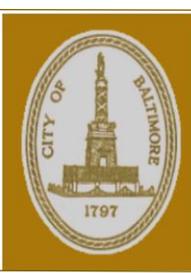




**Baltimore City Department of Transportation
Biennial Financial Audit
Fiscal Years Ended June 30, 2017 and 2016**

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying cash basis financial statements of the Baltimore City Department of Transportation (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, Parking Management Fund, and Internal Service Fund – Conduits; and Statement of Revenues, Expenditures and Changes in Cash Balance Capital Projects – Conduits, Capital Projects – Highway; and Grants, for the years ended June 30, 2017 and 2016, and the related notes to the 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 judgment, including the assessment of the 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 adverse audit opinion.

Basis for Qualified Opinion

As a result of the procedures performed in this area, we obtained sufficient appropriate audit evidence to determine that the FY 16 opening Statement of Revenues, Expenditures and Changes in Grant Cash Balance which totaled \$23.9M, includes approximately \$14.8M in grant activity dating from 2003 to 2012 that gives the appearance of receivables due from federal, state and private grant sources. The aged grant activity was not appropriately adjusted, and results in misstatements that materially affect the balances reported in the statements for the periods ending June 30, 2017 and 2016. Refer to Finding 1.

Qualified Opinion

In our opinion, except for the effects of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, the revenues collected, expenses paid and balances reported for governmental activities, of the Agency, for the years ended June 30, 2017 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 December 6, 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.



Audrey Askew, CPA
City Auditor

Baltimore, MD
December 6, 2018

Baltimore City Department of Transportation
Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance
Budget and Actual – Budgetary Basis – General Fund
Fiscal Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Appropriations revenues	\$ 117,729,692	\$ 99,251,709	\$ (18,477,983)
Expenditures and Encumbrances			
Street and park lighting	19,765,639	23,033,243	(3,267,604)
Administration	9,238,696	9,183,280	55,416
Street management	32,669,416	32,719,981	(50,565)
Traffic management	12,188,307	10,906,612	1,281,695
Special events	1,363,010	224,243	1,138,767
Inner Harbor services	1,560,815	1,081,205	479,610
Snow and ice control	12,721,711	2,668,152	10,053,559
Vehicle impounding and disposal	9,247,472	6,879,305	2,368,167
Sustainable transportation	1,235,556	490,901	744,655
Public rights-of-way landscape management	3,441,876	4,190,886	(749,010)
Bridge and culvert management	3,095,519	3,326,891	(231,372)
Survey control	535,978	495,302	40,676
Street cuts management	1,156,860	(269,691)	1,426,551
Traffic safety	7,112,476	2,201,069	4,911,407
Real property management	2,396,361	2,120,330	276,031
Total expenditures and encumbrances	<u>117,729,692</u>	<u>99,251,709</u>	<u>18,477,983</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.

Baltimore City Department of Transportation
Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance
Budget and Actual – Budgetary Basis – General Fund
Fiscal Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Appropriations revenues	\$ 144,683,330	\$ 147,880,029	\$ 3,196,699
Expenditures and Encumbrances			
Street and park lighting	18,289,989	23,536,681	(5,246,692)
Administration	8,508,021	7,967,370	540,651
Street management	26,969,317	32,181,051	(5,211,734)
Traffic management	11,917,925	10,990,388	927,537
Special events supports	472,550	695,226	(222,676)
Inner Harbor services	1,017,545	1,139,014	(121,469)
Snow and ice control	43,464,044	45,269,124	(1,805,080)
Vehicle impounding and disposal	9,530,976	6,958,223	2,572,753
Sustainable transportation	4,100,579	3,967,422	133,157
Public rights-of-way landscape management	3,857,154	4,164,740	(307,586)
Bridge and culvert management	3,433,551	2,930,780	502,771
Survey control	755,684	602,657	153,027
Street cuts management	973,567	427,443	546,124
Traffic safety	8,008,847	4,816,617	3,192,230
Building permits and municipal consents	1,740,775	1,450,435	290,340
Real property management	725,266	598,996	126,270
Special events	917,540	183,862	733,678
Total expenditures and encumbrances	<u>144,683,330</u>	<u>147,880,029</u>	<u>(3,196,699)</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.

