual</u>	<u>FY 16</u> <u>Working</u>	<u>FY 17</u> <u>Allowance</u>	<u>FY 16-17</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$82,076	\$85,192	\$92,321	\$7,129	8.4%
Deficiencies and Reductions	0	0	-232	-232	
Adjusted General Fund	\$82,076	\$85,192	\$92,088	\$6,897	8.1%
Special Fund	21,576	23,360	32,515	9,155	39.2%
Deficiencies and Reductions	0	700	-45	-745	
Adjusted Special Fund	\$21,576	\$24,060	\$32,470	\$8,410	35.0%
Reimbursable Fund	17,561	21,716	21,849	132	0.6%
Adjusted Reimbursable Fund	\$17,561	\$21,716	\$21,849	\$132	0.6%
Adjusted Grand Total	\$121,213	\$130,968	\$146,407	\$15,439	11.8%

- The fiscal 2016 working appropriation includes a deficiency appropriation of \$700,000 to implement the decision in the U.S. Supreme Court case of *Comptroller v. Wynne*.
- After adjusting for the fiscal 2016 deficiency and the back of the bill reduction in health insurance, the fiscal 2017 allowance increases by \$15.4 million, or 11.8%. General funds increase by \$6.9 million, or 8.1%. Special funds increase by \$8.4 million, or 35.0%. Reimbursable funds increase by \$132,000, or 0.6%.

Note: Numbers may not sum to total due to rounding.

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Personnel Data

	<u>FY 15 Actual</u>	<u>FY 16 Working</u>	<u>FY 17 Allowance</u>	<u>FY 16-17 Change</u>
Regular Positions	1,123.00	1,120.90	1,120.90	0.00
Contractual FTEs	<u>27.10</u>	<u>27.10</u>	<u>26.60</u>	<u>-0.50</u>
Total Personnel	1,150.10	1,148.00	1,147.50	-0.50

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New
Positions

56.38 5.03%

Positions and Percentage Vacant as of 12/31/15

123.00 10.97%

- The number of regular positions remains unchanged between the current year and the allowance and the number of contractual positions decreases by 0.5 in fiscal 2017.
- The turnover rate of 5.03% requires that the Comptroller's Office maintain 56.38 vacant positions to achieve the necessary savings. As of December 31, 2015, the Comptroller had 123.0 vacant positions.

Analysis in Brief

Major Trends

Customer Service Decline: The number of electronic returns processed in 4 days and the number of paper returns processed in 22 days both declined in fiscal 2015. There was also an increase in the amount of time customers were on hold during phone calls.

Big Data Analytics: The Comptroller's Office currently works with one primary and three subcontractors to collaborate and develop new models and programs that generate extra income revenue for the State by using the Comptroller's Data Warehouse in order to locate individuals who were either not filing or underreporting their tax obligations in Maryland.

Cigarette, Alcohol, and Motor Fuel Enforcement: The percentage of inspections through the Field Enforcement Division has seen fluctuations since fiscal 2011. Currently the division is experiencing vacancies, which have translated into a decline in overall inspections, but the number of inspections in each unit are at the appropriate threshold.

Issues

Montgomery County/Chevy Chase Tax Revenue: The Office of the Comptroller is responsible for collecting all of the tax revenue for the State of Maryland and distributing the proper tax amount to local municipalities. Within each county, there may be a separate distribution to the county, any local municipalities, and any unincorporated area. It has recently been discovered that tax revenue that should have been sent to Montgomery County was actually distributed to the Town of Chevy Chase, resulting in \$6 million for Chevy Chase and \$6 million less revenue for Montgomery County. **The Department of Legislative Services (DLS) recommends that the Comptroller comment on the misallocation of funds between Montgomery County and Chevy Chase.**

Comptroller v. Wynne Decision: *Comptroller v. Wynne* is a Supreme Court case in which it was decided that the Maryland income tax scheme violated the dormant Commerce Clause. The decision affects Maryland residents who have earned income in other states as well as the local income tax revenue. **DLS recommends that the agency comment on the effects of the *Comptroller v. Wynne* ruling.**

Recommended Actions

1. Restrict general funds in Travel and Motor Vehicles objects to be used specifically for customer service.

Updates

Revenue Administration: The Revenue Administration is responsible for processing and collecting various taxes, including the personal income tax, corporate income tax, and sales tax. The Office of Legislative Audits found a number of issues, including several repeat findings with the Revenue Administration's security in reference to taxpayer information, and the verification procedures for Social Security numbers, refund checks, and certain collections.

E00A
Comptroller of Maryland

Operating Budget Analysis

Program Description

The Comptroller of Maryland is charged with the general supervision of the State's fiscal matters, including collecting taxes, distributing revenues, and administering financial accounts. The agency has eight divisions generally falling into the following categories:

Revenue

The Revenue Administration Division (RAD) is responsible for processing and collecting various taxes, including the personal income tax, the corporate income tax, and the sales tax. RAD is also responsible for administering the laws governing the sale, manufacture, storage, transportation, distribution, and promotion of alcohol, tobacco, and motor fuel. The Compliance Division conducts audits and collects delinquent taxes from all revenue sources. The Field Enforcement Division enforces all tax laws by conducting investigations, tests, and inspections.

Administration

The Office of the Comptroller has general supervision over the agency. The General Accounting Division accounts for all State funds received and disbursed and prepares financial reports required by law. This division is also responsible for the Relational Statewide Accounting and Reporting System. The Central Payroll Bureau issues payroll checks and administers the direct deposit transactions for State employees in three separate payroll systems.

