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Comptroller of the Treasury

Operating Budget Data

(\$ in Thousands)

	FY 00	FY 01	FY 02		% Change
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>	<u>Prior Year</u>
General Fund	\$61,310	\$66,260	\$69,660	\$3,400	5.1%
Special Fund	9,713	11,397	12,255	858	7.5%
Reimbursable Fund	<u>22,428</u>	<u>24,709</u>	<u>27,302</u>	<u>2,592</u>	<u>10.5%</u>
Total Funds	\$93,450	\$102,366	\$109,217	\$6,851	6.7%

- Higher salary expenses for existing personnel account for \$4.8 million of the requested increase.
- Eleven new positions in the allowance account for an additional \$353,425.

Personnel Data

	FY 00	FY 01	FY 02	
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	1,123.70	1,140.70	1,151.70	11.00
Contractual FTEs	<u>23.80</u>	<u>25.60</u>	<u>29.00</u>	<u>3.40</u>
Total Personnel	1,147.50	1,166.30	1,180.70	14.40

Vacancy Data: Regular

Budgeted Turnover: FY 02	36.97	3.21%
Positions Vacant as of 12/31/00	46.00	4.03%

- Eleven new regular positions include: research analyst, office secretary, two revenue examiners, three field auditors, and four information technology personnel.
- The 3.4 new contractual positions include information technology personnel.

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

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Analysis in Brief

Issues

2000 Audit Finds Large Unexplained Differences in Nonbudgeted Fund Accounts in the Central Payroll Bureau: The audit found that the cash balances of the bureau's two nonbudgeted fund accounts used to process employee payroll deductions and the State's share of fringe benefits were not reconciled with the State's accounting records, resulting in large unexplained differences. In addition, the audit disclosed control deficiencies relating to disbursement transactions and computer security.

Commercial Vehicle Information Systems and Network (CVISN) Is Delayed: The agency is requesting \$579,267 to implement CVISN in the remainder of the branch offices, which will result in enhanced safety for drivers and trucks and improved operating efficiencies for government agencies and motor carriers.

The Annapolis Data Center (ADC) Anticipates Significant Demand for Web-Enabled Services from Agencies: The ADC is anticipating a significant demand by users needing data converted to web-enabled. Allowance includes expenditures for training existing personnel, additional pins for information technology personnel, and equipment upgrades to prepare to meet the need. There has been no analysis to determine the extent to which agencies may require these services.

Recommended Actions

	Funds	Positions
1. Reduce software upgrades.	\$ 1,000	
2. Delete funding for the Commercial Vehicle Information Systems Network.	579,267	
3. Add budget language to reduce the reimbursable budget in the Annapolis Data Center by \$141,297.		
4. Reduce expenditure on office equipment	5,000	
5. Delete two regular positions.	81,697	2.0
6. Delete one new contractual position.	40,000	1.0
7. Delete office equipment for two new positions.	14,600	
Total Reductions	\$ 721,564	3.0

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Updates

The Information Technology Division Implements Cost Center Budgeting: The division adopted a cost center approach toward its budgeting function.

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Operating Budget Analysis

Program Description

The Comptroller of the Treasury (COT) is charged with the general supervision of the State's fiscal matters, including collecting taxes, distributing revenues, and administering financial accounts. The agency is divided into ten divisions, four of which are directly connected to the collection of revenue, three of which are administrative in nature, one that enforces Maryland's tax laws, one that estimates revenues, and one that operates the Annapolis Data Center (ADC).

The Revenue Administration Division is responsible for processing and collecting various taxes, including the personal income tax, the corporate income tax, and the sales tax. Taxpayer services are also provided by this division. The Compliance Division conducts audits and collects delinquent taxes for all revenue sources. The Field Enforcement Division enforces all tax laws by conducting investigations, tests, and inspections. The Alcohol and Tobacco Tax Unit administers the State's alcohol and tobacco laws and performs functions such as processing license and permit applications, preparing cases for hearings, and administering the Cigarette Sales Below Cost Act. The Motor Fuel Tax Unit administers laws relating to the motor carrier tax and motor fuel tax.

Administratively, 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 salary checks and administers the direct deposit transactions for State employees in three separate payroll systems. The Bureau of Revenue Estimates provides estimates used by the Board of Revenue Estimates when it formulates recommendations to be submitted to the Governor. The Information Technology Division administers the ADC. The data center is available to all State agencies on a reimbursable basis.

Governor's Proposed Budget

Exhibit 1 shows that the Governor's allowance is \$6,850,716 or 6.7% greater than the fiscal 2001 working appropriation. About three out of every four dollars of the increase is the result of higher salary expenses for new (5%) and existing personnel (70.2%). The remainder of the increase consists of programming costs to develop a tele-file system, a training program for field auditors, a data warehousing initiative, and installation of workstations.

