

CITY OF BALTIMORE

JOAN M. PRATT, CPA  
Comptroller



DEPARTMENT OF AUDITS

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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 General Services of the City of Baltimore, Maryland, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Department of General Services' financial statements, and have issued our report thereon dated, February 12, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Department of General Services' 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 General Services' internal control. Accordingly, we do not express an opinion on the effectiveness of the Department of General Services' internal control.

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 described in the accompanying schedule of findings to be significant deficiencies.

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

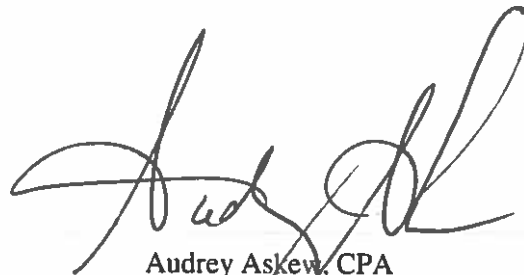
consider to be a material weakness. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Department of General Services' 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.



Audrey Askew, CPA  
Deputy City Auditor  
February 12, 2018

**CITY OF BALTIMORE**  
**Department of General Services**  
**Schedule of Findings**  
**For Fiscal Years Ended June 30, 2016 and 2015**

**Finding #1 – Vehicle Maintenance and Inventory Controls**

Review of the Past Maintenance Compliance Report, which resulted from testing of fleet expenditures, disclosed 452 vehicle (cars and trucks) and equipment (e.g. generators, pumps, back hoes, tractors, trailers, and Bobcats) listings that are 1 to 15 years late in receiving scheduled maintenance and 772 that are 90 days to 1 year late. DGS periodically submits requests to the respective agencies to have the asset(s) brought in for maintenance. However, the agencies do not always comply. Additionally, inventories are performed by City agencies on a biennial basis and are forwarded to DGS for reporting purposes. However, DGS does not participate in the inventories to ensure the accuracy and completeness of the information provided. As a result, assets may be lost or stolen and not detected by management.

***Recommendation***

We recommend that DGS escalate (e.g. Director of Finance and Mayor’s Chief of Staff) aged past maintenance activity and biennial inventory issues, if any, to obtain Agency compliance. Additionally, we recommend that DGS participate in the biennial audits and perform inventory tests to validate the existence of City assets and the accuracy and completeness of the inventories. The DGS sample should include transactions from the Past Maintenance Compliance Report.

***Management Response***

We concur with the observation made that verification that City-owned assets are still in agency possession is something that should be reported to a higher office. On an annual basis, Fleet Management reports on FASTER records of assets to the Finance Department for CAFR reporting purposes. It would be a logical relationship to then provide a summarized report of the Bi-Annual Vehicle Audit to the Director of Finance as a form of back-up documentation.

In regard to the reporting on PM Compliance, in addition to providing this information to the Agencies, Fleet also has in the past, and continues to, submit the report to the CitiStat Office.

Beginning with the next Bi-Annual Audit, Fleet will incorporate the auditor’s suggestions into its procedures, by adding a series of spot checks to confirm that the information received from the agencies is accurate. In addition to random selections of vehicles to spot check, Fleet will also utilize the information regarding grossly overdue PMs as the targeted list of assets to physically verify are still in agency possession.

**Finding #2 – Controls over Vehicle Parts**

During our testing of fleet related expenditures we noted that supervisors and lead workers have the authority to initiate a repair order, assign work to themselves, authorize the acquisition of parts and subsequently close the order. In the current environment, supervisors and lead workers typically hand carry repair orders to technicians to perform the actual work. As a result, there are no controls to preclude supervisors and lead workers from preparing fictitious repair orders for existing City vehicles, ordering parts, closing the order and retaining the parts for personal use.

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**Finding #2 - Controls over Vehicle Parts (Continued)**

**Recommendation**

We recommend the FASTER System be upgraded/ revised to require technicians to accept the repair order within the system to permit continuation of the order. Additionally, technicians should initiate all requests for parts. In those instances where staffing is an issue, activity reports should be obtained and reviewed by management to ensure the appropriateness of the work orders. In the interim, management could perform customer service follow up to ensure the legitimacy of the transactions.

**Management Response**

Currently the procedure followed is that while Work Orders are indeed hand delivered to Technicians by a Supervisor or a Lead Mechanic, the Technicians must be logged into the FASTER system, via the Technician Workstation applet, in order to access the Work Order. By virtue of logging their time to a particular Work Order the Technicians are, in effect, accepting the Work Order job and attesting to having performed that particular work. We therefore do not believe there is a need to upgrade the current system to require an additional step to permit work to be performed.

While the vast majority of repair and maintenance work is performed by Technicians and Lead Mechanics, Supervisors sometimes are required to perform work themselves. It is therefore feasible for the need to order parts to arise on the part of the Supervisor, as it would in the case where the Technician or the Lead Mechanic were performing the work.

We acknowledge that there exists the remote possibility, due to assigned responsibilities and system permissions, for a Supervisor to create a fraudulent Work Order and acquire the parts via said Work Order. We appreciate the audit team helping identify this potential flaw in our systems and procedures, and have determined that information from the database will be used moving forward to identify any such scenarios. An audit report will be produced, identifying any/all work orders containing parts with either no labor (e.g. Technician or Lead Mechanic) record or those in which a Supervisor manually added labor. Management would review monthly depending on number of returns.

**Finding #3 – Controls over System Access**

The review of logical access controls over the FASTER System, which is used to manage the City's fleet, disclosed that the responsible Systems Analyst (SA) has the authority to provide user access and perform day to day activities. The system does produce a report that details system updates (e.g. additions, changes and deletes); however, the report is not reviewed by management. As a result, assets may be lost or stolen and not detected by management.

**Recommendation**

We recommend that the ability to process transactions within the system be removed from the SA. At a minimum, management should periodically review a sample of updates prepared by SA to determine appropriateness. Documentation evidencing the review should be retained in the permanent records.

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**Finding #3 – Controls over System Access (Continued)**

**Management Response**

Fleet’s Systems Administrators, by the nature of the job, is the individual with whom the ability to grant/remove all permissions reside. We acknowledge that there currently exists an opportunity for nefarious system changes to occur without management knowledge. To that end, we will begin running periodically (bi-weekly or monthly, based on the report volume when we first run it) an Audit Report consisting of any changes made by the Systems Administrator. This report will be scheduled to run automatically and be delivered to management (Division Chief and Deputy Division Chief) for their review. This report will provide the opportunity to approach the Systems Administrator for clarification on any systems changes that require explanation. A history of these reports will be retained as a permanent record.

**Finding #4 – Controls over Payroll Records**

During our testing of 40 DGS payroll transactions for the periods ending June 30, 2016 and 2015, we noted the following exceptions:

**FY 16**

<b><u>Description</u></b>	<b><u>Occurrences</u></b>
• Documentation not provided	17 of 40
• Biweekly timesheets not approved	30 of 40
• Compensatory time earned was not approved	3 of 40
• Bi-weekly timesheet did not agree to E-time	2 of 40
• Could not verify the hourly rate per timesheet	1 of 40

**FY 15**

<b><u>Description</u></b>	<b><u>Occurrences</u></b>
• Leave documentation not provided	9 of 40
• Employees did not consistently sign-in or out	3 of 40
• Compensatory time earned was not approved	4 of 40
• Bi-weekly timesheet did not agree to E-time	5 of 40

***Recommendation***

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

***Management Response***

We concur with the recommendation and will institute the appropriate training and management review process.