Frederick County
Interagency Internal Authority's
Internal Audit Division

Presentation to
The City of Frederick
Mayor & Board of Aldermen

Director, Richard Kaplan, CIA, CFE
Senior Auditor, Kelly Hammond, CGAP, CICA
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What We Do

Conduct Performance Audits of Frederick County Government, Frederick Community College (FCC), and Frederick County Public Schools(FCPS) to Identify and Reduce Risks and Contribute to Public Accountability

- Assess Risks Annually in Each Entity to Identify High Risk Areas and Develop Annual and Long Range Audit Plans.
  - Assessment Based on Discussions with High Level Management, Past Audit Coverage, Significance of Funding, Level of Oversight, and the Potential Impact if Something Goes Wrong.
  - Example of Risks are Fraud Risk, Data Integrity Risk, Legal and Regulatory Risk, and Business Disruption Risk.
- Conduct Planned Performance Audits to:
  - Evaluate Program Effectiveness, Economy and Efficiency and Internal Controls;
  - Issue Reports to Management and their Respective Boards with Recommendations for Improvement and/or Cost Savings and Cost Recoveries.

What We Do

- Conduct Audits in Accordance with Government Auditing Standards issued by the Comptroller General of the United States and Undergo a Peer Review Every 3 Years by the Association of Local Government Auditors to Ensure Compliance.
  - Use Internal Control Standards, Existing Criteria, Industry Best Practices, Comparisons to Other Counties, and Customer Surveys.
  - Conduct Interviews with Managers and Working Level Personnel, Assess Risks, Identify Audit Objectives Based on Risks, Test Compliance with Procedures, and Analyze Data to Form a Conclusion to Answer Audit Objectives.
- Conduct Follow-Up Reviews Approximately 6 Months After Report Issuance to Assess the Implementation Status of Our Recommendations.
- Conduct Hotline Investigations on Complaints Submitted to the County's Fraud Hotline (Available to County Employees) Which We Operate.

Who We Report To

We Report to the Interagency Internal Audit Authority (IIAA) Established in 1978 by the Board of County Commissioner (BoCC) by County Resolution

- The County Resolution Requires the IIAA to Establish and Operate an Internal Audit Staff to Provide the BoCC, Board of Education, and Frederick Community College Board of Trustees a "Constant Review of Their Many Operations."
- The IIAA is Responsible for the Employment and Discharge of Qualified Personnel Within Limitations of the Budget Approved by the BoCC.
- The IIAA and Audit Division is Organizationally Outside of the Entities We Audit so that We Can Be INDEPENDENT.
- IIAA is a 7 Member Board Comprised of:
  - One Representative from the BoCC, BOE, and FCC Board of Trustees;
  - Four Members from the Public with Expertise in Accounting, Auditing, and Internal Control (Allan Joseph, Chair and Carrie Gill, Vice Chair).
  - The IIAA Reviews and Approves our Budget, Audit Plans, and Final Reports.

Our Audits Over the Past 5 Years

- ✓ County's Procurement Card Program (Report to be Issued this Fall).
- ✓ County's Commercial Water and Sewer Capacity Fees (Report #12-06).
- ✓ FCPS Construction Management (Reports #12-03 and #11-04).
- ✓ Procurement Card Account Closure for Terminated Employees (Management Letter, Report #12-02).
- ✓ Security Assessment of FCC PeopleSoft Financials (Consultant, Report #12-01).
- ✓ FCC Dining Services' Operations (Report #11-03).
- ✓ Amoss Fire, Rescue, and Ambulance Fund of Frederick County (Annually through December 2010, no longer required; Reports #11-02, #10-02, #09-06, and #08-05).

Our Audits Over the Past 5 Years

- ✓ Frederick County User Access Authentication Assessment and Review of Multifunction Printer Security (Consultant, Report #11-01).
- ✓ Frederick County Hotel Rental Tax (Mandated by County Ordinance Every 2 Years; Reports #10-06 and #08-10).
- ✓ FCPS Food Service Operations (Report #10-05).
- ✓ FCPS PeopleSoft HRMS and Network Security (Consultant, Report #10-04).
- ✓ FCC Classroom Student Center Project (Report #10-03).
- ✓ Frederick County Development Review Fee Collection Process (Report #10-01).
- ✓ Frederick County Human Resources Division's Process for Recruiting and Selection Employees (Report #09-08).

Our Audits Over the Past 5 Years

- ✓ Frederick County Division of Public Works Change Order Process (Report #09-07).
- ✓ FCC College Registration Process (Report #09-05).
- ✓ State Grant Funds Sub-Granted to the Mental Health Association of Frederick County (Report #09-01).
- ✓ Frederick County Property Tax, Revenues and Receivables (Report #08-08).
- ✓ Frederick County Agricultural Transfer Tax Receipts, Expenditures, and Changes in Fund Balance (Report #08-07).
- ✓ Frederick County 911 Revenues and Expenditures (Report #08-06).
- ✓ Frederick County Treasury Department Cash Receipts (Report #08-04).
- ✓ Frederick County Expenditures (Report #08-02).

