

HARFORD COUNTY, MARYLAND

REPORT ON SINGLE AUDIT

YEAR ENDED JUNE 30, 2016

**HARFORD COUNTY, MARYLAND
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INDEPENDENT AUDITORS' 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

To the Honorable members of the County Council
Harford County, Maryland

We have audited, 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 governmental activities, the business-type activities, the aggregate discretely presented components units, each major fund, and the aggregate remaining fund information of Harford County, Maryland (the County) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's financial statements, and have issued our report thereon dated October 3, 2016. Our report includes a reference to other auditors who audited the financial statements of Harford County Public Schools and the Harford Center, as described in our report on the County's financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered County'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 County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Honorable members of the County Council
Harford County, Maryland

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, 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*.

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 result 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 audit performed 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Baltimore, Maryland
December 27, 2016

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable members of the County Council
Harford County, Maryland

Report on Compliance for Each Major Federal Program

We have audited Harford County, Maryland's (the County) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2016. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Harford County, Maryland's basic financial statements include the operations of Harford County Public Schools, Harford Community College, Harford County Public Library, and the Harford Center, Inc., discretely presented component units. Federal awards received by these discretely presented component units are not included in the County's schedule of expenditures of federal awards for the year ended June 30, 2016. Our audit, described below, did not include the operations of these discretely presented component units.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

To the Honorable members of the County Council
Harford County, Maryland

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2016-001 and 2016-002. Our opinion on each major federal program is not modified with respect to these matters.

The County's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned cost and corrective action plan. The County's response were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as 2016-001 and 2016-002 that we consider to be significant deficiencies.

The County's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan.

To the Honorable members of the County Council
Harford County, Maryland

The County's response were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information of Harford County, Maryland (the County), as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated October 3, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



CliftonLarsonAllen LLP

Baltimore, Maryland
December 27, 2016

**HARFORD COUNTY, MARYLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016**

Federal Agency	Federal Program	CFDA Number	Pass-Through Agency	Pass-Through/ Grantor Number	Total Federal Expenditures	Passed Through to Subrecipients
Department of Agriculture	Soil and Water Conservation	10.902	Harford Soil Conservation District	MDA-1821T-FY16	\$ 53,527	\$ -
Department of Commerce	Coastal Zone Management Estuarine Research Reserves	11.420	Maryland Department of Natural Resources	14-15-1999 CBR128, 14-16-2115 CBR134	50,153	-
Department of Defense	Community Economic Adjustment Assistance for Compatible Use and Joint Land Use Studies	12.610	NA	NA	190,532	-
Department of Housing and Urban Development	Housing Counseling Assistance Program	14.169	NA	NA	23,960	-
	Community Development Block Grants/Entitlement Grants	14.218	NA	NA	902,458	-
	Emergency Solutions Grant Program	14.231	NA	NA	71,082	-
	Home Investment Partnerships Program	14.239	NA	NA	244,591	-
	Housing Opportunities for Persons with AIDS	14.241	Mayor and City Council of Baltimore	36038, 36648, 37063	206,209	-
	Continuum of Care Program	14.267	NA	NA	461,230	-
	Section 8 Housing Choice Vouchers	14.871	NA	NA	8,494,685	-
	Total Department of Housing and Urban Development				10,404,215	-
Department of the Interior	Sport Fish Restoration Program	15.605	Maryland Department of Natural Resources	F-109-D-1	178,569	-
	U.S. Geological Survey-Research and Data Collection	15.808	NA	NA	26,781	-
	Total Department of the Interior				205,350	-
Department of Justice	Crime Victim Assistance	16.575	Governors Office of Crime Control and Prevention	VOCA-2015-2206	25,691	-
	State Criminal Alien Assistance Program	16.606	Governors Office of Crime Control and Prevention	2015-AP-BX-0021	21,026	-
	Edward Byrne Memorial Justice Assistance Grant Program	16.738	NA	NA	32,759	-
	Improving the Investigation and Prosecution of Child Abuse and the Regional and Local Children's Advocacy Centers	16.758	Maryland Children's Alliance	BELA-MD-SA15	9,000	-
	Equitable Sharing Program	16.922	NA	NA	42,681	-
	Total Department of the Interior				131,157	-

