



City of Baltimore
Department of Public Works – Bureau of Solid Waste
Biennial Financial Audit for
Fiscal Years Ended June 30, 2015 and 2016

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Table of Contents

Independent Auditor’s Report	1
Basic Financial Statements	
Schedule of Revenues, Expenditures and Encumbrances, and Changes in Fund Balance - Budget and Actual - Budgetary Basis - General Fund	3
Schedule of Revenues, Expenditures and Encumbrances, and Changes in Fund Balance - Budget and Actual - Budgetary Basis - Energy Conservation Fund	4
Statement of Revenues, Expenditures and Changes in Fund Balance - Capital Projects	5
Schedule of Revenues, Expenditures and Changes in Grant Cash Balances 2015	6
Schedule of Revenues, Expenditures and Changes in Grant Cash Balances 2016	7
Notes to the Financial Statements	8

INDEPENDENT AUDITOR'S REPORT

Honorable Joan M. Pratt, Comptroller
and Other Members of the
Board of Estimates of the
City of Baltimore, Maryland

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the governmental activities, of the Bureau of Solid Waste within the Department of Public Works (the Agency), an agency of the primary government of the City of Baltimore, Maryland, which comprise the Schedule of Revenues, Expenditures and Encumbrances, and Changes in Fund Balance, Budget and Actual, Budgetary Basis, General Fund; Schedule of Revenues, Expenditures and Encumbrances, and Changes in Fund Balance, Budget and Actual, Budgetary Basis, Energy Conservation Fund; Statement of Revenues, Expenditures and Changes in Fund Balance, Capital Projects; and Statement of Revenues, Expenditures and Changes in Grant Cash Balances, for the years ended June 30, 2015 and 2016, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 3; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the revenues collected and expenses paid for governmental activities, of the Agency, for the years ended June 30, 2015 and 2016 in accordance with the cash basis of accounting described in Note 3.

Basis of Accounting

The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Report on Other Legal and Regulatory Requirements

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

In accordance with Government Auditing Standards, we have also issued our report, dated January 19, 2018, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Agency's internal control over financial reporting and compliance.



Robert L. McCarty, Jr., CPA
City Auditor
January 19, 2018

CITY OF BALTIMORE
Schedule of Revenues, Expenditures and Encumbrances, and Changes in Fund Balance
Budget and Actual – Budgetary Basis – General Fund
For Fiscal Years Ended June 30, 2015 and 2016

	Fiscal Year 2015		
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Appropriation Revenue	<u>\$ 74,316,527</u>	<u>\$ 70,460,970</u>	<u>\$ 3,855,557</u>
Expenditures and Encumbrances:			
Administration - Solid Waste	4,604,486	4,825,296	(220,811)
Public Right-of-Way Cleaning	22,401,003	22,223,538	177,464
Vacant/Abandoned Property Cleaning and Boarding	2,706,295	3,497,604	(791,309)
Waste Removal and Recycling	20,480,441	21,914,910	(1,434,469)
Waste Re-Use and Disposals	20,568,094	16,595,653	3,972,441
Administration - DPW	<u>3,556,209</u>	<u>1,403,969</u>	<u>2,152,241</u>
Total Expenditures and Encumbrances	<u>74,316,527</u>	<u>70,460,970</u>	<u>3,855,557</u>
Excess of Revenues over Expenditures and Encumbrances (GAAP)	-	-	-
Beginning Budgetary Fund Balance	-	-	-
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	Fiscal Year 2016		
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Appropriation Revenue	<u>\$ 80,217,064</u>	<u>\$ 75,989,454</u>	<u>\$ 4,227,610</u>
Expenditures and Encumbrances:			
Administration - Solid Waste	1,418,538	1,411,088	7,450
Public Right-of-Way Cleaning	18,724,434	19,288,478	(564,045)
Vacant/Abandoned Property Cleaning and Boarding	6,943,843	8,607,053	(1,663,210)
Waste Removal and Recycling	26,367,175	28,150,133	(1,782,958)
Waste Re-Use and Disposals	21,987,151	16,697,068	5,290,083
Administration - DPW	<u>4,775,924</u>	<u>1,835,634</u>	<u>2,940,290</u>
Total Expenditures and Encumbrances	<u>80,217,064</u>	<u>75,989,454</u>	<u>4,227,610</u>
Excess of Revenues over Expenditures and Encumbrances (GAAP)	-	-	-
Beginning Budgetary Fund Balance	-	-	-
Ending Budgetary Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

