



**Baltimore City Department of Transportation  
Biennial Financial Audit  
Fiscal Years Ended June 30, 2017 and 2016**

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## INDEPENDENT AUDITOR'S REPORT

Honorable Joan M. Pratt, Comptroller  
and Other Members  
of the Board of Estimates  
City of Baltimore, Maryland

We have audited the accompanying cash basis financial statements of the Baltimore City Department of Transportation (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, Parking Management Fund, and Internal Service Fund – Conduits; and Statement of Revenues, Expenditures and Changes in Cash Balance Capital Projects – Conduits, Capital Projects – Highway; and Grants, for the years ended June 30, 2017 and 2016, and the related notes to the 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 judgment, including the assessment of the 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 adverse audit opinion.

***Basis for Qualified Opinion***

As a result of the procedures performed in this area, we obtained sufficient appropriate audit evidence to determine that the FY 16 opening Statement of Revenues, Expenditures and Changes in Grant Cash Balance which totaled \$23.9M, includes approximately \$14.8M in grant activity dating from 2003 to 2012 that gives the appearance of receivables due from federal, state and private grant sources. The aged grant activity was not appropriately adjusted, and results in misstatements that materially affect the balances reported in the statements for the periods ending June 30, 2017 and 2016. Refer to Finding 1.

***Qualified Opinion***

In our opinion, except for the effects of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, the revenues collected, expenses paid and balances reported for governmental activities, of the Agency, for the years ended June 30, 2017 and 2016 in accordance with the cash basis of accounting described in Note 3.

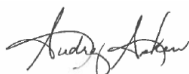
***Basis of Accounting***

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 December 6, 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.



Audrey Askew, CPA  
City Auditor

Baltimore, MD  
December 6, 2018

**Baltimore City Department of Transportation**  
**Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance**  
**Budget and Actual – Budgetary Basis – General Fund**  
**Fiscal Year Ended June 30, 2017**

|   | <u>Budget</u>      | <u>Actual</u>     | <u>Variance</u>   |
|---|--------------------|-------------------|-------------------|
| <b>Revenues</b>   |                    |                   |                   |
| Appropriations revenues   | \$ 117,729,692     | \$ 99,251,709     | \$ (18,477,983)   |
| <b>Expenditures and Encumbrances</b>                                |                    |                   |                   |
| Street and park lighting  | 19,765,639         | 23,033,243        | (3,267,604)       |
| Administration  | 9,238,696          | 9,183,280         | 55,416            |
| Street management   | 32,669,416         | 32,719,981        | (50,565)          |
| Traffic management  | 12,188,307         | 10,906,612        | 1,281,695         |
| Special events  | 1,363,010          | 224,243           | 1,138,767         |
| Inner Harbor services   | 1,560,815          | 1,081,205         | 479,610           |
| Snow and ice control  | 12,721,711         | 2,668,152         | 10,053,559        |
| Vehicle impounding and disposal                                     | 9,247,472          | 6,879,305         | 2,368,167         |
| Sustainable transportation  | 1,235,556          | 490,901           | 744,655           |
| Public rights-of-way landscape management                           | 3,441,876          | 4,190,886         | (749,010)         |
| Bridge and culvert management                                       | 3,095,519          | 3,326,891         | (231,372)         |
| Survey control  | 535,978            | 495,302           | 40,676            |
| Street cuts management  | 1,156,860          | (269,691)         | 1,426,551         |
| Traffic safety  | 7,112,476          | 2,201,069         | 4,911,407         |
| Real property management  | 2,396,361          | 2,120,330         | 276,031           |
| Total expenditures and encumbrances                                 | <u>117,729,692</u> | <u>99,251,709</u> | <u>18,477,983</u> |
| <b>Excess of Revenues over Expenditures and Encumbrances (GAAP)</b> | -                  | -                 | -                 |
| <b>Beginning Budgetary Fund Balance</b>                             | -                  | -                 | -                 |
| <b>Ending Budgetary Fund Balance</b>                                | <u>\$ -</u>        | <u>\$ -</u>       | <u>\$ -</u>       |

