

**FREDERICK COUNTY
INTERAGENCY INTERNAL AUDIT AUTHORITY**

**FISCAL YEAR 2021 ANNUAL REPORT
(July 1, 2020 – June 30, 2021)
September 15, 2021**

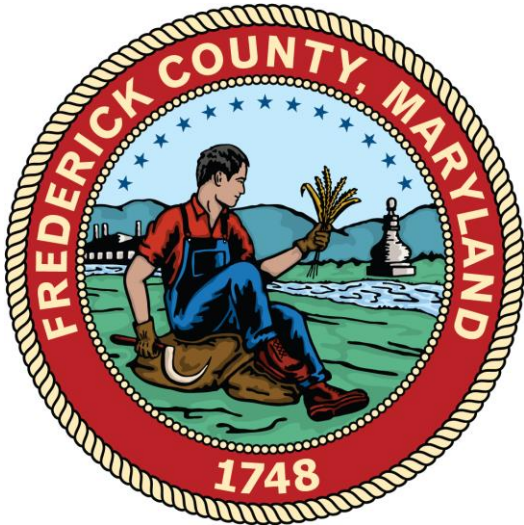


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I. Introduction

We are pleased to present the Interagency Internal Audit Authority's (IIAA) annual report on the accomplishments of the Internal Audit Division during Fiscal Year 2021 (FY21; period July 1, 2020 – June 30, 2021). The Internal Audit Division (IAD), consisting of a Director and a Coordinator, reports to the IIAA, established by County Resolution in 1978 and codified into the Frederick County Charter on June 16, 2018 as Bill No. 18-12, and operates independently from the entities we audit. Our reports help to improve management internal controls and provide accountability to the taxpayers serving as a vital deterrent against fraud, waste, and abuse.

The focus of our audits, attestation engagements and special projects is to identify areas where fraud, waste, abuse, lack of controls and inefficiencies can or could occur within the County. The majority of our audits, attestation engagements and special projects results in more effective and efficient use of staff time and improved internal controls. Cost savings in these cases are not always quantifiable. During FY21, the IIAA made a total of sixty-nine (69) audit and attest and non-attest recommendations and/or analytic areas across the County, FCC, and FCPS through the finalization of engagement reports. By June 30, 2021, the IIAA had also conducted one (1) special project, four (4) follow-up reports and one (1) financial review for the FCG, FCC, and FCPS entities.

Since being awarded contracts first in 2014 through the County procurement and contracting department by means of a request for proposal process, the IIAA utilizes two contractors, SC&H Group, Inc. (SC&H) and CliftonLarsonAllen, LLP (CLA). These firms were hired to conduct audits and other tasks under the direction of the Director of Internal Audit and the IIAA, in addition to those audits and special projects conducted by the department itself. Both of these firms were awarded new contracts on November 12, 2019, which began on January 1, 2020 for a duration of two years with options for three possible 1-year extensions.

Our reports, unless confidential, are available to the public. If you would like to obtain copies of any of the reports, please visit our website at <http://www.co.frederick.md.us/index.aspx?nid=1191> or call Dawn Reed, Coordinator, at 301-600-1154.



Tricia A. Reaver, CPA
Director, Internal Audit Division



Interagency Internal Audit Authority
Jon Alexander, CPA, IIAA Chair

II. Authority and Responsibilities

Authority: The Interagency Internal Audit Authority (IIAA) was authorized by the Board of County Commissioners of Frederick County, Maryland, Resolution No. 78-08 (amended Resolution No. 14-24) and now codified as Bill No. 18-12 to direct a broad comprehensive program of internal auditing within the County, Frederick County Public Schools (FCPS), and Frederick Community College (FCC). In accomplishing its activities, the IIAA and the Internal Audit Division (IAD) are authorized to order the production of all records and materials necessary to perform audits, attest and non-attest functions of any commission or agency that receives county funds.