Baltimore City Department of Transportation
Schedule of Revenues, Expenditures and Encumbrances, and Changes in Fund Balance
Budget and Actual – Budgetary Basis – Internal Service Fund - Conduit
Fiscal Years Ended June 30, 2017 and 2016

	2017		
	Budget	Actual	Variance
Revenues			
Appropriations revenues	\$ 18,122,425	\$ 14,765,503	\$ (3,356,922)
Expenditures and Encumbrances			
Transfers	2,822,639	1,221,911	1,600,728
Salaries and wages	5,632,234	2,866,890	2,765,344
Other personnel cost	1,949,409	1,702,008	247,401
Contractual services	5,568,107	5,956,968	(388,861)
Material and supplies	530,105	153,099	377,006
Minor equipment	123,935	25,437	98,498
Major equipment	1,188,927	256,663	932,264
Other	307,069	307,069	-
Total expenditures and encumbrances	18,122,425	12,490,045	5,632,380
Excess of Revenues over Expenditures and Encumbrances (GAAP)	\$ -	\$ 2,275,458	\$ 2,275,458

	2016		
	Budget	Actual	Variance
Revenues			
Appropriations revenues	\$ 9,657,644	\$ 37,972,092	\$ 28,314,448
Expenditures			
Transfers	2,777,851	2,739,923	37,928
Salaries and wages	2,483,735	2,323,555	160,180
Other personnel cost	1,137,228	1,067,032	70,196
Contractual services	2,802,758	3,220,887	(418,129)
Material and supplies	243,559	192,646	50,913
Minor equipment	93,824	180,936	(87,112)
Major equipment	-	-	-
Other	118,689	1,652,363	(1,533,674)
Total expenditures and encumbrances	9,657,644	11,377,342	(1,719,698)
Excess of Revenues over Expenditures and Encumbrances (GAAP)	\$ -	\$ 26,594,750	\$ 26,594,750

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

Baltimore City Department of Transportation
Schedule of Revenues, Expenditures and Changes in Cash Balance
Capital Projects - Conduits
Fiscal Years Ended June 30, 2017 and 2016

	2017	2016
Revenues		
Other fund	\$ 36,000,000	\$ 26,000,000
Expenditures		
Capital outlay	12,555,020	4,488,233
Excess of Revenues over Expenditures	23,444,980	21,511,767
Beginning Fund Balance	28,256,295	6,744,528
Ending Fund Balance	\$ 51,701,275	\$ 28,256,295

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

Baltimore City Department of Transportation
Schedule of Revenues, Expenditures and Changes in Cash Balance
Capital Projects - Highway
Fiscal Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Revenues		
General fund	\$ 8,700,000	\$ 6,040,000
MVR	46,603.00	-
Mayor and City Council	518,602	277,199
Federal grant	49,225,043	30,685,701
State grant	2,118,472	1,778,858
State construction	5,324,976	10,982,522
Other fund	3,704,524	5,484,509
Total Revenues	<u>69,638,220</u>	<u>55,248,789</u>
Expenditures		
Capital outlay	<u>66,004,942</u>	<u>70,945,811</u>
Excess (Deficit) of Revenues over Expenditures	3,633,278	(15,697,022)
Beginning Fund Balance	<u>(51,887,189)</u>	<u>(36,190,167)</u>
Ending Fund Balance	<u><u>\$ (48,253,911)</u></u>	<u><u>\$ (51,887,189)</u></u>

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

Baltimore City Department of Transportation
Statement of Revenues, Expenditures and Changes in Grant Cash Balances
Fiscal Year Ended June 30, 2017

	<u>Cash Balance</u> <u>2016</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Cash Balance</u> <u>2017</u>
Federal Grants				
Administration	\$ (207,256)	\$ -	\$ 228,104	\$ (435,360)
Parking management	(38,974)	-	-	(38,974)
Street management	(139,000)	392,006	185,643	67,363
Traffic management	(322,935)	-	169,280	(492,215)
Total revenues, expenditures and change in grant balances - Federal	<u>(708,165)</u>	<u>392,006</u>	<u>583,027</u>	<u>(899,186)</u>
State Grants				
Administration	(25,893)	-	243	(26,136)
Sustainable transportation	1,490,491	4,315,061	2,809,032	2,996,520
Total revenues, expenditures and change in grant balances - State	<u>1,464,598</u>	<u>4,315,061</u>	<u>2,809,275</u>	<u>2,970,384</u>
Other Grants				
Administration	(371,600)	-	-	(371,600)
Traffic management	303,266	94,801	174,031	224,036
Inner Harbor services	9,236,618	-	367	9,236,251
Sustainable transportation	(33,471,888)	12,576,025	4,798,554	(25,694,417)
Dock Master	14,358	148,792	156,937	6,213
Traffic safety	(4,100,905)	-	-	(4,100,905)
Total revenues, expenditures and change in grant balances - Other	<u>(28,390,151)</u>	<u>12,819,618</u>	<u>5,129,889</u>	<u>(20,700,422)</u>
Total Grants	<u>\$ (27,633,718)</u>	<u>\$ 17,526,685</u>	<u>\$ 8,522,191</u>	<u>\$ (18,629,224)</u>

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

Baltimore City Department of Transportation
Statement of Revenues, Expenditures and Changes in Grant Cash Balances
Fiscal Year Ended June 30, 2016

