

RULES OF PROCEDURE OF THE OFFICE OF THE COUNTY AUDITOR

I. INTRODUCTION. The Office of the County Auditor (the Office) exists to assist the Harford County Council and Executive Branch by providing objective reviews of legislation and operations to confirm efficient and effective use of County resources. To accomplish this mission, the Office of the County Auditor will follow the guidelines in this document.

A. CHARTER. Internal audit standards recommend that an internal audit charter DESCRIBE the authority scope and responsibilities of the internal audit activity. The County Auditor's mandated responsibilities are described in the Harford County Charter, Sections 213 and 214.

B. OFFICE OBJECTIVES. Activities of the Office serve to:

1. Enhance the ability of County Council Members to fulfill their legal and fiduciary responsibilities;
2. Add to the credibility and objectivity of financial reports;
3. Monitor existing policies and recommend new policies to prohibit unethical, questionable or illegal activities;
4. Promote the need for public accountability of County Officers to the County Council, citizens and other interested parties; and
5. Support measures to improve management performance and internal controls.

II. INDEPENDENCE AND OBJECTIVITY

A. COUNTY AUDITOR. Appointment, qualifications and compensation of the County Auditor are addressed by the County Charter, Section 213. Independence of the

County Auditor is essential to the credibility of the Office; therefore, the County Auditor position must be nonpartisan. The County Auditor functionally reports to the County Council; administratively, the County Auditor reports to the President of the County Council.

B. OFFICE OF THE COUNTY AUDITOR. The work of the Office must be conducted in a nonpartisan fashion. To ensure the objectivity of the staff of the Office, the County Auditor shall have the power to appoint, employ, and remove such assistants, employees and personnel as deemed necessary for the efficient and effective administration of the affairs of the office and to prescribe their duties, scope of authority and qualifications, subject to the Office's budget limitations and in accordance with the County's personnel policies.

C. MANAGEMENT RESPONSIBILITIES OF THE COUNTY AUDITOR. The County Auditor shall not perform the duties of the Council Members or Executive Branch or make decisions that could be construed as such. The County Auditor's management responsibilities may not extend beyond those functions required to direct and administer the Office.

III. POWERS AND DUTIES; SCOPE OF AUDITS. In addition to those duties specifically identified in Sections 213 and 214 of the County Charter:

A. PROPOSED LEGISLATION. The County Auditor will prepare objective Fiscal Impact Analysis of proposed legislation as required by Chapter 31 of the Harford county code.

B. AUDITS. In accordance with Section 213 of the Charter of Harford County, the Office has the authority to conduct financial, operational and performance audits of any

1 office, department or agency funded in whole or in part by the County in order to
2 independently and objectively determine whether:

3 1. Activities and programs being implemented have been authorized by
4 government Charter or Code, state law or applicable federal law or regulations
5 and are being conducted and funds expended in compliance with applicable laws;

6 2. The department, office, or agency is acquiring, managing, protecting, and
7 using its resources (including public funds, personnel, property, equipment, and
8 space) economically, efficiently, and effectively and in a manner consistent with
9 the objectives intended by the authorizing entity or enabling legislation;

10 3. The entity, programs, activities, functions, or policies are effective,
11 including the identification of any causes of inefficiencies or uneconomical
12 practices;

13 4. The desired result or benefits are being achieved;

14 5. Financial and other reports disclose fairly, accurately, and fully all
15 information required by law, to ascertain the nature and scope of programs and
16 activities, and to establish a proper basis for evaluating the programs and
17 activities including the collection of, accounting for, and depositing of, revenues
18 and other resources;

19 6. Management has established adequate operating and administrative
20 procedures and practices, systems or accounting internal control systems and
21 internal management controls; and

22 7. Indications of fraud, abuse or illegal acts require further investigation.

1 **C. CONSULTING SERVICES.** The Office may provide non-assurance, consulting
2 and analysis services, as appropriate, provided those activities do not impair the
3 independence or objectivity of the Office.

4 **D. AUDITEE RESPONSIBILITY.** All officers and employees of Harford County
5 shall furnish to the County Auditor unrestricted access to employees, information and
6 records (including electronic information) within their custody, or under their control,
7 required to conduct an audit or otherwise perform the Auditor's duties. In addition, they
8 shall provide access for the County Auditor to inspect all property, equipment and
9 facilities within their custody. Further, County officials shall take appropriate steps to
10 ensure the County Auditor's access to contractors' and subcontractors' employees and to
11 all financial and performance related records, property, and equipment purchased in
12 whole or in part with governmental funds. If such officers or employees fail to produce
13 the aforementioned access and/or information, the Auditor may escalate the request, as
14 necessary, to initiate a search to be made and exhibits to be taken from any book, paper
15 or record of any such official or employee, or outside contractor or subcontractor, except
16 as governed by statute.

17 **IV. STANDARDS OF PRACTICE.**

18 **A. APPLICABLE STANDARDS.** All activities of the Office shall be conducted in
19 accordance with Government Auditing Standards issued by the Comptroller General of
20 the United States. The County Auditor may also elect to follow the International
21 Standards for the Professional Practice of Internal Auditing, issued by the Institute of
22 Internal Auditors (also referred to as "the Standards").

1 **B. PEER REVIEW.** The County Auditor will ensure that a peer review of the
2 Office is performed in accordance with applicable auditing standards and that results are
3 appropriately reported.

4 **V. AUDIT ADVISORY BOARD.** The County Auditor will coordinate the activities of the
5 Audit Advisory Board in accordance with section 9-IVA of the Harford County Code.