Exhibit 1

**Governor's Proposed Budget
Comptroller of the Treasury
(\$ in Thousands)**

How Much It Grows:	<u>General Fund</u>	<u>Special Fund</u>	<u>Reimbursable Fund</u>	<u>Total</u>
2001 Working Appropriation	\$66,260	\$11,397	\$24,709	\$102,366
2002 Governor's Allowance	<u>69,660</u>	<u>12,255</u>	<u>27,302</u>	<u>109,217</u>
Amount Change	\$3,400	\$858	\$2,592	\$6,851
Percent Change	5.1%	7.5%	10.5%	6.7%

Where It Goes:

Personnel Expenses

New positions	\$353
Fiscal 2002 general salary increase	967
Increments, fiscal 2001 increase phase-in and other	2,630
Employee and retiree health insurance rate change	844
Retirement contribution rate change	(352)
Workers' compensation premium assessment	(27)
Turnover adjustments	453
Other fringe benefit adjustments	290

Total Personnel Expenses **\$5,160**

New Initiatives

Programming for IRS tele-file system	250
Training program for field auditors	150
Data warehousing to develop profiles to enhance audit selection	400
Office equipment for Central Payroll Bureau	116
Software upgrades and acquisitions	133
Data programming training in new web application development	158
Data processing equipment (laser printers, ink jet printers, flatbed scanners, and other PC accessories)	467

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Where It Goes:

Subtotal Nonpersonnel	\$1,674
Other	17
Total	\$6,851

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

New Positions

COT is requesting 11 new and 3 contractual positions distributed throughout the department. Below is a brief description of the new positions by functional unit. **Appendix 4** provides the class code and salary for each position.

● **Estimating of Revenues**

- **Research Analyst IV:** This position is requested to perform regular analysis of high income taxpayers and industries to develop trends that will assist the bureau in its revenue estimating responsibilities.
- **Office Secretary I:** The bureau has no clerical staff. An office secretary would be responsible for all typing, copying, and telephone, etc., allowing more time for the professional staff to spend estimating revenues.

● **Revenue Administration**

- **Revenue Examiner I (2 Positions):** These positions will be assigned to the Taxpayer Accounting Section. Fiscal 2000 indicated an increase of 40% in the number of adjustment requests received from taxpayers. Accounts that are not adjusted on time could result in refunds being delayed, unnecessary bills being sent, and unnecessary collections actions being taken.

● **Compliance Administration**

- **Revenue Field Auditor II (3 Positions):** These positions are needed to provide greater audit coverage of sales and use tax accounts.

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● **Computer Center Operations**

- ***Data Processing Technical Support Specialist II:*** This position will assist the mainframe Operating Systems Group to research, implement, and support Internet enabling features of the mainframe system software. Additional duties of this position include installing, testing, and maintaining mainframe software and providing technical assistance to the customer community.
- ***Data Processing Programmer Analyst Advanced:*** E-government initiatives require web-enabled programs and applications. This position will be responsible for designing, programming, and supporting web-enabled applications for the Internet, Intranet, and Extranet.
- ***Information Technology (IT) Systems Technical Support Specialist:*** This position will assist the Telecommunications Group to research, implement, and support server hardware, routers, switches, remote access solutions, bandwidth, and network security (firewalls) required by e-government/Internet systems.
- ***IT Systems Technical Support Specialist:*** This position is requested to support the increase in Internet utilization, e-government initiatives, and additional functionality of the Comptroller's web site.

● **Contractuals**

- ***Computer Information Services Specialist II:*** This position is needed to assist with preparation of procurements for IT/PC equipment, inventory control of PC equipment, and other administrative duties.
- ***IT Systems Technical Specialist:*** This position is in the allowance to support a web programmer in Internet/Intranet/Extranet application development.
- ***Data Device Operator III:*** This position is needed to work in the data entry section during peak payroll and monthly Alcohol and Tobacco Tax Unit peak cycle.

New Initiatives

Tele-file Program

Maryland will partner with the Internal Revenue Service (IRS) in a piggyback tele-file program which will allow taxpayers to file their federal and Maryland income tax returns (EZ returns only) with one phone call. The way the federal program works is the taxpayer makes a toll free telephone call to the IRS and enters through the keypad of the phone certain information on earnings and tax withheld. The IRS then calculates the refund, gives the taxpayer a confirmation number, and sends the refund to the taxpayer's address. The IRS will forward, via electronic interface, the State's information back to the State which in turn would issue the State refunds.

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Establishment of a Professional Training Program for Field Auditors

The Compliance Division will contract with a professional consultant to develop a comprehensive training program for field audit staff.

