

Audit Report

Department of Corrections

Overtime Expenditures



Office of the County Auditor
Baltimore County, Maryland
August 2021



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August 11, 2021

Honorable Members of the County Council
Honorable John A. Olszewski, Jr., County Executive
Baltimore County, Maryland

We have audited the procedures and controls of overtime expenditures incurred by the Department of Corrections. During the period July 1, 2019 to October 31, 2020, overtime payments totaled approximately \$6.1 million.

Our audit disclosed that the Department's policy for monitoring overtime was not documented, and its policy to approve overtime was not adequate. Our audit also disclosed that certain employees' access to the computerized payroll system was not appropriate based on their job function(s).

The Department's response to this audit is included as Appendix A to this report. You will note the Department's agreement with the audit recommendations.

We wish to express our appreciation to the Department for the cooperation and assistance extended to us during our audit.

Our audit reports and responses thereto are available to the public and may be obtained online at "www.baltimorecountymd.gov/agencies/auditor" or by contacting the Office of the County Auditor, 400 Washington Avenue, Towson, Maryland 21204.

Respectfully submitted,

A handwritten signature in cursive script that reads "Lauren M. Smelkinson".

Lauren M. Smelkinson, CPA
County Auditor

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Background

The Department of Corrections is comprised of the Baltimore County Detention Center, the Pre-trial Services Division, the Community Corrections Division, and the Alternative Sentencing Division. The Department's purpose is to ensure public safety and to provide a safe environment for employees, the inmate population, and the community.

Certain employees within the Department are eligible to earn overtime and may be paid (straight time, time-and-one-half, or double time) and/or earn compensatory time (straight time). In this regard, the County's Compensation Plan Rules and Regulations and the Fair Labor Standards Act (FLSA) provide the basis for the County's overtime eligibility determination for classified and non-classified employees, respectively. During the audit period from July 1, 2019 to October 31, 2020, the Department paid approximately \$6.1 million in overtime to 424 employees for 156,000 overtime hours, including approximately \$6.0 million to 377 Detention Center employees for 153,400 overtime hours.

The Department has established policies and procedures to manage its overtime. The Department also uses the County's computerized payroll system to record and maintain its payroll.

Findings and Recommendations

1. Certain overtime policies and procedures were not documented or adequate.

Our audit disclosed that the Department had established certain written policies and procedures for overtime; however, the Department's policy for monitoring overtime was not documented. Our audit also disclosed that the Department's policy to approve overtime was not adequate, because the policy did not require the overtime records to be compared to the computerized payroll system's reports to verify the accuracy of the overtime hours entered into the computerized payroll system.

As a result, there was a lack of assurance that overtime payments were accurate and proper.

To ensure overtime payments are accurate and proper, we recommend that the Department establish adequate, written overtime policies and procedures.

2. Certain employees' access to the computerized payroll system was not appropriate based on their job function(s).

Effective internal control requires assets to be protected against the risk of loss, misuse, or theft. County agencies use the computerized payroll system to record and maintain payroll. The County's Office of Information Technology grants employees access to the computerized payroll system after receipt of an agency-approved "System Access Request" form. In this regard, each agency identifies the employee's appropriate level of access (view or update) to the computerized payroll system in order to perform their assigned job function(s).

Update access levels are segmented as follows:

- Single workgroup – ability to enter/modify time for a specific workgroup (e.g., unit, location, work shift) during the current pay period;
- Multiple workgroup – ability to enter/modify time for multiple workgroups during the current pay period; and
- Agency-wide – ability to enter/modify time for all employees within an agency (all workgroups) for the current and previous pay periods.

However, our audit disclosed that 16 employees had update access to the computerized payroll system, which was not appropriate based on their job function(s), as follows:

- 13 employees with single workgroup update access only required view access (12) or did not require any access (1); and
- 3 employees with multiple workgroup update access only required view access.

Our audit also disclosed that the Department does not have a documented policy that requires a periodic (at least annual) review of granted access levels to the computerized payroll system to evaluate whether such access remains appropriate based on employees' job functions.