Other Divisions

The Bureau of Revenue Estimates provides estimates of State revenues and formulates recommendations to be submitted to the Governor. The Information Technology Division administers the Annapolis Data Center (ADC). The data center is available to all State agencies on a reimbursable basis.

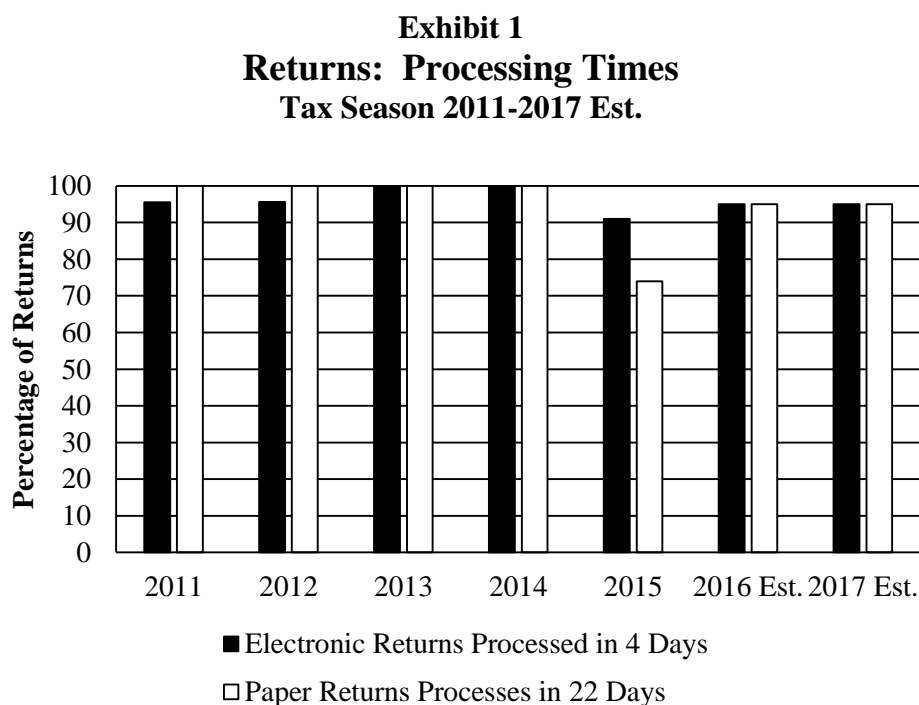
The goals of the Comptroller are to

- provide high-quality public service;
- fully utilize Information Technology (IT); and
- vigorously enforce tax laws essential to the fair treatment of all taxpayers.

Performance Analysis: Managing for Results

1. Customer Service Decline

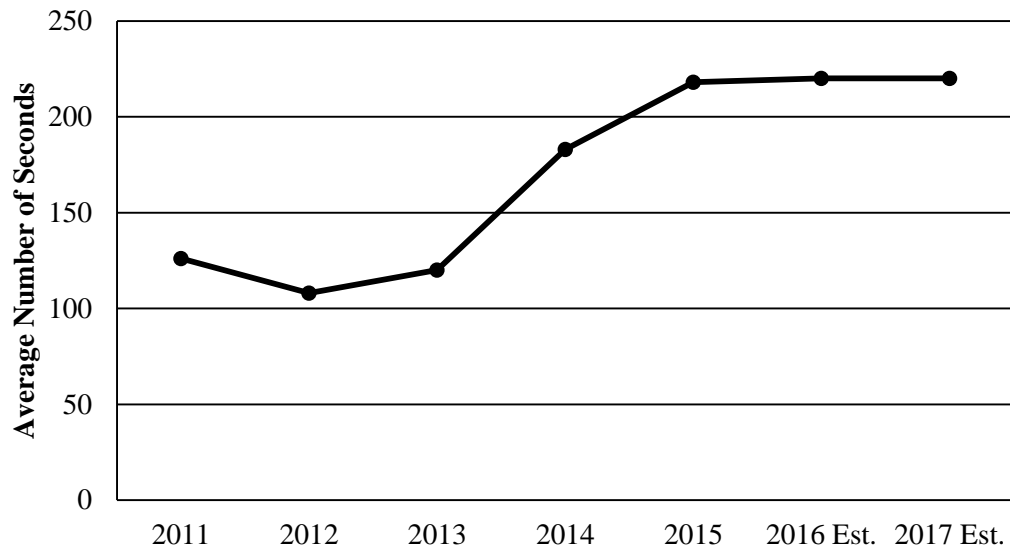
It is the industry standard for electronic returns that are filed during any tax season to be processed within 4 days and for paper returns to be processed within 22 days. **Exhibit 1** shows that the percentage of electronic returns processed in 4 days rose steadily from fiscal 2011 to 2014 from 95.5% to 100.0%. That number dropped in fiscal 2015 to 91.0%. Paper returns were consistently at 100.0% until 2015 when this percentage took a significant dip to 74.0%.



Source: Department of Budget and Management

Simultaneously, **Exhibit 2** shows that the average number of seconds taxpayers are on hold has increased consistently from 108 seconds in fiscal 2012 to 218 seconds in fiscal 2015. In both cases, processing time and telephone wait time, the increases are likely due to the decrease in contractual employees during the tax season. **DLS recommends that the Comptroller comment on whether factors that led to lower customer service in 2015 have been addressed.**

Exhibit 2
Seconds on Hold for a Call
Fiscal 2011-2017 Est.