Data Warehousing

Data from the Comptroller's files, as well as from various other sources, will be used to develop profiles to enhance audit selection, to identify non-filers and target specific categories of non-compliance, to obtain information to aid in the collection effort, and to locate owners of unclaimed property.

Installation of Workstations

The Central Payroll Bureau has in the allowance funding to replace obsolete desks and tables with modular work stations designed for use with personal computers with imaging retrieval equipment installed over the last several years. The bureau is the only division with no modular furniture.

Performance Analysis: Managing for Results

The Comptroller of Maryland's Managing for Results (MFR) submission is a significant improvement over last year. It conveys in meaningful fashion the mission, goals, objectives, and performance measures of the agency. It is clear from the start the services you can expect to receive and the quality and timeliness when you receive them. Considerable attention has been given to the rationale and outcomes of performance measures across all units.

In response to concerns raised last year, the Comptroller submitted its long-term strategic plan entitled "Achieving Excellence in the Service of People." The overall thrust of the Comptroller's mission can be answered in the form of a question: "What can we do to better help the people of Maryland?"

Exhibit 2 illustrates the Comptroller's performance measures. The data associated with the inputs and outputs of performance measures, for the most part, grow linearly in a positive or negative direction. However, there are some measures that raise questions. For example, measures associated with collecting data from non-compliant taxpayers bear mentioning. While the number of individual income tax assessments and corresponding dollars assessed for individual income tax grew significantly between fiscal 1999 and 2000, the dollars collected declined during the same period. More specifically, in fiscal 1999, 33% of individual income tax assessed was actually collected. One year later, only 17% of individual income tax assessed was actually collected. In all fairness, dollars assessed may belong to a far different set of individuals than those from whom the dollars were collected. **The agency should be prepared to enlighten the budgets committees more fully on the appropriate interpretation of these data. The agency should also explain why the growth trends for individual tax assessments, dollars assessed, and collected are expected to slow so significantly relative to actual experience.**

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Exhibit 2

**Program Measurement Data
Comptroller of the Treasury
Fiscal Years**

	<u>Actual 1999</u>	<u>Actual 2000</u>	<u>Est. 2001</u>	<u>Est. 2002</u>	<u>Ann. Chg. 99-00</u>	<u>Ann. Chg. 00-02</u>
Number of individual income tax assessments	37,338	65,076	68,000	72,000	74.3%	5.2%
Dollars assessed for individual income tax (in thousands)	53,834	82,959	87,000	91,000	54.1%	4.7%
Dollars collected on individual income tax assessments (in thousands)	17,935	13,929	14,500	15,000	-22.3%	3.8%
Number of business tax notices sent	5,053	10,227	10,000	10,000	102.4%	-1.1%
Dollars assessed for business tax (in thousands)	4,246	1,950	2,000	2,000	-54.1%	1.3%
Dollars collected for business tax (in thousands)	2,036	3,296	1,700	1,700	61.9%	-28.2%
Number of business tax accounts	253,515	249,417	250,000	250,000	-1.6%	0.1%
Number of business tax audits and investigations	1,484	1,677	1,700	1,700	13.0%	0.7%
Dollars assessed for business taxes (in thousands)	40,520	64,897	54,000	54,000	60.2%	-8.8%
Number of unclaimed property holder reports received	14,700	16,856	17,000	17,000	14.7%	0.4%
Number of unclaimed property claims paid	10,921	7,522	10,000	10,000	-31.1%	15.3%
Dollars of unclaimed property reported (in thousands)	*50,124	38,261	40,000	40,000	-23.7%	2.2%
Dollars of unclaimed property paid to owners (in thousands)	12,504	11,886	13,000	13,000	-4.9%	4.6%

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	<u>Actual 1999</u>	<u>Actual 2000</u>	<u>Est. 2001</u>	<u>Est. 2002</u>	<u>Ann. Chg. 99-00</u>	<u>Ann. Chg. 00-02</u>
Number of delivery vehicles inspected	n/a	83	105	125	n/a	22.7%
Number of use tax violations identified	n/a	495	544	598	n/a	9.9%
Number of delinquent licenses referred for collection	n/a	333	398	479	n/a	19.9%
Amount of taxes collected	n/a	591,808	621,398	652,468	n/a	5.0%
Number of arrests	n/a	31	40	50	n/a	27.0%
Number of untaxed cigarette packs confiscated	n/a	183,162	200,000	220,000	n/a	9.6%
Total number of on-line transactions (in thousands)	399,876	419,594	440,000	465,000	4.9%	5.3%
Hits on the comptroller's web site (in thousands)	16,000	20,000	24,000	27,000	25%	16.2%

Note: *Includes two extraordinary reports totaling \$14,000,000

Source: Comptroller of the Treasury

A cost allocation chart for the Computer Center Operations Unit of COT is displayed in **Exhibit 3**. The table shows actual and estimated charges by the ADC to user agencies for computer processing services.