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

**Baltimore City Department of Transportation**  
**Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance**  
**Budget and Actual – Budgetary Basis – General Fund**  
**Fiscal Year Ended June 30, 2016**

|   | <u>Budget</u>      | <u>Actual</u>      | <u>Variance</u>    |
|---|--------------------|--------------------|--------------------|
| <b>Revenues</b>   |                    |                    |                    |
| Appropriations revenues   | \$ 144,683,330     | \$ 147,880,029     | \$ 3,196,699       |
| <b>Expenditures and Encumbrances</b>                                |                    |                    |                    |
| Street and park lighting  | 18,289,989         | 23,536,681         | (5,246,692)        |
| Administration  | 8,508,021          | 7,967,370          | 540,651            |
| Street management   | 26,969,317         | 32,181,051         | (5,211,734)        |
| Traffic management  | 11,917,925         | 10,990,388         | 927,537            |
| Special events supports   | 472,550            | 695,226            | (222,676)          |
| Inner Harbor services   | 1,017,545          | 1,139,014          | (121,469)          |
| Snow and ice control  | 43,464,044         | 45,269,124         | (1,805,080)        |
| Vehicle impounding and disposal                                     | 9,530,976          | 6,958,223          | 2,572,753          |
| Sustainable transportation  | 4,100,579          | 3,967,422          | 133,157            |
| Public rights-of-way landscape management                           | 3,857,154          | 4,164,740          | (307,586)          |
| Bridge and culvert management                                       | 3,433,551          | 2,930,780          | 502,771            |
| Survey control  | 755,684            | 602,657            | 153,027            |
| Street cuts management  | 973,567            | 427,443            | 546,124            |
| Traffic safety  | 8,008,847          | 4,816,617          | 3,192,230          |
| Building permits and municipal consents                             | 1,740,775          | 1,450,435          | 290,340            |
| Real property management  | 725,266            | 598,996            | 126,270            |
| Special events  | 917,540            | 183,862            | 733,678            |
| Total expenditures and encumbrances                                 | <u>144,683,330</u> | <u>147,880,029</u> | <u>(3,196,699)</u> |
| <b>Excess of Revenues over Expenditures and Encumbrances (GAAP)</b> | -                  | -                  | -                  |
| <b>Beginning Budgetary Fund Balance</b>                             | -                  | -                  | -                  |
| <b>Ending Budgetary Fund Balance</b>                                | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        |

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

**Baltimore City Department of Transportation**  
**Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance**  
**Budget and Actual – Budgetary Basis – Parking Management Fund**  
**Fiscal Years Ended June 30, 2017 and 2016**

|   | <b>2017</b>   |               |                 |
|---|---------------|---------------|-----------------|
|   | <b>Budget</b> | <b>Actual</b> | <b>Variance</b> |
| <b>Revenues</b>   |               |               |                 |
| Appropriations revenues   | \$ 26,469,969 | \$ 22,872,972 | \$ 3,596,997    |
| <b>Expenditures and Encumbrances</b>                                    |               |               |                 |
| Parking enforcement   | 15,801,099    | 12,942,618    | 2,858,481       |
| Parking management  | 10,668,870    | 10,163,303    | 505,567         |
| Total expenditures and encumbrances                                     | 26,469,969    | 23,105,921    | 3,364,048       |
| <b>Deficiency of Revenues over Expenditures and Encumbrances (GAAP)</b> | -             | (232,949)     | 232,949         |
| <b>Beginning Budgetary Fund Balance</b>                                 | -             | -             | -               |
| <b>Ending Budgetary Fund Balance</b>                                    | \$ -          | \$ -          | \$ -            |
|   |               |               |                 |
|   |               |               |                 |
|   | <b>2016</b>   |               |                 |
|   | <b>Budget</b> | <b>Actual</b> | <b>Variance</b> |
| <b>Revenues</b>   |               |               |                 |
| Appropriations revenues   | \$ 27,508,296 | \$ 23,449,328 | \$ 4,058,968    |
| <b>Expenditures and Encumbrances</b>                                    |               |               |                 |
| Parking enforcement   | 15,042,068    | 14,072,133    | 969,935         |
| Parking management  | 12,466,228    | 7,923,359     | 4,542,869       |
| Total expenditures and encumbrances                                     | 27,508,296    | 21,995,492    | 5,512,804       |
| <b>Excess of Revenues over Expenditures and Encumbrances (GAAP)</b>     | -             | 1,453,836     | (1,453,836)     |
| <b>Beginning Budgetary Fund Balance</b>                                 | -             | -             | -               |
| <b>Ending Budgetary Fund Balance</b>                                    | \$ -          | \$ -          | \$ -            |