	<u>Cash Balance 2015</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Cash Balance 2016</u>
Federal Grants				
Administration	\$ (13,879)	\$ -	\$ 193,377	\$ (207,256)
Parking management	(38,974)	-	-	(38,974)
Street management	(93,099)	148,431	194,332	(139,000)
Traffic management	43,361	(43,361)	-	-
Traffic safety	(543,825)	334,900	114,010	(322,935)
Total revenues, expenditures and change in grant balances - Federal	<u>(646,416)</u>	<u>439,970</u>	<u>501,719</u>	<u>(708,165)</u>
State Grants				
Administration	(25,432)	-	461	(25,893)
Sustainable transportation	(441,372)	2,000,000	68,137	1,490,491
Total revenues, expenditures and change in grant balances - State	<u>(466,804)</u>	<u>2,000,000</u>	<u>68,598</u>	<u>1,464,598</u>
Other Grants				
Administration	(341,458)	-	30,142	(371,600)
Traffic management	417,567	47,812	162,113	303,266
Inner Harbor services	9,810,412	-	573,794	9,236,618
Sustainable transportation	(28,515,359)	445,286	5,401,815	(33,471,888)
Dock Master	(131,403)	145,761	-	14,358
Traffic safety	(4,100,905)	-	-	(4,100,905)
Total revenues, expenditures and change in grant balances - Other	<u>(22,861,146)</u>	<u>-</u>	<u>6,167,864</u>	<u>(28,390,151)</u>
Total Grants	<u><u>\$ (23,974,366)</u></u>	<u><u>\$ 2,439,970</u></u>	<u><u>\$ 6,738,181</u></u>	<u><u>\$ (27,633,718)</u></u>

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

Baltimore City Department of Transportation
Notes to the Financial Statements
Fiscal Years Ended June 30, 2017 and 2016

1. Description of the Baltimore City Department of Transportation

The Baltimore City Department of Transportation (DOT) is responsible for the construction, reconstruction and maintenance of public streets, bridges and highways and the maintenance of streetlights, alleys and footways and the conduit system. Other duties include: the management of traffic movement, the inspection and management of City construction projects including testing and inspection of construction materials; and the preparation of surveys. Capital and federal funds are allocated for engineering, design, construction and inspection of streets and bridges in the City of Baltimore.

DOT maintains nearly 4,300 lane miles of roadways, including 305 bridges and culverts. The City's road network is composed of 540 miles of collector streets and 1,460 miles of local streets. About 8.1% of statewide vehicle miles traveled occur on City roadways. This amounts to 3.5 billion vehicle miles per year. DOT maintains 3,600 miles of sidewalks, 1,100 miles of alleys and 80,000 roadway and pedestrian lights throughout the City.

DOT is responsible for maintenance of the orderly and safe flow of traffic; conducting studies affecting pedestrian and vehicular safety; and providing and maintaining traffic signals, signs and pavement markings. The agency maintains about 1,300 signalized intersections, over 250,000 traffic and informational signs and over 4.5 million linear feet of lane markings.

DOT maintains and repairs all open air malls across the city; operates a vehicle storage facility; conducts the sale of abandoned and/or unclaimed vehicles at public auctions; and is responsible for the removal and impounding of illegally parked abandoned or disabled vehicles.

The City's Red Light Camera operation is a public safety initiative designed to reduce the number of motorists who run red lights; currently, the red light and speed camera programs are on hold while the agency evaluates potential new vendors for operation. A program is expected to be operational again in the upcoming fiscal year. The agency conducts safety education and training programs such as Safety City and related bicycle programs. The agency deploys more than 300 crossing guards at elementary and middle schools. The agency also operates the Charm City Circulator and water taxi "Harbor Connector" commuter service, and plans to launch a bike share program in the upcoming fiscal year.

The Parking Authority is responsible for: on-street and off-street parking including the management of the metered parking system and maintenance of 6,000 single-space parking meters; administration of special parking programs such as residential permit parking and ridesharing; enforcement of parking regulations; and management and development of off-street parking facilities.

2. Fund Financial Statements

These financial statement have been prepare on a cash basis of accounting other than accounting principles general accepted in the United States of America. Accordingly, they do not represent the financial position of the City of Baltimore or the Agency. The Agency's services are reported in the City's general, internal service, special revenue and capital projects funds. The agency annually receives appropriations from both the general, internal service, special revenue

Baltimore City Department of Transportation
Notes to the Financial Statements
Fiscal Years Ended June 30, 2017 and 2016

2. Fund Financials Statements (continued)

and capital projects funds. General fund and internal service fund appropriations expire at year end. The special revenue funds receive grants from the Federal, State and other sources. Appropriations for special revenue funds do not expire at year end and continue until they are used for grant related expenditures. Because of these differences, the financial statements of the Agency's general and internal service fund activities are reported on a budgetary basis in the *Schedule of Revenues, Expenditures, Encumbrances and Changes in Fund Balance*. The financial statements of the special revenue and capital project funds are reported in the *Statement of Revenues, Expenditures and Changes in Fund Balance*.

