



# HARFORD COUNTY, MARYLAND

## Office of the County Auditor

June 6, 2013

Honorable Members of the County Council  
Harford County, Maryland  
212 South Bond St., 2<sup>nd</sup> floor  
Bel Air, MD 21014

Dear Members:

In accordance with the Rules of Procedure for the Office of the County Auditor, this report summarizes the activities of the Office for fiscal year 2013.

### Status of Audits Planned

The FY2013 Audit Plan included 9 audits; 6 have been completed. The Network and Application Security Controls Audit, which was not completed, has been postponed so that we can better determine the scope of the project in coordination with other related projects. We expect to complete fieldwork for the Detention Center Inmate Accounts Audit and the Grants Administration and Monitoring Audit before June 30, 2013; reports will be issued in July, 2013.

In addition to the initially planned audits, we completed four unanticipated projects during the year:

- Status of the Board of Education's Legislative Audit Findings
- Supplemental Purchase Card Review
- Charter § 214 Review of The Harford Center
- Petty Cash Audit of the Harford County Housing Agency

A more detailed summary of the FY2013 Audit Plan follows this letter.

### Summary of Audit Recommendations

<u>Audit</u>	<u>Number of Recommendations</u>		
	<u>Reported</u>	<u>Closed</u>	<u>Open</u>
Purchase Card Controls	10	6	4
Purchase Card Controls - Supplement	1	-	1
Procurement Practices	7	-	7
Harford Center - § 214 Review	8	-	8
Payroll Controls	4	-	4
Housing Agency Petty Cash	1	-	1

A comprehensive report detailing the status of all of the above audit findings will be provided to you as a separate report in October, 2013.

*~ Preserving Harford's past; promoting Harford's future ~*

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### Other Audit Activities

Research Request Responses	10
Evaluations of Fraud Reports	2
Fiscal Analysis of Bills	54
Fiscal Analysis of Resolutions	36
Analyses Updated for Amendments	19
Hours spent on Budget Ordinance Analysis	224
Continuing Professional Education Credits Earned	146

### Quality Assurance and Improvement Program

In accordance with the International Standards for the Professional Practice of Internal Auditing, the Office has a Quality Assurance and Improvement Program (QAIP). Internal assessments are performed for every engagement to confirm that audits are performed in accordance with internal audit and government auditing standards. Our QAIP also involves an annual review of projects completed, audit methodology and a survey of the Office's stakeholders. I have completed the annual QAIP review for FY2013 and found that audit standards were met. We can improve by working to identify more opportunities for government specific training and ensuring that the Office receives regular feedback from stakeholders with audit knowledge.

Over the first full year of the Office, there were many lessons learned. In particular, we learned more about the County's many business processes, its leadership and various departments' work styles. To improve our office and our audits in the future, I would like to implement more post-audit feedback from management. Further, I think that we will need to work to facilitate more open dialogue with the members of management so that they will view the Office of the County Auditor as a resource. We surveyed the Office's stakeholders and found that many were not aware of all of the services the Office provides, which further supports the need for more interaction with management and other stakeholders.

Overall, the results of the stakeholder survey showed that the Office of the County Auditor met or exceeded most stakeholders' expectations. We received comments asking for more feedback for employees involved in the audit, so we are working to determine how to best distribute audit results to interested parties without impacting departments' workflows or circumventing management's chain of command.

An external assessment of the Office is planned for FY2015.

### Comparison to Other County Auditors

Harford County's audit budget is comparable to some other jurisdictions in terms of its proportion of the overall budget. However, small differences can equate to a significant difference in the amount of spending each auditor could potentially need to review. The analysis below compares Harford County to other Maryland Counties based on proposed FY2014 budgets. Carroll and Cecil Counties do not have internal audit activities for comparison.

	<b>Harford</b>	<b>Frederick</b>	<b>Howard</b>	<b>Anne Arundel</b>
Auditors	2	3	7	6
Annual Budget	\$ 800,494,757	\$ 733,002,832	\$ 2,017,552,900	\$ 3,053,893,900
Spending Per Auditor	\$ 400,247,379	\$ 244,334,277	\$ 288,221,843	\$ 508,982,317
Audit Budget	\$ 346,582	\$ 370,023	\$ 983,226	\$ 1,223,800
Audit as a % of Total	0.043%	0.050%	0.049%	0.040%

We have considered which projects other audit offices have completed to identify projects that are similar to our audit plan. We additionally identified projects that we may want to consider in the future.

<b>County</b>	<b>Similar Audits</b>	<b>Other Audits to Consider</b>
Anne Arundel	<ul style="list-style-type: none"> <li>• Procurement Card Performance Audit</li> <li>• Association of Local Government Auditors Peer Review 2012</li> <li>• Landfill Assurance Agreed-Upon Procedures</li> </ul>	<ul style="list-style-type: none"> <li>• Health Insurance Enrollment</li> <li>• DPW Waste Hauler Program</li> <li>• Special Community Benefit District Reporting</li> <li>• Evaluation of Health Insurance Rates</li> </ul>
Frederick	<ul style="list-style-type: none"> <li>• Opportunities to Improve the P-Card Program &amp; Internal Controls</li> <li>• Capital Construction Management</li> </ul>	<ul style="list-style-type: none"> <li>• FCC Dining Services' Operations</li> <li>• User Access Authentication Assessment &amp; Review of Multi-Function Printer Security</li> </ul>
Howard	<ul style="list-style-type: none"> <li>• Agricultural Land Preservation Program Review</li> <li>• Separated Director Exit Audit</li> <li>• Annual Audits Volunteer Fire Corps.</li> </ul>	<ul style="list-style-type: none"> <li>• Annual Physical Inventory Count - Recreations and Parks</li> </ul>
Baltimore City	<ul style="list-style-type: none"> <li>• Loan &amp; Guarantee Program</li> <li>• Review of Water and Wastewater Billing Procedures</li> </ul>	<ul style="list-style-type: none"> <li>• Review of Abandoned Properties</li> <li>• Parking Tax Performance Audit</li> <li>• Board Endorsements &amp; Review</li> </ul>
Baltimore County	<ul style="list-style-type: none"> <li>• Sheriff - Inmate Funds</li> <li>• Procurement Card Purchase Transactions</li> </ul>	<ul style="list-style-type: none"> <li>• Laptop Computers Inventory</li> <li>• Sheriff - Firearms Inventory</li> <li>• Recreation and Parks - Maintenance System and Equipment Inventory</li> <li>• Tenant Relocation Assistance Payments</li> </ul>