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

**Baltimore City Department of Transportation**  
**Schedule of Revenues, Expenditures and Encumbrances, and Changes in Fund Balance**  
**Budget and Actual – Budgetary Basis – Internal Service Fund - Conduit**  
**Fiscal Years Ended June 30, 2017 and 2016**

|   | <b>2017</b>       |                     |                     |
|---|-------------------|---------------------|---------------------|
|   | <b>Budget</b>     | <b>Actual</b>       | <b>Variance</b>     |
| <b>Revenues</b>   |                   |                     |                     |
| Appropriations revenues   | \$ 18,122,425     | \$ 14,765,503       | \$ (3,356,922)      |
| <b>Expenditures and Encumbrances</b>                                |                   |                     |                     |
| Transfers   | 2,822,639         | 1,221,911           | 1,600,728           |
| Salaries and wages  | 5,632,234         | 2,866,890           | 2,765,344           |
| Other personnel cost  | 1,949,409         | 1,702,008           | 247,401             |
| Contractual services  | 5,568,107         | 5,956,968           | (388,861)           |
| Material and supplies   | 530,105           | 153,099             | 377,006             |
| Minor equipment   | 123,935           | 25,437              | 98,498              |
| Major equipment   | 1,188,927         | 256,663             | 932,264             |
| Other   | 307,069           | 307,069             | -                   |
| Total expenditures and encumbrances                                 | <u>18,122,425</u> | <u>12,490,045</u>   | <u>5,632,380</u>    |
| <b>Excess of Revenues over Expenditures and Encumbrances (GAAP)</b> | <u>\$ -</u>       | <u>\$ 2,275,458</u> | <u>\$ 2,275,458</u> |

|   | <b>2016</b>      |                      |                      |
|---|------------------|----------------------|----------------------|
|   | <b>Budget</b>    | <b>Actual</b>        | <b>Variance</b>      |
| <b>Revenues</b>   |                  |                      |                      |
| Appropriations revenues   | \$ 9,657,644     | \$ 37,972,092        | \$ 28,314,448        |
| <b>Expenditures</b>   |                  |                      |                      |
| Transfers   | 2,777,851        | 2,739,923            | 37,928               |
| Salaries and wages  | 2,483,735        | 2,323,555            | 160,180              |
| Other personnel cost  | 1,137,228        | 1,067,032            | 70,196               |
| Contractual services  | 2,802,758        | 3,220,887            | (418,129)            |
| Material and supplies   | 243,559          | 192,646              | 50,913               |
| Minor equipment   | 93,824           | 180,936              | (87,112)             |
| Major equipment   | -                | -                    | -                    |
| Other   | 118,689          | 1,652,363            | (1,533,674)          |
| Total expenditures and encumbrances                                 | <u>9,657,644</u> | <u>11,377,342</u>    | <u>(1,719,698)</u>   |
| <b>Excess of Revenues over Expenditures and Encumbrances (GAAP)</b> | <u>\$ -</u>      | <u>\$ 26,594,750</u> | <u>\$ 26,594,750</u> |