Exhibit 3

**Computer Center Operations
Cost Allocation Chart**

Reimbursable Fund Income	Actual <u>2000</u>	2001 <u>Estimated</u>	2002 <u>Estimated</u>
B75A01 Department of Legislative Services	\$52,355	\$47,389	\$60,519
C00A00 Judiciary	4,003	5,538	4,627
C80B00 Office of the Public Defender	3,214	3,510	3,715
C81C00 Office of the Attorney General	1,761	1,250	2,036
C82D00 Office of the State Prosecutor	97	109	112
C85E00 Maryland Tax Court	30	26	35
C90G00 Public Service Commission	739	1,294	854
C91H00 Office of People's Counsel	117	140	135
C94I00 Subsequent Injury Fund	543	910	628
C98F00 Workers' Compensation Commission	3,031	2,878	3,504
D05E01 Board of Public Works	712	839	250
D10A01 Executive Department -- Governor	3,293	2,928	3,806
D15A05 Executive Department -- Boards, Commissions and Offices	0	7	0
D25E03 Interagency Committee for Public School Construction	696	690	805
D26A07 Department of Aging	488	922	564
D27L00 Commission on Human Relations	1,154	941	1,334
D28A03 Maryland Stadium Authority	1,529	1,746	1,767
D30N00 Maryland Food Center Authority	378	368	437
D38I01 State Board of Elections	64,387	43,153	39,180
D39S00 Maryland State Board of Contract Appeals	19	70	22
D40W01 Office of Planning	873	1,416	1,009
D50H01 Military Department Operations and Maintenance	5,731	7,294	6,052
D53T00 Maryland Institute for Emergency Medical Service Systems	2,040	3,559	2,358
D55P00 Department of Veterans Affairs	1,087	919	1,256
D60A10 State Archives	22,380	2,065	25,870
D80Z01 Maryland Insurance Administration	2,099	3,736	2,426
D86Y00 DBM -- Governor's Work Force Investment Board	71	53	82
D90U00 Canal Place Preservation and Development Authority	108	79	125
D99A11 Office of Administrative Hearings	1,582	2,105	1,829
E00A01 Office of the Comptroller	9,228,630	11,935,355	12,729,301
E20B01 Office of the State Treasurer	4,795	2,675	339
E50C00 State Department of Assessments and Taxation	1,368,149	1,368,903	1,730,743
E75D00 State Lottery Agency	1,963	2,257	2,269
E90G00 Registers of Wills	435,536	60,000	0
F10A01 Department of Budget and Management	2,575,057	1,898,782	2,863,220

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Reimbursable Fund Income		Actual 2000	2001 Estimated	2002 Estimated
F10A02	Office of Personnel Services and Benefits	150,695	246,548	173,907
G20J01	Maryland State Retirement and Pension Systems	378,601	554,960	437,619
G50L00	Teachers and Employees Supplemental Retirement Plans	540	547	624
H00A01	Department of General Services	45,674	42,404	52,796
J00A01	Department of Transportation	8,546	12,401	9,879
K00A01	Department of Natural Resources	62,844	79,763	72,643
L00A11	Department of Agriculture	10,032	11,912	10,755
M00A01	Department of Health and Mental Hygiene	472,710	506,249	544,834
M00Q01	Medical Care Programs Administration	2,454,442	2,177,003	2,830,898
N00A01	Department of Human Resources	265,103	221,812	306,423
P00A01	Department of Labor, Licensing and Regulation	1,112,974	1,333,822	1,285,143
Q00A01	Department of Public Safety and Correctional Services	78,377	83,750	90,599
R00A01	State Department of Education -- Headquarters	25,879	25,422	29,914
R13M00	Morgan State University	1,178	981	1,362
R14D00	St. Mary's College of Maryland	484	377	559
R15P00	Maryland Public Broadcasting Commission	6,190	6,274	7,155
R30B22	USM -- College Park Campus	1,618	1,305	1,870
R30B23	USM -- Bowie State University	1,029	1,339	1,189
R30B24	USM -- Towson University	378	434	437
R30B26	USM -- Frostburg State University	274	315	317
R30B27	USM -- Coppin State University	253	247	292
R30B28	USM -- University of Baltimore	203	234	235
R30B20	USM -- Salisbury State University	325	238	376
R60H00	Maryland Higher Education Investment Program	266	655	307
R62I00	Maryland Higher Education Commission	5,087	3,743	5,880
R95C00	Baltimore City Community College	8,348	14,061	9,650
R99E01	Maryland School for the Deaf - Frederick Campus	12,639	11,606	14,610
S00A20	Department of Housing and Community Dev.	21,098	22,515	24,388
T00A00	Department of Business and Economic Development	16,615	31,371	19,206
U00A01	Maryland Department of the Environment	76,292	83,023	88,188
U10B00	Maryland Environmental Services	352	592	395
V00A01	Department of Juvenile Justice	54,350	77,391	46,864
W00A01	Maryland of State Police	42,012	25,151	48,563
Total		\$19,104,055	\$20,982,351	23,609,086

