

**FREDERICK COUNTY
INTERAGENCY INTERNAL AUDIT AUTHORITY**

**FISCAL YEAR 2020 ANNUAL REPORT
January 20, 2021**

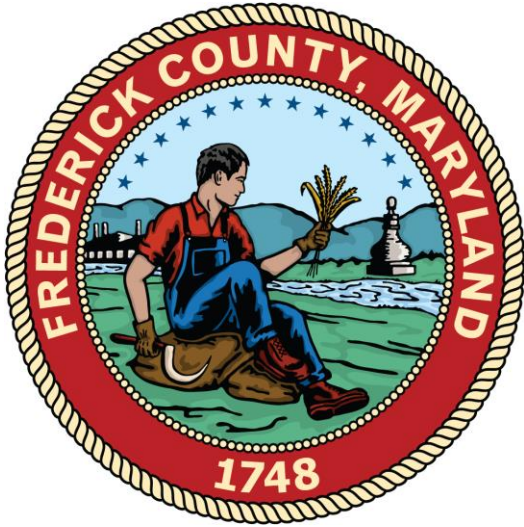


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I. Introduction

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 2020 (FY20; period July 1, 2019 – June 30, 2020). 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 FY20, the IIAA made a total of forty-six (46) audit and attest and non-attest recommendations across the County, FCC, and FCPS through the finalization of engagement reports. By June 30, 2020, the IIAA had also conducted two (2) special projects, eight (8) 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. (Griffis) Reaver, CPA
Director, Internal Audit Division

Interagency Internal Audit Authority
Steven C. Darr, Chair, IIAA

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 four (4) reports in FY20 with a total of thirty-six (36) recommendations with management agreeing to implement most of the recommendations made.

Report #19-01, Frederick County Government Incident Response and Disaster Recovery Performance Audit: This audit was conducted by our outside contractor, SC&H, and was issued on September 18, 2019. The IIAA and SC&H established the following three (3) testing phase audit objectives based upon the understanding gained during the audit planning procedures:

- Review the current incident response standards, guidelines and procedures (including monitoring, notification, assessment, response, and after action).
- Review implementation and governance of incident response plan procedures.
- Review adequacy and completeness of training system administrators and employees for identification and incident reporting.

The audit procedures resulted in nine (9) recommendations.

Report #19-02, Frederick Community College Procurement and Contracting. This audit was conducted by our outside contractor, CLA, and was issued on September 20, 2019. The IIAA and CLA established the following three (3) objectives for the audit:

- Gain an understanding of FCC’s purchasing and contracting policies, procedures, and practices and evaluate the associated risks and internal controls.
- Understand the contract awarding process for all types of procurements, including but not limited to the request for proposal process, sole sourcing, three quote, and piggy back contracts.
- Sample awards and contracts as well as complete a review of vendor relationships and spending through analytics and data testing.

The audit procedures resulted in four (4) recommendations.

Report #19-03, Frederick County Government Citizens Care & Rehabilitation Center of Frederick and Montevue Assisted Living Performance Audit. This audit was conducted by our outside contractor, SC&H, and was issued on December 19, 2019. The IIAA and SC&H established the following two (2) objectives for the audit based upon the understanding gained during the audit planning procedures:

- Verify operating expenses invoiced by Aurora are complete and accurate.
- Analyze facility and County data to determine:
 1. The number of beds economically feasible for the County to subsidize based upon the profit of CCRC and historical data.
 2. The cost of care and subsidy limits based on resident level of care.

The audit procedures resulted in nine (9) recommendations. This audit also resulted in an informational management memorandum which outlined three (3) additional procedures (1. Working Capital Account Review; 2. Montevue Cost of Care Comparison to FY19 Daily Rate Review; 3. Montevue Level 3 Resident Cost Review) and three (3) management consideration items.

Report #20-01, Frederick County Government, Internal Personally Identifiable Information Performance Audit. This audit was conducted by our outside contractor, SC&H, and was issued on February 19, 2020. The IIAA and SC&H established the following three (3) objectives:

- Understand FCG’s current policies and procedures over internal PII as well as current laws and regulations surrounding the protection of PII.
- Identify current practices and standards utilized in the Payroll and Human Resource department to administer internal PII and then identify risks and internal controls over those practices.
- Identify specific audit objectives to address the highest risk areas.

The audit procedures resulted in fourteen (14) 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 FY20, the Division conducted one (1) non-attest engagement/agreement, two (2) special projects, eight (8) follow-up reports and one (1) financial review.

Report #20-02, Frederick County Government Frederick County Sheriff's Office 287(g) Agreement Analysis of Incremental Costs. This analysis was conducted by our outside contractor CLA and was issued on July 16, 2020. The IIAA and CLA established the following objectives for the engagement:

The objective of this analysis was to gain an understanding of the 287(g) agreement within the Frederick County Sheriff's Office (FCSO) Detention Center sufficient to determine and report the incremental costs incurred by the county in connection with the 287(g) agreement along with any associated incremental cost recoveries or reimbursements for the fiscal years 2015 through 2019 and the three months ended September 30, 2019.

Recommendations were not applicable in this engagement agreement; the engagement report was based on fact-finding and bringing facts to a conclusion to finalize the report.