**HARFORD COUNTY, MARYLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016
(CONTINUED)**

Federal Agency	Federal Program	CFDA Number	Pass-Through Agency	Pass-Through/ Grantor Number	Total Federal Expenditures	Passed Through to Subrecipients
Department of Labor	WIA/WIOA Cluster					
	WIA/WIOA Adult Program	17.258	Maryland Department of Labor, Licensing and Regulation	P00P5400588-A, P00P64SQ010- A, P00P64SQ040-A	\$ 687,610	\$ 687,610
	WIA/WIOA Youth Activities	17.259	Maryland Department of Labor, Licensing and Regulation	P00B5400019-B, P00P64SQ010- B	607,409	607,409
	WIA/WIOA Dislocated Worker Formula Grants	17.278	Maryland Department of Labor, Licensing and Regulation	P00P5400588-C, P00P64SQ010- C, P00P5400519	663,711	663,711
			WIA Cluster total		<u>1,958,730</u>	<u>1,958,730</u>
Department of Transportation	Highway Planning and Construction	20.205	State Highway Administration	HA370CM2, HA342ZM2, HA342B21, HA369B21, HA398ZM1, HA415ZM1	2,820,282	-
	National Motor Carrier Safety	20.218	State Highway Administration	CMV-2015, CMV-2016	8,802	-
	Federal Transit Cluster					
	Capital Investment Grants	20.500	Maryland Transportation Authority	HA015307C2013, HA015307C2014, HA015307C2016, HA015339C2016	269,474	-
	Formula Grants	20.507	Maryland Transportation Authority Federal Transit Cluster total	HA01STAPO2016, MD-95-CM-16	1,169,272	-
					<u>1,438,746</u>	<u>-</u>
	Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	Baltimore Metropolitan Council	FY2015UPWP, FY2016UPWP	272,013	-
	State and Community Highway Safety Cluster					
	State and Community Highway Safety	20.600	Maryland Vehicle Administration	15-041, LE-HARFORD-2016-071	138,380	-
	National Priority Safety Programs	20.616	Maryland Vehicle Administration National Priority Safety Programs Cluster total	15-073, GN-HARFORD-2016-095	51,054	-
					<u>189,434</u>	<u>-</u>
	Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	Maryland Emergency Management Agency	HM-HMP-0398-14-01	7,616	-
	Total Department of Transportation				<u>4,736,893</u>	<u>-</u>

**HARFORD COUNTY, MARYLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016
(CONTINUED)**

Federal Agency	Federal Program	CFDA Number	Pass-Through Agency	Pass-Through/ Grantor Number	Total Federal Expenditures	Passed Through to Subrecipients
Department of the Treasury	Forfeiture Funds	21.000	NA	NA	\$ 187,744	\$ -
Environmental Protection Agency	Congressionally Mandated Projects	66.202	Maryland Department of the Environment	96314301	54,839	-
	Chesapeake Bay Program	66.466	Chesapeake Bay Trust	13425	23,776	-
			Maryland Department of the Environment	U00P5400715	7,700	-
	Total Environmental Protection Agency				86,315	-
Department of Health and Human Services	Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services Aging Cluster	93.043	Maryland Department of Aging	AAA-3-24-011	8,891	-
	Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	Maryland Department of Aging	AAA-3-24-011	158,933	-
	Title III, Part C, Nutrition Services	93.045	Maryland Department of Aging	AAA-3-24-011	383,289	-
			Aging Cluster total		542,222	-
	National Family Caregiver Support, Title III, Part E	93.052	Maryland Department of Aging	AAA-3-24-011	64,828	-
	Medicare Enrollment Assistance Program	93.071	Maryland Department of Aging	ST-2517-011, ST-6517-011	5,832	-
	Child Support Enforcement	93.563	Maryland Department of Human Resources	CSEA/CRA-15-046, CSEA/CRA- 15-016, CSEA/CRA-16-046, CSEA/CRA-16-016	1,198,542	-
	Grants to States for Access and Visitation Programs	93.597	Maryland Department of Human Resources	OGM/AV-12-003, OGM/AV-16-003	49,052	-
	Children's Justice Grants to States	93.643	Governor's Office of Crime Control and Prevention	CJAC-2014-1002, CJAC-2015-1302	15,789	-
	Medical Assistance Program	93.778	Maryland Department of Aging	552217000	35,474	-
	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	Maryland Department of Aging	6515, 6904, ST-6515-011	113,748	-
	Block Grants for Prevention and Treatment of Substance Abuse	93.959	Maryland Department of Human Resources	AS304OMP	86,629	-
	Total Department of Health and Human Services				2,121,007	-

