

**E00A**  
**Comptroller of Maryland**

***Operating Budget Data***

(\$ in Thousands)

	<b><u>FY 16</u></b> <b><u>Actual</u></b>	<b><u>FY 17</u></b> <b><u>Working</u></b>	<b><u>FY 18</u></b> <b><u>Allowance</u></b>	<b><u>FY 17-18</u></b> <b><u>Change</u></b>	<b><u>% Change</u></b> <b><u>Prior Year</u></b>
General Fund	\$84,451	\$94,064	\$95,885	\$1,822	1.9%
Adjustments	0	0	-243	-243	
<b>Adjusted General Fund</b>	<b>\$84,451</b>	<b>\$94,064</b>	<b>\$95,643</b>	<b>\$1,579</b>	<b>1.7%</b>
Special Fund	22,000	32,735	24,374	-8,360	-25.5%
Adjustments	0	0	-54	-54	
<b>Adjusted Special Fund</b>	<b>\$22,000</b>	<b>\$32,735</b>	<b>\$24,320</b>	<b>-\$8,415</b>	<b>-25.7%</b>
Reimbursable Fund	19,552	34,749	23,140	-11,609	-33.4%
<b>Adjusted Reimbursable Fund</b>	<b>\$19,552</b>	<b>\$34,749</b>	<b>\$23,140</b>	<b>-\$11,609</b>	<b>-33.4%</b>
<b>Adjusted Grand Total</b>	<b>\$126,003</b>	<b>\$161,547</b>	<b>\$143,102</b>	<b>-\$18,444</b>	<b>-11.4%</b>

Note: Includes targeted reversions, deficiencies, and contingent reductions.

- The adjusted fiscal 2018 allowance decreases by \$18.4 million, or 11.4%, from the fiscal 2017 working appropriation. General funds increase by \$1.6 million, or 1.7%.
- Special funds decrease by \$8.4 million, or 25.7%, and reimbursable funds decrease \$11.6 million, or 33.4%, largely because there is no funding for the Integrated Tax System in the fiscal 2018 allowance.

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

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***Personnel Data***


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	<b><u>FY 16</u></b> <b><u>Actual</u></b>	<b><u>FY 17</u></b> <b><u>Working</u></b>	<b><u>FY 18</u></b> <b><u>Allowance</u></b>	<b><u>FY 17-18</u></b> <b><u>Change</u></b>
Regular Positions	1,120.90	1,114.90	1,114.90	0.00
Contractual FTEs	<u>28.00</u>	<u>26.60</u>	<u>26.60</u>	<u>0.00</u>
<b>Total Personnel</b>	<b>1,148.90</b>	<b>1,141.50</b>	<b>1,141.50</b>	<b>0.00</b>

***Vacancy Data: Regular Positions***

Turnover and Necessary Vacancies, Excluding New Positions	43.48	3.90%
Positions and Percentage Vacant as of 12/31/16	94.40	8.47%

- There are no changes in regular positions or contractual full-time equivalents for the Comptroller's Office.
- The Comptroller's Office has a turnover expectancy of 3.9%, which requires 43.48 vacancies. The Comptroller has 94.40 vacant positions as of December 31, 2016.

## ***Analysis in Brief***

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### **Major Trends**

***Tax Returns Processed:*** The Comptroller’s Office had a decrease in the percentage of returns processed within the standard processing time in fiscal 2015. The percent of returns processed within the standard processing time in fiscal 2016 has since increased.

***Dollars Collected from Unpaid and Delinquent Taxes:*** There has been an increase in the amount of dollars collected using the analytics from the data warehouse. There has also been an increase in unpaid income tax and delinquent business taxes collected as a result.

### **Issues**

***Customer Service:*** The customer service measures for the Comptroller’s Office experienced some decline in fiscal 2015. As a result, funding was restricted to improve customer service and a report was required on how the restricted funding was used. The Comptroller has added new positions to the Questionable Returns Detection Team in an effort to more quickly respond to taxpayers. **The Department of Legislative Services (DLS) recommends that the Comptroller comment on the role of these new positions and how they helped improve customer service.**

***Earned Income Tax Credit Notification System:*** The 2016 *Joint Chairmen’s Report* required the Comptroller to provide a report on the feasibility of creating a notification system for citizens eligible to receive the Earned Income Tax Credit (EITC). **DLS recommends that the Comptroller discuss the feasibility of using the Data Warehouse to increase participation in the EITC.**

### **Recommended Actions**

	<b><u>Funds</u></b>
1. Increase turnover expectancy to 4.4%.	\$ 376,495
<b>Total Reductions</b>	<b>\$ 376,495</b>

### **Updates**

***Misallocation of Tax Revenue:*** In the 2016 filing year (2015 tax year), the Comptroller’s Office was made aware of misallocated tax dollars between Montgomery County and the municipality of Chevy Chase. There has since been various internal and third-party audits to correct errors, update processes, and develop a repayment plan for the funding.

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***Backlogged Returns:*** In 2016, the Comptroller’s Office has a backlog of amended returns as a result of several tax year idiosyncrasies including the Wynne decision, the 2015 tax amnesty program, and the increase in fraudulent tax preparation practices.

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***Operating Budget Analysis***

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**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.