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



**Baltimore City Department of Transportation**  
**Schedule of Revenues, Expenditures and Changes in Cash Balance**  
**Capital Projects - Conduits**  
**Fiscal Years Ended June 30, 2017 and 2016**

|   | <u>2017</u>                 | <u>2016</u>                 |
|---|-----------------------------|-----------------------------|
| <b>Revenues</b>                             |                             |                             |
| Other fund                                  | <u>\$ 36,000,000</u>        | <u>\$ 26,000,000</u>        |
| <b>Expenditures</b>                         |                             |                             |
| Capital outlay                              | <u>12,555,020</u>           | <u>4,488,233</u>            |
| <b>Excess of Revenues over Expenditures</b> | 23,444,980                  | 21,511,767                  |
| <b>Beginning Fund Balance</b>               | <u>28,256,295</u>           | <u>6,744,528</u>            |
| <b>Ending Fund Balance</b>                  | <u><u>\$ 51,701,275</u></u> | <u><u>\$ 28,256,295</u></u> |

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

**Baltimore City Department of Transportation**  
**Schedule of Revenues, Expenditures and Changes in Cash Balance**  
**Capital Projects - Highway**  
**Fiscal Years Ended June 30, 2017 and 2016**

|  | <u>2017</u>                   | <u>2016</u>                   |
|--|-------------------------------|-------------------------------|
| <b>Revenues</b>                          |                               |                               |
| General fund                             | \$ 8,700,000                  | \$ 6,040,000                  |
| MVR                                      | 46,603.00                     | -                             |
| Mayor and City Council                   | 518,602                       | 277,199                       |
| Federal grant                            | 49,225,043                    | 30,685,701                    |
| State grant                              | 2,118,472                     | 1,778,858                     |
| State construction                       | 5,324,976                     | 10,982,522                    |
| Other fund                               | 3,704,524                     | 5,484,509                     |
| <b>Total Revenues</b>                    | <u>69,638,220</u>             | <u>55,248,789</u>             |
| <b>Expenditures</b>                      |                               |                               |
| Capital outlay                           | <u>66,004,942</u>             | <u>70,945,811</u>             |
| <b>Excess (Deficit) of Revenues over</b> |                               |                               |
| <b>Expenditures</b>                      | 3,633,278                     | (15,697,022)                  |
| <b>Beginning Fund Balance</b>            | <u>(51,887,189)</u>           | <u>(36,190,167)</u>           |
| <b>Ending Fund Balance</b>               | <u><u>\$ (48,253,911)</u></u> | <u><u>\$ (51,887,189)</u></u> |

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

**Baltimore City Department of Transportation**  
**Statement of Revenues, Expenditures and Changes in Grant Cash Balances**  
**Fiscal Year Ended June 30, 2017**

|  | <u>Cash Balance</u><br><u>2016</u> | <u>Revenue</u>       | <u>Expenditures</u> | <u>Cash Balance</u><br><u>2017</u> |
|--|------------------------------------|----------------------|---------------------|------------------------------------|
| <b>Federal Grants</b>  |                                    |                      |                     |                                    |
| Administration   | \$ (207,256)                       | \$ -                 | \$ 228,104          | \$ (435,360)                       |
| Parking management   | (38,974)                           | -                    | -                   | (38,974)                           |
| Street management  | (139,000)                          | 392,006              | 185,643             | 67,363                             |
| Traffic management   | (322,935)                          | -                    | 169,280             | (492,215)                          |
| <b>Total revenues, expenditures and<br/>change in grant balances - Federal</b> | <u>(708,165)</u>                   | <u>392,006</u>       | <u>583,027</u>      | <u>(899,186)</u>                   |
| <b>State Grants</b>  |                                    |                      |                     |                                    |
| Administration   | (25,893)                           | -                    | 243                 | (26,136)                           |
| Sustainable transportation   | 1,490,491                          | 4,315,061            | 2,809,032           | 2,996,520                          |
| <b>Total revenues, expenditures and<br/>change in grant balances - State</b>   | <u>1,464,598</u>                   | <u>4,315,061</u>     | <u>2,809,275</u>    | <u>2,970,384</u>                   |
| <b>Other Grants</b>  |                                    |                      |                     |                                    |
| Administration   | (371,600)                          | -                    | -                   | (371,600)                          |
| Traffic management   | 303,266                            | 94,801               | 174,031             | 224,036                            |
| Inner Harbor services  | 9,236,618                          | -                    | 367                 | 9,236,251                          |
| Sustainable transportation   | (33,471,888)                       | 12,576,025           | 4,798,554           | (25,694,417)                       |
| Dock Master  | 14,358                             | 148,792              | 156,937             | 6,213                              |
| Traffic safety   | (4,100,905)                        | -                    | -                   | (4,100,905)                        |
| <b>Total revenues, expenditures and<br/>change in grant balances - Other</b>   | <u>(28,390,151)</u>                | <u>12,819,618</u>    | <u>5,129,889</u>    | <u>(20,700,422)</u>                |
| <b>Total Grants</b>  | <u>\$ (27,633,718)</u>             | <u>\$ 17,526,685</u> | <u>\$ 8,522,191</u> | <u>\$ (18,629,224)</u>             |