Source: Department of Budget and Management

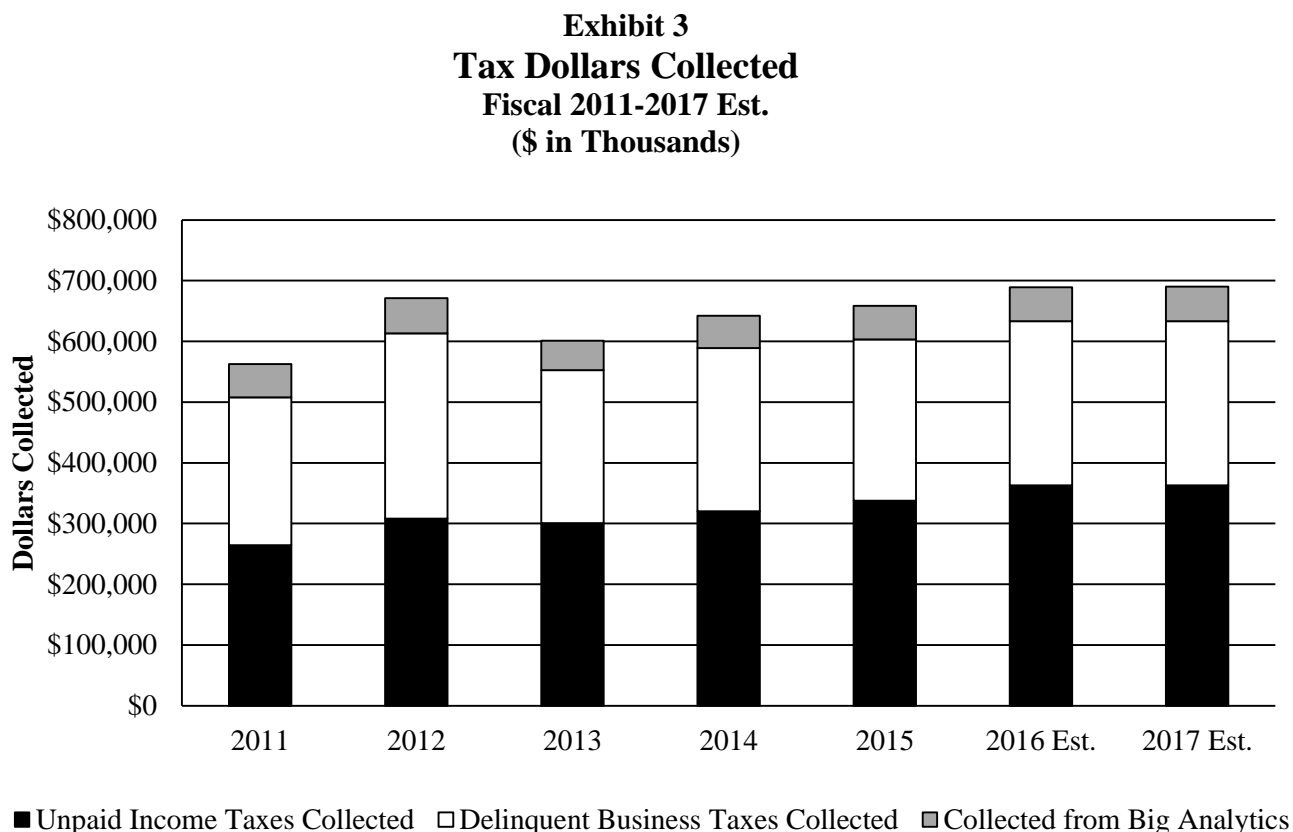
2. Big Data Analytics

The Comptroller's Office currently works with one primary and two subcontractors to develop new models and programs that generate extra revenue for the State. These models use the Comptroller's Data Warehouse to locate individuals who are either not filing or underreporting their tax obligations in Maryland. There are currently four analytic models being implemented in fiscal 2015 which are:

- Miscellaneous Fraud (Enhancements);
- Collections Model (Enhancement);
- Census Model (Large Enhancement); and
- Sales and Use Tax Audit Selection.

The dollars collected from unpaid income tax cases has continued to increase from \$300 million in fiscal 2013 to \$338 million in fiscal 2015. The amount of tax collection revenue from delinquent businesses has fluctuated annually from fiscal 2011 to 2015, with revenues of almost \$266 million in

fiscal 2015. The new data systems and their analytical models have resulted in between \$48 million and \$57 million in additional tax revenue with \$55 million in revenue for fiscal 2015, as shown in **Exhibit 3**.



ITS: Integrated Tax System

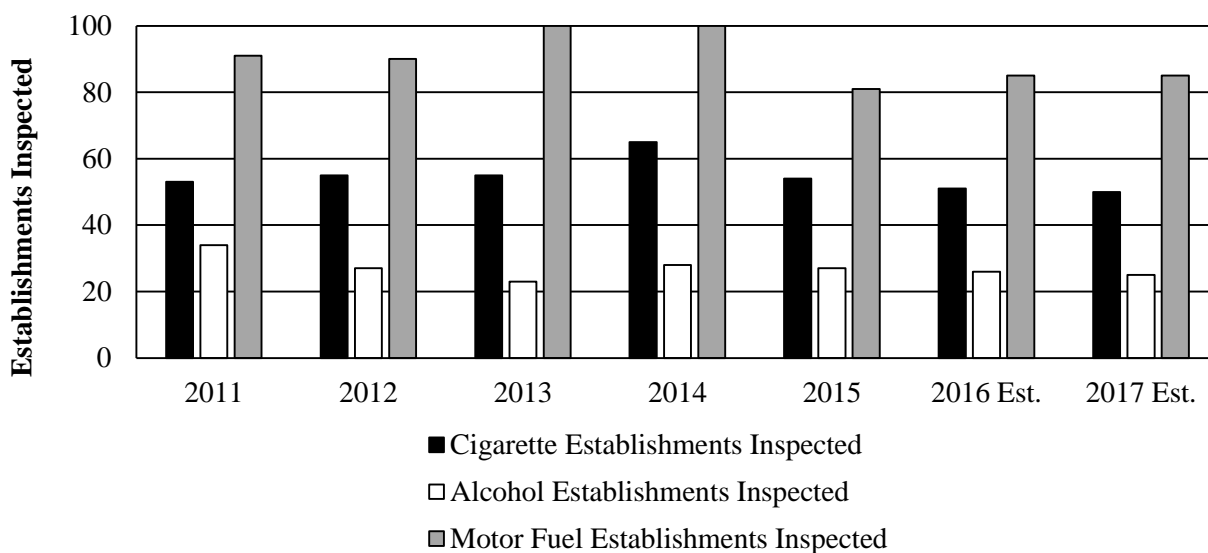
Source: Department of Budget and Management