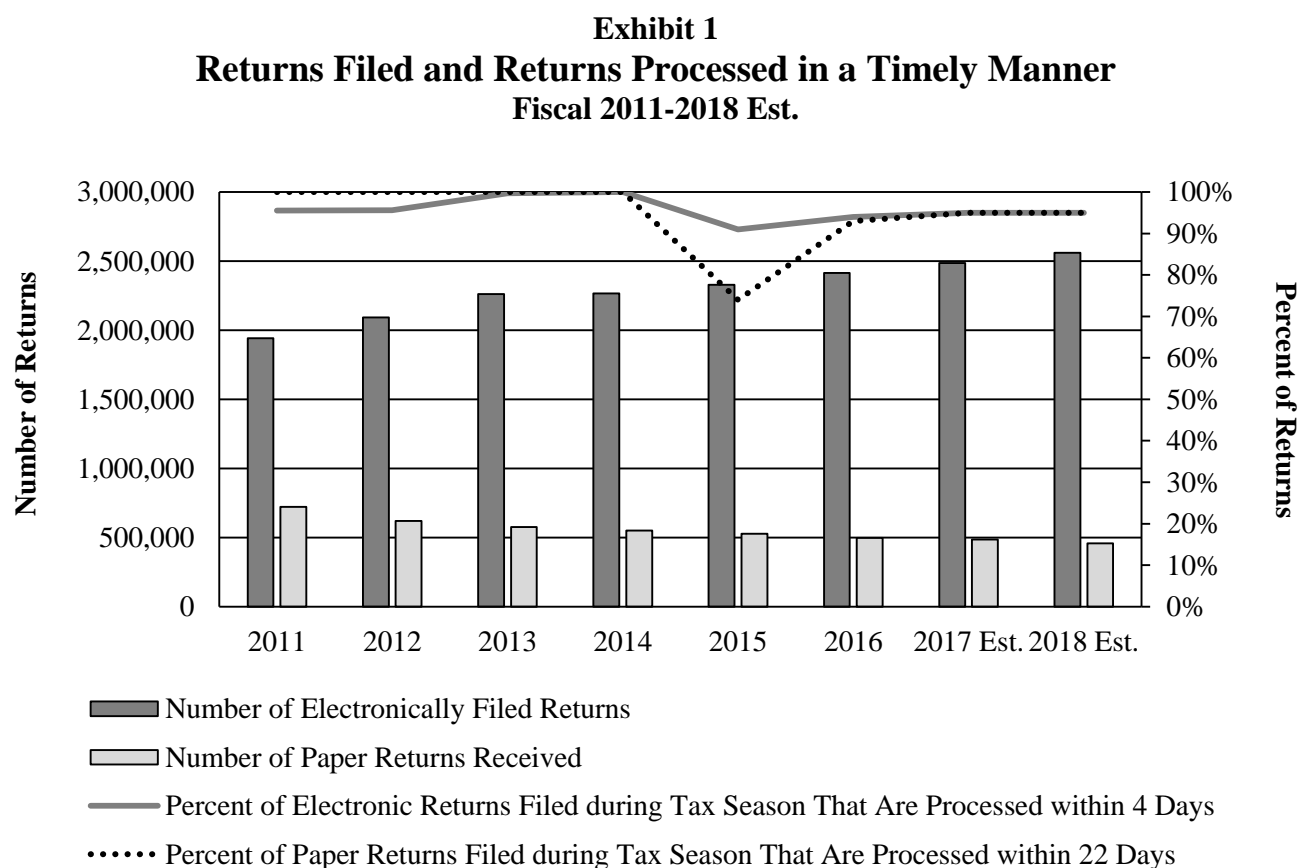
The goals of the Comptroller are to

- 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. Tax Returns Processed

The Comptroller's Office is responsible for processing tax returns for the citizens of Maryland and providing them the appropriate bill or refund. Tax returns can be processed as a paper document or electronically. There have been more electronic returns and fewer paper returns filed each year as electronic filing becomes more accessible. The percent of electronic returns processed within 4 days and the percent of paper returns processed within 22 days both dropped in fiscal 2015. This was due to a combination of factors including the effect of the amnesty program, the Wynne decision, and staffing. The *Comptroller v. Wynne* is a Supreme Court case in which it was decided that the Maryland income tax scheme violated the Commerce Clause (the Wynne decision). As a result of the Wynne decision, there has been an increase in amended returns for taxpayers that have earned income in other states. The Comptroller has since hired more staff, increased temporary employees during the tax season, and, as a result, the percent of returns processed within their customary periods rose back to previous levels, as shown in **Exhibit 1**.

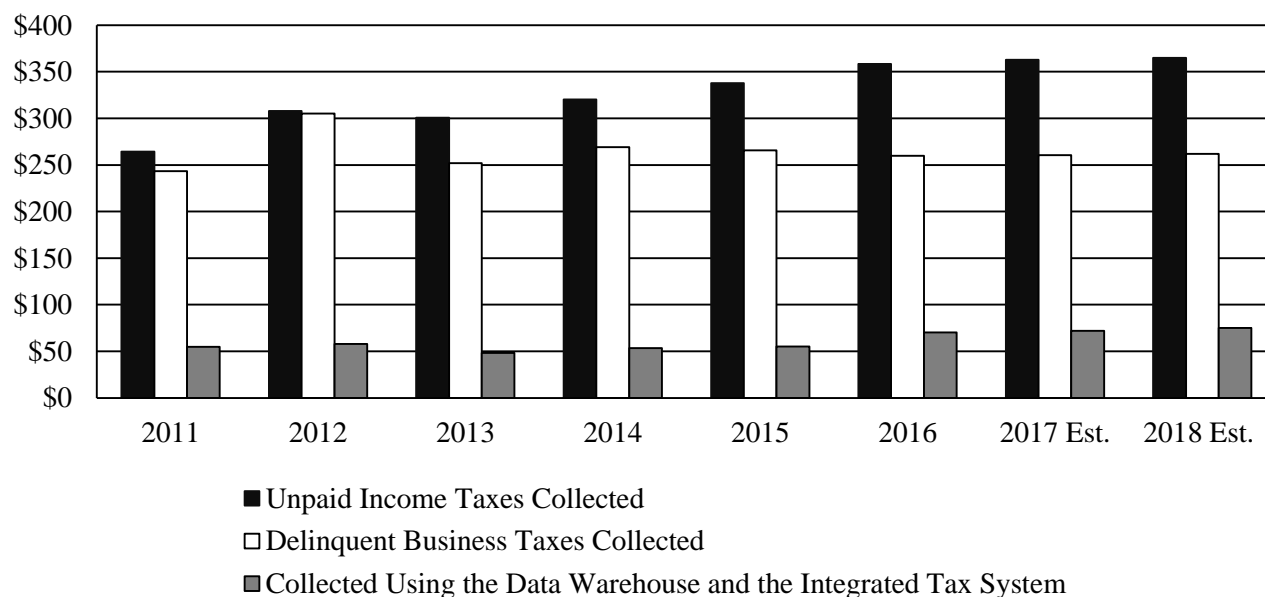


Source: Comptroller of Maryland

## 2. Dollars Collected from Unpaid and Delinquent Taxes

The Comptroller's Office is responsible for collecting unpaid and delinquent taxes from both Maryland citizens and businesses operating in Maryland. **Exhibit 2** outlines the dollars collected from unpaid income taxes and delinquent business taxes, and dollars collected using the Data Warehouse. Unpaid and delinquent taxes collected has continued to increase as the Comptroller's Office has continued to develop analytic models using the Data Warehouse. The Data Warehouse analytic models use complex data analysis to locate individuals who are either not filing or underreporting their tax obligations in Maryland. The amount of dollars collected using the Data Warehouse increases annually.

