

**PERFORMANCE AUDIT REPORT**

**DEPARTMENT OF FINANCE**

**FISCAL YEARS ENDED  
JUNE 30, 2016 and 2015**



**Department of Audits**

## CITY OF BALTIMORE

CATHERINE E. PUGH, Mayor



## DEPARTMENT OF AUDITS

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

We conducted a performance audit of selected functions within the Department of Finance for fiscal years ended June 30, 2016 and 2015 (stated period). The purpose of our performance audit was to determine whether the Department of Finance met its performance measure targets, and to determine whether its internal controls and the related policies and procedures were effectively designed and placed in operation to monitor, control, and report valid and reliable information that is significant to selected performance measures or functions for the stated period. Our performance audit also included a follow-up of findings and recommendations that were included as part of our previous performance audit reports of the Department of Finance, dated December 8, 2015 and September 22, 2016.

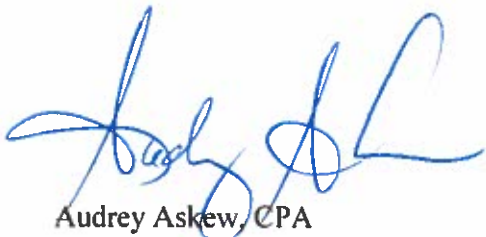
As a result of our audit, we determined that some of the targets for the selected performance measures were not met. In addition, we were not able to determine if some of the targets were met because of the lack of supporting documentation, or the information regarding performance measure targets and actual amounts was not consistently reported in the Agency Detail Board of Estimates Recommendations (Budget Book) from one fiscal year to another.

In addition, we noted certain areas where the effectiveness of the control procedures could be improved, and we recommend:

- Revisions to prior year performance measure targets be approved by the Department of Finance. However, those performance measure targets should not be changed in subsequent year Budget Books without adequate disclosure in order to avoid misleading performance results. Changes to actual amounts should also be approved by the Department of Finance and adequately disclosed in the Budget Books.
- The Bureau of Purchases (Purchases) modify the methodology for measuring and reporting the results for whether or not the percentage of Purchase Orders were issued within the established benchmark timeframes. This will create a more meaningful and consistent performance measure. We also recommend that Purchases identify the causes and develop a corrective action plan for the three tiers (informal awards from \$5,000 and formal awards greater than \$50,000) that, individually, did not meet the established performance measure target.



- Purchases develop procedures to adequately maintain records, especially those to support the actual results of the performance measures included in the Budget Book. We also recommend that Purchases establish written policies and procedures to document the methodology for developing the performance measure targets and reporting actual results.
- The Bureau of Accounting and Payroll Services (BAPS) continue to conduct agency trainings to process invoices and improve the tracking and monitoring of those invoices to ensure timely payment. In addition, BAPS should continue to conduct training sessions with vendors on the process and the correct documentation required by the City.
- BAPS maintain records to support the actual results of the performance measures included in the Budget Book. In addition, BAPS should establish written policies and procedures to document the methodology for developing the performance measure targets and reporting actual results.
- Actual amounts reported for performance measure targets should not be based on estimates, but should represent actual results that are properly supported.



Audrey Askew, CPA  
Deputy City Auditor  
January 8, 2018

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**Department of Finance**  
**Background Information & Audit Scope, Objectives and Methodology**  
**Fiscal Years Ended June 30, 2016 and 2015**

**Background Information**

The mission of the Department of Finance (Finance) is to provide a full range of financial services to City agencies; collect and invest all monies due the City; manage City debt; and execute fiscal policy as established by the Board of Estimates. The Department is comprised of five Bureaus: Budget and Management Research, Accounting and Payroll Services, Purchasing, Revenue Collection, and Treasury and Debt Management. Additionally, there is an Office of Risk Management that manages the City's Self-Insurance programs. The Department also manages the City's Print Shop and Surplus Property Divisions. The Finance Director's Office provides administrative direction and control, and performs departmental personnel functions. The following is a summary of the various services provided by the Department of Finance that were included as part of our Performance Audit:

1. **Procurement (Service 699)** offers City agencies a professional procurement practice for the purchase of goods and services to be used in City operations and capital improvements. The use of a centralized purchasing system is legally required by the City Charter and includes nearly all purchases of over \$5,000 and many below that amount.
2. **Accounts Payable (Service 702)** is responsible for paying an average of 12,000 vendor invoices each month and providing support to agencies and vendors in all matters relating to payments. The City must pay invoices within 30 days of delivery of goods and/or services. Payments are processed through the CityDynamics accounts payable module using state-of-the-art best practices.
3. **Operating Budget Management (Service 708)** provides for the management of the City's \$2.5 billion annual operating budget. Revenues and expenditures are monitored throughout the year, and state and local legislation is analyzed to determine the impact on the City budget. Outreach efforts ensure citizens have a clear understanding of the City budget. This service also provides professional research and analyses on management, performance, and financing of City services.