Responsibilities: The IIAA is responsible for:

- Providing for the establishment of an internal audit staff.
- Approving an annual budget request for the IAD for submission to the County Executive.
- Approving an annual strategic plan outlining major risk areas and a working plan to provide audit coverage of major risk areas.
- Approving a detailed annual work plan reflecting each audit planned and corresponding budgeted hours.
- Assisting in review and selection of externally contracted internal audit contractors through a competitive bid process.
- Establishing policies for the audit, attestation engagement and special project activity and providing counsel and direction regarding its technical and administrative functions, and managing the work of contracted externally utilized internal auditors.
- Authorizing the distribution of reports on the results of audit and attest examinations and special projects, including recommendations for improvement of management controls.
- Assessing the adequacy of the action proposed or taken by management to correct deficient conditions.
- Reviewing and approving/disapproving special requests for audit, attest or special project services received from the County, FCPS, FCC or other government/entity personnel or officials.

The IAD is responsible for administration of the internal audit function under the direction of the IIAA which includes:

- Preparing the annual budget request, performing the annual risk assessment, preparing the annual audit work plan, preparing annual reports and performing review of all county-wide audits.
- Performing audits and special projects and managing contractor audit, attestation engagements and special projects in accordance with work plans as approved by the IIAA and in accordance with *Government Auditing Standards*, where applicable, issued by the Comptroller General of the United States.
- Managing the externally contracted internal audit contractors based on contract terms on a daily basis.
- Preparing reports, including findings and recommendations for corrective action, and management letters.
- Conducting non-audit services that do not impair independence, such as following-up on prior audit recommendations; investigating allegations of fraud, waste, or abuse; annual audit reviews; and providing limited technical advice with special projects and professional committees.

The IAD is no longer subject to peer reviews by the Association of Local Government Auditors (ALGA) due to the outsourcing of our formal audit reports and the use of professional contractors. The contractors are instead subject to peer review at this time.

III. Summary of Audit Results

We issued the following six (6) reports in FY21 with a total of sixty-nine (69) recommendations and/or analytic areas with management agreeing to implement most of the recommendations made.

Report #20-03, Frederick County Public Schools Timesheet Controls: This audit was conducted by our outside contractor, SC&H, and was issued on June 16, 2021. The IIAA and SC&H established the following four (4) audit objectives based upon the understanding gained during the audit planning procedures:

- Evaluate the policies and procedures surrounding timesheets, timekeeping and overtime controls, especially in areas where the employee has little oversight or no home base working environment. Also, ensure those policies and procedures adhere to laws and regulations.
- Evaluate the policies and procedures surrounding timesheet and time tracking over staff, part-time staff, and support employees who work on an hourly basis as well as for employees who earn overtime through timekeeping and time tracking. This evaluation should include the process from employee time tracking through the departmental review process to payroll and/or human resources (dependent upon the flow of information).
- Evaluate overtime paid out and determine if top overtime payees are recurring utilizing historical data and evaluate the reasoning behind the overtime. Including an evaluation

of the selection of staff to fill overtime slots and that management is selecting cost benefit staffing.

- On a test basis, evaluate stated hours by reviewing timesheets and review sign offs on timesheets as compared to assigned duties and schedules to determine if further testing is deemed necessary due to lack of controls, especially in areas where the employee has little oversight or no home base working environment.

In addition, the following 4 (four) audit objectives were developed and executed for the testing phase of the audit:

- Ensure access to time entry, timekeeping, and payroll processing related systems is properly restricted
- Verify manual timesheet activity is supported, properly approved, and submitted timely for processing
- Verify electronic timekeeping data is completely and accurately processed by payroll
- Verify overtime payments are calculated completely, accurately, and in accordance with FLSA requirements

The audit procedures resulted in nineteen (19) recommendations.

Report #20-06, Frederick County Government COVID-19 Related Grants – Sub Recipient Monitoring. This engagement was conducted by our outside contractor, CLA for the benefit of the Finance Division. The objectives of this task order include but may not be limited to the following:

- Provide feedback and strategize on sub-recipient monitoring plans.
- Assist in developing risk assessment tools for monitoring recipients of COVID-19 funding.
- Provide feedback and strategize on reporting mechanisms for sub-recipients.
- Perform sub-recipient monitoring in accordance with the *Uniform Guidance* and County agreements to ensure sub-recipients are reporting to FCG timely and following applicable requirements.
- If needed, assist the County with necessary follow-up and grant closeouts.

This engagement has been completed and resulted in services provided to benefit the Finance Division.

