

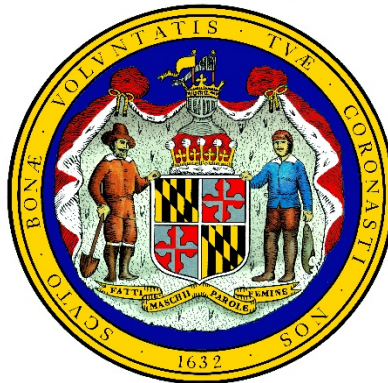
Audit Report

Maryland Department of Transportation Maryland Port Administration

April 2026

Public Notice

In compliance with the requirements of the State Government Article Section 2-1224(i), of the Annotated Code of Maryland, the Office of Legislative Audits has redacted cybersecurity findings and related auditee responses from this public report.



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DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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DEPARTMENT OF LEGISLATIVE SERVICES

OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

April 15, 2026

Senator Shelly L. Hettleman, Senate Chair, Joint Audit and Evaluation Committee
Delegate Jared Solomon, House Chair, Joint Audit and Evaluation Committee
Members of Joint Audit and Evaluation Committee
Annapolis, Maryland

Ladies and Gentlemen:

We have conducted a fiscal compliance audit of the Maryland Department of Transportation (MDOT) – Maryland Port Administration (MPA) for the period beginning June 1, 2021 and ending June 30, 2025. MPA operates State-owned port facilities and promotes the economic well-being of Maryland’s ports. Specifically, MPA is responsible for managing the State’s investment in port facilities, developing trade by promoting maritime business, and coordinating the delivery of services, such as dredging and navigational aids, to the maritime community.

Our audit disclosed MPA did not ensure that amounts paid for a railway tunnel expansion capital project were proper and in accordance with the related contracts. For example, the MPA did not verify the propriety of labor charges paid totaling \$600,000, paid overhead charges totaling \$1.4 million that were not provided for in the related contract, and did not review supporting documentation submitted by the contractor to verify the propriety of amounts billed. In addition, MPA did not obtain support or otherwise verify expenditures for a federal dredged material management project for which the State has advanced \$77.5 million as of June 2025.

Finally, our audit disclosed a cybersecurity-related finding. However, in accordance with the State Government Article, Section 2-1224(i) of the Annotated Code of Maryland, we have redacted the finding from this audit report. Specifically, State law requires the Office of Legislative Audits to redact cybersecurity findings in a manner consistent with auditing best practices before the report is made available to the public. The term “cybersecurity” is defined in the State Finance and Procurement Article, Section 3.5-301(c), and using our

professional judgment we have determined that the redacted finding falls under the referenced definition. The specifics of the cybersecurity finding were previously communicated to those parties responsible for acting on our recommendations.

MDOT's response to this audit, on behalf of MPA, is included as an appendix to this report. Consistent with State law, we have redacted the elements of MDOT's response related to the cybersecurity audit finding. We reviewed the response and noted agreement to our findings and related recommendations and will notify MPA of any needed clarification to ensure the responses sufficiently address the related findings.

We wish to acknowledge the cooperation extended to us during our audit by MPA.

Respectfully submitted,

Brian S. Tanen

Brian S. Tanen, CPA, CFE
Legislative Auditor

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Background Information

Agency Responsibilities

The Maryland Port Administration (MPA), a modal administration of the Maryland Department of Transportation, operates State-owned port facilities and promotes the economic well-being of Maryland's ports. MPA is responsible for managing the State's investment in port facilities; developing trade by promoting maritime business; and coordinating the delivery of services, such as dredging and navigational aids, to the maritime community. MPA also owns and operates a number of facilities including Baltimore's World Trade Center building. MPA is governed by the Maryland Port Commission which consists of eight members, including six members who are appointed by the Governor with the advice and consent of the Senate, the Secretary of Transportation who serves as the Chairperson, and the Secretary of Commerce who serves as a nonvoting member.

According to State records, during fiscal year 2025, MPA's expenditures totaled approximately \$318.8 million (see Figure 1), the majority of which were related to capital programs to develop and modernize port facilities (such as, dredging of shipping channels, dredging material placement, and facility improvements).

