



City of Baltimore
Mayor's Office of Information Technology
Biennial Financial Audit for
Fiscal Years Ended June 30, 2015 and 2016

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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, Maryland

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the governmental activities, of the Mayor's Office of Information Technology (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; Schedule of Revenues, Expenditures and Encumbrances, and Changes in Fund Balance, Budget and Actual, Budgetary Basis, Municipal Communication Fund; Statement of Revenues, Expenditures and Changes in Fund Balance, Capital Projects; and Statement of Revenues, Expenditures and Changes in Grant Cash Balances, for the years ended June 30, 2015 and 2016, 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 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 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 revenues collected and expenses paid for governmental activities, of the Agency, for the years ended June 30, 2015 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 January 19, 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.



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

CITY OF BALTIMORE
Schedule of Revenues, Expenditures and Encumbrances, and Changes in Fund Balance
Budget and Actual – Budgetary Basis – General Fund
For Fiscal Years Ended June 30, 2015 and 2016

	<u>Fiscal Year 2015</u>		
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Appropriation Revenues	<u>\$ 36,201,063</u>	<u>\$ 31,771,508</u>	<u>\$ 4,429,555</u>
Expenditures and Encumbrances:			
Administration	1,536,431	1,109,372	427,058
IT Application Support Services	8,611,123	8,089,760	521,364
Call Center Services	17,995,313	17,901,234	94,079
IT Infrastructure Support Services	<u>8,058,195</u>	<u>4,671,142</u>	<u>3,387,054</u>
Total expenditures and encumbrances	<u>36,201,063</u>	<u>31,771,508</u>	<u>4,429,555</u>
Excess of Revenues over Expenditures and Encumbrances (GAAP)	-	-	-
Beginning Budgetary Fund Balance	-	-	-
Ending Budgetary fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	<u>Fiscal Year 2016</u>		
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Appropriation Revenues	<u>\$ 34,266,662</u>	<u>\$ 30,149,303</u>	<u>\$ 4,117,359</u>
Expenditures and Encumbrances:			
Administration	1,281,601	2,677,393	(1,395,792)
IT Application Support Services	9,051,648	6,101,693	2,949,955
Call Center Services	16,422,895	16,925,458	(502,563)
IT Infrastructure Support Services	<u>7,510,517</u>	<u>4,444,759</u>	<u>3,065,759</u>
Total expenditures and encumbrances	<u>34,266,662</u>	<u>30,149,303</u>	<u>4,117,359</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.

CITY OF BALTIMORE
Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance
Budget and Actual – Budgetary Basis – Municipal Communication Fund
For Fiscal Years Ended June 30, 2015 and 2016

	<u>Fiscal Year 2015</u>		
	Budget	Actual	Variance
Revenues:			
Appropriation Revenue	<u>\$ 8,936,848</u>	<u>\$ 4,262,358</u>	<u>\$ 4,674,489</u>
Expenditures and Encumbrances:			
Salaries and Wages	610,789	320,194	290,595
Other Personnel Cost	219,315	204,394	14,921
Contractual Services	4,514,811	3,784,383	730,428
Minor Equipment	3,357,973	108,913	3,249,060
Major Equipment	233,960	-	233,960
Total expenditures and encumbrances	<u>8,936,848</u>	<u>4,417,884</u>	<u>4,518,963</u>
Deficiency of Revenues over Expenditures and Encumbrances (GAAP)	<u><u>\$ -</u></u>	<u><u>\$ (155,526)</u></u>	<u><u>\$ 155,526</u></u>

	<u>Fiscal Year 2016</u>		
	Budget	Actual	Variance
Revenues:			
Appropriation Revenue	<u>\$ 9,332,922</u>	<u>\$ 4,711,536</u>	<u>\$ 4,621,386</u>
Expenditures and Encumbrances:			
Salaries and Wages	327,678	361,634	(33,956)
Other Personnel Cost	105,873	116,351	(10,478)
Contractual Services	2,426,379	3,764,527	(1,338,148)
Minor Equipment	6,472,124	362,926	6,109,198
Other	868	868	-
Total Expenditures and Encumbrances	<u>9,332,922</u>	<u>4,606,305</u>	<u>4,726,617</u>
Excess of Revenues over Expenditures and Encumbrances (GAAP)	<u><u>\$ -</u></u>	<u><u>\$ 105,231</u></u>	<u><u>\$ (105,231)</u></u>