Report #21-01, Frederick County Government DFRS Volunteer Matrix Funding: This audit was conducted by our outside contractor, SC&H, and was issued on February 17, 2021. The IIAA and SC&H established the following six (6) objectives for the audit:

- Evaluate the policies and procedures surrounding the funding matrix
- Evaluate the calculation of the matrix for each FCVFRA company, determining its accuracy based on the policies and procedures over FY19 and FY20
- Determine if the calculation appears to favor some companies over others based on the matrix policies.
- Determine if the county budgeted funds meets the needs of the final matrix funding for FY19 and FY20.
- Determine if fleet charges utilized with in the calculation appear to be appropriate.
- Make recommendations for the betterment of the program which is cost effective to

FCG and FCG taxpayers.

The audit procedures resulted in twelve (12) recommendations.

Report #21-03, Frederick County Public Schools Financial Transactions. This audit was conducted by our outside contractor, CLA, and was issued on July 16, 2021. The overall objectives of the audit would be to utilize data analytic software to test entire populations of data sets by converting, matching and joining data to make information uniform and comparable. The objectives of the data analytics are as follows:

- Gain an understanding of types of data sets available at FCPS and internal controls as it relates to data entry;
- Evaluate the data sets obtained to determine the completeness of the populations
- Perform data analytics to determine if there are any anomalies that could result in internal control weaknesses. These procedures were performed over the following data sets:
 - General ledger entries
 - General disbursements
 - Purchase card disbursements
 - Vendor master file
 - Payroll disbursements

Within the audit report each of these 5 (five) areas were analyzed and results provided.

Report #21-05, Frederick County Government Network Security: This audit was conducted by our outside contractor, SC&H, and was issued on June 16, 2021. This audit will result in recommendations to incorporate efficiencies, strengthen controls, and enhance FCG and IIT policies and procedures over network security. The IIAA and SC&H established the following three (3) objectives for the audit based upon the understanding gained during the audit planning procedures:

- Evaluate the policies and procedures surrounding remote access management (including vendor or contractor access), mobile security, data encryption at-rest and in-transit, data loss protection (DLP) strategy and management, perimeter defense (firewalls), logical network access controls, security audit capabilities (system logs and audit trails) and network monitoring.
- Determine if remote connection and access is secure based on current control environment.
- Perform tests of effectiveness over internal mobile security and remote access control environment. Ensure network monitoring is taking place timely, specific to remote access and mobile connections

The audit procedures resulted in twenty-one (21) recommendations.

Report #21-07, Frederick Community College Network Security: This audit was conducted by our outside contractor, SC&H, and was issued on June 16, 2021. This audit will result in recommendations to incorporate efficiencies, strengthen controls, and enhance FCC and IT policies and procedures over network security. The IIAA and SC&H established the following three (3) objectives:

- Evaluate the policies and procedures surrounding remote access management (including faculty, administrative, contractor and student access), mobile security, training, data encryption at-rest and in-transit, data loss protection (DLP) strategy and management, perimeter defense (firewalls), logical network access controls, security audit capabilities (system logs and audit trails) and network monitoring.
- Determine if remote connection and access is securely designed, implemented, and managed based on current control environment.
- Perform tests of design and effectiveness, where applicable, over internal mobile security and remote access control environment. Ensure network monitoring and response is taking place timely, specific to remote access and mobile connections.

The audit procedures resulted in twelve (12) recommendations.

IV. Summary of Non-Audit Results

The primary non-audit services the Internal Audit Division (IAD) provides are non-attest engagements/agreements, special projects and follow-up reviews of audits containing recommendations¹. Follow ups are conducted approximately six months to one year after the audit reports are issued and depending upon management responses to implementation time frames. In FY21, the Division conducted two (2) special projects, and four (4) follow-up reports.

FY19 & FY20 Special Project: Towing Contract Monthly Reviews

At the request of the Tow Oversight Committee (TOC), the Emergency Communication Center (ECC), the Department of Procurement and Contracting (DP&C), and the Frederick County Sheriff's Office (FCSO), the IAA approved for the IAD to review monthly tow rotation reports throughout the entire fiscal year and through all of calendar year 2020. The objective of these reviews was to determine if the County computer-aided dispatch (CAD) system is rotating appropriately and that coding and dispatcher use of the system is working efficiently and fairly across tow contractors within the multiple areas or beats throughout the County. The results of the reviews were shared with the TOC, ECC, DP&C and FCSO on a monthly basis along with recommendations to correct errors. In follow up to the towing audit dated May 6, 2019, many rotational issues were still arising during 2019, which decreased greatly in 2020. The IAD continued to review monthly rotations as a new one beat system had been implemented as of January 1, 2020 in order to relieve the discrepancies that were occurring in 2019. As a result of these monthly reviews, it appears the new one beat system for months January 2020 thru December 2020 is working well with only minor rotational discrepancies. However, new concerns have arisen regarding DFRS tows and formal contracts. These concerns have been communicated and are