Source: Maryland State Budget Books, Part 1, Fiscal 2002 Budget, pages 410 through 411

Issues

1. 2000 Audit Finds Large Unexplained Differences in Nonbudgeted Fund Accounts in the Central Payroll Bureau

The Central Payroll Bureau (CPB) is primarily responsible for issuing payroll checks and direct deposit statements on a bi-weekly basis for the regular State payroll, and the payrolls of the Maryland Department of Transportation and the University System of Maryland. The bureau also is responsible for processing payroll deductions, certain employee withholding statements, and other payroll reports for State government. An audit was performed by the Office of Legislative Audits (OLA) for the period beginning February 24, 1997, and ending May 8, 2000.

Summary of Auditor's Findings and Recommendations

The audit of CPB raised three issues. The first issue found that CPB had not reconciled the cash balances for two nonbudgeted fund accounts with the State's official accounting records, resulting in significant unexplained differences. As of December 31, 1999, the bureau's cash balance for one of these accounts, which was approximately \$7.6 million, exceeded the corresponding balance on the State's records, which was a deficit balance of approximately \$37.2 million, by \$44.8 million. The cash balance of the other account on the State's records exceeded the corresponding amount on the bureau's records by approximately \$42.5 million. **OLA recommends the bureau revise its monthly reconciliation procedures to include the propriety of the accounts' cash balances and take immediate action to resolve the cash balance differences, including the aforementioned deficit balance.**

Second, CPB failed to establish proper internal controls over the processing of disbursement transactions. More specifically, available security features of the Financial Management Information System (FMIS) designed to restrict users' access and prevent unauthorized disbursements were not utilized. **OLA recommends the CPB fully utilize the available FMIS security features.**

The third issue involves inadequate data security controls relating to the CPB's payroll files. Security software contained in the ADC, which is capable of restricting and logging access to the Bureau's program and data files, was not fully utilized. The access of certain employees was not logged for supervisory monitoring, and security log reports used to record modification accesses to critical files were not reviewed or maintained. The OLA recommends the bureau revise security rules so that all critical accesses are recorded and reviewed by supervisory personnel and that such reviews be documented for audit verification. **Finally, the OLA recommends that the Bureau allow only designated security officers to modify access rules.**

As of this writing, the bureau's responses to issues two and three appear to bring closure to the issues and recommendations of OLA. However, the bureau's response to issue one regarding reconciliation of nonbudgeted fund accounts may still be a work in progress. **The agency should be prepared to update the committees on the status of their efforts to resolve the conversion of data migrating from STARS to R*STARS, which it believed caused certain transactions to post incorrectly.**

2. Commercial Vehicle Information Systems and Network

Maryland is developing a new high-tech system to improve roadside safety, credentialing, and screening for commercial motor vehicles. The Commercial Vehicle Information Systems and Network (CVISN) is an effort to consolidate technologies under a single system architecture. The project is in the fifth- of a ten-year development and implementation program.

Background

The U.S. Department of Transportation, Federal Highway Administration (FHWA) has sponsored a national Intelligent Transportation Systems (ITS) architecture to help manage traffic congestion and make more efficient use of existing transportation resources. CVISN is the component of the ITS program designed to support commercial vehicle operations. Major CVISN components are: roadside safety; electronic credentialing and fee payment; and electronic screening for weight, safety, and credential checks.

Status

The State is a participant in the International Fuel Tax Agreement (IFTA) processing through the New York Regional Processing Center. Maryland will be able to electronically file quarterly fuel tax information through this system. Implementation of the CVISN program is expected to enhance safety for drivers and trucks and improve operating efficiencies for government agencies and motor carriers.

This is the second year of the agency's involvement in the installation of CVISN registration systems in all of the branch offices. The agency is requesting \$579,267 in the fiscal 2002 allowance to implement CVISN in 12 of 19 offices throughout the State. The problem is the development of the project has been slowed in getting underway at the Motor Vehicle Administration. Seven branch offices were funded last year to implement the CVISN registration system, but it never happened. According to the agency, there are doubts over whether the project will begin installation in the current fiscal year. **DLS recommends deleting funding for the project in the current fiscal year. Should the agency receive notification to move forward with the implementation of the program, they may request the funds through budget amendment. The agency should be prepared to brief the committees on its involvement in the project and the current status.**

3. The Annapolis Data Center Anticipates Significant Demand for Web-enabled Services from Agencies

The Governor's initiative to web-enable government related services to the citizens of Maryland over the next three fiscal years (the Governor's 50-65-80 initiative) has the ADC gearing up to meet the demand. In addition to converting its own citizen services to the web environment, such as on-line tax preparation and real time status of income tax refunds, the ADC must enhance its information infrastructure to support web-enable applications of other agencies. However, it is not clear what the

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magnitude of impact on agency resources will be since demands for web-enabled interfaces will not occur until late fiscal 2002 and beyond.