**Exhibit 2**  
**Dollars Collected from Unpaid Income, from**  
**Delinquent Business Tax, and Using the Data Warehouse**  
**Fiscal 2011-2018 Est.**  
**(\$ in Millions)**



Source: Comptroller of Maryland

## Fiscal 2017 Actions

### Section 20 Position Abolitions

Section 20 of the fiscal 2017 budget bill required the Governor to abolish 657 regular positions and cut \$20 million in general funds and \$5 million in special funds. As a part of the reduction, the Comptroller's Office abolished 6 positions, totaling \$227,648 in general funds.

## Proposed Budget

As seen in **Exhibit 3**, there is an \$18.4 million decrease in the adjusted fiscal 2018 allowance from the fiscal 2017 working appropriation. There is a \$1.6 million increase in general funds, an \$8.4 million decrease in special funds, and an \$11.6 million decrease in reimbursable funds.

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### Exhibit 3 Proposed Budget Comptroller of Maryland (\$ in Thousands)

<b>How Much It Grows:</b>	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
Fiscal 2016 Actual	\$84,451	\$22,000	\$19,552	\$126,003
Fiscal 2017 Working Appropriation	94,064	32,735	34,749	161,547
Fiscal 2018 Allowance	<u>95,643</u>	<u>24,320</u>	<u>23,140</u>	<u>143,102</u>
Fiscal 2017-2018 Amount Change	\$1,579	-\$8,415	-\$11,609	-\$18,444
Fiscal 2017-2018 Percent Change	1.7%	-25.7%	-33.4%	-11.4%

#### Where It Goes:

##### Personnel Expenses

Turnover adjustments .....	\$847
Reclassifications .....	517
Overtime and leave payouts .....	110
Workers' compensation premium assessment .....	-71
Social Security .....	-75
Retirement .....	-374
Regular earnings (including annualization of Section 20 savings) .....	-1,231

##### Annapolis Data Center (ADC)

Costs for the move of the ADC .....	2,026
Comptroller ADC usage costs .....	649
Mainframe installation .....	583
Program consultant .....	300
Servers, personal computers, routers, etc. ....	138
Training for new information technology (IT) staff .....	102
Backup generator .....	50



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**Where It Goes:**

Agency specific software .....	47
Temporary employees .....	15
Maintenance contracts .....	-21

**Computer IT Services and Major IT**

Training .....	302
Communications .....	168
Software upgrades .....	20
Server and router replacements.....	-83
Integrated Tax System .....	-21,700

**Revenue Administration Division**

Temporary employees during the tax season .....	121
Tax forms.....	36
Check imaging .....	36
International Business Machines Tax Return Imaging System .....	10
Payment for International Fuel Tax Agreement .....	7
Locked box services.....	-50
Office supplies .....	-57
One-time costs for Achieving a Better Life Experience program .....	-745

**Field Enforcement Administration**

Criminal justice access fees for background checks, license plates .....	50
Sample collection software .....	50
Fingerprinting for new employees .....	16
Octate analyzer equipment .....	-45
Motor vehicles .....	-57

**Compliance**

Unclaimed property auditors .....	100
Miscellaneous adjustments .....	-235

<b>Total</b>	<b>-\$18,444</b>
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Note: Numbers may not sum to total due to rounding.

## **Personnel**

There is an \$847,000 increase in turnover funding. The fiscal 2017 working appropriation turnover expectancy is 4.94%, which translates to 55.08 vacancies to meet the turnover. The fiscal 2018 allowance turnover expectancy is 3.90%, which requires 43.48 vacancies to meet the turnover expectancy. There is also a \$1.2 million decrease in regular positions for several vacant positions that have been returned to base salary as well as the annualization of the fiscal 2017 Section 20 reduction. The Comptroller's Office has experienced high vacancy rates with 123 vacancies as of December 31, 2015. As of December 31, 2016, there were 94.4 vacant positions, and as of February 1, 2017, the number of vacancies has decreased to 76. **The Department of Legislative Services (DLS) recommends increasing the turnover expectancy to 4.4%, which translates to a \$376,000 reduction. Even at this higher level of turnover expectancy, the Comptroller can still fill an additional 15 positions.**

There is also a \$517,000 increase for reclassified positions, which include noncompetitive increases for positions. There have been several Compliance I positions filled in the last two years for the agency and these positions are eligible for noncompetitive reclassifications from Compliance I to Compliance II and Compliance III positions.

## **ADC**

There is a \$2 million increase for costs associated with moving ADC to a different location. ADC is currently housed in a State-owned building that has experienced several maintenance problems and is in need of significant renovation. The building that currently houses ADC has had two water main breaks and electrical failure within the last year. These types of problems could result in permanent damage to ADC, which has a key role in data storage and maintenance for all State agencies. The increased cost is specifically for the space used at a private server site. There is also a \$583,000 increase for costs associated with moving the mainframe to the new location. More specifically, for separating the pieces of the mainframe, packaging, transferring, and reconstructing the mainframe at the new site. This move is scheduled to occur over a holiday weekend and should not impact State agency operations. There is a \$300,000 increase for a technical consultant to assist in the spatial and technical planning for the move of the mainframe and ADC.

There is also a \$649,000 increase for usage fees for ADC. This increase is attributed to the collective usage of ADC by all of the State agencies.