FY20 Special Project: FCG DFRS Fleet Cost Comparison; Rpt. FCG-SP-19B, Issued 7/15/20

During this project the IAD reviewed and analyzed vehicle repair and maintenance third party charges to the Independent Hose Company (a Frederick County Volunteer Fire and Rescue Services entity) as compared to Frederick County Fleet invoicing for similar services. This project was conducted by the IAD to evaluate the cost of third party charges as compared to internally based services within the County. The project spanned both FY20 and FY21.

The special project resulted in ten (10) recommendations.

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 IIAA approved for the IAD to review monthly tow rotation reports throughout the entire fiscal year and through most of FY20. The objective

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.

of these reviews is 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 has continued to review monthly rotations as a new one beat system has 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 actively being resolved by management. The IAD will continue to test the new system until recommendations from the audit report are resolved.

FY20 Follow up to Special Project, Frederick County Government DFRS Warehouse and Station Inventory, Issued 9/4/19

The IAD performed a follow up to the FY15 audit of FCG DFRS Warehouse and Station Inventory, in which twenty (20) recommendations were made relating to strengthening policies and procedures surrounding inventory and safeguarding of gear and assets held within both the warehouse and stations. This project also included an updated inventory listing of turnout gear and apparatus and vehicle listing by station. During the time of this report, written responses by management were not required. However, specific actions planned to address the recommendations were asked to be seriously considered. In September 2015, the IAD sent out an initial follow up which continued each year thereafter. Follow ups were conducted and recommendation status was updated. From the follow ups, the Internal Audit Division has determined that through management response and change in systems and policy, the recommendations have been closed or become outdated. The IAD will consider adding areas from the project to future risk assessment. The special project on the Fire and Rescue Services Division Warehouse and Station Inventory is now considered closed.

FY20 Follow up to Report #15-01, Frederick County Government Wireless and Network Information Technology Security Controls, Issued 7/15/19

The IAD performed a follow up to the FY15 audit of FCG Wireless and Network Information Technology Security Controls, in which four (4) recommendations were made relating to strengthening policies, procedures, and technical controls over external-facing information technology. The IAD concurred with all documentation and updated policies received. From this follow up, the IAD now considers this audit closed.

FY20 Follow up to Report #16-02, Frederick County Government Salaried Management Turnover Agreed upon Procedures, Issued 12/9/19

The IAD performed a follow up to the FY16 agreed upon procedures of FCG Salaried Management Turnover, in which four (4) recommendations were noted for areas of improvement for the processes and controls related to the administration of the

Management Turnover process and a follow up report on 8/9/16. The IAD received and reviewed all documentation and updated policies. From this follow up, the IAD now considers this audit closed.

FY20 Follow up to Report #16-04, Frederick County Government Length of Service Award Program (LOSAP), Issued 2/20/20

The IAD performed a follow up to the FY17 audit of FCG LOSAP, in which twenty-three (23) recommendations were issued related to the LOSAP documentation and approval procedures, maintenance and retention of member records, and payment of LOSAP benefits and a follow up report on 9/12/16. The IAD was notified of the intention of the LOSAP Committee to update its guidelines and to ensure an automated system is in place. From this follow up, the IAD now considers this audit closed.

FY20 Follow up to Report #16-09, Frederick County Government Emergency Call Center (ECC) Staffing Program Assessment, Issued 2/20/20

The IAD performed a follow up to the FY18 audit of FCG ECC Staffing Program Assessment, in which sixteen (16) recommendations were issued relating to the process improvement opportunities available to increase process effectiveness and efficiency, and the overtime staffing controls and follow up report on 7/28/17. The IAD received and reviewed documentation and updated policies and noted there are on-going budget requests to fill the positions needed. From this follow up, the IAD now considers this audit closed.

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 #18-03, Frederick County Public Schools (FCPS), School Activity Funds, Issued 5/28/20

The IAD performed a follow up to the FY19 audit of FCPS School Activity Funds, where twenty-two (22) recommendations were issued relating to the improvements of the main process flows surrounding school activity funds such as cash receipts, cash disbursements, transfers, bank reconciliations and reporting as well as noted areas for improving the FCPS School Activity Funds Accounting Manual to provide additional guidance in the areas of contracts, fundraising, and inventory of equipment. The IAD received follow up from FCPS on the remaining open recommendations and the new FCPS School Activity Funds

Accounting Manual has been released. From this follow up, the IAD now considers this audit closed.

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 in the process of reviewing management’s responses and support documentation of new policies and procedures, or reports that provide evidence that the recommendations have been implemented.

FCG, FCPS & FCC Annual Financial Reviews

The IAD also conducted an Annual Review of the Frederick County Government, Frederick County Public Schools, and Frederick Community College Financial Reports. Each entity received a “clean” unmodified audit opinion and no material weaknesses or significant deficiencies in internal controls over financial reporting were noted. The FCC single audit report noted one compliance finding which was immediately resolved by FCC staff. Please refer to the 2020 financial review report for further information.

V. IIAA Members and Audit Staff
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IIAA Members	Internal Audit Staff
Steven C. Darr, CPA, Chair (Public Representative)	Tricia A. (Griffis) Reaver, CPA Director
Nicole Prorock, CPA, Vice Chair (Public Representative)	Dawn Reed Coordinator
Shaun Jones (Public Representative)	SC&H Group, Inc. External Contractor
Jon Alexander, CPA (Public Representative)	CliftonLarsonAllen External Contractor
Steve McKay, Frederick County Council (Council Representative)	
Tom Lynch (FCC Board of Trustees Representative)	
Lois Jarman (BOE Representative)	