3. Cigarette, Alcohol, and Motor Fuel Enforcement

The Comptroller’s Office is responsible for inspecting licensed cigarette, alcohol, and motor fuel retailers. **Exhibit 4** shows that the percent of inspections for licensed retailers of all types decreased in fiscal 2015. This was attributed to two vacancies in the Field Inspection Unit. In fiscal 2016 and 2017, cigarette and alcohol inspections are both projected to decrease with motor fuel inspections increasing slightly. Because of the vacancies, the division seeks to more strategically align the number of inspections for each unit with the industry standard. In field enforcement, the goal is to inspect 50% of the tobacco distributors, 25% of the alcohol distributors, and 75% of motor fuel distributors annually. The decrease in inspections for tobacco and alcohol vendors is to ensure that

there are enough resources to inspect motor fuel vendors at the appropriate level, as well as any vendors not on the original inspection list against whom complaints have been received.

Exhibit 4
Tax Law Enforcement
Fiscal 2011-2017 Est.



Source: Department of Budget and Management; Comptroller of Maryland

Fiscal 2016 Actions

Proposed Deficiency

There is a fiscal 2016 deficiency of \$700,000 in special funds for the Compliance Division of the Comptroller's Office for legal fees associated with the Attorney General's defense of the U.S. Supreme Court case of *Comptroller v. Wynne*.

Cost Containment

The Administration's fiscal 2016 cost containment strategy includes a 2% across-the-board reduction in general funds. The 2016 cost containment reduction for the Comptroller is \$1,745,000 which includes:

- \$59,000 in employee training;
- \$338,000 in travel costs;
- \$563,000 for software and computers;
- \$125,000 in lockbox services because of enhanced tax form layout reducing necessity of services;
- \$25,000 for carpet cleaning; and
- \$635,046 in data warehouse operations initiatives.

Proposed Budget

As seen in **Exhibit 5**, after adjusting for the fiscal 2016 deficiency and a back of the bill reduction for health insurance, the fiscal 2017 allowance increases \$15.4 million, or 11.8%, from the current working appropriation. There is a \$6.9 million increase in general funds, or 8.1%, and an \$8.4 million increase in special funds, or 35%. The Integrated Tax System (ITS), personnel, and ADC costs contribute significantly to the overall increase.

Exhibit 5
Proposed Budget
Comptroller of Maryland
(\$ in Thousands)

How Much It Grows:	General <u>Fund</u>	Special <u>Fund</u>	Reimb. <u>Fund</u>	<u>Total</u>
Fiscal 2015 Actual	\$82,076	\$21,576	\$17,561	\$121,213
Fiscal 2016 Working Appropriation	85,192	24,060	21,716	130,968
Fiscal 2017 Allowance	<u>92,088</u>	<u>32,470</u>	<u>21,849</u>	<u>146,407</u>
Fiscal 2016-2017 Amount Change	\$6,897	\$8,410	\$132	\$15,439
Fiscal 2016-2017 Percent Change	8.1%	35.0%	0.6%	11.8%

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Where It Goes:

Personnel Expenses

Employee and retiree health insurance	\$2,034
Employee retirement contributions.....	1,704
Turnover adjustment	443
Other fringe benefit adjustments.....	71
Regular earnings	-386

Annapolis Data Center (ADC) Mainframe

Costs for mainframe use statewide	2,293
ADC software licensing for new mainframe	1,183
ADC software transfer and installation.....	483
ADC mainframe lease.....	334
ADC backup generator	60
ADC disaster recovery mainframe site	-24
ADC mainframe	-140
ADC mainframe storage components	-161

Other Information Technology (IT) Changes

Integrated Tax System	6,135
Cybersecurity contracts.....	850
Software and system maintenance for the agency	450
SQL server encryption upgrade	366
Teradata data warehouse maintenance	164
Personal computer software	148
Teradata database management contract	104
IT staff training	45
Tax Collection System software (one-time expense)	-830

Other Changes

Tax prep employees	346
Vehicles and travel.....	271
Contractual employees.....	269
Statewide assigned costs.....	150
Employee fingerprinting	67
Motor fuel testing lab equipment.....	51
LiveScan finger printing equipment	45
Carpet replacement	33
Executive direction changes	21

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Where It Goes:

Law books for field enforcement.....	-25
Office supplies.....	-30
Tax form translation, record storage, and other contractual services	-34
Cigarette tax revenue stamp.....	-50
Print shop.....	-82
Communications	-122
Unclaimed property newspaper advertising.....	-157
Expenses associated with the U.S. Supreme Court case of <i>Comptroller v. Wynne</i> .	-700
Miscellaneous other charges	60
Total	\$15,439

Note: Numbers may not sum to total due to rounding.