## **Major IT and Comptroller IT Services**

In the IT department for the Comptroller, there is a \$302,000 increase for training. This is training both for current and new staff. Because compensation for IT-related positions is very competitive, it is easier for the Comptroller's Office to hire IT professionals with lower levels of experience at the base salary and then provide training opportunities so they can perform the necessary work for the Comptroller.

There is also a \$21.7 million decrease in funding for the Integrated Tax System (ITS). The ITS is the major IT project currently being developed by the Comptroller. There has been a delay in the planning for the ITS, in part, due to the loss of the project manager and changes in the IT planning process. There is currently a Request for Proposal (RFP) for a new project manager and the selection process should be complete in March 2017. The new project manager is expected to have an RFP released for contracts to create the ITS within six months. Because of the delays for the project, only \$20,000 of the \$22 million from fiscal 2017 has been spent. As a result, the fiscal 2018 allowance does not include the annual allocation for the project, which results in the \$21.7 million decrease. Funding for the project is expected to be added to the budget again in fiscal 2019 once the funds currently held by the agency are depleted. These funds include \$13 million from the Department of Information Technology and \$8.8 million in special funds, mostly from the local share for the ITS expenses.

## **RAD**

There is a \$121,000 increase in the RAD budget for temporary employees during the tax season. This increase is to ensure that the agency has timely revenue estimates, that there is streamlined processing of returns, and to ensure that customers are taken care of in a timely manner. There is also a \$745,000 decrease for one-time costs associated with the Achieving a Better Life Experience (ABLE) Program. This program was created by Chapter 39 of 2016 to promote financial savings to support individuals with disabilities in maintaining health, independence, and quality of life. The one-time cost included \$102,000 in administrative costs in the Comptroller's Office and \$643,000 to the College Savings Plan for the operation of the ABLE program.

## **Other Changes**

In the Field Enforcement Administration there is a \$50,000 increase for background checks and other criminal justice services used by the department. There is also a \$50,000 increase for sample collection equipment.

In the Compliance Division, there is a \$100,000 increase for unclaimed property auditors. These are auditing companies that serve to help connect citizens with their unclaimed property. These companies work on commission so the payment for their services varies annually.

## ***Issues***

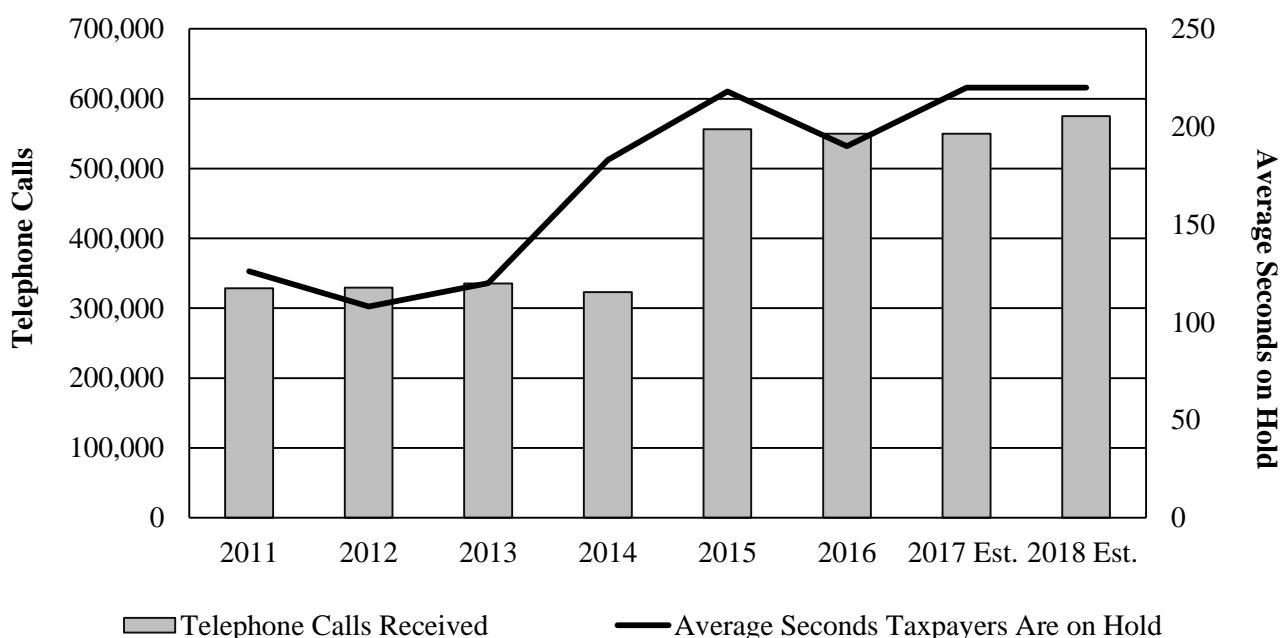
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### **1. Customer Service**

The fiscal 2017 budget bill included language that restricted \$150,000 from the Office of the Comptroller's motor vehicle and travel expenditures and, instead, directed that those funds be used for the improvement of customer service indicators for the agency. The language also required a report on the improvements to be submitted to the committees.

The Comptroller has transferred \$150,000 from the Field Enforcement Division to RAD to hire 4 permanent full-time equivalents (FTE). These positions will serve on the Questionable Returns Detection Team (QRDT). QRDT serves to check questionable returns and identify fraudulent ones. As the detection mechanisms for the team improves, the number of returns found and stopped have increased significantly. As a result of the increased volume of questionable and fraudulent returns, QRDT's time dedicated to investigating these returns has also increased. This work has a direct effect on the customer wait times and number of days for processing the returns, as shown in **Exhibit 4**. The additional staff has relieved the workload of customer service staff who can transfer complex questions to QRDT. It has also provided more QRDT staff to allow for deeper analysis of potentially fraudulent returns. Since 2011, the number of fraudulent returns stopped has increased 74%, and the amount of money saved has more than doubled. As a result of the increase in fraudulent returns stopped, the Comptroller's Office claims it has saved almost \$39 million in tax refunds. **DLS recommends that the Comptroller comment on the role of these new positions and how they helped improve customer service.**