CITY OF BALTIMORE
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual – Budgetary Basis – Energy Conservation Fund
For Fiscal Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Appropriation Revenue	<u>\$ 2,308,016</u>	<u>\$ 1,393,420</u>	<u>\$ (914,596)</u>
Expenditures and Encumbrances:			
Salaries and Wages	1,447,544	442,886	1,004,658
Other Personnel Cost	265,599	178,437	87,162
Contractual Services	495,694	388,341	107,353
Material and Supplies	17,157	2,902	14,255
Minor Equipment	65,260	63,017	2,242
Other	<u>16,762</u>	<u>16,762</u>	<u>0</u>
Total Expenditures and Encumbrances	<u>2,308,016</u>	<u>1,092,345</u>	<u>1,215,671</u>
Excess of Revenues over Expenditures and Encumbrances (GAAP)	<u>\$ (0)</u>	<u>\$ 301,075</u>	<u>\$ 301,075</u>

The notes to the financial statements are an integral part of this statement.

CITY OF BALTIMORE
Statement of Revenues, Expenditures, and Changes in Fund Balance
Capital Projects
For Fiscal Years Ended June 30, 2015 and 2016

	Fiscal Year 2015	Fiscal Year 2016
Revenue:		
General Fund Revenue	\$ 300,000	\$ -
Federal Grant Revenue	87,825	-
Other Revenues	1,304,907	379,443
Total Revenues	1,692,732	379,443
Expenditures		
Capital Outlay	4,565,415	1,057,147
Deficit of Revenue over Expenditures	(2,872,683)	(677,705)
Beginning Fund Balance	3,567,849	695,166
Ending Fund Balance	\$ 695,166	\$ 17,461

The notes to the financial statements are an integral part of this statement.

CITY OF BALTIMORE
Statement of Revenues, Expenditures and Changes in Grant Cash Balance
For Fiscal Year Ended June 30, 2015

	<u>Cash Balance 7/1/2014</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Cash Balance 6/30/2015</u>
Federal Grants				
Administration - Solid Waste	\$ (58,981)	\$ -	\$ -	\$ (58,981)
Vacant/Abandoned Property Cleaning and Boarding	(21,580)	-	-	(21,580)
Administration - DPW	22,309	-	-	22,309
Total revenues, expenditures and change in grant balances - Federal	<u>(58,252)</u>	<u>-</u>	<u>-</u>	<u>(58,252)</u>
State Grants				
Administration - Energy	4,641,554	5,430,146	3,263,563	6,808,137
Waste Removal and Recycling	75	-	-	75
Waste Re-Use and Disposals	27,930	-	-	27,930
Total revenues, expenditures and change in grant balances - State	<u>4,669,559</u>	<u>5,430,146</u>	<u>3,263,563</u>	<u>6,836,142</u>
Other Grants				
Administration - Solid Waste	49,020	-	-	49,020
Waste Removal and Recycling	5,625,526	100	-	5,625,626
Total revenues, expenditures and change in grant balances - Other	<u>5,674,546</u>	<u>100</u>	<u>-</u>	<u>5,674,646</u>
Total Grants	<u>\$ 10,285,853</u>	<u>\$ 5,430,246</u>	<u>\$ 3,263,563</u>	<u>\$ 12,452,536</u>

The notes to the financial statements are an integral part of this statement.

CITY OF BALTIMORE
Statement of Revenues, Expenditures and Changes in Grant Cash Balance
For Fiscal Year Ended June 30, 2016

	<u>Cash Balance 7/1/2015</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Cash Balance 6/30/2016</u>
Federal Grants				
Administration - Solid Waste	\$ (58,981)	\$ -	\$ -	\$ (58,981)
Vacant/Abandoned Property Cleaning and Boarding	(21,580)	-	-	(21,580)
Administration - DPW	22,309	-	-	22,309
Total revenues, expenditures and change in grant balances - Federal	<u>(58,252)</u>	<u>-</u>	<u>-</u>	<u>(58,252)</u>
State Grants				
Administration - Energy	6,808,137	6,200,000	4,483,857	8,524,280
Waste Removal and Recycling	75	-	-	75
Waste Re-Use and Disposals	27,930	-	-	27,930
Total revenues, expenditures and change in grant balances - State	<u>6,836,142</u>	<u>6,200,000</u>	<u>4,483,857</u>	<u>8,552,285</u>
Other Grants				
Administration - Solid Waste	49,020	-	-	49,020
Waste Removal and Recycling	5,625,626	300	-	5,625,926
Total revenues, expenditures and change in grant balances - Other	<u>5,674,646</u>	<u>300</u>	<u>-</u>	<u>5,674,946</u>
Total Grants	<u>\$ 12,452,536</u>	<u>\$ 6,200,300</u>	<u>\$ 4,483,857</u>	<u>\$ 14,168,979</u>

The notes to the financial statements are an integral part of this statement.

