



City of Baltimore
Department of Human Resources
Quadrennial Financial Audit for
Fiscal Years 2011-2014

City of Baltimore

Department of Human Resources

Quadrennial Financial Audit for

Fiscal Years 2011-2014

Mary H. Talley

Director & Chief Human Capital Officer

Prepared by Bureau of Accounting and Payroll Services

Sandra Stecker, *Chief*



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FINANCIAL SECTION



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CITY OF BALTIMORE

CATHERINE E. PUGH, Mayor



DEPARTMENT OF AUDITS

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City Auditor

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, of the Department of Human Resources, an agency of the primary government of the City of Baltimore, Maryland, as of and for the years ended June 30, 2011 through June 30, 2014, 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 accounting principles generally accepted in the United States; this includes 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 respective financial position of the governmental activities, of the Department of Human Resources, as of June 30, 2011, June 30, 2012, June 30, 2013 and June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States.

Other Matters

Required Supplementary Information

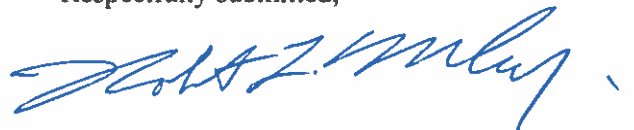
Management has omitted the Management’s Discussion and Analysis that accounting principles generally accepted in the United States require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the 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 basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States require that the budgetary comparison information on pages 15 – 18 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with the management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated January 18, 2017, on our consideration of the Departments of Finance and Human Resources’ 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 Departments of Finance and Human Resources’ internal control over financial reporting and compliance.

Respectfully submitted,



Robert L. McCarty, Jr., CPA
City Auditor
January 18, 2017

CITY OF BALTIMORE
Department of Human Resources
Balance Sheet - Governmental Funds
June 30, 2011

	General Fund
Assets:	
Due from Baltimore City	\$ 596,833
Total Assets	\$ 596,833
 Liabilities:	
Accounts Payable	\$ 456,061
Accrued Payroll	140,772
Total Liabilities	\$ 596,833
 Fund Balances:	
Assigned	
Unassigned	
Total Fund Balances	
Total Liabilities and Fund Balances	\$ 596,833

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

CITY OF BALTIMORE
Department of Human Resources
Balance Sheet - Governmental Funds
June 30, 2012

	General Fund
Assets:	
Due from Baltimore City	\$ 396,077
Total Assets	\$ 396,077
 Liabilities:	
Accounts Payable	\$ 338,814
Accrued Payroll	57,263
Total Liabilities	\$ 396,077
 Fund Balances:	
Assigned	
Unassigned	
Total Fund Balances	
Total Liabilities and Fund Balances	\$ 396,077

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

CITY OF BALTIMORE
Department of Human Resources
Balance Sheet - Governmental Funds
June 30, 2013

	General Fund
Assets:	
Due from Baltimore City	\$ 275,819
Total Assets	<u>\$ 275,819</u>
Liabilities:	
Accounts Payable	\$ 209,925
Accrued Payroll	65,894
Total Liabilities	<u>\$ 275,819</u>
Fund Balances:	
Assigned	
Unassigned	
Total Fund Balances	<u> </u>
Total Liabilities and Fund Balances	<u>\$ 275,819</u>

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

CITY OF BALTIMORE
Department of Human Resources
Balance Sheet - Governmental Funds
June 30, 2014

	General Fund
Assets:	
Due from Baltimore City	\$ 177,479
Total Assets	\$ 177,479
 Liabilities:	
Accounts Payable	\$ 81,026
Accrued Payroll	96,453
Total Liabilities	\$ 177,479
 Fund Balances:	
Assigned	
Unassigned	
Total Fund Balances	
 Total Liabilities and Fund Balances	 \$ 177,479

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

CITY OF BALTIMORE
Department of Human Resources
Statement of Revenues, Expenditure, and Changes in Fund Balances (Deficits)
Governmental Funds
For the Year Ended June 30, 2011

	General Fund
Revenues:	
General Fund Appropriations	\$ 4,152,264
Total Revenues	\$ 4,152,264
Expenditures:	
Administration	\$ 962,088
Benefits Administration	2,299,471
Civil Service Management	846,880
COB University	43,825
Total Expenditures	\$ 4,152,264
Excess (Deficiency) of Revenues over Expenditures	_____
Fund Balance Beginning	_____
Fund Balance Ending	\$ _____