Across-the-board Reductions

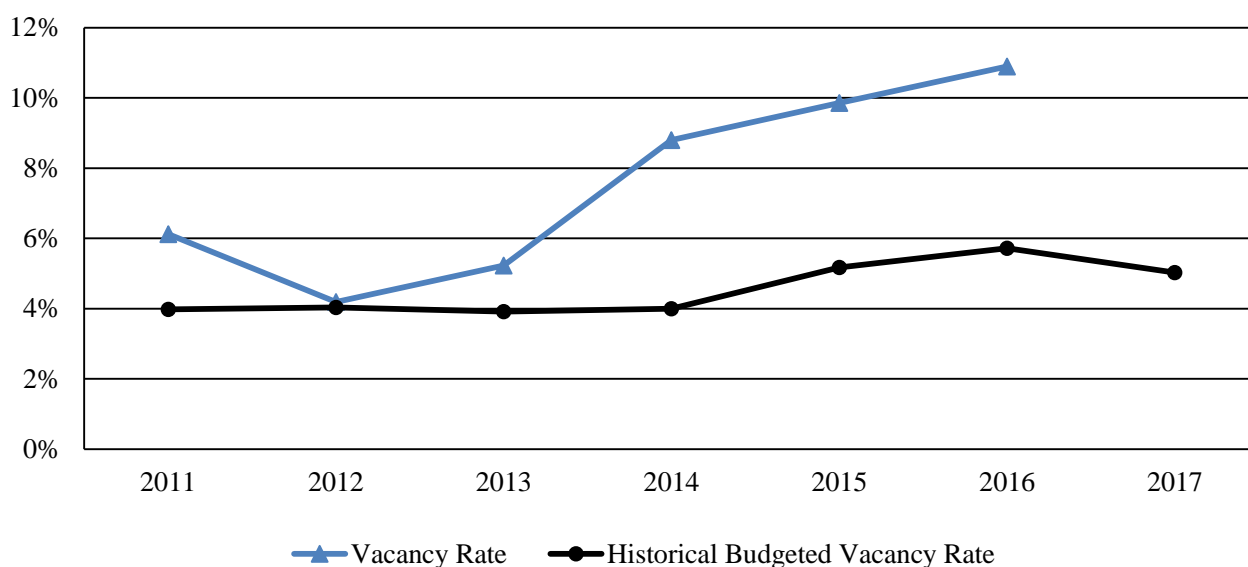
The fiscal 2017 budget bill includes an across-the-board reduction for employee health insurance, based on a revised estimate of the amount of funding needed. This agency's share of these reductions is \$232,043 in general funds, and \$45,148 in special funds. There is an additional across-the-board reduction to abolish positions statewide, but the amounts have not been allocated by agency.

Personnel and Turnover

Regular salaries decrease by \$386,000 because there was a significant number of retirees in fiscal 2016. As a result, positions were returned to base salary levels.

Under current statewide budget practices, the full amount of funding for each authorized position is funded in the budget regardless of whether or not the positions will be filled or vacant. In order to more accurately display real time costs for an agency, there has historically been a turnover expectancy in the form of a negative adjustment. As shown in **Exhibit 6**, between fiscal 2011 and 2013 the vacancy rate was 4% to 6%, higher than the budgeted vacancy rate or turnover. Since that time, vacancy rates have increased sharply, and turnover rates have increased less dramatically. Higher vacancy rates did not appear to impact performance until the 2015 tax season. The fiscal 2017 budget does provide some turnover relief. **The Comptroller should outline what issues are preventing hiring into regular positions and how the office intends to overcome them in fiscal 2017.**

Exhibit 6
Historical Budgeted and Actual Vacancy Rates
Fiscal 2011-2017



Note: Fiscal 2016 vacancy rate is as of December 31, 2015.

Source: Department of Legislative Services

ADC Mainframe

ADC has added a larger mainframe computer which has several expenses including \$334,000 for the lease of the new mainframe, \$483,000 for software installation, \$1.2 million for software licensing, and \$2.3 million for the costs of mainframe usage statewide. There are also decreases of \$140,000 and \$161,000 for the previous mainframe and storage components.

Other IT Changes

There is a \$6.1 million increase for the ITS which will replace the agency's State of Maryland Tax System, the Computer Assisted Collection System, and other outdated tax processing systems. More detail is found in **Appendix 3**. In general, the new system will be designed to increase responsiveness to taxpayers, process returns more efficiently, and integrate with a more robust data warehouse to continue and expand revenue generating options.

There is an \$850,000 increase for cybersecurity contracts and \$366,000 for a SQL server encryption upgrade. There is an increased need for cybersecurity to protect the personal information

of Maryland taxpayers. There is also an \$830,000 decrease related to tax collection system software purchased in fiscal 2016.

Other Changes

Other changes include a \$346,000 increase for temporary tax preparers during the tax season. This increase is to ensure that the department is able to provide an adequate level of customer service. There is a \$271,000 increase for vehicles and travel for the tax auditors and field enforcement investigators. There is also an increase of \$269,000 for contractual employees which are largely retired employees working part time to transfer their institutional knowledge within the agency. The increase of contractual costs is because of health insurance and because the fiscal 2016 contractual costs were understated. There is a decrease of \$122,000 in communications and \$157,000 for the unclaimed property newspaper advertising because of a renegotiated contract with the vendor.