According to the Comptroller's Information Technology Master plan (page 7), part of their strategy to identify all of the information and services made available to the public (through both traditional methods and e-Government) was to conduct a survey of other Comptroller divisions. The agency will use this information to assess where it stands with respect to information and services that are currently available to the public via the Internet and what remains to be made available through this medium.

It seems logical to expect a similar effort is necessary in all agencies statewide to determine the extent to which user agencies demand the services in the upcoming fiscal year. Sprinkled throughout the ADC's allowance are expenditures in the form of training initiatives, increased personnel, and equipment upgrades to respond to unidentified needs. The ADC may be over-reacting for an event where there is imperfect information. Moving forward could result in an outcome similar to what Marylanders faced in preparing (buying extra groceries, filling up the heating oil tank, stockpiling firewood, etc.) for a recent major winter storm, and nothing happened. The ADC should insist user agencies provide reasonable projections of "e-government" needs that are based on an inventory of their information and services currently available to the public via the Internet and those services that are not. **DLS recommends striking from the allowance two permanent positions (and related expenses) whose primary duties are to meet the "anticipated demand" for web-enabled applications. Further, the agency is directed to solicit from user agencies the current status of web-enabled services available to the public and a reasonable projection of what services will be made web-ready in the near term.**

Recommended Actions

	<u>Amount Reduction</u>		<u>Position Reduction</u>
1. Reduce software upgrades. Agency requested more upgrades than they had computers.	\$ 1,000	GF	
2. Delete funding for the Commercial Vehicle Information Systems Network. The fiscal impact on the agency will not occur in the current fiscal year.	579,267	SF	
3. Add the following language: <u>, provided that the authorization to expend reimbursable funds received from other agencies is reduced by \$141,297.</u>			

Explanation: Several line items in the Annapolis Data Center’s operating budget are reduced, and this language restricts the use of \$141,297 of reimbursable funds. Correspondingly, this amount will be reduced from user agency budgets.

	<u>Amount Reduction</u>		<u>Position Reduction</u>
4. Reduce by one half the number of office chairs to be replaced. The agency can replace the remaining 10 chairs in the next fiscal year.	5,000	Reim F	
5. Delete two new positions. The positions are: DP Tech Support Specialist II (\$39,663); IT System Tech Support Specialist (\$42,034). Positions not needed until the demand for them has been determined.	81,697	Reim F	2.0
6. Delete one new contractual position. Duties for this position can be assigned to existing personnel.	40,000	Reim F	1.0
7. Delete office equipment expenditure associated with two new positions previously deleted.	14,600	Reim F	
Total Reductions	\$ 721,564		3.0
Total General Fund Reductions	\$ 1,000		
Total Special Fund Reductions	\$ 579,267		
Total Reimbursable Fund Reductions	\$ 141,297		

Updates

1. The Information Technology Division Implements Cost Center Budgeting

The division adopted a cost center approach toward their budgeting function in its fiscal 2002 budget submission. In previous years, the ADC submitted its request by subobject across all its functions. Reviewing the division's budget submission, it was difficult, at best, to assess whether certain expenditures pertained to internal activities of the agency or were necessary to meet client needs. In order to tie spending to the specific functions of the ADC, the agency divided the division's functions along three cost centers: computer center operations; Comptroller information technology services; and data entry. Below are brief descriptions of these cost centers.

Computer Center Operations

The Information Technology Division operates the ADC which operates as a service bureau for 9 primary and 15 secondary user agencies and departments of the executive, legislative, and judicial branches of State government. The division's operational costs, as well as all other service costs, are fully reimbursable from the customer agencies via a charge back billing system which produces invoices for computer usage and services rendered. This system is based on a Cost Allocation Plan which is prepared annually and approved by the Department of Budget and Management (DBM). The federal government also reviews the plan because of its authority over the expenditure of federal funds used for data processing functions in various State agencies.

Comptroller IT Services

The Comptroller Information Technology Services (CITS) cost center represents the computer programmers, systems analysts, technical services, and infrastructure needed to manage and support information technology for all divisions of the Comptroller's office, the Maryland Registers of Wills, and agencies that do not have programmer/analyst staff. Major systems supported include the Comptroller's Tax Imaging System, which converts paper documents to electronic images for processing of tax returns, and the Register's automated estate and document management systems. Also supported are applications in the Comptroller's Motor Fuel Tax and Alcohol and Tobacco Tax Divisions as well as the State's Payroll System. CITS also supports, with both personnel and infrastructure resources, the development and maintenance of the Comptroller's Internet (3.7 million "hits" in 1999), Intranet, and Extranet interactive applications, which will satisfy the requirements of Chapter 5, Acts of 2000.