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

CITY OF BALTIMORE
Department of Human Resources
Statement of Revenues, Expenditure, and Changes in Fund Balances (Deficits)
Governmental Funds
For the Year Ended June 30, 2012

	General Fund
Revenues:	
General Fund Appropriations	\$ 4,458,960
Total Revenues	\$ 4,458,960
Expenditures:	
Administration	\$ 1,146,158
Benefits Administration	2,063,343
Civil Service Management	1,071,012
COB University	178,447
Total Expenditures	\$ 4,458,960
Excess (Deficiency) of Revenues over Expenditures	_____
Fund Balance Beginning	_____
Fund Balance Ending	\$ _____

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

CITY OF BALTIMORE
Department of Human Resources
Statement of Revenues, Expenditure, and Changes in Fund Balances (Deficits)
Governmental Funds
For the Year Ended June 30, 2013

	General Fund
Revenues:	
General Fund Appropriations	\$ 4,502,153
Total Revenues	\$ 4,502,153
Expenditures:	
Administration	1,311,562
Benefits Administration	2,079,590
Civil Service Management	1,079,980
COB University	31,021
Total Expenditures	\$ 4,502,153
Excess (Deficiency) of Revenues over Expenditures	
Fund Balance Beginning	
Fund Balance Ending	\$

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

CITY OF BALTIMORE
Department of Human Resources
Statement of Revenues, Expenditure, and Changes in Fund Balances (Deficits)
Governmental Funds
For the Year Ended June 30, 2014

	General Fund
Revenues:	
General Fund Appropriations	\$ 4,674,442
Total Revenues	\$ 4,674,442
 Expenditures:	
Administration	\$ 1,400,782
Benefits Administration	1,959,005
Civil Service Management	1,314,655
Total Expenditures	\$ 4,674,442
Excess (Deficiency) of Revenues over Expenditures	
Fund Balance Beginning	
Fund Balance Ending	\$

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

CITY OF BALTIMORE
Department of Human Resources
Notes to the Financial Statements
Fiscal Years Ended June 30,
2011, 2012, 2013, and 2014

1. Description of the Department of Human Resources

The Department of Human Resources advises the Civil Service Commission on rules and regulations governing the selection, appointment, promotion, demotion and discipline of City employees. It also provides comprehensive human resources programs and services including training to attract, develop and retain an organizationally effective workforce.

The City Charter established the Civil Service Commission to advise the Mayor on personnel matters and provide oversight to the Department of Human Resources that is also established by the Charter. The Commission also investigates and rules on appeals of termination, suspensions over 30 days and demotions of civil service employees.

While the commission is responsible for the final determination of personnel rules and regulations, most of the daily work is performed by the Department. Its various functions are performed by individual divisions under the direction of the Director of Human Resources.

2. Fund Financial Statements

The Department's services are reported in the Governmental fund of the City of Baltimore. Information for the Governmental Fund is presented in the Balance Sheet and in the Statement of Revenues, Expenditures and Changes in Fund Balances.

General Fund

The General Fund accounts for the activity of the Department which is funded by appropriations from the City of Baltimore's General Fund.

3. Summary of Significant Accounting Policies

Basis of Accounting

Governmental Funds

The accounting and financial reporting policies of the Department of Human Resources conforms to accounting principles generally accepted in the United States and reporting standards as promulgated by the Governmental Accounting Standards Board for governmental funds.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are

CITY OF BALTIMORE
Department of Human Resources
Notes to the Financial Statements
Fiscal Years Ended June 30,
2011, 2012, 2013, and 2014

recognized when measurable and available. Revenues applicable to the current fiscal year and collected soon after year-end are recognized as revenue. Expenditures expected to be paid from currently available resources are recorded when the related fund liability is incurred, except payments for compensated absences which are recognized as expenditures when paid.