**Audit Scope, Objectives and Methodology**

We conducted a performance audit of selected functions within the Department of Finance for fiscal the stated period. The purpose of our performance audit was to determine: a) whether the Department of Finance met its performance measure targets, and b) whether its internal controls and the related policies and procedures were effectively designed and placed in operation to monitor, control, and report valid and reliable information that is significant to selected

**Department of Finance**  
**Audit Scope, Objectives and Methodology (continued)**  
**Fiscal Years Ended June 30, 2016 and 2015**

performance measures or functions for the stated period. Our performance audit included a follow-up of prior findings that were included as part of our previous Department of Finance performance audit reports, dated December 8, 2015 and September 22, 2016. We conducted our performance audit 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.

The objectives of our audit were to determine whether Finance met its targets for selected performance measures in the stated period and to assess whether Finance's internal controls and related policies, processes, and procedures were effectively designed and placed in operation to monitor, control, and report valid and reliable information related to those performance measures. In addition to our follow-up on the findings and recommendations contained in our previous performance audits, our audit included selected performance measures within the following Department of Finance Service Areas:

1. **Procurement – Service 699.** We conducted our audit of the Department of Finance's efforts to meet its targets for percent of Purchase Orders that met benchmark timeframes. (Priority Outcome: Innovative Government)
  
2. **Accounts Payable – Service 702.** We conducted our audit of the Department of Finance's efforts to meet its targets for percent of invoices paid within 30 days. (Priority Outcome: Innovative Government)
  
3. **Operating Budget Management – Service 708.** We conducted our audit of the Department of Finance's efforts to meet its targets for dollars saved from recommendations. (Priority Outcome: Innovative Government)

To accomplish our objectives, we conducted inquiries of key individuals to obtain an understanding of the internal controls and related policies, processes and procedures, and systems, established by Finance for the selected performance measures. Where possible, we also utilized the systems' documentation obtained as part of our audit of the City's Comprehensive Annual Financial Report (CAFR). We also performed tests, as necessary, to verify our understanding of the applicable policies and procedures; reviewed applicable records and reports utilized to process, record, monitor, and control Finance's functions pertaining to the selected performance measures; assessed the efficiency and effectiveness of those policies and procedures; and determined whether Finance met its performance measure targets.

The findings and recommendations are detailed in the Findings and Recommendations section of this report. The responses of the Department of Finance and, when necessary, the Department of Audits' comments to those responses are included as part of each finding.

**Department of Finance  
Findings and Recommendations  
Fiscal Years Ended June 30, 2016 and 2015**

***Procurement – Service 699***

***Percentage of Purchase Orders Issued Meeting Benchmark Timeframes***

**Finding #1**

The fiscal year 2015 performance measure target for the percentage of Purchase Orders issued meeting the benchmarks timeframes was changed in the fiscal year 2016 Budget Book. The actual amounts for fiscal year 2015, reported in the fiscal year 2017 and fiscal year 2018 Budget Books, also differed. Actual amounts related to performance measure targets are reported in the Budget Books two years after the related target years. The fiscal year 2015 performance measure target of 94% was changed to 85% in the fiscal year 2018 Budget Book. Also, the actual amount reported in the fiscal year 2017 Budget Book was 94%, compared to 93% reported in the fiscal year 2018 Budget Book. This hinders the verification of whether or not the performance measure targets were met.

**Recommendation #1**

**We recommend that revisions to prior year performance measure targets be approved by the Department of Finance. However, those performance measure targets should not be changed in subsequent year Budget Books without adequate disclosure in order to avoid misleading performance results. Changes to actual amounts should be also be approved by the Department of Finance and adequately disclosed in the Budget Books.**

**Agency Response:**

We concur with this finding. Procurement has determined these discrepancies were clerical errors. Procurement has amended its budget development process to include a data reconciliation of the prior year. We shall also ensure that changes to measures should be approved in advance and annotated in the budget book. That is now the current practice followed by the Bureau.