Issues

1. Montgomery County/Chevy Chase Tax Revenue

The Office of the Comptroller is responsible for collecting all of the tax revenue for the State of Maryland and distributing the proper taxes to counties and local municipalities. Within each county, there may be a separate distribution to the county, local municipalities, and any unincorporated area. In most counties, the lines drawn between each jurisdiction are based specifically on zip codes. In Montgomery County this is not the case and the Comptroller's Office misallocated approximately \$6 million in revenue due to Montgomery County to the Town of Chevy Chase. The Town of Chevy Chase alerted the Comptroller's Office to the potential error. As a result of the misallocation of tax dollars, the Comptroller's Office hired SB & Company to conduct a third-party audit to determine if this is a historical mistake and the dollar amount that Montgomery County would be entitled to as a result. In addition, SB & Company is currently assessing the prevalence of such errors in other counties, with particular interest in Allegany County as they also have township lines that are not strictly determined by zip code. There is proposed legislation (SB 766) which requires the Comptroller to pay a municipality that has been underpaid and outlines terms by which an overpaid municipality should return the funds. Currently, any jurisdiction that has been underpaid will be made whole in the next income tax distribution. Any jurisdiction that has been over allocated will begin interest-free repayment in fiscal 2018 to be paid over 10 years. **The Department of Legislative Services (DLS) recommends that the Comptroller comment on the misallocation of funds between Montgomery County and Chevy Chase.**

2. *Comptroller v. Wynne* Decision

Comptroller v. Wynne is a Supreme Court case in which Brian Wynne argued that Maryland's personal income tax scheme violated the dormant Commerce Clause. The dormant Commerce Clause prohibits a state from passing laws that discriminate against interstate commerce. Maryland's personal income tax on State residents consists of a State income tax and a local income tax for each county and Baltimore City. Residents who pay income tax to another state were allowed a credit against the State income tax, but not against the local income tax. The Supreme Court determined that this taxing was unconstitutional because it discriminated in favor of intrastate over interstate economic activity.

The decision made in this case affects any Maryland citizens that have earned income in a different state. As a result of the decision, the Comptroller has created the new 502LC to assist taxpayers in calculating their potential credit owed and the Comptroller will accept amended returns for up to three years from the time the return was filed. In addition, any interest eligible refunds have an interest rate of 3% in accordance with the Budget Reconciliation and Financing Act (BRFA) of 2014. The BRFA of 2015 included a provision that requires the Comptroller to pay interest and refunds from the Local Income Tax Reserve Account to taxpayers affected by the case. If a local government does not reimburse the account in a timely manner, the Comptroller must withhold the affected local government's quarterly income tax distribution in nine equal installments beginning in the first quarter of fiscal 2017.

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The Comptroller's Office estimates that local government income tax revenues will decrease by about \$43 million annually beginning in fiscal 2016 in addition to an estimated \$201.6 million in potential refunds and interest for prior tax years dating back to the 2006 tax year with the largest annual impact being in Montgomery and Baltimore counties. **DLS recommends that the agency comment on the effects of the *Comptroller v. Wynne* ruling, the use of the Local Income Tax Reserve Account, and any plans for local repayment.**

Recommended Actions

1. Add the following language:

Provided that \$200,000 of this general fund appropriation made for the purpose of Travel and Motor Vehicles may not be used for the purpose but instead may only be used to provide turnover relief in order to improve customer service outcomes for the office. Funds not used for this restricted purpose may not be transferred, by budget amendment or otherwise, to any other purpose and shall revert back to the General Fund. The Comptroller shall submit a report to the budget committees by October 1, 2016, detailing how funds will be spent and how it will result in improved customer service.

Explanation: The language restricts \$200,000 allocated for motor vehicles and travel to be restricted to specifically address the decline in customer service that the agency has experienced.

Information Request	Author	Due Date
Report on how to improve customer service	Comptroller	October 1, 2016

Updates

1. Revenue Administration

The Office of Legislative Audits (OLA) conducted an audit for RAD of the Office of the Comptroller in August 2013 which outlined four repeat audit findings (Findings 4, 6, 9, and 10) with five recommendations for resolving these findings.

- **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.
- **Finding 6:** Accountability and verification procedures for refund checks need to be improved.
- **Finding 9:** Sensitive, personally identifiable information was unnecessarily stored in plain text on a publically accessible iFile web server; and controls over the security of sensitive taxpayer information in various systems need improvement.
- **Finding 10:** Deposit verification procedures for certain collections were not sufficient.

In March 2015, a letter from OLA concluded that only two of the four repeat findings (findings 4 and 9) had been resolved with the other two (findings 6 and 10) still subject to review in the upcoming year. As a result, the fiscal 2016 budget bill withheld \$200,000 in administrative funds until RAD took corrective action on all unresolved repeat audit findings. The budget language further provided that OLA submit a report to the budget committees listing each unresolved repeat audit finding, along with the determination that each finding was corrected.

In accordance with the April 2015 *Joint Chairmen's Report* (JCR) requirement, OLA provided a report dated October 14, 2015, detailing the corrective actions that were taken with respect to the two unresolved repeat findings. OLA had conducted a review to confirm that RAD had taken the necessary corrective action which concluded that the JCR requirement had been satisfactorily addressed in such a way that currently withheld funds should be released. In November 2015, the funds were released by the General Assembly.