**HARFORD COUNTY, MARYLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016
(CONTINUED)**

Federal Agency	Federal Program	CFDA Number	Pass-Through Agency	Pass-Through/ Grantor Number	Total Federal Expenditures	Passed Through to Subrecipients
Executive Office of the President	High Intensity Drug Trafficking Areas Program	95.001	NA	NA	\$ 20,221	\$ -
Department of Homeland Security	Non-Profit Security Program	97.008	Maryland Emergency Management Agency	13-SR 8849-02	48,883	-
	Hazard Mitigation Grant	97.039	Maryland Emergency Management Agency	HMGP-4170-DR-MD-013	165,390	-
	Emergency Management Performance Grants	97.042	Maryland Emergency Management Agency	14-SR 8849-01, 15-SR 8849-01	99,786	-
	Homeland Security Grant Program	97.067	Maryland Emergency Management Agency	14-SR 8849-03	1,148,759	-
	Total Department of Homeland Security				1,462,818	-
Total Federal Awards Expended				<u>\$ 21,608,662</u>	<u>\$ 1,958,730</u>	

HARFORD COUNTY, MARYLAND
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of Harford County, Maryland (the County) for the year ended June 30, 2016.

Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes all Federal grants to the County that had activity during the fiscal year ended June 30, 2016. The Schedule was prepared on the modified accrual basis of accounting. The information in this schedule is presented in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

NOTE 2 INDIRECT COSTS

The County did not elect to use the 10% de Minimis cost rate for indirect costs.

NOTE 3 LOAN PROGRAM

The County has a loan program to provide low-interest loans to businesses for housing for low to moderate income persons. The federal Department of Housing and Urban Development (HUD) grants money for these loans to the County. The Schedule reports loans made and administrative costs as disbursements on the Schedule, as management has determined that the loans do not have continuing compliance requirements. The loans were disbursed under CFDA 14.218 and the outstanding loan balance as of June 30, 2016 was \$347,968.

**HARFORD COUNTY, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____	Yes	_____X_____	No
Significant deficiency(ies) identified that is not considered to be a material weakness.	_____	Yes	_____X_____	None reported
Noncompliance material to financial statements noted?	_____	Yes	_____X_____	No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	_____	Yes	_____X_____	No
Significant deficiency(ies) identified that is not considered to be a material weakness.	_____X_____	Yes	_____	None reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)??	_____X_____	Yes	_____	No
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Identification of Major Programs

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number(s)</u>
Community Development Block Grants/Entitlement Grants	14.218
Continuum of Care Program	14.267
Federal Transit Cluster	20.500, 20.507
Aging Cluster	93.044, 93.045
Homeland Security Grant Program	97.067

Dollar threshold used to distinguish between type A and type B programs \$ 750,000

Auditee qualified as low-risk auditee?	_____X_____	Yes	_____	No
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**HARFORD COUNTY, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016**

II. FINANCIAL STATEMENT FINDINGS

There were no audit findings required to be reported in relation to the financial statements for the year ended June 30, 2016.

HARFORD COUNTY, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Reference: 2016-001

Federal Agency:	Department of Housing and Urban Development
Federal Program Title and CFDA Number:	Community Development Block Grants (14.218)
Compliance Requirement:	Reporting/Earmarking
Type of Finding:	Significant Deficiency in Internal Control, Noncompliance
Award Period:	July 1, 2011 to July 1, 2016

Condition:

The County's process for preparing its Federal financial reports does not currently include appropriate documentation to support its allocation of Federal and local funds. Additionally, amounts were reported for administration expenses in excess of the required threshold.

Criteria or specific requirement:

Accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board, require entities to establish and maintain effective internal control over financial reporting to prepare timely, accurate financial reports.

Pursuant to 24 CFR section 570.200(G), the amount of CDBG funds obligated during each program year for planning plus administrative costs, as defined in §§ 570.205 and 570.206, respectively, shall be limited to an amount no greater than 20 percent of the sum of the grant made for that program year (if any) plus the program income received by the recipient and its subrecipients (if any) during that program year.