Figure 1
MPA Positions, Expenditures, and Funding Sources

Full-Time Equivalent Positions as of June 30, 2025	
	Positions
Filled	185
Vacant	19
Total	204
Fiscal Year 2025 Expenditures	
	Expenditures
Salaries, Wages and Fringe Benefits	\$ 32,386,472
Technical and Special Fees	137,241
Operating Expenses	286,290,829
Total	\$318,814,542
Fiscal Year 2025 Funding Sources	
	Funding
General Fund	\$ 3,998,349
Special Fund	260,141,535
Federal Fund	54,674,658
Total	\$318,814,542

Source: State financial and personnel records

Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of the one finding contained in our preceding audit report dated March 24, 2022. See Figure 2 for the results of our review.

Figure 2		
Status of Preceding Finding		
Preceding Finding	Finding Description	Implementation Status
Finding 1	MPA’s review of invoices for construction and maintenance services provided by the Maryland Environmental Service was not documented to ensure the accuracy of amounts billed.	Not repeated

Findings and Recommendations

Disbursements

Finding 1

MPA did not ensure amounts paid for a railway tunnel expansion capital project were proper and in accordance with the related contracts.

Analysis

MPA did not ensure amounts paid for a railway tunnel expansion capital project were proper and in accordance with the related contracts. The contractor was required to submit documentation to MPA for all costs including subcontractor agreements and detailed invoices to support the charges. MPA was responsible for verifying the correct allocation of costs to the parties funding the project and requesting reimbursement for federal grant funding. As of October 2025, the estimated cost of the project was approximately \$566 million¹ and according to MPA records the contractor has been paid \$184.7 million. We reviewed seven contractor invoices paid between August 2024 and September 2025 totaling \$49.6 million,² which included \$47.6 million for subcontractors and \$2 million for labor costs and noted the following:

- MPA did not review supporting documentation submitted by the contractor for subcontractor charges prior to approving the invoices and did not request or receive contracts with subcontractors to verify the propriety of amounts billed. MPA management advised us that it relies on the contractor to perform reviews of subcontractor billings before invoicing MPA. We tested a \$5.6 million charge³ on one of the aforementioned seven invoices totaling \$12.3 million and requested that MPA obtain the contract with the subcontractor. Our review of the contract with the subcontractor and the related support disclosed that the payment was consistent with the contract and was properly supported.
- MPA did not verify the propriety of contractor labor charges paid totaling \$600,000 on six of the seven invoices tested. Specifically, the contract did not specify the labor rates to enable a verification of the amounts charged. In

¹ MPA, the contractor, the federal government, and another state agreed to a cost sharing model for the project. MPA's portion totaled up to \$247.5 million which included State appropriations, Transportation Trust Funds, and State general obligation bonds. The contractor is responsible for \$170.75 million, the federal government will contribute \$125 million through an infrastructure grant, the other State is responsible for \$22.75 million.

² Test items were selected based on significance and risk.

³ We selected the most material payment involving a subcontractor.

addition, although the contractor submitted a listing of the hours worked and related labor charges for each employee to support the labor charges, MPA did not periodically verify the amounts reported to the related payroll records.

- MPA paid overhead charges totaling \$1.4 million on six of the seven invoices tested that were not provided for in the contract. In addition, MPA could not readily explain the reasonableness or document the calculation of overhead rates, which were 233 or 245.9 percent of labor costs.

Recommendation 1

We recommend that MPA

- a. perform a documented review of contractor invoices using all required supporting documentation to ensure the accuracy of subcontractor charges,**
- b. ensure contracts include labor and overhead rates and ensure the rates are reasonable, and**
- c. verify that labor and overhead charges are consistent with established rates and periodically review supporting documentation (such as payroll records) to ensure the propriety of the amounts invoiced.**

Finding 2

MPA did not obtain support or otherwise verify expenditures for a federal dredged material management project.

