

Audit Report

---

**Comptroller of Maryland  
Central Payroll Bureau**

October 2023

---



**OFFICE OF LEGISLATIVE AUDITS**  
DEPARTMENT OF LEGISLATIVE SERVICES  
MARYLAND GENERAL ASSEMBLY

### **Joint Audit and Evaluation Committee**

Senator Clarence K. Lam, M.D. (Senate Chair)	Delegate Jared Solomon (House Chair)
Senator Joanne C. Benson	Delegate Steven J. Arentz
Senator Paul D. Corderman	Delegate Nicholas P. Charles II
Senator Katie Fry Hester	Delegate Andrea Fletcher Harrison
Senator Shelly L. Hettleman	Delegate Steven C. Johnson
Senator Cheryl C. Kagan	Delegate Mary A. Lehman
Senator Cory V. McCray	Delegate David Moon
Senator Justin D. Ready	Delegate Julie Palakovich Carr
Senator Bryan W. Simonaire	Delegate Stephanie M. Smith
Senator Craig J. Zucker	Delegate M. Courtney Watson

### **To Obtain Further Information**

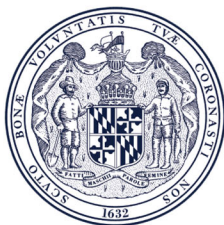
Office of Legislative Audits  
The Warehouse at Camden Yards  
351 West Camden Street, Suite 400  
Baltimore, Maryland 21201  
Phone: 410-946-5900  
Maryland Relay: 711  
TTY: 410-946-5401 · 301-970-5401  
E-mail: [webmaster@ola.state.md.us](mailto:webmaster@ola.state.md.us)  
Website: [www.ola.state.md.us](http://www.ola.state.md.us)

### **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

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%
<b>Total</b>	<b>45</b>	
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%
<b>Total</b>	<b>\$4,085,917</b>	
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%
<b>Total</b>	<b>\$4,085,917</b>	

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

AUDIT TEAM

**Michael J. Murdzak, CPA**  
Audit Manager

**Edwin L. Paul, CPA, CISA**  
Information Systems Audit Manager

**Sandra C. Medeiros**  
Senior Auditor

**Peter W. Chong**  
Information Systems Senior Auditor

**Tari J. Covington**  
**Keli R. Edmonds**  
Staff Auditors