**Exhibit 4**  
**Number of Telephone Calls Received and Average Number of Seconds on Hold**  
**Fiscal 2011-2018 Est.**



Source: Comptroller of Maryland

## 2. Earned Income Tax Credit Notification System

The 2016 *Joint Chairmen's Report* required the Comptroller to provide information on developing a notification system for potential recipients of the Earned Income Tax Credit (EITC). The report was submitted in October 2016 and outlined targeted populations for increased EITC participation, the process for developing the notification system, and the current relationship with the Department of Human Resources (DHR) to facilitate the marketing of the tax credit. The current participant rate for the EITC is about 79% in Maryland, which means there are approximately 110,000 Marylanders who are eligible for the tax credit that have not taken advantage of it. Individuals that do not file taxes, either because they are not required to file or because they are not in compliance, make up 67% of nonparticipants. While the Comptroller's Office already has a program in place to contact and address individuals that are not in compliance, citizens that are not required to file taxes account for 40% of the nonparticipating eligible EITC recipients. There are also several social factors that correlate to nonparticipation in the EITC program, including being a recipient of Social Security and public assistance, having a larger family, being unmarried, being male, or being Hispanic.

Many of the factors associated with nonparticipation can be isolated using the Data Warehouse already managed by the Comptroller to identify individuals by nonparticipatory factors and send notifications in the mail to them about their potential eligibility. The Comptroller would only need to broaden the scope of data collected by the Data Warehouse to include nonparticipatory factors from other State, federal, and local agencies. Once the data is collected, there is the possibility for notification attempts before taxes are filed or “pre-filing” notification, and after taxes have been filed or “post-filing” attempts. In its report, the Comptroller has laid out several pre-filing, and post-filing notification options including the hours it would take to develop, the mailing costs, and the development costs. Because it is essential that the Data Warehouse continue to function at its current level, in lieu of additional staff, any additional workload would need to be handled by a contractor.

### **The Comptroller and DHR**

It is also important to note that there are current outreach efforts to increase participation in the EITC program, particularly through DHR. Because DHR has had success in increasing participation in the Supplemental Nutrition Assistance Program through active marketing, and many of the recipients of assistance provided by DHR are also potentially eligible for the EITC, DLS recommended in a 2015 evaluation, that DHR and the Comptroller work together to promote the EITC and the Comptroller agreed.

As of the 2016 legislative session, DHR has indicated that while they have effectively promoted the EITC this past year, it was a costly endeavor. In a 2016 report written by DHR, they outlined their past marketing efforts and potential revisions to function more efficiently and effectively. **DLS recommends that the Comptroller discuss the feasibility of using the Data Warehouse to increase participation in the EITC.**

## ***Recommended Actions***

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	<b><u>Amount Reduction</u></b>	
1. Increase turnover expectancy to 4.4%.	\$ 338,845	GF
	\$ 37,650	SF
<b>Total Reductions</b>	<b>\$ 376,495</b>	
<b>Total General Fund Reductions</b>	<b>\$ 338,845</b>	
<b>Total Special Fund Reductions</b>	<b>\$ 37,650</b>	

## ***Updates***

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### **1. Misallocation of Tax Revenue**

During fiscal 2015, the Comptroller's Office was made aware of a discrepancy in the allocation of tax funds in Montgomery County. This discrepancy prompted the Comptroller to initiate an investigation to measure the scope of the issues and the enactment Chapter 24 of 2016 by concerned legislators.

Through third-party investigations, there were several findings and resolutions put into place. First, there was more money misallocated than initially estimated. The initial concern was that \$6.0 million in tax revenue that was supposed to go to the local municipality of Chevy Chase, was actually distributed to Montgomery County. Through the investigation, it was determined that there was actually \$21.4 million across local taxing areas that was misallocated from fiscal 2010 to 2015.

Since the initial discovery of misallocated funds in Montgomery County, the Comptroller has worked to find the cause of the misallocation, investigated to determine if additional misallocations occurred, implemented procedures to prevent further misallocations, and developed a feasible repayment plan with counties and municipalities. This process began with an initial internal investigation into the allocation of tax revenue to Montgomery County, which was prompted by concerns expressed from a constituent. The internal investigation conducted highlighted the risk of misallocation occurring, which then prompted the Comptroller to bring in a third-party auditing company. The auditors determined that the Comptroller had an estimated 17,238 misclassified addresses for Montgomery County in the tax system. In addition to the internal and contractual audits performed, there was also an audit performed by the Office of Legislative Audits and the findings of that audit can be found in **Appendix 2** of this analysis.

After the cause of the Montgomery County misallocation was discovered and the proper districting of taxpayer addresses occurred, the Comptroller began a statewide investigation, with an external auditor, to determine if this type of misallocation occurred in other counties and taxing districts. The overall findings point to a combination of process and human error that resulted in a certain number of tax returns being misassigned. It has been determined through the third-party auditing process that the misassigned addresses are occurring because the mapping software configuration did align perfectly with the taxing areas causing the misassigned addresses. The reason that the number of misassigned addresses increased incrementally is because once a tax area has been assigned for a taxpayer, they are not rechecked for the taxing area unless they move. As a result, once someone is misassigned, they remain that way for several years.

The independent auditors have proposed several resolutions that the Comptroller has already begun to implement. Part of the resolution is to update the current software used to more accurately reflect tax areas. Other recommendations included providing training to staff to better identify tax areas and conducting third-party audits on tax allocations biennially.