Analysis

MPA did not obtain support or otherwise verify expenditures for a federal dredged material management project for which the State had advanced approximately \$77.5 million as of June 2025. In August 2022, MPA entered into a 50-year agreement with the federal government for construction of an ecosystem restoration project (known as James and Barren Islands) for dredged material. According to the agreement, MPA is to provide 35 percent of the project construction costs, which are estimated to be \$1.4 billion.

According to its records, MPA was invoiced and advanced \$18 million in September 2022, and an additional \$59.5 million in June 2025. According to the agreement, the amounts advanced were an estimate of the expenditures for the upcoming fiscal year. The federal government provides monthly reports of the expenditures on the project including those related to the State advance. As of August 2025, the federal government reported that it had expended \$16.1 million of the funds advanced by the State.

Our review disclosed that MPA did not obtain and review support for the amounts reported by the federal government or perform periodic audits. The agreement states MPA is allowed to inspect books, records, documents, or other evidence pertaining to costs and expenses maintained by the federal government. MPA management advised it has limited available resources to perform periodic audits. In this regard, we requested that MPA obtain support from the federal government for \$2.2 million reported as being expended during May 2025 (selected based on materiality). MPA obtained support for \$1.6 million of the amount reported and advised us that the remaining \$600,000 was unspent funds to be used in the future by the federal government on the contract.

Recommendation 2

We recommend that MPA

- a. obtain support for the amounts expended by the federal government and conduct periodic audits (such as internal audits or contracting with an independent accounting firm) to ensure the amounts reported are accurate and proper for the project, and**
- b. pursue recovery of any amounts noted from periodic audits that are not supported or proper for the project.**

Information Systems Security and Control

We determined that Finding 3 related to “cybersecurity,” as defined by the State Finance and Procurement Article, Section 3.5-301(c) of the Annotated Code of Maryland, and therefore is subject to redaction from the publicly available audit report in accordance with the State Government Article 2-1224(i). Consequently, the specifics of the following finding, including the analysis, related recommendations, along with MDOT’s response, have been redacted from this report copy.

Finding 3
Redacted cybersecurity-related finding.

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the Maryland Department of Transportation (MDOT) – Maryland Port Administration (MPA) for the period beginning June 1, 2021 and ending June 30, 2025. The audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

As prescribed by the State Government Article, Section 2-1221 of the Annotated Code of Maryland, the objectives of this audit were to examine MPA's financial transactions, records, and internal control, and to evaluate its compliance with applicable State laws, rules, and regulations.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of significance and risk. The areas addressed by the audit included cash receipts, accounts receivable, procurements and disbursements for capital projects and operating expenditures, payroll, federal funds, corporate purchasing cards, information systems security and control, and certain port activities transactions (such as lease agreements for the use of port facilities). We also determined the status of the finding contained in our preceding audit report.

Our audit did not include certain payroll support services (such as processing of personnel transactions and maintenance of employee leave records) provided by MDOT – Secretary's Office to MPA. These payroll support services are included within the scope of our audit of MDOT. In addition, our audit did not include an evaluation of internal controls over compliance with federal laws and regulations for federal financial assistance programs and an assessment of MPA's compliance with those laws and regulations because the State of Maryland engages an independent accounting firm to annually audit such programs administered by State agencies, including MPA.

Our assessment of internal controls was based on agency procedures and controls in place at the time of our fieldwork. Our tests of transactions and other auditing procedures were generally focused on the transactions occurring during our audit period of June 1, 2021 to June 30, 2025, but may include transactions before or after this period as we considered necessary to achieve our audit objectives.

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, tests of transactions, and to the extent practicable, observations of MPA's operations. Generally, transactions were selected for testing based on auditor judgment, which primarily considers risk, the timing or dollar amount of the transaction, or the significance of the transaction to the area of operation reviewed. As a matter of course, we do not normally use sampling in our tests, so unless otherwise specifically indicated, neither statistical nor non-statistical audit sampling was used to select the transactions tested. Therefore, unless sampling is specifically indicated in a finding, the results from any tests conducted or disclosed by us cannot be used to project those results to the entire population from which the test items were selected.