Data Entry

The Data Entry Unit of the Information Technology Division is responsible for keying the regular and contractual payrolls for all agencies within the State, and the contractual payrolls for colleges, universities, and other contractual agencies. This unit is also responsible for the monthly updating of prices for alcohol and the adding of new wine and spirits to the master file for the Comptroller's Alcohol and Tobacco Tax

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Division. Additionally, it is responsible for keying payment remittances for corporate, individual, partnership, tire and rental fees, motor fuel, and employer withholding taxes.

Current and Prior Year Budgets

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

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Fund</u>	<u>Federal</u> <u>Fund</u>	<u>Reimb.</u> <u>Fund</u>	<u>Total</u>
Fiscal 2000					
Legislative Appropriation	\$61,048	\$10,585	\$0	\$23,049	\$94,682
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	262	0	0	0	262
Reversions and Cancellations	0	(872)	0	(621)	(1,493)
Actual Expenditures	\$61,310	\$9,713	\$0	\$22,428	\$93,451
Fiscal 2001					
Legislative Appropriation	\$65,794	\$11,023	\$0	\$24,709	\$101,526
Budget Amendments	466	374	0	0	840
Working Appropriation	\$66,260	\$11,397	\$0	\$24,709	\$102,366

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

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Budget Amendments for Fiscal 2000

DBM transferred general funds to all agencies to fund the new pay plan and \$600 401K match program (\$807,101). This increase was offset by amendments which reallocated ADC charges from the Comptroller to the Department of Assessments and Taxation (\$541,000) and the Department of Business and Economic Development (\$4,200).

Budget Amendments for Fiscal 2001

DBM distributes the general fund allocation to the divisions of the Comptroller's office (\$466,968) for fiscal 2000 annual salary review. The Comptroller of the Treasury has requested an increase (\$373,893) in its special fund appropriation for fiscal 2001. The funds will implement a Tax Offset Program whereby the IRS captures federal income tax refunds and remits the tax refund to the Comptroller and to be applied against a state tax liability. Delinquent tax accounts targeted for the program are those whose tax liability is determined unrecoverable using conventional means of collections.

**Object/Fund Difference Report
Comptroller of the Treasury**

Object/Fund	FY01		FY02 Allowance	FY01 - FY02 Amount Change	Percent Change
	FY00 Actual	Working Appropriation			
Positions					
01 Regular	1123.70	1140.70	1151.70	11.00	1.0%
02 Contractual	23.80	25.60	29.00	3.40	13.3%
Total Positions	1147.50	1166.30	1180.70	14.40	1.2%
Objects					
01 Salaries and Wages	\$ 51,534,537	\$ 53,709,670	\$ 58,869,185	\$ 5,159,515	9.6%
02 Technical & Spec Fees	730,081	933,424	1,062,613	129,189	13.8%
03 Communication	6,026,715	6,987,902	7,017,494	29,592	0.4%
04 Travel	439,194	383,176	516,847	133,671	34.9%
06 Fuel & Utilities	36,799	50,234	52,409	2,175	4.3%
07 Motor Vehicles	343,836	474,851	363,190	(111,661)	(23.5%)
08 Contractual Services	23,539,612	28,580,799	30,751,562	2,170,763	7.6%
09 Supplies & Materials	3,043,908	3,631,498	3,556,387	(75,111)	(2.1%)
10 Equip - Replacement	2,449,382	1,280,773	1,009,043	(271,730)	(21.2%)
11 Equip - Additional	3,968,045	5,116,099	4,712,203	(403,896)	(7.9%)
12 Grants,Subsidies,Contr	83,515	87,800	92,300	4,500	5.1%
13 Fixed Charges	860,329	976,082	1,091,516	115,434	11.8%
14 Land & Structures	394,085	153,633	121,908	(31,725)	(20.6%)
Total Objects	\$ 93,450,038	\$ 102,365,941	\$ 109,216,657	\$ 6,850,716	6.7%
Funds					
01 General Fund	\$ 61,309,749	\$ 66,259,909	\$ 69,660,000	\$ 3,400,091	5.1%
03 Special Fund	9,712,687	11,396,537	12,254,900	858,363	7.5%
09 Reimbursable Fund	22,427,602	24,709,495	27,301,757	2,592,262	10.5%
Total Funds	\$ 93,450,038	\$ 102,365,941	\$ 109,216,657	\$ 6,850,716	6.7%

Note: Full-time and contractual positions and salaries are reflected for operating budget programs only.