**Finding #2**

The Bureau of Purchases was unable to generate the “Turnaround Time Report” to support the percentage of Purchase Orders issued that met benchmark timeframes for fiscal year 2015. Therefore, we were unable to determine whether the performance measure target was met. The “Turnaround Time Report” report is designed to measure the number of days that it takes to issue a Purchase Order from the time it receives an approved requisition. According to the Bureau of Purchases, the report was lost or misplaced and the person who created and previously ran the “Turnaround Time Report” was the only person who had access to the database used to generate the report, and has retired. Also, because of certain upgrades to the CitiBuy system, it was unable to generate a replacement report. Going forward, management said that it may need to contract for professional outside services from its software vendor to create a replacement report. Consequently, we were unable to determine whether the fiscal year 2015 actual amount met the performance measure target.

**Department of Finance  
Findings and Recommendations  
Fiscal Years Ended June 30, 2016 and 2015**

**Recommendation #2**

**We recommend that the Bureau of Purchases develop procedures to adequately maintain records, especially those to support the actual results of the performance measures included in the Budget Book. We also recommend that the Bureau of Purchases establish written policies and procedures to document the methodology for developing the performance measure targets and reporting actual results.**

**Agency Response:**

We concur with the finding. We are unable to locate the 2015 report as changes in personnel caused us to misplace the information requested by the auditor. Additionally, in June 2017 the CitiBuy software system that generated the report was upgraded to a new and improved platform and as a result, the prior SQL based report module was no longer supported/available. The Citibuy vendor is in the process of creating a similar report in the new system and we expect the report module to be able to generate the 2015 report in the near term. The Bureau has supplemented our retention policy to specifically retain this report metric on our shared network drive for a period of 3 years. This shall ensure such data is retained and available for future audits.

***Accounts Payable – Service 702***

***Percentage of Invoices Paid in Thirty Days***

**Finding #3**

The Bureau of Accounting and Payroll Services (BAPS) reported that it did not meet its fiscal year 2015 and fiscal year 2016 performance measure targets for the percentage of invoices paid in thirty days. According to the fiscal year 2015 Budget Book, the performance measure target was 85%, but the actual amount reported in the fiscal year 2017 Budget Book was 70%. Also, according to the fiscal year 2016 Budget Book, the performance measure was 100%, but the actual amount recorded in the fiscal year 2018 Budget Book was 64%. According to BAPS, the targets have not been met because various City Agencies receiving the goods or services are not providing BAPS the invoices and proper receiving information in a timely manner. The City's Administrative Manual requires prompt payment of City obligations no later than thirty days from the receipt date of the proper invoice.

**Recommendation #3**

**We recommend that BAPs continue to conduct agency trainings to process invoices and improve the tracking and monitoring of those invoices to ensure timely payment. We also recommend that BAPS continue to conduct training sessions with vendors on the process and the correct documentation required by the City.**



**Department of Finance  
Findings and Recommendations  
Fiscal Years Ended June 30, 2016 and 2015**

**Agency Response:**

We concur with the recommendation. Timely payment of invoices is a priority for the Department of Finance and we work daily with City agencies to ensure they have the tools and training they need. In October and November of this year we conducted user training for all agencies on A/P as well as other system subject matter in conjunction with the upgrade for the City's general ledger system Dynamics GP. As a follow up we have prepared online training videos for system users to view anytime on various A/P topics that will help with processing transactions and searching for specific system data. These instructional videos are now available on line with links posted in the Dynamics core integrator. We believe these steps will improve our performance going forward.

**Finding #4**

The documentation to support the actual results of fiscal year 2015 for the percentage of invoices paid in thirty days did not agree with the amount reported in the City's Budget Book. As stated in Finding #4 above, the performance measure target was 85%, and the fiscal year 2015 actual amount, as reported in the fiscal year 2017 Budget Book, was 70%. We were told that the information for the actual amount was obtained from the AP Workflow Report. However, according to the AP Workflow Report, the actual amount for fiscal year 2015 was only 48%. Therefore, we could not determine whether the reported actual amount for fiscal year 2015 was accurate and reliable. According to BAPS, the fiscal year 2015 amount should have also included Construction Contracts.

