



OFFICE OF THE COUNTY AUDITOR

Craig Glendenning, CPA
County Auditor

MEMORANDUM

December 6, 2016

MEMO TO: Council Members

Allan Kittleman
County Executive

FROM: Craig Glendenning
County Auditor

SUBJECT: Exit Audit – Phyllis Madachy

Pursuant to Section 213 of the Howard County Charter, “upon the death, resignation, removal or expiration of the term of any County administrative officers, the County Auditor shall cause an audit and investigation of the accounts maintained by the officer, and by his or her department, office or agency, to be made.” We have conducted an exit audit for Phyllis Madachy, Director of Citizens Services until the termination of her employment, effective August 31, 2016.

The objectives of our review were to determine whether:

- The County’s procedures for separation of employment were followed.
- The accounts maintained by Ms. Madachy were in order.
- Ms. Madachy’s access to County systems had been followed.
- Ms. Madachy’s earnings on her final earnings statement were accurate.

Regarding our fourth objective to determine the accuracy of the final earnings, we found that while the total pay amount was computed correctly, the Department of Finance incorrectly calculated State tax withholding. As a result of the error, Ms. Madachy’s final net pay was \$15 less than it should have been. There is no impact to the County.

We recommend that the Department of Finance take steps to ensure the accuracy of withholding calculations.

Administration’s Response:

The Administration concurs with this recommendation. Howard County treats the mandatory retirement

deduction as a pre-tax deduction in accordance with the Federal treatment of the deduction for tax withholding purposes. The County uses the Comptroller of Maryland's Net Pay Tax Calculator to calculate the taxes and deductions applicable to an employee's final pay statement.

This audit discovered that the State of Maryland does not pre-tax the retirement deduction on the net pay tax calculator; as a result the State taxable wage is not reduced by the retirement deduction for withholding purposes. As it relates to Ms. Madachy, while the total pay amount was computed correctly, the tax withholding amount was overstated by \$15. The overage was credited to Ms. Madachy's State tax withholding account and she will have the benefit of the additional withholding upon filing her 2016 MD State Income Tax. The Department of Finance - Bureau of Disbursements, has noted the difference in the tax treatment for the retirement portion of the State's Net Pay Calculator and going forward, any applicable retirement deduction will be posted in a section of the system that treats the deduction as a pre-tax amount for both Federal and State tax withholding.

We found no exceptions regarding our other objectives. We wish to express our gratitude to the staffs of the Chief Administrative Officer, the Department of Technology and Communication Services, the Office of Human Resources and the Department of Finance for the cooperation and assistance extended to us during the course of this engagement.

cc: Lonnie Robbins, Chief Administrative Officer
Gary Kuc, County Solicitor
Nancy Gray, Deputy Chief Administrative Officer
Caitlin Connors, Internal Auditor