We also performed various data extracts of pertinent information from the State's Financial Management Information System and MDOT's Financial Management Information System (such as revenue and expenditure data), the State's Central Payroll Bureau (payroll data), as well as from the contractor administering the State's Corporate Purchasing Card Program (credit card activity). The extracts are performed as part of ongoing internal processes established by the Office of Legislative Audits and were subject to various tests to determine data reliability. We determined that the data extracted from these sources were sufficiently reliable for the purposes the data were used during this audit.

We also extracted data from MPA's billing and reporting system for the purposes of testing billings and accounts receivable. We performed various tests of the relevant data and determined that the data was sufficiently reliable for the purposes the data were used during the audit. Finally, we performed other auditing procedures that we considered necessary to achieve our objectives. The reliability of data used in this report for background or informational purposes was not assessed.

MPA's management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records; effectiveness and efficiency of operations, including safeguarding of assets; and compliance with applicable laws, rules, and regulations are achieved. As provided in *Government Auditing Standards*, there are five components of internal control: control environment, risk assessment, control activities, information and communication, and monitoring. Each of the five components, when significant to the audit objectives, and as applicable to MPA, were considered by us during the course of this audit.

Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

Our reports are designed to assist the Maryland General Assembly in exercising its legislative oversight function and to provide constructive recommendations for improving State operations. As a result, our reports generally do not address activities we reviewed that are functioning properly.

This report includes findings relating to conditions that we consider to be significant deficiencies in the design or operation of internal control that could adversely affect MPA's ability to maintain reliable financial records, operate effectively and efficiently, and/or comply with applicable laws, rules, and regulations. Our report also includes findings regarding significant instances of noncompliance with applicable laws, rules, or regulations. Other less significant findings were communicated to MPA that did not warrant inclusion in this report

State Government Article Section 2-1224(i) requires that we redact in a manner consistent with auditing best practices any cybersecurity findings before a report is made available to the public. This results in the issuance of two different versions of an audit report that contains cybersecurity findings – a redacted version for the public and an unredacted version for government officials responsible for acting on our audit recommendations.

The State Finance and Procurement Article, Section 3.5-301(c), states that cybersecurity is defined as “processes or capabilities wherein systems, communications, and information are protected and defended against damage, unauthorized use or modification, and exploitation”. Based on that definition, and in our professional judgment, we concluded that a finding in this report falls under that definition. Consequently, for the publicly available audit report all specifics as to the nature of the cybersecurity finding and required corrective actions have been redacted. We have determined that such aforementioned practices, and government auditing standards, support the redaction of this information from the public audit report. The specifics of the cybersecurity finding have been communicated to MPA and those parties responsible for acting on our recommendations in an unredacted audit report.

The response from MDOT, on behalf of MPA, to our findings and recommendations, is included as an appendix to this report. Depending on the version of the audit report, responses to any cybersecurity findings may be redacted in accordance with State law. As prescribed in the State Government

Article, Section 2-1224 of the Annotated Code of Maryland, we will advise MDOT regarding the results of our review of its response.

April 13, 2026

Brian S. Tanen, CPA, CFE
Legislative Auditor
Office of Legislative Audits
The Warehouse at Camden Yards
351 West Camden Street, Suite 400
Baltimore MD 21201

Dear Mr. Tanen:

Enclosed please find responses to the audit report from the Office of Legislative Audits for the Maryland Department of Transportation (MDOT) Maryland Port Administration (MPA) for the period beginning June 1, 2021, and ending June 30, 2025.

If you have any additional questions or concerns, please contact Ms. Jaclyn D. Hartman, MDOT Assistant Secretary of Transportation Investments, by email at jhartman1@mdot.state.md.us or by phone at 410-844-2585 or Ms. Loyda Sequeira, MDOT Chief of Audits & Rail Safety, by email at lsequeira@mdot.state.md.us or by phone at 410-865-1168. Of course, you may always contact me directly.

Sincerely,



Kathryn Thomson
Secretary

Attachment

cc: Ms. Samantha J. Biddle, Deputy Secretary, MDOT
Mr. Jonathan Daniels, Executive Director, MPA
Ms. Jaclyn D. Hartman, Assistant Secretary of Transportation Investments, MDOT
Ms. Loyda Sequeira, Chief of Audits & Rail Safety, MDOT

Maryland Department of Transportation Maryland Port Administration

Agency Response Form

Disbursements

Finding 1
MPA did not ensure amounts paid for a railway tunnel expansion capital project were proper and in accordance with the related contracts.