As we move into the FY2014 audit plan, I expect to continue to see improvements in the efficiency of our audits and the value that the Office of Audits adds to Harford County. I am available to respond to any questions you have regarding this report.

Sincerely,

Chrystal Brooks, CPA, CGFM, CIA, CISA, CGAP  
County Auditor

### **Status of FY2013 Audit Plan**

<u><b>Audit Name</b></u>	<u><b>Status</b></u>	<u><b>Report Date</b></u>	<u><b>Comments</b></u>
Section 214 Review - Public Works	Complete	August 13, 2012	<p>In accordance with Harford County Charter section 214, upon death, resignation or removal of any county officer, the County Auditor shall cause an audit and investigation to be made of any accounts maintained by the officer and by his agency. The objective of this review was to satisfy the requirements of Charter Section 214, with regard to Robert Cooper, Director of Public Works, who retired on 6/30/2012. The scope was limited to accounts and resources under the control of the Office of the Director of Public Works.</p> <p><b>There were no findings or recommendations related to this audit.</b></p>
Financial Statement Audits for FY2012	Complete	CAFR - October 19, 2012	General coordination related to ensuring that required Financial Statement Audits are completed and provided to the County Auditor.
		Affiliated Agencies - December 11, 2012	<p><b>The County's audit opinion was unqualified.</b></p> <p><b>Audit opinions for affiliated entities were generally unqualified. The one qualified audit opinion did not indicate a misuse of County funds.</b></p>
OMB A-133 Single Audits for FY2012	Complete	December 21, 2012	General coordination related to ensuring that Single Audits are completed timely.
			<p><b>The audit opinions for Harford County, Harford County Public Schools and Harford Community College were all unqualified and noted no instances of non-compliance with Federal program requirements.</b></p>

<u>Audit Name</u>	<u>Status</u>	<u>Report Date</u>	<u>Comments</u>
Purchase Card Controls	Complete	December 27, 2012	<p>The objective of this audit is to determine if Harford County's corporate purchase card program has sufficient controls in place to ensure that purchases are proper, allowable and correctly allocated for financial reporting. The scope is limited to the controls over approving and reviewing cardholders, transactions and related accounting.</p> <p><b>There were 10 recommendations resulting from this audit. 6 of the recommendations have been addressed.</b></p>
Housing Agency Petty Cash	Complete	February 1, 2013	<p>The objective of this review is to ensure that petty cash processes for Harford County Housing Agency are in compliance with Petty Cash policies and ensure disbursements and replenishment transactions are approved and properly accounted for. The scope is limited to reviewing the controls over the department's petty cash fund.</p> <p><b>There was 1 recommendation resulting from this review.</b></p>
Purchase Card Controls – Supplemental Procedures	Complete	February 22, 2013	<p>After completing the Purchase Card Controls audit, additional purchase cards were identified that were not included in the County's central purchase card program. This project will assess if the County's policies and procedures have been followed for those additional accounts and related purchases.</p> <p><b>There was 1 new recommendation resulting from this audit.</b></p>
Procurement Practices	Complete	March 5, 2013	<p>The objective of this review is to determine if all applicable guidelines were followed for County procurements. As they will be reviewed in a separate project, purchase card controls will be excluded from this review.</p> <p><b>There were 7 recommendations resulting from this audit.</b></p>

<b><u>Audit Name</u></b>	<b><u>Status</u></b>	<b><u>Report Date</u></b>	<b><u>Comments</u></b>
Payroll Controls	Complete	Pending Management Responses	<p>The objective of this audit is to confirm that controls are sufficient and effective to ensure that payroll calculations, time entry, leave balances, benefit deductions and leave payouts are correct. The scope of this audit was limited to reviewing payroll transactions, leave balances, benefit deductions, and leave payouts.</p> <p><b>There were 4 recommendations resulting from this audit.</b></p>
Status of HCPS Legislative Audit Findings	Complete	April 19, 2013	<p>The objective of this audit is to confirm that remediation actions have taken place to address the recommendations in the 2008 audit report issued by the Office of Legislative Audits. The project will be performed in coordination with HCPS' Internal Auditor.</p> <p><b>8 of the 20 recommendations remain open.</b></p>
Section 214 Review - Harford Center, Inc.	Complete	April 19, 2013	<p>In accordance with Harford County Charter § 214, the objective of this review was to satisfy the requirements of the Charter, with regard to the Harford Center Executive Director who resigned on April 11, 2013. The scope was limited to the financial operations of the Harford Center.</p> <p><b>There were 8 recommendations resulting from this audit.</b></p>
Grants Administration and Monitoring Controls	In Progress	July, 2013	<p>The objective of this audit is to confirm that Harford County has appropriate controls in place to ensure that the grants that it receives, provides or administers are sufficient to ensure that funds are used as intended and allowed.</p>
Detention Center Commissary Account Controls	In Progress	July, 2013	<p>The objective of this audit is to confirm that controls are adequate to ensure that each individual's commissary account is properly managed.</p>