We noted, that the fiscal year 2016 actual amount, also obtained from the AP Workflow Report, agreed to the amount reported in the City's Budget Book without including Construction Contracts. We were told by BAPS that there was a change in methodology, whereby in fiscal year 2016, Construction Contracts were no longer included in the performance measure. There were no written policies and procedures to describe how the performance measure targets for fiscal years 2015 and 2016 were established and how the actual results were determined.

**Recommendation #4**

**We recommend that BAPS maintain records to support the actual results of the performance measures included in the Budget Book. We also recommend that BAPS establish written policies and procedures to document the methodology for developing the performance measure targets and reporting actual results.**

**Agency Response:**

We concur with the finding. We cannot locate the 2015 report due to recent changes in personnel. The Bureau has supplemented its retention policy to specifically retain this report metric for a period of 3 years. This shall ensure such data is retained and available for future audits.

**Department of Finance  
Findings and Recommendations  
Fiscal Years Ended June 30, 2016 and 2015**

***Operating Budget Management – Service 708  
Dollars Saved From Recommendations***

**Finding #5**

The Bureau of Budget and Management Research (BBMR) was unable to support its fiscal year 2015 and fiscal year 2016 targets of \$3M each year for “Dollars Saved from Recommendations.” Also, the actual amounts for fiscal year 2015, reported in the fiscal year 2017 and fiscal year 2018 Budget Books, differed, and were overstated and misleading. Actual amounts are reported in the Budget Books two years after the related target years. The actual amount for fiscal year 2015 was reported as \$6M in the fiscal year 2017 Budget Book but was reported as \$8M in the fiscal year 2018 Budget Book. Additionally, the reported actual amount of the savings was not realized. Instead, those actual reported amounts were estimated amounts. Also, the targeted amount for fiscal year 2016 was \$3M, but no actual amount for fiscal year 2016 was reported in the fiscal year 2018 Budget Book.

**Recommendation #5**

**We recommend that actual amounts reported for performance measure targets represent actual amounts that are properly supported, and not be based on estimates.**

**Agency Response**

We disagree with the auditor’s finding. The targets for this measure are cost saving opportunities and would be realized if adopted, and were set before the management research reports for those fiscal years were conducted. As for the actual amounts reported, we agree that prior to the Fiscal 2018 budget publication, there was confusion between the wording of the measure and the reported numbers. The measure was worded “Dollars Saved from Recommendations,” but the numbers reported represented potential, as opposed to actual, savings from recommendations. For the Fiscal 2018 budget publication, we have changed the wording of the measure to “Recommended dollars saved from management research projects.” The reason for the wording change is that decisions about implementing BBMR’s recommendations are with the Mayor, City Council, and agency heads. The Fiscal 2015 actual amount reported in the Fiscal 2017 budget book was based on a proposal in the Fiscal 2017 budget that would have saved the City \$6 million in General Fund costs related to the Charm City Circulator. The proposal was ultimately not implemented. For Fiscal 2018, the \$8 million reported for Fiscal 2015 in the Fiscal 2018 budget book is the total savings from all funds recommended in the Circulator management research report.

In FY 2016, there were no savings recommendations as the reports focused on operational improvements to Senior Services and Inspections Services that did not have a direct budget savings component.

**Department of Finance  
Findings and Recommendations  
Fiscal Years Ended June 30, 2016 and 2015**

**Auditor's Comment on Agency's Response**

According to the Agency's response, it disagreed with the auditor's finding; however, it agreed that the numbers reported represented potential, as opposed to actual, savings from recommendations, which is what we reported in our audit finding. Also, the fiscal year 2015 actual amount reported in the fiscal year 2017 Budget Book was based on a proposal that was ultimately not implemented. The purpose of our Performance Audit is to determine whether actual amounts met the targeted amounts.

**Department of Finance**  
**Status of Prior Year Findings and Recommendations**  
**Fiscal Years Ended June 30, 2016 and 2015**

The following is a summary of the status of our prior findings and recommendations included as part of our performance audit reports of the Department of Finance, dated December 8, 2015 and September 22, 2016.

**Bureau of Revenue Collections Inspection Unit, Report Dated December 8, 2015**

**Previous Finding #1**

The daily inspection visits are not scheduled and assigned to the inspectors in an efficient and effective manner.