We recommend that MPA

- a. perform a documented review of contractor invoices using all required supporting documentation to ensure the accuracy of subcontractor charges,
- b. ensure contracts include labor and overhead rates and ensure the rates are reasonable, and
- c. verify that labor and overhead charges are consistent with established rates and periodically review supporting documentation (such as payroll records) to ensure the propriety of the amounts invoiced.

Agency Response			
Analysis			
Please provide additional comments as deemed necessary.	<p>The railway tunnel expansion project represents a collaborative effort between multiple government entities and private partners grounded in a shared commitment to optimizing operational processes and advancing the long-term vitality of the Mid-Atlantic region. The project involves vertical clearance improvements at 22 locations along the rail network between Baltimore and Philadelphia. Due to variation in scope, geographic location and funding sources, the project has been divided into ten packages for design and construction. MPA participates in a cost-sharing agreement for the project, subject to contract terms commonly set by the federal government. MPA does not own or operate the tunnel, nor is it responsible for managing, designing, or constructing the project.</p>		
Recommendation 1a	Agree	Estimated Completion Date:	ongoing
Please provide details of corrective action or explain disagreement.	<p>Each project package is procured and managed separately by the tunnel owner, with a management consultant providing program-wide administrative support, including preliminary review of subcontractor invoices.</p> <p>The tunnel owner submits monthly invoices specific to MPA for review and approval that are organized by individual package. Each invoice includes all eligible costs for each package and standard cover pages with basic project details (invoice number, package location, invoice amount, etc.), along with relevant back-up documentation for specific charges incurred that month. These invoices are submitted electronically to MPA's Office of Planning, which conducts and completes the initial review.</p> <p>After initial review, the invoice is routed to the MPA's Office of Maritime Commercial Management and Strategic Initiatives for further review and approval. During these reviews, MPA verifies accuracy, appropriate funding split, and package identification, and performs spot checks on the detailed back up provided by the cost-sharing contractor and its subcontractor. Once approved by both MPA offices, the invoice is forwarded to MPA's Office of Finance for payment processing.</p>		

**Maryland Department of Transportation
Maryland Port Administration**

Agency Response Form

	MPA has a well-established invoice review and approval process. The railway tunnel expansion project is unique because of its cost-sharing agreement/structure and the management consultant's preliminary review of subcontractor invoices. To strengthen assurance regarding the accuracy of billed charges, the MPA will conduct periodic reviews of supporting documentation for subcontractor invoices.		
Recommendation 1b	Agree	Estimated Completion Date:	On going
Please provide details of corrective action or explain disagreement.	<p>The federal cost-sharing process begins with determining the required cost share as outlined in the funding opportunity announcement (FOA) and the specific regulations governing the program.</p> <p>Not all federal cost-sharing projects require labor and overhead rates; whether they are needed depends on the type of federal award. While the Uniform Guidance (2 Code Federal Regulations (CFR) 200) does not mandate that these rates be included in the award agreement.</p> <p>In situations where cost-sharing details are required before an agreement is executed, the MPA will ensure labor and overhead rates are included in the cost-sharing agreements and reviewed for reasonableness.</p>		
Recommendation 1c	Agree	Estimated Completion Date:	On going
Please provide details of corrective action or explain disagreement.	<p>MPA has obtained the contractor's approved overhead rates to help verify the costs incurred and will periodically request separate documentation of employee pay rates to supplement the labor rate details included in each invoice.</p> <p>To strengthen oversight, MPA is enhancing its review and documentation procedures to ensure overhead charges and pay rates are defined, reasonable and properly supported. MPA will conduct periodic verification of reported labor hours and charges against appropriate payroll records to confirm accuracy and propriety.</p>		

**Maryland Department of Transportation
Maryland Port Administration**

Agency Response Form

Finding 2
MPA did not obtain support or otherwise verify expenditures for a federal dredged material management project.