These conditions increase the risk that unauthorized changes to the payroll records could occur that may lead to inaccurate payroll disbursements without timely detection.

We recommend that the Department remove the one employee's access and modify the other employees' access to view only. We also recommend that the Department establish a policy that requires a periodic (at least annual) review of granted access levels to the computerized payroll system to ensure that such access remains commensurate with employees' job functions.

Audit Scope, Objectives, and Methodology

We have audited the procedures and controls of overtime expenditures incurred by the Department of Corrections for the period July 1, 2019 to October 31, 2020. The audit was conducted in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review. 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.

In accordance with the Baltimore County Charter, Section 311, the objectives of our audit were to evaluate the adequacy of internal control practices and procedures for overtime expenditures and to determine compliance with applicable laws, rules, regulations, policies, and procedures. In planning and conducting our audit, we focused on overtime paid to employees within the Department based on assessments of significance and risk.

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, 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 performed other auditing procedures that we considered necessary to achieve our audit objectives. The reliability of data used in this report for background or information purposes was not audited.

The Department's management is responsible for establishing and maintaining effective internal control for its overtime expenditures and for compliance with any applicable laws, rules, regulations, policies, and procedures. 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, regulations, policies, and procedures 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 laws, rules, regulations, policies, and procedures may deteriorate.

Our reports on fiscal compliance are designed to assist the Baltimore County Council in exercising its legislative oversight function and to provide constructive recommendations for improving County operations. As a result, our reports generally do not address activities we reviewed that may be functioning properly.

This report includes findings and recommendations relating to conditions that we consider to be significant deficiencies in the design or operation of internal control and administrative and operating practices and procedures that could adversely affect the County's ability to maintain reliable financial records, operate effectively and efficiently, and/or comply with applicable laws, rules, regulations, policies, and procedures. Other less significant findings that did not warrant inclusion in this report and other matters that came to our attention were communicated to the Department.

APPENDIX A

Department of Corrections

Response



JOHN A. OLSZEWSKI, JR.
County Executive

GAIL M. WATTS, *Director*
Department of Corrections

August 11, 2021

Lauren M. Smelkinson, CPA
Office of the County Auditor
Baltimore County, Maryland
Courthouse, Room 221
Towson, Maryland 21204

Dear Ms. Smelkinson:

We are providing this letter in connection with your audit of the procedures and controls of overtime expenditures incurred by the Department of Corrections for the period July 1, 2019 to October 31, 2020 to evaluate the adequacy of internal control practices and procedures for overtime expenditures and to determine compliance with applicable laws, rules, regulations, policies, and procedures. Enclosed please find the Department's responses.

Sincerely,

A handwritten signature in blue ink that reads "G. Watts". The signature is written in a cursive style with a large initial "G" and a long, sweeping underline.

Gail M. Watts, Director
Department of Corrections

Findings and Recommendations

1. Audit Finding

Certain overtime policies and procedures were not documented or adequate.

Audit Recommendation

To ensure overtime payments are accurate and proper, we recommend that the Department establish adequate, written overtime policies and procedures.

Response to Audit Recommendation

The Department agrees with the audit recommendation. The Department has randomly selected overtime records/vouchers and compared them to the bi-weekly payroll report to verify the accuracy of the overtime hours recorded in the County payroll system (a.k.a. OLTA/on-line time and attendance). This procedure will be incorporated in the Department's current written overtime policy.

2. Audit Finding

Certain employees' access to the computerized payroll system was not appropriate based on their job function(s).

Audit Recommendation

We recommend that the Department remove the one employee's access and modify the other employees' access to view only. We also recommend that the Department establish a policy that requires a periodic (at least annual) review of granted access levels to the computerized payroll system to ensure that such access remains commensurate with employees' job functions.

Response to Audit Recommendation

The Department agrees with the audit recommendation. The Department has deleted employees' access for several Departmental staff and also, has changed employees' access for (15) Departmental staff from update access to view only access. In addition, the Department will establish a policy to review employees' access to the OLTA system on an annual basis.

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