**Previous Recommendation #1A**

We recommended that changes be made to the methodology in which daily inspection visits are scheduled and assigned to the inspectors in order to increase the efficiency and effectiveness of the Inspection Unit by reducing the number of “non-inspections”, i.e., *No License Required, Closed, Out of Business, Residential*, etc.

**Follow-up Status #1A:**

**Implemented.** We reviewed a copy of the revised inspection schedule and a sample of the supporting documentation.

**Previous Recommendation #1B**

We recommended that the Inspection Unit adopt alternative procedures to determine whether any of those establishments noted as *No License Required, Closed, Out of Business, Residential*, etc. are actually operating without a valid license.

**Follow-up Status #1B :**

**Partially Implemented.** According to the Bureau of Revenue Collections (BRC), it had originally planned to implement a new system to identify the number of businesses with each type of license, provide the number of times each business is inspected during a specific period of time, remove businesses that do not need licenses, and add new businesses that are required to have licenses. Based on discussions with BRC, this was a work in process and improving the database required the coordination of activities involving the Mayor’s Office of Information Technology (MOIT), Finance’s Treasury Project Management Office, and eventually incorporating modules from another system. According to an email from the Manager of MOIT’s Legacy Systems, MOIT has been working on the project; however, much more needs to be done.

**Department of Finance**  
**Status of Prior Year Findings and Recommendations**  
**Fiscal Years Ended June 30, 2016 and 2015**

**Follow-up Status #1B (continued)**

Subsequent to completing our follow-up work, BRC informed us that because it was unsuccessful in those efforts, it is no longer using the Mainframe to schedule inspections or print inspection tickets. In the short term, it would be using an Access database, and in the long term, it will move the process to a MUNIS product. We did not verify the subsequent information as part of this audit.

**Previous Recommendation #1C**

We recommended that the work hours for at least one of the inspectors be modified, possibly on a rotating basis, so that inspections can be done for businesses or establishments operating after the inspectors' normal hours or on the weekends.

**Follow-up Status #1C**

**Implemented.** The BRC revised the work schedules for four of its inspectors. During the spring and summer months, the schedules were revised to provide for later start and end times.

**Previous Recommendation #1D**

We recommended that, in accordance with the Inspection Unit's policies and procedures, all inspection tickets must include the owner/representative's signature, title and telephone number to be counted as part of the daily inspections.

**Follow-up Status #1D**

**Partially Implemented.** According to the Inspection Unit's revised policy at the time of our follow-up, whenever, an owner refuses to sign an inspection ticket, it should be noted on the inspection ticket, and the inspection ticket should be given to the supervisor immediately upon the inspector's return to the office. However, the revised policy is not clear as to what actions the supervisor should take for those tickets not signed by the owner. Also, after our follow-up meeting with BRC, we noted that some of the inspection tickets did not contain the required information, and it was not clear from the Daily Attendance Reports whether the tickets with missing information were not counted as completed inspections.

*After our follow-up work of Prior Findings and Recommendations, the BRC decided to change the policy and no longer require an owner to sign the inspection ticket because, too often, the owner was not available at the time to sign or too busy to sign. If the business is not in compliance with the inspection requirements, it would receive a violation letter. Also, BRC stated that it requested one of the Inspector I positions to be upgraded to an Inspector II, who will oversee the inspectors, assign them the locations to inspect, review completed inspection*

**Department of Finance**  
**Status of Prior Year Findings and Recommendations**  
**Fiscal Years Ended June 30, 2016 and 2015**

**Follow-up Status #1D (continued)**

*tickets, reinforce policies and procedures, and conduct training. We did not verify the subsequent information as part of this audit.*

**Previous Recommendation #1E**

We recommended that the Department of Finance continue its efforts to upgrade its computer system so that, among other things, it could readily identify the number of businesses or establishments with each type of license, whether those licenses are current, and the number of times each business or establishment was actually inspected during the year.

**Follow-up Status #1E**

**Partially Implemented.** See follow-up comments under #1B.

**Previous Finding #2**

There were numerous discrepancies between the inspectors' time and attendance information included on the Daily Attendance Records (DARs) and the time and attendance information recorded on eTIME, the City's automated time-keeping system used as a basis to generate employees' pay checks.