Context:

The amounts reported for administration in the Comprehensive Annual Performance and Evaluation Report (CAPER) exceeded the 20% administrative threshold by approximately \$48,000. However, direct local expenditures, which were federally eligible, existed in excess of \$48,000.

Questioned Costs:

None

Effect:

The County may not be submitting complete and accurate information on their Federal reports.

Cause:

County staff did not properly document the data included in their Financial reports to the general ledger.

Recommendation:

We recommend the County develop a process that includes reconciling and documenting its reconciliation of any amounts entered in IDIS as well as reconcile the general ledger to any external reports.

Views of responsible officials and planned corrective actions: The discrepancies between the HUD documents and the County's general ledger are attributed to each agency using a different method of expense allocation. HUD has historically operated on a first-in-first-out method, allocating

HARFORD COUNTY, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016

expenses to oldest grants with funds available. The County was using specific identification to allocate expenses to funding years. Beginning with federal fiscal year 2015 (County fiscal year 2016), HUD transitioned to a grant based accounting method. Under this method HUD will make disbursements against specific user-defined grant years. With both agencies using the same method of allocation, reconciliation between agency reports and source documents will no longer be an issue. The County will continue to make necessary adjustments to the general ledger to bring amounts in agreement with all prior HUD documents. Additionally, County Treasury personnel will review and reconcile current HUD database and report amounts to the general ledger on a quarterly basis. The County reviewed the administration expenses associated with the earmarking requirements for the grant years subjected to the single audit examination, federal fiscal years 2011, 2012, 2013, 2014 and 2015. All years, except for 2011, were found to be under the required threshold established for the earmarking requirement. In 2011, County personnel inadvertently coded a project to administration expense in the IDIS system. Projects will continue to be entered into the IDIS system according to the approved action plan by one County employee. The data entry will be reviewed for accuracy by another County employee.

HARFORD COUNTY, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016

Finding Reference: 2016-002

Federal Agency:	Department of Homeland Security
Federal Program Title and CFDA Number:	Homeland Security Grant Program (97.067)
Compliance Requirement:	Equipment
Type of Finding:	Significant Deficiency in Internal Control, Noncompliance
Award Period:	September 1, 2014 to May 31, 2016

Condition:

The County's system utilized to track fixed assets purchases did not properly identify and track assets purchased between \$5,000 and \$15,000 under the Homeland Security Grant Program. Additionally an inventory count was not conducted within the past two fiscal years.

Criteria or specific requirement:

44 CFR Section 13.32 states the following in regard to Equipment: (d) Management requirements. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of the property, who holds the title, the acquisition date and cost of the property, percentage of Federal participation in the cost of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.

Context:

The County has not performed an inventory count in the past two fiscal years. The County did not track the required elements for equipment purchases between \$5,000 and \$15,000. One of the five equipment purchase for the fiscal year ended June 30, 2016, which totaled \$7,369, was under the \$15,000 threshold.

Effect:

Disposal of equipment purchased with Federal funds may not be identified and funds obtained from the sale of equipment purchased with Federal funds may not be utilized for the Federal Program.

Cause:

The County's system for tracking all fixed assets was set with a minimum threshold of \$15,000 and the County did not conduct the required inventory count.

Recommendation: We recommend the County strengthen its controls around inventory tracking to ensure the elements required by Federal regulations are properly tracked and conduct an inventory count at least once every two years.

HARFORD COUNTY, MARYLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016

Views of responsible officials and planned corrective actions: The County's capitalization policy is capturing assets purchased with federal funds in excess of \$15,000. Assets are recorded in the County's fixed asset system (FAACS) and records have been adjusted to capture the minimum data elements required by current federal regulations. The County will adjust its capitalization threshold for assets purchased with Federal funds to \$5,000 to ensure that any funds obtained from the sale of equipment purchased with Federal funds will be utilized as directed by the Federal awarding agency. County Grant Accountants will inform the Treasury Department when assets \geq \$5,000 are purchased with Federal funds and need to be recorded in FAACS. A bi-annual physical inventory will be taken and documented by all County Departments with assets purchased by federal funds in \geq \$5,000. Physical inventory documentation will be verified by County Treasury personnel.

**HARFORD COUNTY, MARYLAND
SCHEDULE OF PRIOR YEAR FINDINGS
JUNE 30, 2016**

IV. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There are no audit findings or questioned costs in relation to the federal awards for the year ended June 30, 2016.