Current and Prior Year Budgets

Current and Prior Year Budgets Comptroller of Maryland (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2015					
Legislative Appropriation	\$83,739	\$19,815	\$0	\$19,926	\$123,481
Deficiency Appropriation	61	1,000	0	0	1,061
Cost Containment	-2,103	0	0	0	-2,103
Budget Amendments	560	833	0	0	1,393
Reversions and Cancellations	-181	-72	0	-2,366	-2,619
Actual Expenditures	\$82,076	\$21,576	\$0	\$17,561	\$121,213
Fiscal 2016					
Legislative Appropriation	\$84,174	\$23,144	\$0	\$20,141	\$127,459
Budget Amendments	1,018	216	0	1,575	2,809
Working Appropriation	\$85,192	\$23,360	\$0	\$21,716	\$130,268

Note: The fiscal 2016 working appropriation does not include deficiencies or reversions. Numbers may not sum to total due to rounding.

Fiscal 2015

The fiscal 2015 legislative appropriation for the Comptroller decreased by \$2,267,470. A deficiency appropriation of \$60,923 increased general funds. Cost containment decreased general funds by \$2,102,916. Budget amendments increased general funds by \$560,497 largely due to funding for a cost-of-living adjustment (COLA). There was \$181,449 in reverted general funds for vacant positions, travel, and contractual services.

The special fund appropriation increased by \$1,761,152. A deficiency appropriation of \$1,000,000 increased special funds. Budget amendments increased special funds by \$832,807 including \$188,666 for a COLA and \$175,775 for the additional costs associated with the delayed new processing center for the International Fuel Tax Agreement states. States that are aligned with this agreement have a processing center currently located in New York state but are in the process of being relocated to the Commonwealth of Kentucky. There was also an increase of \$475,000 to pay for the auditing of revenues associated with unclaimed funds collected in the State of Maryland. The amount of unclaimed funds exceeded expectation. There was an increase of \$72,366 in special funds for the legal fees associated with the defense of the *Comptroller v. Wynne*. Brian Wynne argued that Maryland taxpayers should be allowed a credit against payment of the local tax in the amount equal to the local taxes paid in other states. There was a special fund cancellation of \$71,655 for salaries.

The reimbursable fund appropriation decreased by \$2,365,677. There was a reimbursable fund cancellation of \$2,365,677 including \$2,018,969 for a postponed upgrade to the ADC software and \$75,698 for postage and contractual services.

Fiscal 2016

To date, the 2016 legislative appropriation has increased by \$2,808,815. General funds increased by \$1,018,000 for the restoration of the 2% pay cut.

Similarly, the special fund appropriation increased by \$216,000 for the restoration of the 2% pay cut.

The reimbursable fund appropriation increased by \$1,574,815 through budget amendment with \$1,440,000 for the ITS and \$134,815 for cellular phones, radios, and other electronic equipment.

Audit Findings

Annapolis Data Center Operations

Audit Period for Last Audit:	December 31, 2009 – June 2, 2014
Issue Date:	March 2015
Number of Findings:	3
Number of Repeat Findings:	2
% of Repeat Findings:	66 %
Rating: (if applicable)	n/a

- Finding 1:** Mainframe security software access and monitoring controls were not sufficient.
- Finding 2:** Contractors had unnecessary network-level access to the Comptroller’s network.
- Finding 3:** Controls over the Comptroller’s Data Loss Prevention System need improvement.

*Bold denotes item repeated in full or part from preceding audit report.

Central Payroll Bureau

Audit Period for Last Audit:	October 18, 2011 – March 17, 2015
Issue Date:	September 2015
Number of Findings:	0
Number of Repeat Findings:	0
% of Repeat Findings:	0%
Rating: (if applicable)	n/a

The audit did not disclose any findings.

Bureau of Revenue Estimates

Audit Period for Last Audit:	October 6, 2011 – March 3, 2015
Issue Date:	August 2015
Number of Findings:	0
Number of Repeat Findings:	0
% of Repeat Findings:	0 %
Rating: (if applicable)	n/a

The audit did not disclose any findings.

Major Information Technology Projects

Comptroller of Maryland Integrated Tax System

Project Status¹	Planning.	New/Ongoing Project:	Ongoing.
Project Description:	The Integrated Tax System (ITS) project will replace the agency's Automated Record Tracking system, Computer Assisted Collection System, and other outdated tax processing systems, and integrate with a robust data warehouse to both continue and expand revenue generating projects and provide enhanced reporting functionality.		
Project Business Goals:	Goals for the taxpayer would be increased responsiveness, reduced wait times, more efficient refund processing, enhanced account visibility via web access, and uniformity of function across tax types for business taxpayers. Internally ITS will improve employee productivity, improve back-office workflows for all processes, provide a more user-friendly interface, greater level of security and comprehensive audit trails, and a more dynamic and agile system for the future.		
Estimated Total Project Cost¹:	\$110.0 million	Estimated Planning Project Cost¹:	\$2.5 million
Project Start Date:	January 2014.	Projected Completion Date:	Fiscal 2019.
Schedule Status:	Project is in the initial systems development lifecycle phase of the project planning request. A contract was awarded in August 2015 and shortly thereafter, the project manager accepted another position. Currently, requirements are in progress for another project manager to join the project.		
Cost Status:	There was \$2.5 million in fiscal 2016 with \$22.0 million in the fiscal 2017 allowance. There are minimal schedule delays anticipated due to another project manager support person in progress but the anticipated costs are expected to remain the same.		
Scope Status:	As the project is just being initiated, the full scope of the project is unknown.		
Project Management Oversight Status:	There will be a project manager assigned in spring 2017.		
Identifiable Risks:	There are four high-risk factors for the ITS. The first is sufficient funding is critical as the project is estimated to cost a total of \$110.0 million. The second high-risk factor is the interdependencies with other systems as it has to be compatible with the Comptroller's data warehouse and imaging applications. Third, the organizational culture could be resistant to the change. Management will have to closely monitor employee reactions and utilize an active Cultural Change management program. Lastly, technical personnel will have to be shifted from mainframe technology support to the new technology and training and contractor support will be critical to ensure smooth implementation.		
Additional Comments:	None.		