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

**Baltimore City Department of Transportation**  
**Statement of Revenues, Expenditures and Changes in Grant Cash Balances**  
**Fiscal Year Ended June 30, 2016**

|  | <u>Cash Balance<br/>2015</u> | <u>Revenue</u>      | <u>Expenditures</u> | <u>Cash Balance<br/>2016</u> |
|--|------------------------------|---------------------|---------------------|------------------------------|
| <b>Federal Grants</b>  |                              |                     |                     |                              |
| Administration   | \$ (13,879)                  | \$ -                | \$ 193,377          | \$ (207,256)                 |
| Parking management   | (38,974)                     | -                   | -                   | (38,974)                     |
| Street management  | (93,099)                     | 148,431             | 194,332             | (139,000)                    |
| Traffic management   | 43,361                       | (43,361)            | -                   | -                            |
| Traffic safety   | (543,825)                    | 334,900             | 114,010             | (322,935)                    |
| <b>Total revenues, expenditures and<br/>change in grant balances - Federal</b> | <u>(646,416)</u>             | <u>439,970</u>      | <u>501,719</u>      | <u>(708,165)</u>             |
| <b>State Grants</b>  |                              |                     |                     |                              |
| Administration   | (25,432)                     | -                   | 461                 | (25,893)                     |
| Sustainable transportation   | (441,372)                    | 2,000,000           | 68,137              | 1,490,491                    |
| <b>Total revenues, expenditures and<br/>change in grant balances - State</b>   | <u>(466,804)</u>             | <u>2,000,000</u>    | <u>68,598</u>       | <u>1,464,598</u>             |
| <b>Other Grants</b>  |                              |                     |                     |                              |
| Administration   | (341,458)                    | -                   | 30,142              | (371,600)                    |
| Traffic management   | 417,567                      | 47,812              | 162,113             | 303,266                      |
| Inner Harbor services  | 9,810,412                    | -                   | 573,794             | 9,236,618                    |
| Sustainable transportation   | (28,515,359)                 | 445,286             | 5,401,815           | (33,471,888)                 |
| Dock Master  | (131,403)                    | 145,761             | -                   | 14,358                       |
| Traffic safety   | (4,100,905)                  | -                   | -                   | (4,100,905)                  |
| <b>Total revenues, expenditures and<br/>change in grant balances - Other</b>   | <u>(22,861,146)</u>          | <u>-</u>            | <u>6,167,864</u>    | <u>(28,390,151)</u>          |
| <b>Total Grants</b>  | <u>\$ (23,974,366)</u>       | <u>\$ 2,439,970</u> | <u>\$ 6,738,181</u> | <u>\$ (27,633,718)</u>       |

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

**Baltimore City Department of Transportation**  
**Notes to the Financial Statements**  
**Fiscal Years Ended June 30, 2017 and 2016**

**1. Description of the Baltimore City Department of Transportation**

The Baltimore City Department of Transportation (DOT) is responsible for the construction, reconstruction and maintenance of public streets, bridges and highways and the maintenance of streetlights, alleys and footways and the conduit system. Other duties include: the management of traffic movement, the inspection and management of City construction projects including testing and inspection of construction materials; and the preparation of surveys. Capital and federal funds are allocated for engineering, design, construction and inspection of streets and bridges in the City of Baltimore.

