

CITY OF BALTIMORE

CATHERINE E. PUGH, Mayor



DEPARTMENT OF AUDITS

ROBERT L. McCARTY, JR., CPA

City Auditor

100 N. Holliday Street

Room 321, City Hall

Baltimore, Maryland 21202

Telephone: 410-396-4783

Telefax: 410-545-3961

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the cash basis financial statements of the governmental activities of the Mayor's Office of Information Technology of the City of Baltimore, Maryland, as of and for the years ended June 30, 2015 and 2016, and the related notes to the financial statements, which collectively comprise the Mayor's Office of Information Technology' financial statements, and have issued our report thereon dated, January 19, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Mayor's Office of Information Technology' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Mayor's Office of Information Technology's internal control. Accordingly, we do not express an opinion on the effectiveness of the Mayor's Office of Information Technology's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable



possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies noted below to be significant deficiencies.

Finding #1 – Transfer Revenue of \$12M to MOIT for Call Center Services

The review of other grants activity associated with Call Center Services (911) disclosed that expenditures totaling approximately \$12M were appropriately charged to MOIT from Fiscal Year 2014 through 2016. However, it appears the corresponding revenue was incorrectly submitted to the Baltimore Police Department (BPD) by the State of Maryland and never transferred to MOIT. The CFO of MOIT has attempted unsuccessfully to clear the related accounts receivable with BPD.

Recommendation

We recommend that a journal entry be prepared to transfer the \$12M in revenue from the BPD to MOIT.

Management Response

MOIT concurs with the Auditor’s recommendation and will work with the Department of Finance to facilitate the resolution.

Finding #2 –Controls Over Payroll Records Require Strengthening;

During our testing of the payroll activity for the Mayor’s Office of Information Technology (MOIT) for the periods ending June 30, 2015 and June 30, 2016, we noted the following:

Fiscal Year 2015

Description	Occurrences
• Leave request verification not provided	2 of 40
• Timesheet documentation not acceptable	3 of 40
• Bi-weekly timesheets not approved	10 of 40
• Employees did not sign-in or out	7 of 40
• Compensatory time earned was not approved	3 of 40
• Bi-weekly timesheet did not agree to E-time	7 of 40
• Could not verify the hourly rate per timesheet	2 of 40

Fiscal Year 2016

Description	Occurrences
• Timesheets not provided	2 of 40
• Leave request verification not provided	2 of 40
• Biweekly timesheets not approved	9 of 40
• Employees did not sign-in or out	2 of 40
• Bi-weekly timesheet did not agree to E-time	9 of 40

- Could not verify the hourly rate per timesheet

Recommendation

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

Management Response

MOIT Management concurs with the condition and recommendation and within the next six months will be taking the following corrective actions:

- MOIT supervision will review all hours worked/not worked on all submitted timesheets – and attach approved leave slips prior to signature approval.
- MOIT Timekeepers will not accept timesheets without signed leave slips that accurately document employee hours not worked.
- MOIT HR will revise Agency policies re: timekeeping to incorporate audit findings – and ensure that training is provided to all Agency personnel.
- MOIT Management will review Timekeeper hours to ensure accuracy of their input.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Mayor's Office of Information Technology' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Robert L. McCarty, Jr., CPA
City Auditor
January 19, 2018