We recommend that MPA

- a. obtain support for the amounts expended by the federal government and conduct periodic audits (such as internal audits or contracting with an independent accounting firm) to ensure the amounts reported are accurate and proper for the project, and**
- b. pursue recovery of any amounts noted from periodic audits that are not supported or proper for the project.**

Agency Response	
Analysis	
<p>Please provide additional comments as deemed necessary.</p>	<p>The Project Partnership Agreement between the Department of the Army, represented by the U.S. Army Corps of Engineers (USACE), and the State of Maryland, represented by Maryland Port Administration (MPA), outlines the annual funding requirements for the Mid Bay Island ecosystem restoration project discussed in the OLA audit report. Each year, USACE provides MPA with the estimated funding needed and the basis for those amounts, and MPA supplies the funds necessary to meet its portion of the construction cost share. The USACE procures, awards, and executes all construction contracts for the project and must receive MPA-provided funds in advance of awarding contracts and draws from these funds to cover the non-federal share of costs as they are incurred. The project cost share is 65% federal (USACE) and 35% non-federal (MPA).</p> <p>USACE provides MPA with monthly financial reports that include estimated constructions costs; each party’s share of those costs; USACE expenditures to date using both federal and non-federal funds; the total funds provided by MPA; the estimated value of any creditable in-kind contributions; and the projected amount of MPA funding required for the upcoming fiscal year.</p> <p>Additionally, in accordance with 31 USC 3512(e), USACE, like all federal executive agencies, must use the accrual basis of accounting for this cost-shared project. To meet this requirement, USACE processes accrual transactions monthly. These accruals are automatically reversed and recalculated when subsequent invoices are recorded, and they are documented in the historical transaction register. This process is supported by appropriate documentation, provides transparency and safeguards on USACE accrual spending, is proper for the project, and complies with law.</p> <p>The PPA also grants MPA the right to inspect books, records, documents, and other evidence related to project costs maintained by the federal government. MPA obtained supporting documentation from USACE for April and May 2025 showing obligated funds totaling \$2,174,281.00, consisting of \$1,584,210.90 in expenditures and \$590,070.10 in obligated funds recorded as an accrual for future costs. This accrual of costs for future spending is normal and customary for federal cost sharing projects.</p> <p>Furthermore, USACE and the MPA have enjoyed a long-standing and successful partnership on numerous cost-shared projects, dating back to</p>

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Maryland Port Administration**

Agency Response Form

	1997, when the parties began construction of Paul S. Sarbanes Ecosystem Restoration Project at Poplar Island. As a federal agency, the USACE is subject to periodic audits of its financial practices, and the results of these audits are made available to the non-federal sponsor (MPA) upon request, and nothing in these documents, or the documentation related to USACE spending has indicated any problems with accrual spending.		
Recommendation 2a	Agree	Estimated Completion Date:	03/01/2026
Please provide details of corrective action or explain disagreement.	The MPA will establish and implement a procedure for periodically requesting supporting documentation to accompany the required monthly reports and transactions, thereby ensuring that State funds are properly applied to cost-shared projects. Furthermore, MPA reserves the right to conduct audits of program records at any time to verify compliance and provide reasonable assurance over reported costs.		
Recommendation 2b	Agree	Estimated Completion Date:	03/01/2026
Please provide details of corrective action or explain disagreement.	The MPA will seek to recover any amounts identified through periodic audits that are not substantiated or fall within the scope of the agreement.		

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Maryland Port Administration**

Agency Response Form

Information Systems Security and Control

The Office of Legislative Audits (OLA) has determined that Finding 3 related to “cybersecurity,” as defined by the State Finance and Procurement Article, Section 3.5-301(c) of the Annotated Code of Maryland, and therefore is subject to redaction from the publicly available audit report in accordance with the State Government Article 2-1224(i). Although the specifics of the finding, including the analysis, related recommendations, along with MDOT’s responses, have been redacted from this report copy, MDOT’s responses indicated agreement with this finding and related recommendations.

Finding 3
Redacted cybersecurity-related finding.

Agency Response has been redacted by OLA.

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