DOT maintains nearly 4,300 lane miles of roadways, including 305 bridges and culverts. The City's road network is composed of 540 miles of collector streets and 1,460 miles of local streets. About 8.1% of statewide vehicle miles traveled occur on City roadways. This amounts to 3.5 billion vehicle miles per year. DOT maintains 3,600 miles of sidewalks, 1,100 miles of alleys and 80,000 roadway and pedestrian lights throughout the City.

DOT is responsible for maintenance of the orderly and safe flow of traffic; conducting studies affecting pedestrian and vehicular safety; and providing and maintaining traffic signals, signs and pavement markings. The agency maintains about 1,300 signalized intersections, over 250,000 traffic and informational signs and over 4.5 million linear feet of lane markings.

DOT maintains and repairs all open air malls across the city; operates a vehicle storage facility; conducts the sale of abandoned and/or unclaimed vehicles at public auctions; and is responsible for the removal and impounding of illegally parked abandoned or disabled vehicles.

The City's Red Light Camera operation is a public safety initiative designed to reduce the number of motorists who run red lights; currently, the red light and speed camera programs are on hold while the agency evaluates potential new vendors for operation. A program is expected to be operational again in the upcoming fiscal year. The agency conducts safety education and training programs such as Safety City and related bicycle programs. The agency deploys more than 300 crossing guards at elementary and middle schools. The agency also operates the Charm City Circulator and water taxi "Harbor Connector" commuter service, and plans to launch a bike share program in the upcoming fiscal year.

The Parking Authority is responsible for: on-street and off-street parking including the management of the metered parking system and maintenance of 6,000 single-space parking meters; administration of special parking programs such as residential permit parking and ridesharing; enforcement of parking regulations; and management and development of off-street parking facilities.

**2. Fund Financial Statements**

These financial statement have been prepare on a cash basis of accounting other than accounting principles general accepted in the United States of America. Accordingly, they do not represent the financial position of the City of Baltimore or the Agency. The Agency's services are reported in the City's general, internal service, special revenue and capital projects funds. The agency annually receives appropriations from both the general, internal service, special revenue

**Baltimore City Department of Transportation**  
**Notes to the Financial Statements**  
**Fiscal Years Ended June 30, 2017 and 2016**

**2. Fund Financials Statements (continued)**

and capital projects funds. General fund and internal service fund appropriations expire at year end. The special revenue funds receive grants from the Federal, State and other sources. Appropriations for special revenue funds do not expire at year end and continue until they are used for grant related expenditures. Because of these differences, the financial statements of the Agency's general and internal service fund activities are reported on a budgetary basis in the *Schedule of Revenues, Expenditures, Encumbrances and Changes in Fund Balance*. The financial statements of the special revenue and capital project funds are reported in the *Statement of Revenues, Expenditures and Changes in Fund Balance*.

**3. Summary of Significant Accounting Policies**

The financial statements of DOT are prepared on a 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. 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**

DOT 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. Advance from the City**

Advances from the City represent cash advances by the City that have not been reimbursed by the Grantor. Cash advances not reimbursed by the grantor will be the responsibility of the City.

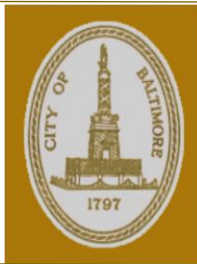
**6. Risk Management**

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 Department of Health 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.