Benefits of Our Audits

Cost Recoveries and Savings

- Audit of DUSWM Water and Sewer Capacity Fees Resulted in Re-inspections of Twenty-Five Commercial Accounts and the Billing of $35,421 for Fixtures Added by Three Accounts (Report #12-06).
- Audit of FCPS Capital Construction Resulted in the Recovery of Approximately $22,900 from Contractors for Equipment, Overhead, Profit, and Bond Overcharges (Report #11-04).
- Audit of FCC Dining Services Resulted in Actions that Reduced Deficit in FY 11 by Over $78,000 (Report #11-03).
- Audit of FCC Classroom Student Center Resulted in the Recovery of Approximately $22,250 from Contractors for Unallowable Bond Amount and Overpayments of Overhead and Profit (Report #10-03).
- Audit of State Grant Funds to County Sub-Grantee Resulted in Approximately $33,700 in Disallowed Grant Costs Recovered for the State (Report #09-01).
- Recommendation Made for County, FCPS, and FCC to Use One Contractor for External Audit Services Resulted in Savings of Approximately $233,500 Over 4 Years.

Benefits of Our Audits

More Efficient and Effective Operations and Better Internal Controls

- Improved Operating Controls and Correction of Database Vulnerabilities – FCC PeopleSoft Financials (Consultant, Report #12-01).
- Revised Change Order Procedures that Strengthened the Review and Approval Process and Documentation Requirements, and Classified Change Orders by Type. Modification to Contract Language Regarding Equipment Rental Rates and Allowable Costs. Assessment of Cost and Feasibility of Implementing an Automated System to Help Maintain and Track Project Data (Report #11-04).
- Establishment of Cash and Inventory Internal Controls for FCC Dining Services Operations and Strengthening of Oversight of Catering Operations (Report #11-03).
- Improvements to County's Operating Controls Over Critical Information Technologies (Consultant, Report #11-01).
- Issuance of a New Tourism Council Policy Requiring Accounting Documentation to be Retained Long Enough to Meet Examination Requirements for Audit of County's Hotel Rental Tax (Report #10-06).

Benefits of Our Audits

More Efficient and Effective Operations and Better Internal Controls

- Issuance of New Procedures for FCPS Food Service Inventory Requirements, On-Site Training to Each Food Preparation Site on the New Requirements, and Additional On-Site Monitoring. Also, New Procedures were Implemented to Capture and Analyze Information Related to Non-Commodity Food Lost Through Spoilage or Damage (Report #10-05).

- Improved Information Technology Operating Controls Over FCPS' PeopleSoft HRMS Application and Network (Consultant, Report #10-04).

- Increased On-Site Monitoring of FCC's $27 Million Classroom Student Center Project by FCC and its Architect to Prevent Further Project Delays as the Project was Nearing Completion to Ensure Compliance With Contract Specifications. Revision of FCC's Construction Contract Language to Clarify Overhead and Project Limitation for Lower-tier Subcontractors (Report #10-03).

Benefits of Our Audits

More Efficient and Effective Operations and Better Internal Controls

- Establishment of Standard Operating Procedures for the County's Development Review Fee Charging Process, Including a Supervisory Review Process, and Implementation of Hansen Programming Improvements for Recording Municipality Information (Report #10-01).

- Establishment of Procedures by the County's Division of Human Resources for Director and/or Deputy Director's Approval of Referrals to Hiring Department and Before Final Actions are Made. Also, the County's Human Resources Division Implemented NEOGOV in January 2010 which Fully Automated the Recruitment and Selection Process which Made the Process More Efficient and Benefitted the HR Hiring Departments and Job Applicants (Report #09-08).

- Revision of the County's Change Order Policy to Specify Supporting Documentation Needed to Ensure that Change Order Costs are Supported and Reasonable. Also, the County's Architect/Engineer (A/E) Responsibility Review Board Reconvened to Determine A/E Responsibility for Design Deficiencies(Report #09-07).

Benefits of Our Audits

More Efficient and Effective Operations and Better Internal Controls

- Implementation of Controls to Address a Design Flaw in the Student Administration Database for FCC's Registration Process (Report #09-05).
- Improvements in Sheriff Office's Overtime Tracking and Reporting (Report #09-04).
- Automation of Process to Load FCPS' Restricted Fund Budget Into the PeopleSoft Financial System and Development of a Manual for Restricted Fund Administration (Report #09-03).
- Development of Standard Operating Procedures by the County's Purchasing Department and an Update of Procurement Card Policies and Procedures Regarding Documentation of the Purpose of Purchases and the Investigation and Reimbursement of Prohibited Items (Report #09-02).
- Improvements to the County's Office of Children and Families (OCF) and Sub-Grantee's Grant Accounting and Reporting (Report #09-01).

Benefits of Our Audits

More Efficient and Effective Operations and Better Internal Controls

- Development of Standard Operating Procedures for the County's Ambulance Transport and Reporting and Billing (Report #08-09).
- Submission of Recertification Materials to the State Every 3 Years for the County's Agricultural Land Preservation Program (Report #08-07).

Frederick County Interagency Internal Authority's Internal Audit Division

Additional Documents Provided

- Current County Resolution Regarding the IIAA
- Annual Report for Fiscal Years 2011
  (See Website for Annual Reports for Fiscal Years 2009 and 2010)
- Understanding of the Audit Process

Contact Information

- Richard Kaplan, (301) 600-1675
  Rkaplan@FrederickCountyMD.Gov
- Kelly Hammond, (301) 600-2912
  KHammond@FrederickCountyMD.Gov
- Website Address:
  WWW.FrederickCountyMD.Gov/index.aspx?nid=1191
- Website Includes Audit Reports, Annual Reports, Audit Manual, Understanding the Audit Process, and Peer Reviews.