**Fiscal Summary
Comptroller of the Treasury**

<u>Unit/Program</u>	FY00	FY01	FY01	FY00 - FY01	FY02	FY01 - FY02
	<u>Actual</u>	<u>Legislative Appropriation</u>	<u>Working Appropriation</u>	<u>% Change</u>	<u>Allowance</u>	<u>% Change</u>
01 Office Of The Comptroller	\$ 7,004,507	\$ 7,841,908	\$ 7,876,900	12.5%	\$ 8,339,061	5.9%
02 General Accounting Division	4,520,220	4,706,665	4,730,965	4.7%	4,967,053	5.0%
03 Bureau Of Revenue Estimates	399,849	375,251	376,709	(5.8%)	454,900	20.8%
04 Revenue Administration Division	31,883,048	34,812,139	35,003,620	9.8%	36,495,089	4.3%
05 Compliance Division	20,775,752	21,666,231	22,200,113	6.9%	23,413,609	5.5%
06 Field Enforcement Division	2,806,833	3,321,089	3,345,875	19.2%	3,687,332	10.2%
07 Alcohol And Tobacco Tax Division	1,556,843	1,733,811	1,744,503	12.1%	1,863,323	6.8%
08 Motor Fuel Tax Division	2,116,146	2,650,785	2,650,785	25.3%	2,761,396	4.2%
09 Central Payroll Bureau	3,282,785	3,435,409	3,454,120	5.2%	3,625,808	5.0%
10 Information Technology Division	19,104,055	20,982,351	20,982,351	9.8%	23,609,086	12.5%
Total Expenditures	\$ 93,450,038	\$ 101,525,639	\$ 102,365,941	9.5%	\$ 109,216,657	6.7%
24 General Fund	\$ 61,309,749	\$ 65,793,500	\$ 66,259,909	8.1%	\$ 69,660,000	5.1%
Special Fund	9,712,687	11,022,644	11,396,537	17.3%	12,254,900	7.5%
Total Appropriations	\$ 71,022,436	\$ 76,816,144	\$ 77,656,446	9.3%	\$ 81,914,900	5.5%
Reimbursable Fund	\$ 22,427,602	\$ 24,709,495	\$ 24,709,495	10.2%	\$ 27,301,757	10.5%
Total Funds	\$ 93,450,038	\$ 101,525,639	\$ 102,365,941	9.5%	\$ 109,216,657	6.7%

**New Positions by Class Code
Comptroller of the Treasury**

<u>Class Title</u>	Number of		<u>Salary</u>	Fringe			<u>Total</u>
	<u>New Positions</u>			<u>Benefits</u>	<u>Turnover</u>		
Program E00A0301 -- Estimating of Revenues							
Research Analyst IV (1770)	1.00		\$26,439	\$9,411	(\$8,967)	\$26,883	
Office Secretary I	1.00		\$21,865	\$8,855	(\$7,683)	\$23,037	
Subtotal -- Estimating of Revenue	2.00		\$48,304	\$18,266	(\$16,650)	\$49,920	
Program E00A0401 Revenue Administration							
Revenue Examiner I (0123)	1.00		\$21,831	\$805	(\$952)	\$21,684	
Revenue Examiner I (0123)	1.00		\$21,831	\$805	(\$952)	\$21,684	
Subtotal -- Revenue Administration	2.00		\$43,662	\$1,610	(\$1,904)	\$43,368	
Program E00A0501 Compliance Administration							
Revenue Field Auditor II (3060)	1.00		\$26,439	\$9,411	(\$8,967)	\$26,883	
Revenue Field Auditor II (3060)	1.00		\$26,439	\$9,411	(\$8,967)	\$26,883	
Revenue Field Auditor II (3060)	1.00		\$26,439	\$9,411	(\$8,967)	\$26,883	
Subtotal -- Compliance Administration	2.00		\$79,317	\$28,233	(\$26,901)	\$80,649	
Program E00A1001 Computer Center Operations							
DP Programmer Analyst Lead/Adva (4471)	1.0		\$41,637	\$11,255	(\$13,229)	\$39,663	
DP Technical Support Specialist II (4476)	1.0		\$41,637	\$11,255	(\$13,229)	\$39,663	
IT Systems Technical Specialist (4488)	1.0		\$44,457	\$11,598	(\$14,021)	\$42,034	
IT Systems Technical Specialist (4488)	1.0		\$44,457	\$11,598	(\$14,021)	\$42,034	
Subtotal -- Computer Center Operations	4.0		\$172,188	\$45,706	(\$54,500)	\$163,394	
Grand Total	11.0		\$343,471	\$93,815	(\$99,955)	\$337,331	

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