**Previous Recommendation #2A**

We recommended that the DARs be modified to include a space to record supervisory reviews and approvals. We also recommended that the time and attendance information recorded on the DARs be reconciled to the applicable information recorded on eTIME, the City's automated time-keeping system used as the basis to generate employees' pay checks.

**Follow-up Status #2A**

**Implemented.** We observed that the revised DARs now require two signatures, one by individuals considered as lead workers and one by the supervisor. The reconciliation of the DARs to eTIME is now done on a rotating basis by someone other than the inspector.

**Previous Recommendation #2B**

We recommended that the Inspection Unit review the summary of payroll discrepancies included on Exhibit I of our previous report and make appropriate adjustments as required.

**Follow-up Status #2B**

**Implemented.** We reviewed supporting documentation to verify that appropriate adjustments were made.

**Department of Finance**  
**Status of Prior Year Findings and Recommendations**  
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**Previous Finding #3**

There were several discrepancies between the total number of monthly inspections recorded by the inspectors on the DARs and the total number of monthly inspections included on the Monthly Statistical Summary Reports.

**Previous Recommendation #3A**

As recommended under Finding #2A above, the DARs should be modified to include a space to record supervisory reviews and approvals.

**Follow-up Status #3A**

**Implemented.** As noted in our follow-up to Finding #2A above, we observed that the revised DARs now require two signatures, one by individuals considered as lead workers and one by the supervisor. The reconciliation of the DARs to eTIME is now done on a rotating basis by someone other than the inspector.

**Previous Recommendation #3B**

We recommended that the information regarding the number of inspections recorded on the DARs and supported by the inspection tickets be reconciled to the applicable information recorded on the Monthly Statistical Summary Reports.

**Follow-up Status #3B**

**Partially Implemented.** According to BRC, the inspectors were continually being made aware of errors recorded on the DARs. The supporting information furnished to us only pertained to the number of inspection tickets shown on the DARs and did not address the reconciliation process.

*Subsequent to our follow-up work on Prior Findings and Recommendations, the BRC informed us that it now tracks the number of tickets given to each inspector and the number of completed inspections on a different form, which is used for the Monthly Statistical Summary Report to ensure that the reported numbers are accurate. Also, it has eliminated the separate DARs for the inspectors. The inspectors now sign-in on the same sheet as all other Customer Service employees. We did not verify the subsequent information as part of this audit.*

**Department of Finance**  
**Status of Prior Year Findings and Recommendations**  
**Fiscal Years Ended June 30, 2016 and 2015**

**Previous Finding #4**

Duties in the Inspection Unit were not adequately segregated.

**Previous Recommendation #4**

We recommended that duties be adequately segregated to prevent the inspectors from accessing and entering inspection information into the data entry system.

**Follow-up Status #4**

**Partially Implemented.** According to BRC, changes regarding segregation of duties were made that precluded inspectors from inputting their own inspection tickets into the system. However, BRC had only recently begun to document the process, including supervisory sign-offs for the data entered into the system, and BRC's written policies and procedures were not updated to reflect the changes. Also, we obtained and reviewed the forms used to support data entered into the system. According to the In-House Inspection Tickets Input Tracker Sheets that we reviewed, calendar year 2016 data was not approved by the supervisors until March, 2017 or later.

*Subsequent to our follow-up work on Prior Findings and Recommendations, the BRC informed us that it was not using inspectors to input data into the system until March of 2017, when it addressed the backlog, that was cleared up between March 2017 to May 2017. Consequently, the auditors did not see the approvals by supervisors until March 2017 or later. We did not verify the subsequent information as part of this audit.*

**Previous Finding #5**

Records were not adequately maintained to support all of the inspectors' time and attendance information and number of daily inspections performed.

**Previous Recommendation #5**

We recommended that, in accordance with Baltimore City's Administrative Manual, the Inspection Unit should establish procedures to adequately maintain records, especially the documentation that supports the inspector's daily attendance records and the number of daily inspections performed.

**Follow-up Status #5**

**Implemented.** According to BRC, it has created a new inventory sheet to manage newly archived material. BRC provided us with a sample of the related inventory sheet.



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**Office of Risk Management for Employee Injuries, Report Dated September 22, 2016**

**Previous Finding #1**

Risk Management did not meet its targets for the number of random employee drug and alcohol tests performed during fiscal years 2014 and 2015.

**Previous Recommendation #1A**

We recommended that Risk Management develop procedures to follow-up on “no shows” by scheduling those employees for testing as soon as they return to work.

