

Quadrennial Audits Policy

SCOPE

[Council Bill 12-0053](#) (“The Ordinance”) was enacted on August 15, 2012. The Ordinance amended the City Charter, in Article VII, Section 4.5, to require certain Executive Departments – referred to as “*Principal Agency*” in the City Charter – to undergo a quadrennial audit. The audit is to take place at least once during every four-year term of the Mayor and City Council. The audit must be of the *Principal Agency’s* operations during the preceding four years.

The Department of Finance will maintain a list of vendors that have been approved by the Board of Estimates as required by the City Charter. The audits are to commence in Fiscal Year 2014.

PRINCIPAL AGENCIES SUBJECT TO AUDIT

The City of Baltimore Quadrennial Agency Audits policy applies only to those Executive Departments defined as “*Principal Agencies*” in Council Bill 12-0053. Those thirteen agencies are delineated below. The Ordinance defines the following Executive Departments as being a “*Principal Agency*”:

- i. Department of Finance
- ii. Department of Law
- iii. Department of Public Works
- iv. Fire Department
- v. Police Department
- vi. Department of Housing and Community Development
- vii. Baltimore Development Corporation
- viii. Department of Parks and Recreation
- ix. Department of Transportation
- x. Department of General Services
- xi. Department of Planning
- xii. Department of Human Resources
- xiii. Mayor’s Office of Information Technology

Approximately three-to-four agencies will undergo an audit in a given year. The Department of Finance in consultation with the Office of the Mayor will determine which of the above agencies must undergo an audit during a given year. Please note that all agencies listed above must undergo at least one audit during every four-year-term of the Mayor and City Council.

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An “Audit” is defined by Article VII, Section 4.5 of the City Charter as an audit undertaken in accordance with generally accepted auditing standards and Federal and State Law; and states that an “Audit” includes both:

1. A financial audit of an Agency’s financial transactions, including all accounts, revenues, and receipts; and
2. A performance audit that assesses an Agency’s practices to determine whether the agency is operating economically and efficiently and whether corrective actions for improving its performance are appropriate.

DEPARTMENT OF FINANCE RESPONSIBILITIES

The Department of Finance, pursuant to consultation with the Office of the Mayor, shall be responsible for ensuring overall compliance with Article VII, Section 4.5 of the City Charter. The Department of Finance is tasked with the following:

- Requesting appropriations sufficient to pay for audits and related expenses for all 13 “*Principal Agencies*” consistent with the City’s annual budget process.
- Determining which “*Principal Agencies*” will be audited during the course of a given year.
- Ensuring all 13 “*Principal Agencies*” are audited during the course of every four-year-term of the Mayor and City Council.

PRINCIPAL AGENCY RESPONSIBILITIES

Each “*Principal Agency*” must undergo an audit at least once during every four-year term of the Mayor and City Council. The “*Principal Agency*” must:

- Engage an approved vendor or the Department of Audits;
- Make available all financial transactions from the preceding four years; including all receipts, revenues, and expenditures;
- Obtain financial statements and notes to the financial statements from the Department of Finance, Bureau of Accounting and Payroll Services (BAPS);
- Make available documentation relating to procedures, policies, service delivery, laws, regulations, etc.; and
- Make available key personnel to the auditors, including the Agency Head and the Agency Fiscal Officer.

Quadrennial Audits Policy**EXCEPTIONS**

All Executive Departments, defined as a “*Principal Agency*” in Article VII, Section 4.5 of the City Charter, must adhere to the City of Baltimore’s Quadrennial Agency Audits policy described in this document.

PROCEDURES

As indicated above, the Department of Finance in consultation with the Office of the Mayor shall be responsible for ensuring compliance with Article VII, Section 4.5 of the City Charter. The following procedures will take place each year during a four-year Mayoral and City Council term:

- 1) The Department of Finance in consultation with the Office of the Mayor will determine which three-to-four “*Principal Agencies*” will undergo an audit during that fiscal year.
- 2) After consultation with the Office of the Mayor, the Department of Finance Director will inform the “*Principal Agency*” Head in writing that her/his agency will be audited that year.
- 3) The Finance Director will instruct the “*Principal Agency*” to initiate an Engagement Letter for an audit estimate in accordance with rotational vendor selection defined in the contract or the Department of Audits.
- 4) The Department of Finance, in conjunction with the “*Principal Agency*”, will review the Engagement Letters and estimates to confirm compliance with the contract and to ensure the pricing appears to be fair and reasonable.
- 5) After review of the Engagement Letters, all appropriate materials will be packaged and a letter to the Board of Estimates seeking approval for the purchase order versus the blanket will be prepared and added to the Board’s agenda for the next available meeting.
- 6) Once the Board has approved the purchase order, the vendor or the Department of Audits will begin and perform the audit under the purview (contract management) of the Department of Finance.
- 7) The “*Principal Agency*,” through the Department of Finance, will facilitate transmittal of the financial and performance audits to the Board of Estimates. Copies of the audits will be provided to the Mayor, the President of the City Council, the Comptroller, and all members of City Council.

Please note that any changes to the Board of Estimates approved final contract, such as extensions of time, unforeseen circumstances or developments, changes in scope, etc., will have to go through the normal change order process, which requires the approval of the Board of Estimates.