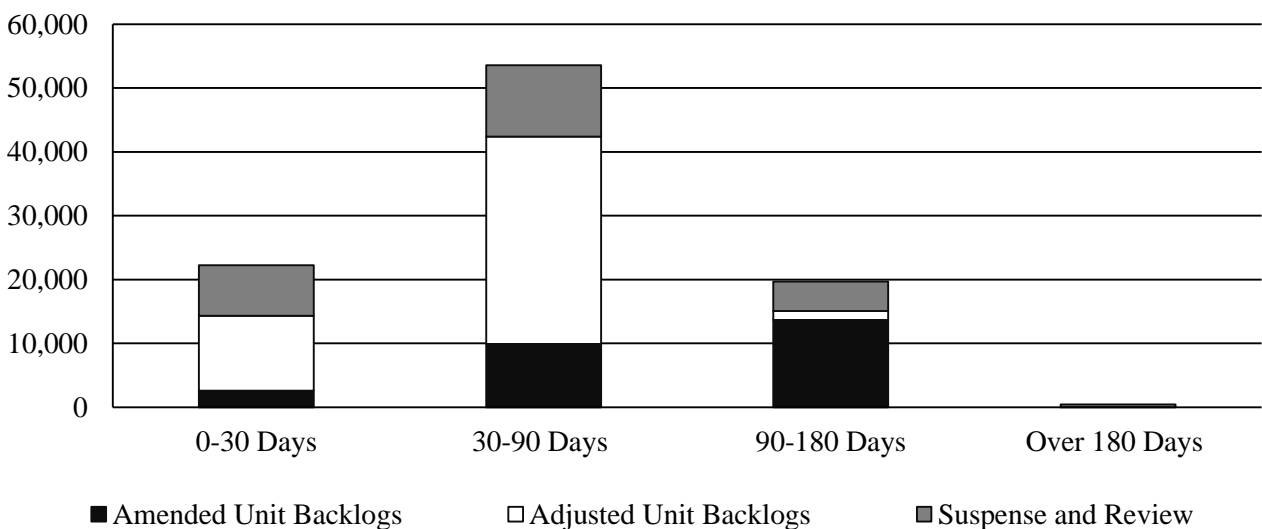
## Repayment Plan

As part of the auditing process, the Comptroller determined how much tax revenue was misallocated since tax year 2010 for a more accurate overall distribution. For tax areas that were underfunded, they have already received the balance due through the Local Reserve Account. For jurisdictions that were over allocated funds, they will begin repayment over a 10-year span beginning in 2024. This repayment plan was codified by Chapter 24 of 2016.

## 2. Backlogged Returns

In August 2016, there were concerns raised about the Comptroller hiring temporary employees instead of full-time regular employees to process tax returns. The Comptroller had a high vacancy rate with the need to hire more positions, particularly in the Compliance and IT departments. While vacancies have been a problem in the agency, the concerns highlighted were in reference to the processing of backlogged amended and adjusted returns. During calendar 2016, the Comptroller did experience higher than normal levels of amended and adjusted returns and a temporary backlog did develop. **Exhibit 5** shows the number of returns by time and the time it has taken to process them. While this was a notable occurrence, the Comptroller asserts that the combination of processing the 2015 Amnesty Program returns, amended returns resulting from the Wynne decision, and the increase in suspicious and fraudulent returns, all served to slow down processing.

**Exhibit 5**  
**Amended and Adjusted Unit Backlogs**  
**August 2016**

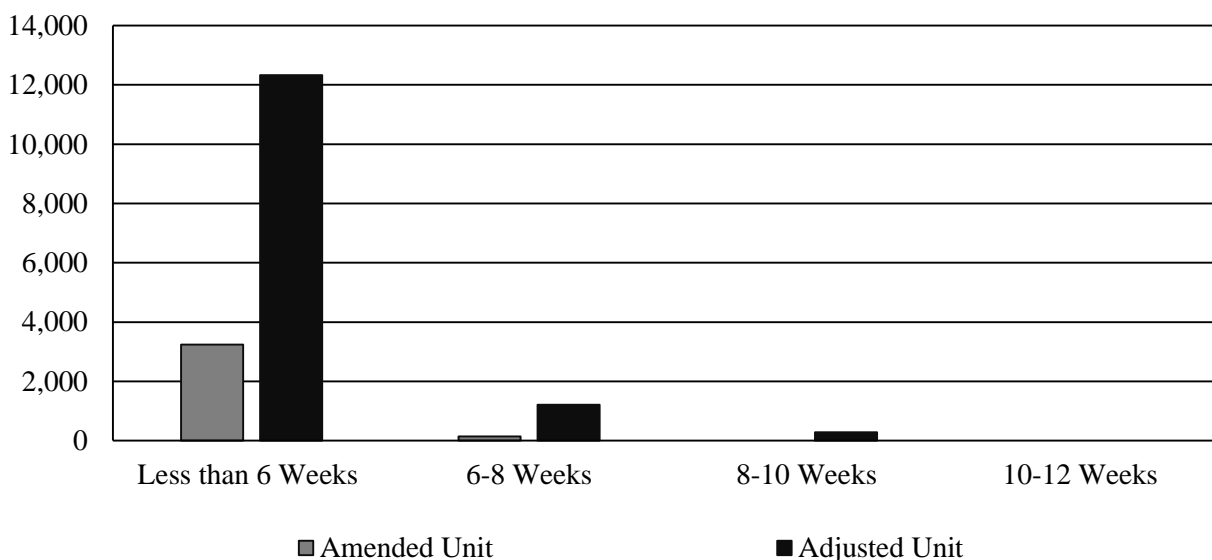


Source: Comptroller of Maryland

**Exhibit 6** shows the number of returns that are in process as of January 17, 2017. As the exhibit shows, all of the returns currently in process are within the normal timeframe to process returns. The Comptroller asserts that their office works in a cyclical fashion. During the tax season, the agency has a high number of returns that will increase the time it takes for processing. As the tax season comes to a close, the amount of returns decrease with a parallel decrease in the time for processing returns.