**Follow-up Status #1A**

**Partially Implemented.** Risk Management disagreed with our original recommendation because it believes that the random process would be voided if supervisors and employees were notified of the testing while the employee was on leave and then scheduled for testing upon returning from leave. Risk Management plans to increase the number of random tests to enable it to reach its target.

**Previous Recommendation #1B**

We recommended that Risk Management consider selecting more than 15 employees each day for drug or alcohol testing in order to compensate for the number of “no shows” and, thereby, increase the likelihood of meeting its established goals for the number of drug or alcohol tests actually performed.

**Follow-up Status #1B**

**Partially Implemented – In Progress.** Risk Management is in the process of implementing the recommendation and is currently working with MOIT to expand its database to include all employees that had been issued a City Driving Permit. Twice a week, Risk Management will add 16 more employees selected for testing. Therefore, twice a week, 31 employees will be selected for testing, and for the remaining three days each week, 15 employees will be selected for testing.

**Previous Finding #2**

Employees in the non-Commercial Driver Licenses (CDL) sensitive job classifications were not included in the data base used to select employees for random drug or alcohol testing.

**Department of Finance**  
**Status of Prior Year Findings and Recommendations**  
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**Previous Recommendation #2**

We recommended that Risk Management work with the Department of Human Resources (DHR) to identify all sensitive job classifications that, according to the City's Substance Abuse Control Policy, should be included in the population of employees to be selected for drug or alcohol testing.

**Follow-up Status #2**

**Not Implemented – In Progress.** According to Risk Management, it is working closely with DHR and MOIT to update the sensitive classification positions, since some of those classes have changed. However, the Law Department advised Risk Management that only those employees with CDLs could be subject to random alcohol testing. Employees with a City Driver's Permit, but who do not have a CDL, should be randomly selected for drug tests only.

**Previous Finding #3**

Risk Management did not adequately monitor billings for random drug or alcohol tests.

**Previous Recommendation #3**

We recommended that Risk Management regularly review the billings for drug or alcohol tests performed by the testing facility to ensure that the City is only billed for the specific drug or alcohol tests ordered and that tests for Baltimore City Public School System (BCPSS) employees are properly billed to the BCPSS and not the City. We also recommended that Risk Management review the billings for fiscal year 2014 and 2015 to determine whether there were any other overbillings and, if so, recover those overbilled amounts.

**Follow-up Status #3**

**Implemented.** Risk Management has implemented additional procedures to reconcile the invoices with the tests ordered before approving for payment. As a result, the City recovered \$33,552 from the testing facility for over billings.

**Previous Finding #4**

The average cost per claim for employee injuries, the number of claims filed per 100 employees, and the amount of accident leave paid exceeded the established performance measure targets for fiscal years 2014 and 2015.

**Previous Recommendation #4**

We recommended that Risk Management focus its efforts on those Agencies, Departments, or Bureaus, including the BCPSS, with the highest average cost per claim for employee injuries, the

**Department of Finance**  
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**Previous Recommendation #4 (continued)**

highest number of claims per 100 employees, and the highest amount of accident leave paid. We also recommended that Risk Management enhance its proactive measures, for example, by encouraging employee participation in periodic safety committees/teams to develop and implement safety initiatives, encouraging suggestions from employees to improve work safety habits and eliminate hazards before they occur, encouraging employees to report observations of unsafe working conditions or hazards including any “near misses” for which no claims were filed, and sharing lessons learned from accident investigations and any other observations with employees.

**Follow-up Status #4**

**Implemented.** Risk Management and the Division of Occupational Safety proactively promote a safe working environment to prevent employee injuries by conducting safety training classes, and ensuring regulatory compliance. Risk Management utilizes a scorecard for each agency to monitor claims, assess losses due to work-related injuries, and develops and implements programs for safety and loss prevention. Risk Management also holds regular meetings with at least two agencies per week to discuss the scorecards and make recommendations to the Bureau Head for a safe work environment. The Safety Enforcement Officers proactively perform inspections, especially for those agencies with the higher number of claims, and makes recommendations, where needed. Risk Management also sends out safety fliers on workplace injuries to raise employee awareness. Risk Management also encourages employees to report unsafe working conditions through a confidential hotline and plans to send email blasts to further raise employee awareness to report unsafe work practices.