CITY OF BALTIMORE
Notes to the Financial Statements
For Fiscal Years Ended June 30, 2015 and 2016

1. Description of the Department of Public Works, Bureau of Solid Waste

The Department of Public Works, Bureau of Solid Waste (the Bureau) is responsible for providing waste removal and recycling services, including curbside collection of mixed refuse, recycling, and seasonal waste for 640,000 residents in approximately 210,000 households. The Bureau also provides vacant and abandoned property maintenance services, rat control services, as well as public right of way cleaning of streets, alleys and lots. The Bureau is also responsible for disposal of refuse in accordance with governmental regulations and mandates. This includes the management of a 125-acre active landfill at Quarantine Road, agreements with Wheelabrator Technologies' waste to energy facility and recycling service providers, and maintenance of six closed landfills. The long-term goal is to reduce the volume and amount of waste deposited in landfills to extend the life of these assets. The Bureau also promotes and markets special initiatives for a cleaner and greener Baltimore.

During fiscal year 2016 the activities of the Energy Conservation Fund were transferred from the Department of General Services to the Bureau. Accordingly the Budget to Actual statement for the Energy Conservation Fund for fiscal year 2016 is included in these financial statements.

2. Fund Financial Statements

The Bureau's services are reported in the City's general, internal service, special revenue and capital projects funds. The Bureau annually receives appropriations from the general, internal service, special revenue funds and capital projects funds. General and internal service fund appropriations expire at year end. The special revenue fund receives grants from Federal, State and other sources. Appropriations for the special revenue fund do not expire at year end and continue until they are used for grant related expenditures. Due to these differences, the financial statements of the Bureau's general and energy conservation fund activities are reported on a budgetary basis in the Schedule of Revenues, Expenditures, and Encumbrances, and Changes in Fund Balance. The financial statements of the special revenue and Capital Projects funds are reported in Statement of Revenues, Expenditures and Changes in Fund Balance.

3. Summary of Significant Accounting Policies

The financial statements of the Bureau are prepared on a cash basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles. This basis of presentation differs from accounting principles generally accepted in the United States of America (GAAP) in that revenues are recognized when received rather than earned and expenses are recognized when paid rather than when the obligation is incurred. The accompanying financial statements are not intended to present the financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

4. Budget Process

The Bureau participates in the City of Baltimore's Outcome Based Budgeting process. Outcome Based Budgeting is a budget process that aligns resources with results produced. This budgeting tool integrates strategic planning, long-range financial planning and performance management, and is a recommended practice of the Government Finance Officers Association.

5. Risk Management

The City of Baltimore is exposed to various risks of loss related to torts; theft of; damage to; and destruction of assets; errors and omissions; injuries to employees and members of the public; and natural disasters. The Department of Public Works, which includes the Bureau, is a chartered agency within the City of Baltimore municipal government; therefore, its exposure to various risks is managed by the City's Office of Risk Management.

6. Subsequent Events

No subsequent events have occurred that would require recognition or disclosure in the financial statements.

CITY OF BALTIMORE

CATHERINE E. PUGH, Mayor



DEPARTMENT OF AUDITS

ROBERT L. McCARTY, JR., CPA

City Auditor

100 N. Holliday Street

Room 321, City Hall

Baltimore, Maryland 21202

Telephone 410-396-4783

Telefax 410-545-3961

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Joan M. Pratt, Comptroller
and Other Members of the
Board of Estimates
City of Baltimore, Maryland

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the cash basis financial statements of the governmental activities of the Department of Public Works, Bureau of Solid Waste of the City of Baltimore, Maryland, as of and for the years ended June 30, 2015 and 2016, and the related notes to the financial statements, which collectively comprise the Department of Public Works' financial statements, and have issued our report thereon dated, January 19, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department of Public Works' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department of Public Works' internal control. Accordingly, we do not express an opinion on the effectiveness of the Department of Public Works' internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented,



or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies noted below to be significant deficiencies.

