



# HARFORD COUNTY, MARYLAND

## Office of the County Auditor

December 29, 2016

### Report Highlights

#### Why We Did This Audit

Financial statement audits have been completed for most of the county's affiliated agencies.

Generally, agencies fully used their county appropriations.

#### What We Found

Fire companies do not consistently complete their financial reporting timely.

Council Members and County Executive Glassman:

In accordance with Section 213(b) of the Harford County Charter, an audit of the County's financial statements as of June 30, 2016 has been completed and an unmodified opinion was reported to the County Council and County Executive on October 28, 2016. Financial Statement audits of the County's affiliated agencies (not included in the Comprehensive Annual Financial Report) have been performed by various independent public accounting firms. I submit this report to you, in accordance with the reporting extension approved by the County Council on October 18, 2016.

Each year a number of audits and agreed upon procedures are performed by the County's external auditor, CliftonLarsonAllen, LLP. The projects below have been completed with unmodified audit opinions.

- Volunteer Firefighter Length of Service Award Program
- Sheriff's Office Pension System
- Local Management Board Revenues and Expenditures
- 9-1-1 Trust Fund Receipts and Expenditures
- Compliance with Federal Register Financial Assurance Criteria for Municipal Solid Waste Landfills (Agreed Upon Procedures)

A number of agencies received an appropriation from the County in fiscal year 2016, but are not component units of the County for financial reporting purposes. They include:

- Harford County Health Department
- Humane Society of Harford County
- ARC Northern Chesapeake Region
- Maryland School for the Blind
- 12 Volunteer Fire Companies (VFC)
- Volunteer Fire and EMS Association
- Volunteer Fire and EMS Foundation

Appropriations to these agencies were approximately 2.4% of the FY2016 budget. They are all not-for-profit or government organizations that supplement their Harford County appropriations with funding from other sources. I have reviewed the financial and independent auditor reports provided for each organization. Except for the matters in the explanatory comments below, each organization received an unmodified audit opinion and I did not identify any information that indicated a misuse of County funds. Additionally, each entity's costs exceeded their County appropriation.

While it does not receive a County appropriation, the Liquor Control Board provides an annual commission to the County. I have reviewed the Liquor Control Board's FY2016 financial statements. They were audited by an independent accounting firm and received an unmodified opinion.

In accordance with County Charter Section 213(b), I present the following explanatory comments related to the audits of the County's affiliated agencies:

#### Comment 1

As noted in prior years, a number of the VFC financial statements have been submitted to the County after their due dates. Submission of these reports allows the County to confirm that appropriations to the companies were fully expended for approved uses. For FY2016, we noted that two (2) reports were not issued by the companies' auditors by the October 28 due date and 11 were not received by the County Auditor prior to the due date. Presumably, they were not received by any other County official by the due date. For FY2015 and FY2014, eight (8) and six (6) reports, respectively, were issued after the due date. The issue of timeliness of financial reporting was reported with a management response in 2014 (Audit Report 2014-F-01(2)). We recommended the Administration consider modifying the VFC agreements to make some payments contingent upon receipt of audited financial statements. The prior audit finding and recommendation will remain open.

Jarrettsville, Darlington and Fallston did not provide financial statements to Harford County as of the date of this report.

#### Comment 2

Abingdon Volunteer Fire Company received a qualified audit opinion related to its exclusion of a significant donated asset for financial reporting purposes. The result is that Abingdon's assets are understated. This condition remains from the prior year. It does not impact the Company's use of County funds.

#### Comment 3

Humane Society of Harford County did not provide financial statements to Harford County in time to be included in this report. Humane Society management has advised that the report has been delayed by their auditors. Prior history with the Humane Society has not shown any issues related to the proper and complete use of County funds. We will review the report when it is received.

Management has been provided an opportunity to respond to this report; however, no response was required or provided. I am available to respond to any questions you have regarding this summary.

Sincerely,

*Chrystal Brooks, CPA*

Chrystal Brooks  
County Auditor

cc: Mr. Edward Hopkins, Director of Emergency Services  
Mr. Robert Sandlass, Treasurer  
Ms. Mylia Dixon, Council Administrator