3. Summary of Significant Accounting Policies

The financial statements of DOT 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

DOT 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. Advance from the City

Advances from the City represent cash advances by the City that have not been reimbursed by the Grantor. Cash advances not reimbursed by the grantor will be the responsibility of the City.

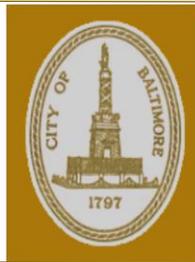
6. Risk Management

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 Health 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.

7. Subsequent Events

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

**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***



**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 were engaged to audit, in accordance with the 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 financial statements of the Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance, Budget and Actual, Budgetary Basis, of the General Fund, Parking Management Fund, and Internal Service Fund – Conduits; Statement of Receipts, Expenditures and Changes in Cash Balance of the Capital Projects – Conduits and Capital Projects – Highway; and the Statement of Receipts, Disbursements and Changes in Grant Cash Balances - Grants, of the Baltimore City Department of Transportation (DOT) of the City of Baltimore, Maryland, for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the DOT’s basic financial statements and have issued our report thereon dated December 6, 2018. Our report disclaims an opinion on such financial statements because detailed revenue, expenditure, and encumbrance records have not been maintained and certain prior-year records and supporting data were not available for our audit.

Internal Control over Financial Reporting

In connection with our engagement to audit the financial statements of DOT, we considered the DOT’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the DOT’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City of X, State Y’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

2017-001

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 and questioned costs to be significant deficiencies.

2017-002

Compliance and Other Matters

In connection with our engagement to audit the financial statements of the City of X, State Y, 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.

DOT's Response to Findings

DOT's response to the findings identified in our engagement is described in the accompanying schedule of findings and questioned costs. DOT's response was not subjected to the auditing procedures applied in the engagement to audit the financial statements and, accordingly, we express no opinion on it.

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 engagement to perform an audit 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
City Auditor

City of Baltimore, Maryland
December 6, 2018

**Schedule of Findings and Questioned Costs
For the Years Ended June 30, 2017 and 2016**

Finding 2017-001

Material Weakness over Financial Reporting Function

The Baltimore City Department of Transportation (DOT) is responsible for maintaining detailed records over their revenue, expense, and encumbrance transactions in accordance with accounting principles generally accepted in the United States of America.

Condition:

The Department of Audits (DOA) could not vouch amounts arising from expense, revenue, and encumbrance transactions to supporting documentation (i.e. invoices, receipts, worksheets, source documents, etc.). DOA noted through its testing that documentation for the transactions was either unavailable or did not agree to the amount in the City of Baltimore's general ledger.

Cause:

Upon entering transactions into the City of Baltimore's general ledger, accounting staff is not adequately backing up those entries with corresponding support in the CityDynamics operating system.

Effect:

Without adequate documentation, revenue, expenditure, and encumbrance balances could be improperly stated. There would be no way to review journal entries for accuracy by senior accounting personnel. There would be a heightened possibility of fraud. There would also be no way to determine if financial statements are reasonably stated. We would not

Recommendation:

We strongly recommend that DOT develops a process for keeping adequate records over its financial transactions. We suggest that in addition to relying on the Bureau of Accounting and Payroll, DOT maintains its own database to support its revenue, expense, and encumbrance entries.

Auditee Response and Corrective Action Plan:

**Schedule of Findings and Questioned Costs
For the Years Ended June 30, 2017 and 2016**

Finding 2017-002

Significant Deficiency over Internal Controls

Criteria:

The Baltimore City Department of Transportation (DOT) is responsible for authorizing expense, revenue, and encumbrance transactions in accordance with adequate internal control policies as described in the COSO Integrated Framework and accounting principles generally accepted in the United States of America.

Condition:

The Department of Audits (DOA) noted through our testing of internal controls that many of DOT's expense, revenue, and encumbrance transactions do not have evidence of approval by authorized personnel.

Cause:

Before processing expense, revenue, and/or encumbrance transactions, DOT is not documenting evidence of approval.

Effect:

Without proper approval, revenue, expenditure, and encumbrance balances could be improperly stated. There could be fraudulent activity undergone by personnel.

Recommendation:

We strongly recommend that DOT develops a process for to ensure financial transactions are approved. We suggest that in addition to relying of the Bureau of Accounting and Payroll, DOT maintains its own database to show its transactions were authorized.

Auditee Response and Corrective Action Plan: