



HARFORD COUNTY, MARYLAND

Office of the County Auditor

August 19, 2015

Report Highlights

Why We Did This Review

This annual summary is required by the OCA Rules of Procedure.

What We Found

The Office passed its first Peer Review.

Planned audits have been completed or included in the FY2016 audit plan.

What We Recommend

We need to continue to strive to obtain more, relevant high quality professional education.

We need to continue to monitor the impact of staffing limitations.

Harford County Council
212 S. 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 2015.

Status of Audit Plan

The FY2015 Audit Plan included 16 audits to be completed by the Office; all are complete except for 2 that were postponed until FY2016 and one that will be reported in early September. There were a number of projects that were delayed or shifted to accommodate delays in hiring a staff auditor and implementation of bill 14-17 which allows operational and performance audits. We continue to stress to the Council that we would like to complete all identified audits every two years, but the current staffing level would require more than 4 years to complete all projects.

For the audits completed, we made 47 recommendations. A more detailed status of the FY2015 Audit Plan and a summary of the recommendations follow this letter.

Quality Assurance and Improvement

In accordance with the International Standards for the Professional Practice of Internal Auditing, and Government Auditing Standards, the Office has a Quality Assurance and Improvement Program (QAIP). Our QAIP involves project-level review procedures, an annual review of all projects completed, continuous review of our audit methodology and feedback from the Office's stakeholders. At least every three years, the QAIP must include independent external review.

I am happy to report that the Office passed its Peer Review. The report, which is attached, demonstrates that the policies and procedures we have implemented ensure the quality and reliability of audit results. Per the Government Auditing Standards, a Pass rating is "A conclusion that the audit organization's system of quality controls has been suitably designed and complied with to provide the audit

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

212 South Bond Street * Room 219 * Bel Air, Maryland 21014

410-638-3161 * www.harfordcountymd.gov/auditor

organization with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects." This type of review must be conducted every three years and was coordinated by the Association of Local Government Auditors.

Additionally, I have completed our internal QAIP review for FY2015 and found that audit standards were met. We can improve by working to identify more opportunities for better, more comprehensive training and have increased the budget for that purpose. Overall, the results of the last 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. To that end, we have met with new members of the County's Executive Administration to explain the role of the Office and ensure that they are aware of the resources we can provide.

As we move into the FY2016 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 summary.

Sincerely,



Chrystal Brooks

CPA, CGFM, CIA, CISA, CGAP, CRMA

County Auditor

cc: Mr. Barry Glassman, County Executive
Mr. Billy Boniface, Director of Administration
Audit Advisory Board Members

Auditor Update to the County Council

August, 2015

Status of FY2015 Planned AuditsChanges 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	October 23, 2014	Review of the remediation status of prior audit findings and preparation of a summary report for the County Council.
Financial Statement Audits for FY2014	Complete	CAFR – October 31, 2014 Affiliated Agencies – December 30, 2014	General coordination related to ensuring that required Financial Statement Audits are completed and provided to the County Auditor. There were 2 recommendations resulting from the review of affiliated agencies.
OMB A-133 Single Audits for FY2014	Complete	November 18, 2014	General Coordination related to ensuring that Single Audits are completed timely.
Section 214 Reviews - County Council Office, County Executive, Other Officials	Complete Comm. Serv. Council & Exec. Sheriff and Directors	October 17, 2014 January 23, 2015 February 23, 2015	In accordance with Harford County Charter Section 214, upon the 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. As a proactive measure, we will plan to review the accounting of the County Council Office and Members following the 2014 election, regardless of whether members remain in office. There were 5 recommendations resulting from these reviews.
Income Tax Revenue	Complete	July 31, 2014	Determine if controls are adequate to ensure that income tax revenue is recorded and collected. There were no issues to report.
Property Tax Billing and Collection Controls	Complete	November 21, 2014	Determine if controls are adequate to ensure that property tax revenue is recorded and collected. There were no issues to report.

<u>Audit Name</u>	<u>Status</u>	<u>Report Date</u>	<u>Comments</u>
Investment Controls	Moved to FY2016	September, 2015	Ensure that controls are adequate to ensure proper selection, purchase, sale and accounting of the County's investments.
Network Security Monitoring Controls	In Progress <u>Complete, but not yet reported</u>	July, 2015 <u>September 2015</u>	Determine if the County's network monitoring service contract is appropriately supervised and to determine if changes to network configurations are appropriately approved, implemented and reviewed.
Capital Projects for Affiliated Agencies	In Progress <u>Complete</u>	June <u>29</u> , 2015	Determine if affiliated agency requests for capital project reimbursements are supported. <u>There was 1 recommendation resulting from this audit.</u>
Ethics Disclosures and related processes	In Progress <u>Complete</u>	June, 2015 <u>July 30, 2015</u>	Confirm that ethics filings are appropriately completed and reviewed and to determine if procedures are adequate to identify conflicts in current or proposed County relationships. <u>There were 3 recommendations resulting from this audit.</u>
Environmental Services Billing and Collection Controls	Moved to FY2016	March, 2016	Confirm that controls are adequate to ensure that customers are billed the correct amount and receivables are collected.
Petty Cash Fund Audits	Not Started <u>Complete</u>	Throughout FY2015 <u>August, 2015</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 7 recommendations resulting from these audits.</u>
Peer Review of the Office of the County Auditor	In Planning <u>Complete</u>	July, 2015 <u>August 13, 2015</u>	IIA Professional Standards and GAO Yellow Book standards require an evaluation of the Office's methodology and quality controls. <u>The review resulted in a Pass rating.</u>

Summary of Audit Recommendations

<u>Audit</u>	<u>Number of Recommendations</u>		
	Reported	Closed	Open
Prior Years' Audit Findings	110	80	30
Charter Section 214 Exit Audits	6	-	6
Water and Sewer Billing Controls	3	1	2
Property Management Controls	4	-	4
Capital Projects for Affiliates	1	-	1
Financial Statement Audits	2	-	2
Board of Education (OLA Audit)	15	1	14
Budget Analysis	1	-	1
Purchase Card Controls (interim)	4	-	4
Ethics Disclosure Processes	3	-	3
Petty Cash Audits	7	-	7
Research Requests	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, 2015.

Other Audit Activities

Research Request Responses	12
Evaluations of Fraud or Abuse Reports	6
Fiscal Analysis of Bills	24
Fiscal Analysis of Resolutions	35
Hours spent on Budget Analysis	311
Continuing Professional Education Hours	90