



HARFORD COUNTY, MARYLAND

Office of the County Auditor

June 17, 2014

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

Dear Council 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 2014.

Status of Audits Planned

The FY2014 Audit Plan included 11 audits to be completed by the Office; 7 have been completed, 3 have been postponed, and 1 is in progress. We expect to complete fieldwork for the Water and Sewer Billing and Collections Audit during the summer; a report will be issued in September, 2014. We have pushed forward an audit of Property Management Controls, from 2015, and anticipate issuing a report in September 2014.

In addition to the planned audits, we completed seven significant unanticipated projects during the year:

- Review of Comcast's Franchise Fees
- Audit of Harford Center Attendance
- Audit of Harford County Health Department Financial Management
- Analysis of Harford County EMS Costs
- Audit of Fleet Maintenance Contract Management
- Charter § 214 Review of the Director of Human Resources
- Charter § 214 Review of the Chief of Staff

A more detailed status of the FY2014 Audit Plan follows this letter.

Summary of Audit Recommendations

<u>Audit</u>	<u>Number of Recommendations</u>		
	Reported	Closed	Open
Prior Years' Audit Findings	71	40	31
Harford Center Attendance	1	1	-
Charter § 214 Audit – HR Director	2	1	1
Accounts Payable Controls	3	-	3
Cash Receipts Controls	2	-	2
Fleet Maintenance Contract Mgmt.	3	-	3
Harford County Health Department	9	-	9
Comcast Franchise Fees	1	1	-
Petty Cash Audits	8	2	6

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

A comprehensive report detailing the status of all of the above audit findings will be provided to you as a separate report in October, 2014.

Other Audit Activities

Research Request Responses	10
Evaluations of Fraud or Abuse Reports	6
Fiscal Analysis of Bills	49
Fiscal Analysis of Resolutions	23
Analyses Updated for Amendments	13
Hours spent on Budget Analysis	318
Continuing Professional Education Credits Earned	205

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, continuous review of our audit methodology and a bi-annual survey of the Office's stakeholders. I have completed the QAIP review for FY2014 and found that audit standards were met. We can improve by working to identify more opportunities for government specific training. Although this remains a point of focus from the prior year, we have improved in this area by joining the Maryland Government Finance Officers Association and attending their sponsored training events.

Last year, this annual summary noted that we could improve by ensuring that the Office receives regular feedback from stakeholders with audit knowledge. I am happy to report that since then the Audit Advisory Board has been created. The Board has met 4 times since it was created. The Board members have provided great feedback on our risk assessments and overall strategy. The next meeting will be held Thursday, September 4, 2014 at 4:30pm in the 2nd floor Conference Room.

Overall, the results of the 2013 stakeholder survey showed that the Office of the County Auditor met or exceeded most stakeholders' expectations. However, we found that many were not aware of all of the services the Office provides, supporting the need for more interaction with management and other stakeholders. The number of unanticipated projects completed this year indicates that more stakeholders feel comfortable utilizing the services of the County Auditor. Four of the seven additional projects were requested by members of management.

As we plan for the upcoming year, we are developing strategies to ensure that we understand the organization objectives and audit needs of a new Executive Administration and County Council. We additionally want to educate the Executive Administration about the value of setting clear objectives and goals and performing entity-wide risk assessments

to improve the likelihood of achieving those objectives. Stakeholder surveys will be conducted again next year to measure our office against the new stakeholders' expectations.

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 FY2015 budgets. The table also includes Harford County, including its component units. We noted that every County's budget is smaller than the prior year. Other Counties audit budgets are increasing because of salary increases and additional outsourcing of audits; Harford's budget has increased to provide a new auditor for half of the year, increasing bandwidth within the office.

	<u>Harford</u>	<u>Harford & Comp.</u>	<u>Frederick</u>	<u>Howard</u>	<u>Anne Arundel</u>
Auditors	2.5	3.5	1	6	6
Annual Budget	\$ 626,998,803	\$ 891,911,884	\$ 692,346,304	\$ 1,695,276,814	\$ 2,240,720,100
Spending Per Auditor	\$ 250,799,521	\$ 254,831,967	\$ 692,346,304	\$ 282,546,136	\$ 373,453,350
Internal Audit Budget	\$ 279,115	\$ 482,400	\$ 498,230	\$ 1,058,955	\$ 1,298,500
Audit as a % of Total	0.045%	0.054%	0.072%	0.062%	0.058%

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. Throughout the year, those risk areas are added to our risk assessment for prioritization in the audit schedule.

As we move into the FY2015 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 would like to acknowledge the hard work of Laura Tucholski throughout the year. She has achieved two new professional certifications this year and continues to be an invaluable resource to this office.

I am available to respond to any questions you have regarding this report.

Sincerely,



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

Auditor Update to the County Council

June, 2014

Status of Planned Audits

Changes to this summary since the last update are indicated by **red font**.