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**Exhibit 6**  
**Amended and Adjusted Unit Returns in Process**  
**January 2017**



Source: Comptroller of Maryland

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**Appendix 1**  
**Current and Prior Year Budgets**  
**Comptroller of Maryland**  
**(\$ in Thousands)**

	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
<b>Fiscal 2016</b>					
Legislative Appropriation	\$84,174	\$23,144	\$0	\$20,141	\$127,459
Deficiency Appropriation	0	700	0	0	700
Budget Amendments	1,028	226	0	1,575	2,830
Reversions and Cancellations	-751	-2,071	0	-2,164	-4,986
<b>Actual Expenditures</b>	<b>\$84,451</b>	<b>\$22,000</b>	<b>\$0</b>	<b>\$19,552</b>	<b>\$126,003</b>
<b>Fiscal 2017</b>					
Legislative Appropriation	\$92,833	\$32,470	\$0	\$21,849	\$147,152
Cost Containment	0	0	0	0	0
Budget Amendments	1,230	265	0	12,900	14,395
<b>Working Appropriation</b>	<b>\$94,064</b>	<b>\$32,735</b>	<b>\$0</b>	<b>\$34,749</b>	<b>\$161,547</b>

Note: Does not include targeted reversions, deficiencies, and contingent reductions. Numbers may not sum to total due to rounding.

## **Fiscal 2016**

The fiscal 2016 legislative appropriation for the Comptroller of Maryland added an additional \$2.8 million by budget amendment. General funds increased by \$1,018,000 to restore a 2% pay reduction and \$10,413 to implement provisions for the State Law Enforcement Officers Labor Alliance (SLEOLA) bargaining agreement. There was \$750,699 in general fund reversions including \$748,913 from vacant positions and \$1,786 for office supplies.

The special fund appropriation increased by \$226,412. There was a \$700,000 deficiency appropriation to process tax return refunds that resulted from the *Comptroller v. Wynne* U.S. Supreme Court decision. There was an increase of \$216,000 to restore a 2% pay reduction of 2016. There was also an increase of \$10,412 to implement provisions for the SLEOLA bargaining agreement. There was \$2,070,790 in canceled special funds, which included:

- \$709,565 for vacant positions;
- \$994,212 for the Integrated Tax System (ITS) project management services, which were delayed;
- \$100,000 for reduced travel expenses;
- \$150,000 for reduced costs related to unclaimed property newspaper advertising;
- \$75,000 for lower postage; and
- \$11,761 from wage garnishments that came in lower than expected.

The reimbursable fund appropriation increased by \$1,574,815 through budget amendment. There was an increase of \$134,815 for 39 portable radios for the investigation team and \$1,440,000 for the ITS.

There was \$2,164,280 in canceled reimbursable funds, which included:

- \$331,046 for check printing services for agencies;
- \$1,440,000 for project management services associated with the ITS;
- \$32,924 because fewer paychecks were being mailed to State employees;
- \$303,481 as a result of vacant positions; and
- \$56,829, which is no longer reimbursed to the Register of Wills.

## **Fiscal 2017**

To date, the fiscal 2017 legislative appropriation increased by \$14,394,697. General funds increased \$1,230,095 by budget amendment including \$1,173,228 for statewide salary adjustments, and \$56,867 for annual salary review. Special funds increased \$264,602 by budget amendment including \$217,372 for statewide salary adjustments and \$47,230 for the annual salary review. Reimbursable funds increased by \$12.9 million for the ITS because of the reorganization of the program plan.

**Appendix 2**  
**Audit Findings**  
**General Accounting Division**

Audit Period for Last Audit:	October 12, 2011 – June 30, 2015
Issue Date:	July 2016
Number of Findings:	1
Number of Repeat Findings:	0
% of Repeat Findings:	0%
Rating: (if applicable)	n/a

**Finding 1:** The General Accounting Division (GAD) did not effectively account for and monitor agency cash advances and related working fund bank accounts. As of December 31, 2014, GAD had issued 171 advances totaling approximately \$11.8 million to 103 State agencies.

**Revenue Administration Division**

Audit Period for Last Audit:	February 15, 2012 – June 30, 2015
Issue Date:	September 2016
Number of Findings:	8
Number of Repeat Findings:	3
% of Repeat Findings:	38%
Rating: (if applicable)	n/a

**Finding 1:** The Revenue Administration Division (RAD) had not determined the underlying causes for erroneous subdivision codes recorded in the State of Maryland Tax (SMART) system for numerous taxpayers in one county, which resulted in \$8.7 million in local income taxes being incorrectly distributed.

**Finding 2:** RAD lacked sufficient policies and procedures to ensure that all subdivision codes assigned to taxpayers in the SMART system were proper.

**Finding 3:** **Required documentation was not always on file to support out-of-state tax credits claimed on paper tax returns filed by individual taxpayers.**

**Finding 4:** **Significant financial adjustments to corporate taxpayer accounts were not always independently reviewed as required.**

**Finding 5:** Controls were not in place to ensure adjustments to critical taxpayer account information were properly reviewed, and supporting documentation was not always on file.

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**Finding 6:** Certain critical database security and audit events were either not logged or not reviewed for propriety.

**Finding 7:** RAD had not established sufficient controls over remotely deposited checks, and employees with access to collections had the capability to adjust taxpayers' accounts.

**Finding 8:** RAD lacked documentation that replacement refund checks were independently reviewed as required.

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

### Appendix 3

## Major Information Technology Projects

### Integrated Tax System

<b>Project Status</b>	Planning.			<b>New/Ongoing Project:</b>	Ongoing.			
<b>Project Description:</b>	The Compass Integrated Tax System (ITS) project will replace the agency’s State of Maryland Tax 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. The integrated system will allow the Comptroller to efficiently administer all taxes and fees required by law. This includes the processing and collection of personal income tax and sales and use tax, the State’s largest sources of revenue. Successful implementation will bring the Comptroller a modernized system, which makes use of current technologies and is supported by and adaptable to the mainstream information technology (IT) workforce.							
<b>Project Business Goals:</b>	The comptroller currently has a Task Order Request for Proposals (TORFP) to procure project management, system integration, and cultural change management services to support the Compass Project.							
<b>Estimated Total Project Cost:</b>	\$110,000,000			<b>Estimated Planning Project Cost:</b>		\$24,500,000		
<b>Project Start Date:</b>	April 2016.			<b>Projected Completion Date:</b>		April 2021.		
<b>Schedule Status:</b>	The TORFP is expected to be awarded in January 2017. The Comptroller plans to provide the Department of Information Technology (DoIT) with a draft of the Request for Proposal (RFP) for the ITS six months after the selection of the project manager. The project has been delayed six months because of the transition of the project management. This has resulted in the funding for fiscal 2018 being delayed by one year.							
<b>Cost Status:</b>	Because of the initial delay to find a project manager, the anticipated funding for fiscal 2018 will not be dispensed until fiscal 2019.							
<b>Scope Status:</b>	There are no known changes.							
<b>Project Management Oversight Status:</b>	The Comptroller is using the TORFP to secure project management.							
<b>Identifiable Risks:</b>	The Comptroller is working closely with the DoIT to manage the RFP drafting and review process to mitigate any risk to the schedule associated with the State’s migration of Major IT projects from the System Development Life Cycle to the Agile methodology.							
<b>Additional Comments:</b>	n/a							
<b>Fiscal Year Funding (\$ in Millions)</b>	<b>Prior Years</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>Balance to Complete</b>	<b>Total</b>
Personnel Services	\$24.5	\$0.0	\$22.0	\$22.0	\$41.5	\$0.0	\$85.5	\$110.0
Professional and Outside Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Expenditures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Funding</b>	<b>\$24.5</b>	<b>\$0.0</b>	<b>\$22.0</b>	<b>\$22.0</b>	<b>\$41.5</b>	<b>\$0.0</b>	<b>\$85.5</b>	<b>\$110.0</b>