**7. Subsequent Events**

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

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT  
AUDITING STANDARDS***



**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

Honorable Joan M. Pratt, Comptroller  
and Other Members of the  
Board of Estimates  
City of Baltimore, Maryland

We were engaged to audit, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance, Budget and Actual, Budgetary Basis, of the General Fund, Parking Management Fund, and Internal Service Fund – Conduits; Statement of Receipts, Expenditures and Changes in Cash Balance of the Capital Projects – Conduits and Capital Projects – Highway; and the Statement of Receipts, Disbursements and Changes in Grant Cash Balances - Grants, of the Baltimore City Department of Transportation (DOT) of the City of Baltimore, Maryland, for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the DOT’s basic financial statements and have issued our report thereon dated December 6, 2018. Our report disclaims an opinion on such financial statements because detailed revenue, expenditure, and encumbrance records have not been maintained and certain prior-year records and supporting data were not available for our audit.

**Internal Control over Financial Reporting**

In connection with our engagement to audit the financial statements of DOT, we considered the DOT’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the DOT’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City of X, State Y’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.



2017-001

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies.

2017-002

### **Compliance and Other Matters**

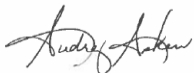
In connection with our engagement to audit the financial statements of the City of X, State Y, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

### **DOT's Response to Findings**

DOT's response to the findings identified in our engagement is described in the accompanying schedule of findings and questioned costs. DOT's response was not subjected to the auditing procedures applied in the engagement to audit the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an engagement to perform an audit in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Audrey Askew, CPA  
City Auditor

City of Baltimore, Maryland  
December 6, 2018

**Schedule of Findings and Questioned Costs  
For the Years Ended June 30, 2017 and 2016**

**Finding 2017-001**

**Material Weakness over Financial Reporting Function**

The Baltimore City Department of Transportation (DOT) is responsible for maintaining detailed records over their revenue, expense, and encumbrance transactions in accordance with accounting principles generally accepted in the United States of America.

***Condition:***

The Department of Audits (DOA) could not vouch amounts arising from expense, revenue, and encumbrance transactions to supporting documentation (i.e. invoices, receipts, worksheets, source documents, etc.). DOA noted through its testing that documentation for the transactions was either unavailable or did not agree to the amount in the City of Baltimore's general ledger.

***Cause:***

Upon entering transactions into the City of Baltimore's general ledger, accounting staff is not adequately backing up those entries with corresponding support in the CityDynamics operating system.

***Effect:***

Without adequate documentation, revenue, expenditure, and encumbrance balances could be improperly stated. There would be no way to review journal entries for accuracy by senior accounting personnel. There would be a heightened possibility of fraud. There would also be no way to determine if financial statements are reasonably stated. We would not

***Recommendation:***

We strongly recommend that DOT develops a process for keeping adequate records over its financial transactions. We suggest that in addition to relying on the Bureau of Accounting and Payroll, DOT maintains its own database to support its revenue, expense, and encumbrance entries.

***Auditee Response and Corrective Action Plan:***

**Schedule of Findings and Questioned Costs  
For the Years Ended June 30, 2017 and 2016**

**Finding 2017-002**

**Significant Deficiency over Internal Controls**

***Criteria:***

The Baltimore City Department of Transportation (DOT) is responsible for authorizing expense, revenue, and encumbrance transactions in accordance with adequate internal control policies as described in the COSO Integrated Framework and accounting principles generally accepted in the United States of America.

***Condition:***

The Department of Audits (DOA) noted through our testing of internal controls that many of DOT's expense, revenue, and encumbrance transactions do not have evidence of approval by authorized personnel.

***Cause:***

Before processing expense, revenue, and/or encumbrance transactions, DOT is not documenting evidence of approval.

***Effect:***

Without proper approval, revenue, expenditure, and encumbrance balances could be improperly stated. There could be fraudulent activity undergone by personnel.

***Recommendation:***

We strongly recommend that DOT develops a process for to ensure financial transactions are approved. We suggest that in addition to relying of the Bureau of Accounting and Payroll, DOT maintains its own database to show its transactions were authorized.

***Auditee Response and Corrective Action Plan:***