Compensated Absences

The liability for compensated absences reported in the internal service fund consists of unpaid accumulated annual sick, vacation, and personal leave balances. The liability has been calculated using the vesting method, in which leave amounts for, both, employees who are currently eligible to receive termination payment and others who are expected to become eligible at termination are included. Payments made to terminated employees for accumulated leave are charged as expenditure/expenses, primarily in the General Fund. Estimated accumulated leave balance by fiscal year for the Department of Human Resources are as follows:

Fiscal Year	Governmental Funds
2011	\$ 619,368
2012	502,794
2013	535,287
2014	572,843

4. Capital Assets

The Department of Human Resources uses and maintains various City facilities throughout the city. All fixed assets used by the Department are owned by the City and are used by the Department of Human Resources rent free. The Department of Human Resources does pay for certain utility and maintenance costs out of its annual budget.

CITY OF BALTIMORE
Department of Human Resources
Notes to the Financial Statements
Fiscal Years Ended June 30,
2011, 2012, 2013, and 2014

5. Pension Plan

Classified employees of the Department of Human Resources are required to join the City of Baltimore's Employees' Retirement System (ERS). The ERS is a cost-sharing multiple employer defined benefit pension plan which provides retirement disability and death benefits to plan members and beneficiaries. The plan is managed by a Board of Trustee in accordance with Article 22 of the Baltimore City Code. Plan provisions may be amended only by the City Council.

6. Other Postemployment Benefit

Baltimore City administrative policy provides that other postemployment benefits, other than pension benefits, be available to all employees of the City. These benefits include certain healthcare and life insurance benefits. All employees who retire are eligible to receive these benefits. The City of Baltimore provides other postemployment benefits (OPEB) to all qualified City employees. The OPEB Plan (Plan) is a contributory single employer defined benefit plan. The benefits and contribution provision of the Plan are established and may be amended by the City. The Plan provides postemployment healthcare, prescription and life insurance benefits to retirees and their beneficiaries. In order to effectively manage the Plan, the City established an OPEB Trust Fund. All retiree and City contributions are deposited into the Trust Fund and all retiree-related health and life benefits are paid from the Trust Fund. The City also contracted with the Board of Trustees of the Employees' Retirement System to act as investment manager for the Trust Fund, and BNY Mellon Bank Asset Servicing is the Trust Fund's asset custodian. The Plan does not issue stand-alone financial statements; however, the OPEB Trust Fund is included in the City's Financial Statements in the Fiduciary Funds.

It is the City policy to fund benefits on a pay-as-you-go basis plus additional contributions comprising Federal retiree drug subsidy payments and additional annual appropriations.

Retirees are required to contribute at various rates ranging from \$3 to \$2,288 on a monthly basis, depending on the health plan and level of coverage elected and whether Medicare supplemental coverage is present. In addition, retirees contribute 20% toward the prescription plan coverage. Administrative costs of the Plan are covered by the City.

CITY OF BALTIMORE
Department of Human Resources
Notes to the Financial Statements
Fiscal Years Ended June 30,
2011, 2012, 2013, and 2014

7. Budget Process

The Department of Human Resources 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.

8. 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 Human Resources is a chartered agency within the City of Baltimore's municipal government. Therefore, its exposure to various risks is managed the City's Office of Risk Management.

SUPPLEMENTARY INFORMATION



- Budget to Actual – General Fund

CITY OF BALTIMORE
 Department of Human Resources
 Schedule of Revenues, Expenditures and Encumbrances, and Changes in Fund Balance
 Budget and Actual - Budgetary Basis - General Fund
 For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Original Budget Positive (Negative)	Variance with Final Budget Positive (Negative)
Revenues:					
Appropriations revenues	\$ 5,591,956	\$ 5,751,956	\$ 4,152,264	\$ (1,439,692)	\$ (1,599,692)
Total revenues	5,591,956	5,751,956	4,152,264	(1,439,692)	(1,599,692)
Expenditures and Encumbrances:					
Administration	4,120,674	4,120,674	663,021	3,457,653	3,457,653
Benefits Administration	335,451	335,451	2,995,085	(2,659,634)	(2,659,634)
Civil Service Management	1,067,822	1,227,822	1,000,537	67,285	227,285
COB University	68,009	68,009	68,583	(574)	(574)
Total expenditures and encumbrances	5,591,956	5,751,956	4,727,226	864,730	1,024,730
Excess (deficiency) of revenues over expenditures			(574,962)	(574,962)	(574,962)
Effect of change in encumbrances			536,931		
Effect of change in accounts payable			38,031		
Excess (deficiency) of revenues over expenditures (GAAP)	\$	\$	\$	\$ (574,962)	\$ (574,962)