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

CITY OF BALTIMORE
Statement of Revenues, Expenditures and Changes in Fund Balance
Capital Projects
For Fiscal Years Ended June 30, 2015 and 2016

	<u>Fiscal Year 2015</u>	<u>Fiscal Year 2016</u>
Revenues		
General Fund	<u>\$ -</u>	<u>\$ 1,550,000</u>
Expenditures		
Capital Outlay	<u>928,733</u>	<u>1,094,860</u>
Excess (Deficit) of Revenues over Expenditures	(928,733)	455,140
Beginning Cash Balance	<u>3,968,562</u>	<u>3,039,828</u>
Ending Cash Balance	<u><u>\$ 3,039,828</u></u>	<u><u>\$ 3,494,968</u></u>

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

CITY OF BALTIMORE
Mayor's Office of Information Technology
Statement of Revenues, Expenditures and Changes in Grant Cash Balance
For Fiscal Years Ended June 30, 2015 and 2016

	<u>Fiscal Year 2015</u>			<u>Cash Balance 6/30/2015</u>
	<u>Cash Balance 7/1/2014</u>	<u>Revenues</u>	<u>Expenditures</u>	
Other Grants				
Administration	\$ (36,054)	\$ -	\$ -	\$ (36,054)
IT Infrastructure Support Services	8,200	-	28,800	(20,600)
Call Center Services	(4,276,277)	-	4,077,263	(8,353,541)
Total revenues, expenditures and change in grant balances	<u>\$ (4,304,131)</u>	<u>\$ -</u>	<u>\$ 4,106,063</u>	<u>\$ (8,410,195)</u>
	<u>Fiscal Year 2016</u>			<u>Cash Balance 6/30/2016</u>
	<u>Cash Balance 7/1/2015</u>	<u>Revenues</u>	<u>Expenditures</u>	
Other Grants				
Administration	\$ (36,054)	\$ -	\$ -	\$ (36,054)
IT Infrastructure Support Services	(20,600)	10,710	-	(9,890)
Call Center Services	(8,353,541)	-	3,738,368	(12,091,908)
Total revenues, expenditures and change in grant balances	<u>\$ (8,410,195)</u>	<u>\$ 10,710</u>	<u>\$ 3,738,368</u>	<u>\$ (12,137,852)</u>

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

CITY OF BALTIMORE
Mayor's Office of Information Technology
Notes to the Financial Statements
For Fiscal Years Ended June 30, 2015 and 2016

1. Description of the Mayor's Office of Information Technology

The Mayor's Office of Information Technology (MOIT) is responsible for providing information technology leadership to the entire City, utilizing and leveraging information technology to enhance productivity, broaden the capabilities, and reduce the operating costs of Baltimore City government, thereby improving the quality and timeliness of services delivered to the citizenry. MOIT is responsible for Information Technology (IT) policy, standards, inter-agency synergy, and providing city government with an ample return on its IT investments, while delivering a robust, secure, metropolitan wide networked computing environment which supports both the internal needs of over 9,000 computer users. MOIT is also responsible for the development, implementation and continuing support of the CitiTrack Customer Service Request System which provides a universal, standardized, inter-agency call-intake and work order management methodology with a direct linkage to the CitiStat system and process. The CitiTrack system is the Customer Relations Management tool for the City's One Call Center which is also directly supported and managed by the agency. In July 2012, MOIT took over 911 and Police Dispatch under the first phase of moving toward a Unified Communications Center to improve efficiency. For fiscal year 2017, the Police Dispatch was moved to the Baltimore City Police Department and 911 was moved to the Baltimore City Fire Department.

2. Fund Financial Statements

The Agency's services are reported in the City's general and special revenue funds. The Agency annually receives appropriations from both the general and special revenue funds. The general fund appropriations expire at year end. The special revenue fund receives grants from the Federal, State and other sources. Appropriations for the special revenue fund do not expire at year end and continue until they are used for grant related expenditures. Due to these differences, the financial statements of the Agency's general fund activities are reported on a budgetary basis in the Schedule of Revenues, Expenditure, Encumbrances, and Changes in Fund Balance. The financial statement of the special revenue and capital project funds are reported in the Statement of Revenues, Expenditures and Changes in Cash Balance.

3. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Agency are prepared on the 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. Specifically, the variances from GAAP include the mission of receivables and payables of the Agency, and such variances are presumed to be material. 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

The Agency 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. 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 Agency 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.

6. Subsequent Events

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