Finding #1 – Other Grant Balance Remained Open

During our audit of the Statement of Revenues, Expenditures and Changes in Grant Cash Balance for the periods ending June 30, 2015 and 2016, we noted that other grant account number 6855XX maintained a balance of \$5.6M over the two year period without any corresponding expenditure activity. Further review disclosed that the revenue has been sitting on the books of the Department of Public Works (DPW) since 2007. Discussions with DPW management indicate that these funds may have resulted from citations issued by the Sanitation and Enforcement Division prior to the transfer to the Department of Housing and Community Development.

Recommendation

We recommend that DPW continue to research this account to determine the source and accuracy of the fund balance. Upon completion, the funds should be appropriately utilized or returned. We also recommend that DPW perform a periodic account analysis to appropriately manage the corresponding financial activity.

Management Response

Regarding the finding that, in the DPW FY 15 & FY 16 Statement of Revenues, Expenditures and Changes in Grant Cash Balance, Waste Removal and Recycling had a beginning and ending balance of \$5.6M for both fiscal years, it is Management's contention that the Grant Cash Balance has been present for at least the past 10 years, if not longer, and that it is the result of revenues generated from citations issued by DPW's Sanitation Enforcement Unit prior to its transfer to the Department of Housing and Community Development in 2007. Management believes that in its original configuration, DPW's Sanitation Enforcement Unit was to be financially self-sufficient with revenues generated from the payment of sanitation citations. As the funds have sat for the past decade, management believes the Bureau of Solid Waste faces some current significant financial requests to which those funds could be best applied. It should also be noted that the DPW now has a fully staffed Grants Management Office which has the responsibility for not only procuring grants but also tracking them.

Finding #2 – Controls over Disposal Sites Require Strengthening:

Observation of the Transfer Station and Quarantine Road disposal sites disclosed the following:

- 1) There are no controls in place to ensure that all vehicles that arrive at the sites are properly weighed and charged for the respective service. The current system requires the administrative staff to enter data (e.g. tag number) to initiate vehicle weighing and produce the resulting record. The scales do not automatically initiate the weighing process nor is a counter available to permit daily reconciliation.

- 2) The current system permits the administrative staff to prepare credit memos to clear/cancel the respective collection(s). The credits are not recorded on the daily collection report that is used to prepare the bank deposit nor are credit memo reports obtained by management for review and reconciliation purposes.
- 3) The administrative staff person at the Transfer Station is responsible for the collection of cash, preparation of the daily deposit and validation of the corresponding deposit. We also noted that collections may be retained in the safe for as long as five days before deposit.
- 4) Supervisors are responsible for the daily bank deposit and acquisition of working funds, in lieu of, utilization of an armored car service.
- 5) The camera systems are not operable at either location to act as a deterrent and support management oversight and control of the operations. Observations at the Transfer Station disclosed that there are no controls to preclude the rear gate attendant from permitting unauthorized access to the facility. Also, employees exit via the rear gate which bypasses a scrap metal bin. Observations at the Quarantine Road site indicated that several companies are provided daily access and are billed monthly based upon records produced and maintained by the respective Gate House employee.

As a result of the aforementioned, assets may be lost or stolen and not detected by management. Additionally, the City may be exposed to reputational risk.

Recommendation

We recommend that:

- 1) The weigh station system be revised to initiate the weighing process when the vehicle crosses the scale or that a counter be installed and reconciled against the daily activity log and deposit.
- 2) Management obtain and review the daily credit memo report. The report should also be incorporated into the deposit validation process.
- 3) The responsibility for the collection of cash, preparation of the daily deposit and validation of the corresponding deposit be appropriately segregated. The deposit validation for the Quarantine Road site is performed by an independent employee. We also recommend that deposits be made within 24 hours of receipt.
- 4) An armored car service be utilized to make daily deposits.
- 5) Camera systems be installed/updated at both locations to act as a deterrent and support management oversight and control of the operations. Additionally, employees should enter and exit the facility from the front gate.

Management Response

- 1) DPW/Bureau of Solid Waste uses the DesertMicro system on the scale. As noted it only registers a vehicle when the staff initiates an action. DPW/Bureau of Solid Waste is in agreement that either an automatic system and/or independent counter be established in order that every vehicle that initiates contact with the scale should be recorded so that an accurate and verifiable reconciliation of daily receipts can be made. DPW/Bureau of Solid Waste is currently in discussions with DesertMicro to see if the current system can be updated or a new system can be obtained to automatically record all vehicles making any contact with the scale.

