

CITY OF BALTIMORE

STEPHANIE RAWLINGS-BLAKE, Mayor



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 Mayor's Office of Human 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 Mayor's Office of Human Services' financial statements, and have issued our report thereon dated, February 5, 2018.

**Internal Control over Financial Reporting**

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

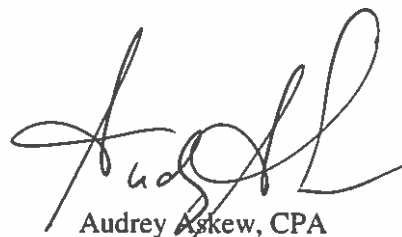
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies. 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 Mayor's Office of Human 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 5, 2018

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

**Finding #1 – Recording Revenue and Expenditures in Same Accounts**

During our audit, we noted both revenue and expenditure transactions recorded within the same accounts. These improper recordings resulted in a netting effect of transactions. In addition, there were transactions improperly recorded in MOHS's accounts that were related to other agencies.

***Recommendation***

We recommend MOHS review the detail within the general ledger to ensure the accuracy and appropriateness of transactions posted to accounts within the general ledger.

***Management Response***

MOHS currently has these policies under practice:

- All journal entries are reviewed by fiscal director for accuracy.
- Payroll is reviewed and approved by approving official for accuracy.
- ADP general ledger detail report is reviewed for accuracy.
- All payments on contacts, expenditure authorizations and CitiBuy payments are reconciled to account payable register.
- All grant accountants download the general ledger detail for their portfolio monthly using report manager.
- All BANs are reconciled to grant account for accuracy and completeness.
- All Federal and State grants to include, CoC, HOPWA, ESG, CSBG, CDBG, OHEP and general fund are reviewed and compared to the detailed general ledger for accuracy.
- If any journal entry needed subsequent to fiscal directors review and approval, it will go to GMO for further review and approval.

We will assure the Department of Audits of our continued due diligence in this area and intensify review of detailed general ledger review and reconciliation as needed.

**Finding #2 – Controls over User Access**

During our audit of logical access controls over the Housing Pro software application, which is used to administer the Homeless Services Programs, we noted three employees with management oversight responsibility that have authority to provide user access. These employees are also authorized to access the system to perform day to day activities. Additionally, a log which details the activities performed by management and staff is not available. As a result, invalid or inappropriate transactions could be intentionally or unintentionally processed and result in erroneous payments.

***Recommendation***

We recommend the authority to assign user access be performed by a system administrator(s) that does not have the authority to process transactions within the system. Additionally, a log should be produced that details system activity. The log should be reviewed periodically to ensure the validity of transactions and assigned authority.

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

**Finding #2 – Controls over User Access (Continued)**

***Management Response***

The Deputy Director and/or Director will act as the system administrator and will not have authority to perform day to day activities. A log that details system activity will be produced and periodically reviewed by management. This new procedure will be implemented by March 31, 2018.

**Finding #3 – Controls over Payroll Records**

During our testing of 40 payroll transactions for the Mayor’s Office of Human Services (MOHS) for the periods ending June 30, 2016 and June 30, 2015, we noted the following:

**Fiscal Year 2016**

<b><u>Description</u></b>	<b><u>Occurrences</u></b>
• Time sheet does not agree with sign in sheet	10 of 40
• Time sheets does not agree with E-time	7 of 40
• Supporting documentation was not provide	7 of 40
• Employee(s) hours worked (per HRIS) did not agree to e-time	1 of 40

**Fiscal Year 2015**

<b><u>Description</u></b>	<b><u>Occurrences</u></b>
• Employees did not sign-in/out	3 of 40
• Time sheet does not agree with sign in sheet	14 of 40
• Time sheets did not agree to E-time	9 of 40
• Compensatory time earned was not approved	1 of 40
• Overtime was not approved	2 of 40

***Recommendation***

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

***Management Response***

As recommended, additional training will be provided in payroll processing. MOHS will also institute new processes to minimize if not prevent the occurrence of payroll exceptions and deviations in the future.