Fiscal Year Funding (\$ in Thousands)	Prior Years	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Balance to Complete	Total
Personnel Services	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Professional and Outside Services	2,500.0	22,000.0	22,000.0	22,000.0	41,500.0	0.0	63,500.0	110,000.0
Other Expenditures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Funding	\$2,500.0	\$22,000.0	\$22,000.0	\$22,000.0	\$41,500.0	\$0.0	\$63,500.0	\$110,000.0

¹ Initially, an agency submits a Project Planning Request. After the requirements analysis has been completed and a project has completed all of the planning required through Phase Four of the Systems Development Lifecycle (Requirements Analysis), including a baseline budget and schedule, the agency may submit a Project Implementation Request and begin designing and developing the project when the request is approved. For planning projects, costs are estimated through planning phases. Implementation projects are required to have total development costs.

**Object/Fund Difference Report
Comptroller of Maryland**

<u>Object/Fund</u>	<u>FY 15 Actual</u>	<u>FY 16 Working Appropriation</u>	<u>FY 17 Allowance</u>	<u>FY 16 - FY 17 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	1,123.00	1,120.90	1,120.90	0.00	0%
02 Contractual	27.10	27.10	26.60	-0.50	-1.8%
Total Positions	1,150.10	1,148.00	1,147.50	-0.50	0%
Objects					
01 Salaries and Wages	\$ 80,948,400	\$ 84,915,587	\$ 89,058,427	\$ 4,142,840	4.9%
02 Technical and Spec. Fees	1,433,487	1,109,024	1,381,317	272,293	24.6%
03 Communication	7,867,401	8,327,952	8,212,861	-115,091	-1.4%
04 Travel	334,152	264,045	404,567	140,522	53.2%
06 Fuel and Utilities	54,714	64,215	56,356	-7,859	-12.2%
07 Motor Vehicles	276,097	374,278	519,362	145,084	38.8%
08 Contractual Services	25,787,190	30,534,918	41,700,144	11,165,226	36.6%
09 Supplies and Materials	2,171,073	2,218,494	2,270,193	51,699	2.3%
10 Equipment – Replacement	421,782	446,323	1,177,925	731,602	163.9%
11 Equipment – Additional	311,729	311,700	133,100	-178,600	-57.3%
12 Grants, Subsidies, and Contributions	35,000	35,000	35,000	0	0%
13 Fixed Charges	1,498,256	1,665,630	1,696,457	30,827	1.9%
14 Land and Structures	73,932	500	38,500	38,000	7600.0%
Total Objects	\$ 121,213,213	\$ 130,267,666	\$ 146,684,209	\$ 16,416,543	12.6%
Funds					
01 General Fund	\$ 82,076,211	\$ 85,191,600	\$ 92,320,509	\$ 7,128,909	8.4%
03 Special Fund	21,576,432	23,359,924	32,515,150	9,155,226	39.2%
09 Reimbursable Fund	17,560,570	21,716,142	21,848,550	132,408	0.6%
Total Funds	\$ 121,213,213	\$ 130,267,666	\$ 146,684,209	\$ 16,416,543	12.6%

Note: The fiscal 2016 working appropriation does not include deficiencies or reversions. The fiscal 2017 allowance does not include contingent reductions.

**Fiscal Summary
Comptroller of Maryland**

<u>Program/Unit</u>	<u>FY 15 Actual</u>	<u>FY 16 Wrk Approp</u>	<u>FY 17 Allowance</u>	<u>Change</u>	<u>FY 16 - FY 17 % Change</u>
01 Office of the Comptroller	\$ 10,420,290	\$ 10,895,644	\$ 11,356,192	\$ 460,548	4.2%
02 General Accounting Division	5,285,744	5,530,110	5,721,835	191,725	3.5%
03 Bureau of Revenue Estimates	1,011,867	895,044	1,602,247	707,203	79.0%
04 Revenue Administration Division	31,155,982	34,785,639	41,980,569	7,194,930	20.7%
05 Compliance Division	33,561,685	35,835,411	36,102,128	266,717	0.7%
06 Field Enforcement Division	5,300,724	5,384,425	6,839,909	1,455,484	27.0%
09 Central Payroll Bureau	2,662,474	2,821,376	2,901,568	80,192	2.8%
10 Information Technology Division	31,814,447	34,120,017	40,179,761	6,059,744	17.8%
Total Expenditures	\$ 121,213,213	\$ 130,267,666	\$ 146,684,209	\$ 16,416,543	12.6%
General Fund	\$ 82,076,211	\$ 85,191,600	\$ 92,320,509	\$ 7,128,909	8.4%
Special Fund	21,576,432	23,359,924	32,515,150	9,155,226	39.2%
Total Appropriations	\$ 103,652,643	\$ 108,551,524	\$ 124,835,659	\$ 16,284,135	15.0%
Reimbursable Fund	\$ 17,560,570	\$ 21,716,142	\$ 21,848,550	\$ 132,408	0.6%
Total Funds	\$ 121,213,213	\$ 130,267,666	\$ 146,684,209	\$ 16,416,543	12.6%

Note: The fiscal 2016 working appropriation does not include deficiencies or reversions. The fiscal 2017 allowance does not include contingent reductions.