



HARFORD COUNTY, MARYLAND

Office of the County Auditor

AUDIT OF CAPITAL PROJECTS FOR AFFILIATED AGENCIES

Report Highlights

Why We Did This Audit

This audit was conducted as part of the County Auditor's risk-based Annual Audit Plan approved by the County Council for FY2018.

What We Found

We noted that controls are adequate to ensure that capital costs for affiliated agencies are proper.

Report Number: 2018-A-13

Date Issued: 03/19/2018

Council Members and County Executive Glassman:

In accordance with Section 213 of the Harford County Charter, we have performed an audit of the capital projects costs for Harford County's affiliated agencies. The results of that audit, our findings and recommendations for improvement are detailed in the attached report. We would like to thank the members of management for their cooperation during the audit.

The audit found each agency has its own process for reviewing and approving capital costs. Those processes are reasonable and the reimbursements requested are supported by relevant documentation. Further, the County's reimbursement of those costs is properly tracked by project.

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

Sincerely,

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

cc: Mr. Robert Sandlass, County Treasurer
Ms. Deborah Judd, Asst. Superintendent for Business Services, HCPS
Ms. Beth Fetcho, Director of Finance, HCC
Ms. Mary Hastler, Chief Executive Officer, HCPL
Mr. Edward Hopkins, Director, Emergency Services



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REVIEW RESULTS

We have audited Harford County’s affiliated agencies capital projects for the period of 7/1/2015 through 12/31/2017. Harford County reimburses its affiliated agencies for capital project costs that have been approved in the county’s budget. We sought to confirm that the reimbursements were made for appropriate and relevant costs.

Our opinion, based on the evidence obtained, is controls for Harford County and its affiliated agencies are adequate to ensure that capital project costs are proper, approved and accounted for. The audit approach focused on testing the key controls that address management’s objectives for the process. Conclusions drawn are below.

Risk	Expected Control	Conclusion
Capital Project Costs cannot be tracked by Harford County	<ul style="list-style-type: none"> Reimbursement requests are entered into the County’s accounting system and allocated by project 	Satisfactory
Expenditures exceed budget limits	<ul style="list-style-type: none"> Affiliates have processes in place to track their spending Affiliates are provided information summarizing each project’s current budget and expenditure levels Treasury confirms costs are within limits prior to issuing a reimbursement payment 	Satisfactory Satisfactory Satisfactory
Expenses are not allowable or appropriate	<ul style="list-style-type: none"> Affiliates have processes in place to ensure that invoices are approved by project supervisors prior to paying vendors Affiliates maintain supporting documentation of project costs for future reference 	Satisfactory Satisfactory
County payments are used to cover unpaid vendor costs	<ul style="list-style-type: none"> Reimbursement requests are based on actual costs already paid by the affiliate Reimbursements are made within 30 days of affiliate invoice receipt 	Satisfactory Satisfactory

Although no responses were required, relevant members of management have been provided an opportunity to respond to this report. Each agency opted not to provide a response.

BACKGROUND INFORMATION

PROGRAM DESCRIPTION AND KEY STATISTICS

Harford County Government reimburses affiliated agencies for actual capital project expenditures incurred. Capital projects include any improvement of a facility, purchase of a new project/property and equipment purchases when first constructed. Capital projects are approved each year during the budget process.

For most capital projects, County employees supervise the projects and approve invoices for payment. However, capital projects for Harford Community College (HCC), Harford County Public Schools (HCPS), and the volunteer fire companies (VFC) are managed by those agencies. Harford County Public Library (HCPL) does not manage its own capital projects, but does occasionally pay some capital costs. For these affiliated agencies, their normal Accounts Payable processes ensure that services and products received are adequate prior to paying the vendor invoices. As needed, each affiliate prepares a request reimbursement summarizing the expenses that they have incurred and paid for each capital project.

The County Treasurer's office reviews each reimbursement request to ensure that all of the project costs are within the approved budget. Since these costs are entered in the County's accounting system, automated controls ensure that overpayments are not allowed. Monthly budgetary status reports are provided to the affiliates for their information. According to the County records, the following capital project expenditures were reimbursed during our audit period as follows:

	<u>2016</u>	<u>2017</u>	<u>2018</u>
Harford County Public Schools	\$ 22,222,730	\$ 17,853,485	\$ 13,955,346
Harford Community College	614,444	2,846,493	4,163
Harford County Public Library	161,076	71,719	28,129
Volunteer Fire Companies	<u>397,178</u>	<u>510,596</u>	<u>538,096</u>
	\$ 23,395,429	\$ 21,282,293	\$ 14,525,735

REVIEW OBJECTIVE, SCOPE AND METHODOLOGY

The objective of this audit is to determine if affiliated agency requests for capital project reimbursements are supported. The scope of this review is limited to reviewing the invoices and supporting documentation for capital project reimbursements for affiliated agencies.

The audit focused on activity during the period of 7/1/2015 through 12/31/2017. Our audit procedures included interviewing personnel, observation and testing. Specifically, we met with officials for Harford Community College, Harford County Public Schools and Harford County Public Library and County officials that manage fire company capital projects. We discussed with those officials their processes for ensuring that capital costs are approved, properly allocated and reimbursed timely.

For a sample of reimbursements made by Harford County during our audit period, we reviewed the request from the affiliated agency and requested the underlying vendor invoices. We used this information to confirm that the costs were properly approved, properly allocated to the project, and appeared allowable. We also confirmed that the reimbursement totals were correct. In total, the samples selected for testing included most of the affiliated agencies reimbursed, 40 of the 59 projects reimbursed and 37.1% of the total payments made. We additionally confirmed that projects that were closed during the audit period were not overspent.

Harford County management is responsible for establishing and maintaining effective internal controls. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records, effectiveness and efficiency of operations including safeguarding of assets and compliance with applicable laws, rules and regulations are achieved. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected.

The audit was performed in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Team:

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

Sarah Self
Staff Auditor