CITY OF BALTIMORE
Department of Human Resources
Schedule of Revenues, Expenditures and Encumbrances, and Changes in Fund Balance
Budget and Actual - Budgetary Basis - General Fund
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance with Original Budget Positive (Negative)	Variance with Final Budget Positive (Negative)
Revenues:					
Appropriations revenues	\$ 6,085,792	\$ 6,085,792	\$ 4,458,960	\$ (1,626,832)	\$ (1,626,832)
Total revenues	6,085,792	6,085,792	4,458,960	(1,626,832)	(1,626,832)
Expenditures and Encumbrances:					
Administration	1,712,232	1,712,232	1,463,981	248,251	248,251
Benefits Administration	2,932,750	2,932,750	2,043,691	889,059	889,059
Civil Service Management	1,348,569	1,348,569	838,771	509,798	509,798
COB University	92,241	92,241	177,685	(85,444)	(85,444)
Total expenditures and encumbrances	6,085,792	6,085,792	4,524,128	1,561,664	1,561,664
Excess (deficiency) of revenues over expenditures			(65,168)	(65,168)	(65,168)
Effect of change in encumbrances			(52,079)		
Effect of change in accounts payable			117,247		
Excess (deficiency) of revenues over expenditures (GAAP)	\$	\$	\$	\$ (65,168)	\$ (65,168)

CITY OF BALTIMORE
 Department of Human Resources
 Schedule of Revenues, Expenditures and Encumbrances, and Changes in Fund Balance
 Budget and Actual - Budgetary Basis - General Fund
 For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Original Budget Positive (Negative)	Variance with Final Budget Positive (Negative)
Revenues:					
Appropriations revenues	\$ 6,557,535	\$ 6,557,535	\$ 4,502,153	\$ (2,055,382)	\$ (2,055,382)
Total revenues	<u>6,557,535</u>	<u>6,557,535</u>	<u>4,502,153</u>	<u>(2,055,382)</u>	<u>(2,055,382)</u>
Expenditures and Encumbrances:					
Administration	1,903,311	1,903,311	1,288,027	615,284	615,284
Benefits Administration	3,379,121	3,379,121	2,476,005	903,116	903,116
Civil Service Management	1,187,277	1,187,277	1,251,239	(63,962)	(63,962)
COB University	87,826	87,826	32,679	55,147	55,147
Total expenditures and encumbrances	<u>6,557,535</u>	<u>6,557,535</u>	<u>5,047,950</u>	<u>1,509,585</u>	<u>1,509,585</u>
Excess (deficiency) of revenues over expenditures			(545,797)	(545,797)	(545,797)
Effect of change in encumbrances			416,907		
Effect of change in accounts payable			128,890		
Excess (deficiency) of revenues over expenditures (GAAP)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ (545,797)</u>	<u>\$ (545,797)</u>

CITY OF BALTIMORE
 Department of Human Resources
 Schedule of Revenues, Expenditures and Encumbrances, and Changes in Fund Balance
 Budget and Actual - Budgetary Basis - General Fund
 For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Original Budget Positive (Negative)	Variance with Final Budget Positive (Negative)
Revenues:					
Appropriations revenues	\$ 7,161,250	\$ 7,161,250	\$ 4,674,442	\$ (2,486,808)	\$ (2,486,808)
Total revenues	7,161,250	7,161,250	4,674,442	(2,486,808)	(2,486,808)
Expenditures and Encumbrances:					
Administration	2,302,630	2,302,630	1,343,249	959,381	959,381
Benefits Administration	3,579,520	3,579,520	2,606,852	972,668	972,668
Civil Service Management	1,250,831	1,250,831	1,316,315	(65,484)	(65,484)
COB University	28,269	28,269	(71,871)	100,140	100,140
Total expenditures and encumbrances	7,161,250	7,161,250	5,194,545	1,966,705	1,966,705
Excess (deficiency) of revenues over expenditures			(520,103)	(520,103)	(520,103)
Effect of change in encumbrances			391,205		
Effect of change in accounts payable			128,898		
Excess (deficiency) of revenues over expenditures (GAAP)	\$	\$	\$	\$ (520,103)	\$ (520,103)