



HARFORD COUNTY, MARYLAND

Office of the County Auditor

December 28, 2015

Report Highlights

Why We Did This Audit

In accordance with the County Charter, 213, this report confirms the completion of financial audits for agencies that receive or disburse County funds.

What We Found

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

Generally, agencies fully used their county appropriations.

Fire companies do not consistently complete their financial reporting timely.

The Harford County Health Department is unable to compile a report of its use of County Funds.

REPORT ON FINANCIAL AUDITS OF AFFILIATED AGENCIES

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, 2015 has been completed and an unmodified opinion was reported to the County Council and County Executive on October 30, 2015. 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 6, 2015.

Each year a number of audits and agreed upon procedures are performed by the County's external auditor, SB&Company, LLC. 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 2015, 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 2.5% of the FY2015 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.

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

The Harford County Health Department has not been able to generate an auditable financial report to confirm its proper use of County appropriations. We reported this condition in a prior audit report (2014-A-09) with recommendations to improve internal controls and systems. This was confirmed by an agreed upon procedures report issued by SB&Company last year. The FY2015 agreed-upon procedures report has not yet been completed. The prior audit findings and recommendations will remain open.

Comment 2

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 FY2015, we noted that eight (8) reports were not issued by the companies' auditors by the October 28 due date. For FY2014, six (6) reports were issued after the due date. The issue of timeliness of financial reporting was reported at that time for management response (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.

Susquehanna Hose Company did not provide financial statements to Harford County in time to be included in this report.

Comment 3

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.

Management has been provided an opportunity to respond to this report; the response provided follows this letter. I am available to respond to any questions you have regarding this summary.

Sincerely,

Chrystal Brooks, CPA

Chrystal Brooks
County Auditor

cc: Mr. Robert Sandlass, Treasurer
Ms. Mylia Dixon, Council Administrator

MANAGEMENT RESPONSE

HCHD response: Unfortunately, due to unforeseen circumstances, the Harford County Health Department audit report will not be completed by December 31, 2015. SB & Company is in the process of performing the audit and it will be completed by January 15, 2016. We have put a reminder system in place for procuring this annual audit earlier in the fiscal year to eliminate future delays.

County Administration response: Management recognizes the concerns of the Auditor and is looking into possible solutions to the findings of the report. Hopefully, during 2016, this issue will be resolved.