



# HARFORD COUNTY, MARYLAND

## Office of the County Auditor

### AUDIT ADVISORY BOARD

#### MINUTES OF AUGUST 27, 2019 MEETING

Board Members: Bill Seymour, Pam Heckler, Gregory Scherer, Pat Vincenti, Chrystal Brooks

Other Attendees: Brad DeLauder and Debbie Button (for Rob Wagner)

The meeting began at approximately 4:30 pm in the County Council Conference Room

#### **Board Meeting Minutes – April 23, 2019**

With no changes, Members approved meeting notes via email prior to this meeting.

#### **Status of FY2019 Audit Plan**

- Mr. DeLauder updated the Board Members on the changes to the FY2019 audit plan since the last meeting. Four projects were completed, leaving one project incomplete.

#### **Status of FY2020 Audit Plan**

- Mr. DeLauder updated the Board Members on the changes to the FY2020 audit plan. There are 13 audits included in the audit plan: one audit is complete, one is in wrap-up, two are in progress, three are in planning, and six are not started.

#### **Audit Reports**

- Audit of Grant and Monitoring Controls – Mr. DeLauder explained the audit found controls were generally in place to ensure grants were awarded properly and used as intended. However, accounting for grants and contributions were not always applied consistently, monitoring procedures were not always performed, and monitoring processes should be improved to ensure that grant funds are awarded effectively and used as intended. Management agreed with the findings. The Board was specifically concerned about one Tourism Grant Awardee, Visit Harford, that received \$1.75 million dollars over the audit period without providing verifiable support for its use of County funds. The Board discussed the need for audited financial statements from recipients of County funds above a certain threshold. Mr. DeLauder explained that management stated it will request Visit Harford provide an independent audit report with its application for the FY2021 tourism awards. Mr. Scherer asked if there is a threshold that requires the submission of audited financial statements along with a grant application. Ms. Brooks stated the Tourism awards do not explicitly require the submission of an independent audit report to receive funding. Mr. DeLauder stated that while tourism



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award applications are similar to Grant-in-Aid applications, effectively appearing to be grants, they are coded as contributions in the accounting system and County personnel explicitly define them to be awards, not grants. He further added, tourism awardees are required to submit financial summary statements with their application and quarterly financial progress statements throughout the award period, but they're not required to submit receipts or verifiable independent documentation. Ms. Heckler suggested funding should be withheld until the tourism award procedures are amended and audited financial statements are provided by the awardees.

- Audit of Employee Separation Procedures – Mr. DeLauder explained that the audit found that controls to be adequate to ensure that employees are paid correctly when they leave County service, and that physical access to facilities is revoked. However, three findings were noted regarding processes to revoke network access and return inventory upon separation. Mr. DeLauder further explained that Management agreed with the findings and will address each by the end of 2019. Board Members had no comments.
- Audit of Parks and Recreation Revenue – Mr. DeLauder explained that the audit confirmed that controls are adequate to ensure program and rental fees are collected fully. However, two findings were noted regarding manual calculation of contact fees and timely collection of rental fees. Mr. DeLauder further explained that Management agreed with the findings and will implement an automated calculation process by the fall of 2019. Fee collections processes will remain as management has determined the current collection rate is acceptable. Mr. Seymour asked if all fees were collected. Ms. Brooks confirmed they were. Board Members were satisfied with the results.
- Audit of Purchase Card Controls – Mr. DeLauder explained that there were no issues noted in the report and that two prior audit issues relating to unallowable or insufficient support for transactions and lack of on-line training for some P-card users had been closed. Ms. Brooks explained online training program has been discontinued due to the former P-Card Administrator's retirement and current training is done in-person. Mr. DeLauder noted that while the audit still found some exceptions in the transactions tested, the number of exceptions we found fell below the tolerable error rate and in general there have been fewer issues than in prior years and the findings pertained to procedural issues by a few County personnel. Mr. Scherer asked about the nature of the exceptions. Ms. Brooks stated a majority related to fuel purchases made at local fueling stations rather than at County-owned fueling stations made by a small number of cardholders. Ms. Heckler stated the fuel purchases are "bad optics" for the County. Mr. Seymour advised, given the positions of the cardholders, opportunity to explain the purchases could be afforded as they occur. Council President Vincenti inquired if future testing will account for the change in policy increasing the single purchase limit from \$2,500 to \$5,000. Ms. Brooks responded that testing procedures have already been



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adjusted accordingly. She further stated that individual cardholder card limits remain unchanged and the policy effectively applies only to the few P-Cardholders already making large and frequent purchases. Council President Vincenti added that he instructed Procurement not to apply the change to employees under Council control, keeping the single purchase maximum at \$2,500. Mr. DeLauder mentioned that the FY2021 Audit of P-Card Controls will include additional procedures beyond the routine review of transactions and cardholder logs.

- Audits of Petty Cash Funds – Mr. DeLauder explained that, of the four petty cash funds audited, three audit reports were issued with no findings. One petty cash fund was reconciled less than monthly, which does not meet County Code requirements. Management will adjust its procedure to comply with the County Code. Ms. Heckler inquired as to the existence of a single transaction purchase limit. Ms. Brooks stated petty cash purchases cannot exceed \$50. Board Members were satisfied with the results.

### Other Items

- Ms. Brooks mentioned the need to fill the vacancy on the Board.
- Ms. Brooks updated the Board on auditor access to the new financial management system stating that the office has been working with ICT to create new customized reports and some additional access to the system has been granted.
- Ms. Heckler inquired as to how comments and recommendations from the Board's members' input assists the OCA and the County government. Ms. Brooks stated that Board input helps determine the annual risk assessment which determines the Audit Plan as well as ensure the OCA fulfills its mission. Ms. Heckler requested that their comments be communicated to the appropriate stakeholder(s) to ensure Board member expertise is directly received by relevant decision-makers. Ms. Brooks agreed to summarize Board member concerns, via email, to appropriate parties.

The meeting was adjourned at 5:08pm. The next meeting is scheduled for 11/26/2019 at 4:30pm.

Respectfully submitted,  
Chrystal Brooks  
County Auditor

*Minutes were approved via email on 09/05/2019*