- 2) DPW/Bureau of Solid Waste was unaware that the current system permits administrative staff to prepare credit memos. DPW/Bureau of Solid Waste shares the auditors' concern that such a report is not generated on a daily basis and used for reconciliation purposes. As such, DPW/Bureau of Solid Waste, has contacted technical support for the DesertMicro system in order to have training provided to administrative staff and managers so that this report may be generated daily and become a standard part of the daily reconciliation and validation process.
- 3) DPW/Bureau of Solid Waste agrees that the collection of cash, preparation of the daily deposit and validation of the corresponding deposit should be appropriately segregated. DPW/Bureau of Solid Waste will take immediate steps to see that such segregation is incorporated into the appropriate Standard Operating Procedures. However, DPW/Bureau of Solid Waste does content that deposits are made within 24 hours of receipt and that no collections are retained in the safe for as long as five days before a bank deposit. Such activity is counter to DPW/Bureau of Solid Waste's Standard Operating Procedures.
- 4) DPW/Bureau of Solid Waste agrees with the recommendation; DPW/Bureau of Solid Waste has received a cost-reasonable proposal from Dunbar Armored which can begin service at our convenience.
- 5) DPW/Bureau of Solid Waste agrees that the camera systems at both locations should be operable at all times for security purposes. As such DPW/Bureau of Solid Waste has reevaluated its current systems and upgrades/repairs have been scheduled. The deficiencies and recommendations as noted by the Auditors will be incorporated in the Bureau's overall facility security assessment.

Finding #3 – Controls over Payroll Records Require Strengthening:

During our testing of the payroll activity for the Department of Public Works (DPW), Bureau of Solid Waste for the periods ending June 30, 2015 and June 30, 2016, we noted the following:

Fiscal Year 2015

<u>Description</u>	<u>Occurrences</u>
• Payroll documentation not provided	10 of 40
• Employees did not sign-in/out	1 of 40
• Timesheet not approved by supervisor	11 of 40
• Compensatory or overtime not approved	9 of 40
• Time sheets did not agree with E-time	10 of 40

Fiscal Year 2016

<u>Description</u>	<u>Occurrences</u>
• Payroll documentation not provided	7 of 40
• Employees did not sign-in/out	4 of 40
• Timesheet not approved by supervisor	4 of 40
• Compensatory or overtime not approved	4 of 40
• Time sheets did not agree with E-time	6 of 40

Recommendation

We recommend that DPW refine its process (e.g. training and procedure development) for the recording and reporting of employee time to ensure the accuracy and completeness of the data and the resulting employee pay checks.

Management Response

Regarding the testing of the payroll activity for the Department of Public Works (DPW) for the periods ending June 30, 2015 and June 30, 2016 by the Department of Audits, the Bureau is in accordance with Department's findings. For FY 2015, misoccurrences in the documents examined were found approximately 25% of the time with the exception of Employees who did not sign-in/out which occurred 2.5% of the time. In the documents examined in FY 2016, misoccurrences were found, on average, 12.5% of the time, a decrease of 50% from the previous fiscal year – a notable improvement.

The Bureau does recognize that any inconsistencies in payroll documentation is undesirable. As a consequence of these findings, the Bureau is committed to continuing the safeguards in place that has improved such documentation from FY2015 to FY2016 so that such improvement can continue. The Bureau also intends to examine the current shortcomings and take steps to correct the present flaws in payroll documentation as evidenced in the Department's findings. Two areas of main concern are payroll documentation and ensuring time sheets agree with e-time. Though DPW has had some internal discussions on moving to an electronic payroll system, the Bureau will take immediate steps institute best practices for payroll documentation with irregular internal audits of quadrants and city-wide operations to evaluate the level of compliance with payroll document conservation. The Bureau will also look at making more comparisons of time sheets and e-time in order to discern where such discrepancies occur and why. We will look to try to determine if there is a common key evident when there is a disconnection between time sheets and e-time.

The Bureau again thanks the Department of Audits for bringing these issues to light so that we may better improve our operations and procedures.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department of Public Works' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Robert L. McCarty, Jr., CPA

City Auditor

January 19, 2018