6 **VI. ACCOUNTABILITY.**

7 **A. ANNUALLY.** On an annual basis, the County Auditor will present, to the
8 County Council, a risk based audit plan. The audit plan presentation will include the
9 proposed plan and the rationale for the audit strategy. The audit plan will be based on a
10 risk assessment that considers the input of County Officers, and Council Members and
11 the County Auditor's judgment, knowledge and experience. In the selection of audit
12 areas and audit objectives, the determination of audit scope and the timing of audit work,
13 the County Auditor should consult with federal, state and external auditors so that the
14 desirable audit coverage is provided and audit effort is properly coordinated. The County
15 Auditor shall have responsibility to implement the audit plan.

16 **B. TRIANNUALLY.** At least three times per year, the County Auditor will present,
17 to the County Council, a summary of any completed audits and a progress update towards
18 completion of the annual audit plan. The presentation will also include any informational
19 updates on behalf of the Audit Advisory Board.

20 **C. AS NEEDED.** If the County Auditor becomes aware of abuse or illegal acts or
21 indications of such acts that could affect the Harford County Government, the County
22 Auditor shall report the irregularities to the County Council, County Executive and/or
23 Council Attorney, as appropriate, to ensure investigation and prompt resolution. If it

appears that the irregularity is criminal in nature, the Auditor shall notify the chief prosecuting authority in addition to those officials previously cited.

D. AS NEEDED. The County Auditor may change the audit plan to accommodate changes in circumstances. These changes will be communicated, with explanations, to the County Council at the next triannual presentation.

VII. REQUESTS FOR AUDITOR SERVICES.

A. PLANNING. When preparing the annual audit plan, the County Auditor will allocate resources to unanticipated or specially requested audits. That time will be used to conduct reviews under County Charter section 214 or reviews that become necessary as a result of a request from the Administration, the County Council or an allegation of fraud, abuse or misuse.

B. INITIATING REQUESTS. To ensure the best use of County Auditor resources, requests for unanticipated audits or other services should be made in writing, when possible, for consideration by the County Auditor. Requests should include:

1. The requestor's name and title (and the names of any Council members in support of the request);
2. Background information on the subject matter; and
3. Anticipated Deadlines.

When a request for services is received, the County Auditor will review the request, determine the resources needed and respond to the requestor, within five (5) business days regarding the disposition of the request. The results of any audits added to the annual audit plan will be reported to the County Council. The County Auditor shall have responsibility to implement the audit plan.

1 **C. CONFIDENTIAL REPORTING.** The County Auditor will implement and
2 promote appropriate mechanisms to allow confidential and anonymous reporting of
3 allegations of fraud, abuse or misuse of County resources. These matters will be
4 reviewed by the Office for substance and validity to determine what steps should be
5 taken. Statistics related to this program will be reported triannually in the Auditor's
6 update to the County Council. The County Auditor and the Office staff are not eligible to
7 receive any remuneration related to whistleblower programs, if those programs exist.

8 **VIII. REPORTING**

9 **A. WRITTEN REPORTS.** In accordance with applicable standards, each audit will
10 result in a report, written or in some other retrievable form. The report shall contain
11 relevant background information and findings and recommendations, and shall
12 communicate results to the appropriate parties.

13 **B. MANAGEMENT RESPONSE.** A final draft of the audit report will be
14 forwarded to the audited agency head (or designee) for review and comment regarding
15 factual content prior to its release. The agency must respond in writing, specifying (i)
16 agreement with audit findings and recommendations or reasons for disagreement with
17 findings and/or recommendations; (ii) plans for implementing solutions to issues
18 identified; (iii) a timetable to complete such activities. The response must be forwarded to
19 the Auditor within 10 business days. The Auditor will include the agency's response in
20 the report. If no response is received, the Auditor will note that fact in the transmittal
21 letter and will release the audit report.

22 **C. REPORT PRESENTATION.** The County Auditor will submit each audit report
23 with management's responses to the members of the County Council and the County

Executive and shall retain a copy as a permanent record. Final audit reports will be presented in summary, for comment, to the County Council and the County Executive. As needed, individual audit reports will be escalated for full presentation to the County Council at the discretion of the County Auditor.

D. AVAILABILITY. All audit reports will be made available to the public on the County's internet site. Any redactions to those reports will be in compliance with the Maryland Public Information Act (General Provisions Article of the Maryland Code, Title 4).

E. SUBSEQUENT REVIEW. The County Auditor shall follow-up on audit recommendations, as practical, to determine if corrective action has been taken. The County Auditor may request periodic status reports from audited agencies regarding actions taken to address reported deficiencies and audit recommendations.

IX. MEETINGS WITH COUNTY OFFICIALS.

A. SCHEDULING. In consideration of the limited resources of the Office, the County Council Members and members of the Administration should make every effort possible to schedule meetings with the County Auditor at least one day in advance. The County Auditor will provide the same consideration to the Council Members and Administration.

B. OPEN MEETINGS ACT. The County Auditor will make necessary provisions to ensure that meetings with Council members do not violate the Maryland Open Meetings Act (General Provisions Article of the Maryland Code, Title 3) requirements.

X. CONTRACT AUDITORS, CONSULTANTS AND EXPERTS. Within budget limitations, the Auditor may obtain the services of Certified Public Accountants, qualified

1 management consultants, or other professional experts necessary to perform audit work. An audit
2 that is performed by contract must be conducted by persons who have no financial interests in
3 the affairs of the county government or its officers. The County Auditor will coordinate and
4 monitor auditing performed by certified public accounting firms or other organizations employed
5 under contract by the Harford County to assist with audit related activities. Contracting for the
6 external audit will follow Harford County's normal competitive procurement processes. The
7 County Auditor will recommend a Certified Public Accounting firm for the annual financial
8 audit based on the procurement results. The selection must be approved by the County Council.