**Appendix 4  
Object/Fund Difference Report  
Comptroller of Maryland**

<u>Object/Fund</u>	<u>FY 16 Actual</u>	<u>FY 17 Working Appropriation</u>	<u>FY 18 Allowance</u>	<u>FY 17 - FY 18 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	1,120.90	1,114.90	1,114.90	0.00	0%
02 Contractual	28.00	26.60	26.60	0.00	0%
<b>Total Positions</b>	<b>1,148.90</b>	<b>1,141.50</b>	<b>1,141.50</b>	<b>0.00</b>	<b>0%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 81,264,500	\$ 90,180,284	\$ 90,200,032	\$ 19,748	0%
02 Technical and Spec. Fees	1,356,878	1,381,317	1,371,215	-10,102	-0.7%
03 Communication	7,966,088	8,212,861	8,394,705	181,844	2.2%
04 Travel	186,021	404,567	418,556	13,989	3.5%
06 Fuel and Utilities	55,196	56,356	65,147	8,791	15.6%
07 Motor Vehicles	400,586	519,362	438,154	-81,208	-15.6%
08 Contractual Services	28,690,826	55,440,793	37,042,609	-18,398,184	-33.2%
09 Supplies and Materials	1,903,875	2,270,193	2,257,689	-12,504	-0.6%
10 Equipment – Replacement	2,325,086	1,177,925	1,268,750	90,825	7.7%
11 Equipment – Additional	147,099	133,100	84,100	-49,000	-36.8%
12 Grants, Subsidies, and Contributions	35,000	35,000	35,000	0	0%
13 Fixed Charges	1,626,034	1,696,457	1,776,219	79,762	4.7%
14 Land and Structures	45,534	38,500	47,000	8,500	22.1%
<b>Total Objects</b>	<b>\$ 126,002,723</b>	<b>\$ 161,546,715</b>	<b>\$ 143,399,176</b>	<b>-\$ 18,147,539</b>	<b>-11.2%</b>
<b>Funds</b>					
01 General Fund	\$ 84,451,314	\$ 94,063,561	\$ 95,885,168	\$ 1,821,607	1.9%
03 Special Fund	21,999,547	32,734,604	24,374,105	-8,360,499	-25.5%
09 Reimbursable Fund	19,551,862	34,748,550	23,139,903	-11,608,647	-33.4%
<b>Total Funds</b>	<b>\$ 126,002,723</b>	<b>\$ 161,546,715</b>	<b>\$ 143,399,176</b>	<b>-\$ 18,147,539</b>	<b>-11.2%</b>

Note: Does not include targeted reversions, deficiencies, and contingent reductions.

**Appendix 5  
Fiscal Summary  
Comptroller of Maryland**

<u>Program/Unit</u>	<u>FY 16 Actual</u>	<u>FY 17 Wrk Approp</u>	<u>FY 18 Allowance</u>	<u>Change</u>	<u>FY 17 - FY 18 % Change</u>
01 Office of the Comptroller	\$ 10,803,052	\$ 11,414,643	\$ 11,243,466	-\$ 171,177	-1.5%
02 General Accounting Division	5,184,854	5,769,687	5,706,006	-63,681	-1.1%
03 Bureau of Revenue Estimates	1,200,020	1,612,809	1,425,625	-187,184	-11.6%
04 Revenue Administration Division	32,893,810	55,954,739	33,761,411	-22,193,328	-39.7%
05 Compliance Division	33,551,652	36,488,730	36,873,216	384,486	1.1%
06 Field Enforcement Division	5,473,696	7,028,205	6,888,918	-139,287	-2.0%
09 Central Payroll Bureau	2,566,691	2,923,943	2,884,045	-39,898	-1.4%
10 Information Technology Division	34,328,948	40,353,959	44,616,489	4,262,530	10.6%
<b>Total Expenditures</b>	<b>\$ 126,002,723</b>	<b>\$ 161,546,715</b>	<b>\$ 143,399,176</b>	<b>-\$ 18,147,539</b>	<b>-11.2%</b>
General Fund	\$ 84,451,314	\$ 94,063,561	\$ 95,885,168	\$ 1,821,607	1.9%
Special Fund	21,999,547	32,734,604	24,374,105	-8,360,499	-25.5%
<b>Total Appropriations</b>	<b>\$ 106,450,861</b>	<b>\$ 126,798,165</b>	<b>\$ 120,259,273</b>	<b>-\$ 6,538,892</b>	<b>-5.2%</b>
Reimbursable Fund	\$ 19,551,862	\$ 34,748,550	\$ 23,139,903	-\$ 11,608,647	-33.4%
<b>Total Funds</b>	<b>\$ 126,002,723</b>	<b>\$ 161,546,715</b>	<b>\$ 143,399,176</b>	<b>-\$ 18,147,539</b>	<b>-11.2%</b>

Note: Does not include targeted reversions, deficiencies, and contingent reductions.