¹ The Internal Audit Division also conducts hotline investigations of complaints that are submitted to the fraud hotline with the County, FCPS and FCC. FCPS has implemented a third party monitoring company hotline and FCC utilized the Maryland Higher Education Ethics Commission. Twenty-two hotline complaints were received in FY20 across the three entities that were determined to be non-sufficient and closed or were investigated internally, resolved between the entity or division and closed or in on-going review.

actively being resolved by management. The IAD completed monthly reviews of rotations on January 6, 2021.

FY21 Special Project: Review of County Administrative Leave Policy & Telecommuting Policy

During the annual risk assessment process, and through internal audit hotline complaints, the IAD determined a need to review administrative leave and telecommuting policies and procedures. During the COVID-19 pandemic administrative leave was utilized by the County along with the use of telecommuting or tele-work. These policies and procedures had not been updated in these new working conditions. The IAD released a memorandum to management on January 20, 2021, which provided observations and recommendations on the need for updated policies and procedures. As of September 15, 2021, the County has implemented updated policies and procedures surrounding both Telework and Administrative Leave.

FY20 Follow up to Report #18-02, Department of Fleet Services Performance Audit, Issued 2/20/20

The IAD performed a follow up to the FY18 audit of FCG Fleet Services, in which twenty-nine (29) recommendations were issued relating to the evaluation of programs and activities for efficiencies, internal controls, documentation, monitoring, and best practices. The IAD is reviewing documentation management has submitted, however, is still waiting on more support such as documentation of new policies and procedures, or reports that provide evidence that the remaining recommendations have been implemented.

FY20 Follow up to Report #18-06, Frederick County Government Division of Fire and Rescue Services Ambulance Billing Services, Issued 4/30/20

The IAD performed a follow up to the FY18 audit of FCG DFRS Ambulance Billing Services, in which seven (7) recommendations were issued relating to the ambulance billing services, its policies and procedures, as well as internal controls surrounding the program as a whole, including patient billing, reconciliations, collection procedures, allocations to volunteer companies and oversight and review functions. The IAD is currently awaiting a few outstanding items for the closing of this follow up.

FY20 Follow up to Report #19-03, Frederick County Government Citizens Care & Rehabilitation Center and Montevue Assisted Living, Issued 2/1/21

The IAD performed a follow up to the FY20 audit of FCG CCRC and Montevue Assisted Living on December 19, 2019, in which nine (9) recommendations were issued as well as a separate confidential memorandum that contained three (3) additional management considerations also dated December 19, 2019. The performance audit was conducted to understand the Management Agreement and any other agreements in place between the County and Aurora and if both the county and Aurora have complied with the terms of those agreements and obtain a general understanding of the overall public/private

relationship between the entities. The IAD is currently awaiting a few outstanding items for the closing of this follow up.

FY20 Follow up to Report #19-02, Frederick Community College Procurement and Contracting Audit, Issued 1/29/21

The IAD performed a follow up to the FY20 audit of Frederick Community College’s Procurement and Contracting on September 20, 2020, in which four (4) findings and recommendations relating to Frederick Community College’s purchasing and contracting policies, procedures and practices. The IAD is currently awaiting a few outstanding items for the closing of this follow up.

V. IIAA Members and Audit Staff
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IIAA Members	Internal Audit Staff
Jon Alexander, CPA, Chair (Public Representative)	Tricia A. Reaver, CPA Director
Nicole Prorock, CPA, Vice Chair (Public Representative)	Dawn Reed Coordinator
Shaun Jones (Public Representative)	SC&H Group, Inc. External Contractor
Open Seat (Public Representative)	CliftonLarsonAllen External Contractor
Steve McKay, Frederick County Council Representative	
Tom Lynch, Frederick Community College Board of Trustees Representative	
Sue Johnson, Frederick County Public Schools Board of Education Representative	