<u>Audit Name</u>	<u>Status</u>	<u>Report Date</u>	<u>Comments</u>
Follow-up to Prior Audit Findings	Complete	August 30, 2013	Review of the remediation status of prior audit findings and preparation of a summary report for the County Council. Of 71 findings reviewed, 40 are closed, 19 remain open and completion deadlines have not passed for 12.
Harford Center Attendance	Complete	September 18, 2013	Determine that attendance records agree to information submitted to the state for reimbursement. There was 1 finding/recommendation resulting from this audit.
Accounts Payable Controls	Complete	January 10, 2014	Determine if controls related to Accounts Payable are adequate to ensure that only valid vendors and debts are paid by the County. There were 3 recommendations resulting from this audit
Cash Receipts Controls	Complete	January 10, 2014	Confirm that payments received at the Treasurer's payment window, lockbox, website and through other sources are properly applied and deposited. There were 2 recommendations resulting from this audit.
Financial Statement Audits for FY2013	Complete	CAFR – October 31, 2013 Affiliated Agencies – December, 2013	General coordination related to ensuring that required Financial Statement Audits are completed and provided to the County Auditor.
OMB A-133 Single Audits for FY2013	Complete	December 19, 2013	General Coordination related to ensuring that Single Audits are completed timely.

FY2014 Year In Review Auditor Summary

<u>Audit Name</u>	<u>Status</u>	<u>Report Date</u>	<u>Comments</u>
Section 214 Review – Human Resources	Complete	October 25, 2013	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 is to satisfy the requirements of Charter Section 214, with regard to Scott Gibson, Director of Human Resources, who resigned on 10/1/2013. The scope is limited to accounts and resources under the control of the Director of Human Resources. There were 2 recommendations resulting from this audit.
Comcast Franchise Fee Revenue	Complete	October 15, 2013	Determine that all properties in Harford County are appropriately included in the franchise fee received annually from Comcast. <u>We estimated Comcast's underpayment of approximately \$70,000 for 2011, 2012 and 2013. That amount has been paid to the County.</u>
Analysis of Harford County EMS Costs	Complete	February 14, 2014	Estimate the HCVFEMS Foundation Costs and County-wide EMS Costs based on projected staffing levels and historic financial and incident data.
Fleet Maintenance Overpayment Refund Analysis	Complete	December 11, 2013	At management's request, we performed a review of an amount refunded by the County's Fleet Maintenance Contractor.
Management of Fleet Maintenance Contract	In Progress <u>Complete</u>	February 28, 2014	Confirm that the processes in place to manage the fleet maintenance contract are sufficient to ensure proper invoicing and payment. <u>There were 3 recommendations resulting from this audit.</u>

FY2014 Year In Review Auditor Summary

<u>Audit Name</u>	<u>Status</u>	<u>Report Date</u>	<u>Comments</u>
Health Department Financial Management	<u>In Progress</u> <u>Complete</u>	March <u>17, 2014</u>	Determine if the Harford County Health Department has adequate controls in place to ensure that County funds are utilized for intended purposes, patients are properly billed and financial reports are available. <u>There were 9 recommendations resulting from this audit.</u>
Petty Cash Fund Audits	<u>Not Started</u> <u>Complete</u>	<u>Throughout FY2014</u> <u>April, 2014</u>	Budget for 6-8 petty cash audits. These projects will be coordinated with the Treasurer's Office to ensure adequate coverage. Departments audited will be determined throughout year, but will not be disclosed until immediately preceding the project. <u>There were 8 recommendations resulting from the 5 audit reports.</u>
Water and Sewer Billing and Collection Controls	<u>Not Started</u> <u>In Planning</u>	<u>July, 2014</u> <u>September, 2014</u>	Confirm that controls in place are adequate to ensure that customers are billed the correct amount and revenue is collected.
Debt Management Controls	<u>In Progress</u> <u>Complete</u>	<u>March, 2014</u> <u>May 30, 2014</u>	Confirm that Harford County has adequate controls in place to ensure debt payments are made timely and that the County is compliant with its bond covenants. The project will include a reconciliation of the projects authorized by bond bills to the related bond issue resolutions. <u>There were no issues to report.</u>
Board of Education Financial Management Practices Performance Audit	In Progress	<u>June, 2014</u> <u>Unknown</u>	This audit will be performed by Maryland's Office of Legislative Audits
Network and Application Security Controls	<u>Not Started</u> <u>Postponed</u>	TBD	Scope: To be determined <u>We have determined that this audit will be separated into a network management review and a detailed internal controls review. Both are performance audits and will be scheduled if authorized by proposed changes to the County Charter.</u>

FY2014 Year In Review Auditor Summary

<u>Audit Name</u>	<u>Status</u>	<u>Report Date</u>	<u>Comments</u>
<u>Property Management Controls</u>	<u>In Planning</u>	<u>October, 2014</u>	<p><u>Determine if processes are adequate to ensure that the County's rental and lease payments are proper and monitored for compliance with contract terms.</u></p> <p><u>We have moved this project forward so that it can be outsourced using funds available in FY2014.</u></p>
<u>Section 214 Review – Chief of Staff</u>	<u>In Progress</u>	<u>July, 2014</u>	<p><u>The objective of this review is to satisfy the requirements of Charter Section 214, with regard to Aaron Tomarchio, Chief of Staff, whose resignation becomes effective on June 6, 2014. The scope is limited to the accounts and resources under the control of the Chief of Staff.</u></p>
<u>Fraud Reporting</u>	<u>In Progress</u>	<u>N/A</u>	<p><u>There have been 0 fraud reports since the last interim Council update. The Office continues to be available to ensure that matters are reviewed for substance and appropriate follow-up steps are taken.</u></p>