

Audit Report

**Comptroller of Maryland
Central Payroll Bureau**

October 2023



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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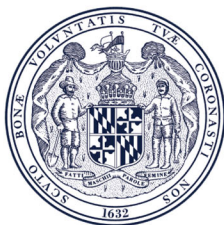
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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

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Legislative Auditor

October 5, 2023

Senator Clarence K. Lam, M.D., Senate Chair, Joint Audit and Evaluation Committee
Delegate Jared Solomon, 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 January 7, 2019 and ending March 31, 2023. 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 audit by CPB.

Respectfully submitted,

Gregory A. Hook, CPA
Legislative Auditor

Background Information

Agency Responsibilities

The Central Payroll Bureau (CPB), a division of the Comptroller of Maryland (COM), 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 \$9.6 billion during fiscal year 2022. 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 expenditures totaled approximately \$4.1 million during fiscal year 2022 (see Figure 1 below).

Figure 1
CPB Positions, Expenditures, and Funding Sources

Full-Time Equivalent Positions as of June 30, 2022		
	Positions	Percent
Filled	42	93.3%
Vacant	3	6.7%
Total	45	
Fiscal Year 2022 Expenditures		
	Expenditures	Percent
Salaries, Wages, and Fringe Benefits	\$3,858,533	94.4%
Technical and Special Fees	48,696	1.2%
Operating Expenses	178,688	4.4%
Total	\$4,085,917	
Fiscal Year 2022 Funding Sources		
	Funding	Percent
General Fund	\$3,850,328	94.2%
Special Fund	114,695	2.8%
Reimbursable Fund	120,894	3.0%
Total	\$4,085,917	

Source: State financial and personnel records

Our office conducts separate fiscal compliance audits of other COM divisions. A listing of the most recent fiscal compliance audits of COM divisions performed during the current audit cycle can be found in Exhibit 1 of this report.

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. Findings that did not warrant inclusion in this report were 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 January 7, 2019 and ending March 31, 2023. 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 to other divisions of the Comptroller of Maryland and the Board of Public Works.

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 audit 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 associated services. These support services are included in the scope of our audits of the Information Technology Division.

Our assessment of internal controls was based on agency procedures and controls in place at the time of our fieldwork. Our tests of transactions and other auditing procedures were generally focused on the transactions occurring during our audit period of January 7, 2019 to March 31, 2023, but may include transactions before or after this period as we considered necessary to achieve our audit objectives.

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, tests of transactions, and to the extent practicable, observations of CPB's operations. Generally, transactions were selected for testing based on auditor judgment, which primarily considers risk, the timing or dollar amount of the transaction, or the significance of the transaction to the area of operation reviewed. As a matter of course, we do not normally use sampling in our tests, so unless otherwise specifically indicated, neither statistical nor non-statistical audit sampling was used to select the transactions tested. Therefore, unless sampling is specifically indicated in a finding, the results from any tests conducted or disclosed by us 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) and the State's Central Payroll Bureau (payroll 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 these sources 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. As provided in *Government Auditing Standards*, there are five components of internal control: control environment, risk assessment, control activities, information and communication, and monitoring. Each of the five components, when significant to the audit objectives, and as applicable to CPB, were considered by us during the course of this audit.

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.

Exhibit 1
Listing of Most Recent Office of Legislative Audits
Fiscal Compliance Audits of Comptroller of Maryland Divisions
As of September 2023

Name of Audit		Areas Covered	Most Recent Report Date
1	Information Technology Division (Fiscal Operations)	<ul style="list-style-type: none"> • Procurement • Equipment • Support services to other divisions of the Comptroller for monitoring information technology related services and maintaining information technology equipment inventory records 	02/02/22
2	Field Enforcement Bureau	<ul style="list-style-type: none"> • Confiscated property • Business licenses • Routine inspections 	09/07/21
3	Compliance Division	<ul style="list-style-type: none"> • Investigations, collection of delinquent taxes, and other taxpayer compliance activities related to individual income taxes • Audits and investigations, collection of delinquent taxes, and other taxpayer compliance activities related to business taxes • Identification, collection, and distribution of unclaimed property 	12/18/20
4	General Accounting Division	<ul style="list-style-type: none"> • State agency vendor payment processing • Vendor table maintenance • State agency working funds • Corporate purchasing card program 	11/09/20
5	Information Technology Division – Annapolis Data Center Operations	<ul style="list-style-type: none"> • Maintenance and monitoring of mainframe operating system, various security functions, and critical databases 	07/27/20
6	Revenue Administration Division	<ul style="list-style-type: none"> • Processing, evaluating, verifying, and recording tax data as reported by taxpayers and other parties • Collection of tax receipts • Distribution of tax refunds 	06/01/20
7	Office of the Comptroller – Bureau of Revenue Estimates	<ul style="list-style-type: none"> • Capital grants monitoring • Procurement and disbursements • Corporate purchasing cards • Support services to other divisions of the Comptroller, such as processing invoices, maintenance of accounting records, human resources, and related fiscal functions 	08/29/19

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