

Audit Report

**Comptroller of Maryland
Central Payroll Bureau**

September 2019



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

Joint Audit and Evaluation Committee

Senator Craig J. Zucker (Senate Chair)	Delegate Shelly L. Hettleman (House Chair)
Senator Adelaide C. Eckardt	Delegate Steven J. Arentz
Senator George C. Edwards	Delegate Andrew P. Cassilly
Senator Guy J. Guzzone	Delegate Mark S. Chang
Senator Katie Fry Hester	Delegate Keith E. Haynes
Senator Cheryl C. Kagan	Delegate Michael A. Jackson
Senator Benjamin F. Kramer	Delegate David Moon
Senator Cory V. McCray	Delegate April R. Rose
Senator Douglas J.J. Peters	Delegate Geraldine Valentino-Smith
Senator Justin D. Ready	Delegate Karen Lewis Young

To Obtain Further Information

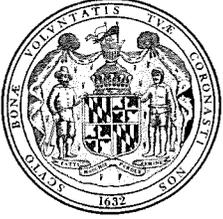
Office of Legislative Audits
301 West Preston Street, Room 1202
Baltimore, Maryland 21201
Phone: 410-946-5900 · 301-970-5900 · 1-877-486-9964 (Toll Free in Maryland)
Maryland Relay: 711
TTY: 410-946-5401 · 301-970-5401
E-mail: OLAWebmaster@ola.state.md.us
Website: www.ola.state.md.us

To Report Fraud

The Office of Legislative Audits operates a Fraud Hotline to report fraud, waste, or abuse involving State of Maryland government resources. Reports of fraud, waste, or abuse may be communicated anonymously by a toll-free call to 1-877-FRAUD-11, by mail to the Fraud Hotline, c/o Office of Legislative Audits, or through the Office's website.

Nondiscrimination Statement

The Department of Legislative Services does not discriminate on the basis of age, ancestry, color, creed, marital status, national origin, race, religion, gender, gender identity, sexual orientation, or disability in the admission or access to its programs, services, or activities. The Department's Information Officer has been designated to coordinate compliance with the nondiscrimination requirements contained in Section 35.107 of the United States Department of Justice Regulations. Requests for assistance should be directed to the Information Officer at 410-946-5400 or 410-970-5400.



DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Victoria L. Gruber
Executive Director

Gregory A. Hook, CPA
Legislative Auditor

September 3, 2019

Senator Craig J. Zucker, Senate Chair, Joint Audit and Evaluation Committee
Delegate Shelly L. Hettleman, House Chair, Joint Audit and Evaluation Committee
Members of Joint Audit and Evaluation Committee
Annapolis, Maryland

Ladies and Gentlemen:

We have conducted a fiscal compliance audit of the Comptroller of Maryland – Central Payroll Bureau (CPB) for the period beginning March 18, 2015 and ending January 6, 2019. CPB is primarily responsible for processing and issuing payroll checks and direct deposit advices for the regular and contractual State payrolls, and the payrolls of the Maryland Department of Transportation and the University System of Maryland.

Our audit did not disclose any findings that warrant mention in this report.

We wish to acknowledge the cooperation extended to us during the course of this audit by CPB.

Respectfully submitted,

A handwritten signature in black ink that reads "Gregory A. Hook".

Gregory A. Hook, CPA
Legislative Auditor

Background Information

Agency Responsibilities

The Central Payroll Bureau (CPB), a unit of the Comptroller of Maryland, is primarily responsible for processing and issuing payroll checks and direct deposit advices for the regular and contractual State payrolls, and the payrolls of the Maryland Department of Transportation and the University System of Maryland. According to CPB's records, the payrolls collectively totaled approximately \$8.3 billion during fiscal year 2018. In addition, CPB is responsible for processing payroll deductions, employee withholding statements for most employees, and other payroll reports for State government. According to the State's accounting records, CPB's operating expenditures totaled approximately \$2.9 million during fiscal year 2018.

Findings and Recommendations

Our audit did not disclose any significant deficiencies in the design or operation of CPB's internal control. Our audit also did not disclose any significant instances of noncompliance with applicable laws, rules, or regulations. A finding that did not warrant inclusion in this report was separately communicated to CPB.

A draft copy of this report was provided to CPB. Since there are no recommendations in this report, a written response was not necessary.

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the Comptroller of Maryland – Central Payroll Bureau (CPB) for the period beginning March 18, 2015 and ending January 6, 2019. The audit was conducted 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.

As prescribed by the State Government Article, Section 2-1221 of the Annotated Code of Maryland, the objectives of this audit were to examine CPB's financial

transactions, records, and internal control, and to evaluate its compliance with applicable State laws, rules, and regulations.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of significance and risk. The areas addressed by the audit included CPB's management of the State payroll system, non-budgeted funds maintained for payroll deductions, and critical information technology systems. Our audit included certain support services (processing payroll timekeeping records) provided by CPB, effective January 1, 2018, to other units of the Comptroller of Maryland and the Board of Public Works. Prior to that date, these services were provided by the Comptroller of Maryland – Office of the Comptroller, and were included in our audits of the Office of the Comptroller.

Our audit did not include certain other support services provided to CPB by the Comptroller of Maryland – Office of the Comptroller. These support services (such as processing of invoices, maintenance of accounting records, and related fiscal functions) are included in the scope of our audits of the Office of the Comptroller. Our audit also did not include certain support services provided to CPB by the Comptroller of Maryland – Information Technology Division related to information technology equipment and related services. These support services are included in the scope of our audits of the Information Technology Division.

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, observations of CPB's operations, and tests of transactions. Generally, transactions were selected for testing based on auditor judgment, which primarily considers risk. Unless otherwise specifically indicated, neither statistical nor non-statistical audit sampling was used to select the transactions tested. Therefore, the results of the tests cannot be used to project those results to the entire population from which the test items were selected.

We also performed various data extracts of pertinent information from the State's Financial Management Information System (such as revenue and expenditure data). The extracts are performed as part of ongoing internal processes established by the Office of Legislative Audits and were subject to various tests to determine data reliability. We determined that the data extracted from this source were sufficiently reliable for the purposes the data were used during this audit. Finally, we performed other auditing procedures that we considered necessary to achieve our audit objectives. The reliability of data used in this report for background or informational purposes was not assessed.

CPB's management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records; effectiveness and efficiency of operations, including safeguarding of assets; and compliance with applicable laws, rules, and regulations are achieved.

Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

Our reports are designed to assist the Maryland General Assembly in exercising its legislative oversight function and to provide constructive recommendations for improving State operations. As a result, our reports generally do not address activities we reviewed that are functioning properly.

AUDIT TEAM

Raymond G. Burton, Jr., CPA, CFE
Audit Manager

Richard L. Carter, CISA
Information Systems Audit Manager

Joshua A. Naylor
Senior Auditor

Roman J. Gouin
Information Systems Senior Auditor

Elliot Ortiz, CFE
Staff Auditor