

FREDERICK COUNTY, MARYLAND
Frederick County Government Financial Transactions
Data Analytics

For the period July 1, 2017, through June 30, 2020
Report #21-02



WEALTH ADVISORY | OUTSOURCING
AUDIT, TAX, AND CONSULTING

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EXECUTIVE SUMMARY

CliftonLarsonAllen LLP (CLA) was engaged by Frederick County, Maryland to perform data analytics over the financial transactions of the Frederick County Government (FCG). The scope of the data analytics covered the period July 1, 2017, through June 30, 2020. We conducted our analysis complying with chapters 3, 4 and 5 of *Government Auditing Standards* (Revision 2018), issued by the Comptroller General of the United States. These standards provide a framework for ethical principles, independence, professional judgement, competence, continuing professional education, the system of quality control and external peer review.

Data analytics is the process of exploring and analyzing large datasets to find hidden patterns, unseen trends, discover correlations and derive valuable insights. Data analytics can be used to improve decision making and provide more efficient operations.

We conducted data analytics over financial transactions, focusing on five key areas of journal entries, general disbursements, purchase card disbursements, vendor master file and payroll disbursements. The analysis identified, explored and quantified trends, grouping, and outliers that FCG may find useful in developing and enhancing controls or planning monitoring procedures.

A few notable trends and outliers were noted, which were sufficiently investigated and explained by FCG Finance and Accounting personnel. Those items are noted throughout this report. However, there were several observations noted as follows:

Area	Test	Observations
Payroll Disbursements Analysis	Review of Payroll Disbursements by Day of the Week	We noted several instances in 2019 and 2020 where Group Term Life insurance (GTL) payments were not correctly ended after employee termination. The original GTL process in Global Human Resources (Infor - Landmark) could not be used in the way it was intended because payroll was processed in a different version/platform (Infor - S3). There were numerous steps that the Human Resource Division (HR) had to take, and many parts of their processes were work arounds which at times led to errors. HR has now moved to an updated version of Global Human Resources (Infor - Landmark) and the process now connects to payroll (Infor - S3) properly. The process currently in place is that Human Resources creates a file and IIT sends that file to payroll. The new system has a control in place that won't allow an employee have GTL if they are terminated. Additionally, payroll continues to review a report for accuracy as a double check.
Payroll Disbursements Analysis	Top 10 Compensated Employees	In one instance in FY20, there was a Human Resources department error regarding Group Term Life Insurance (GTL) in which there was a gross pay amount in one check of \$1,000,000. The check netted to zero and was reversed. FCG subsequently put in place a query to check for zero-dollar checks. The updated version of Global Human Resources automatically creates a pay record for each employee for the pay period's GTL. That record is sent electronically and uploaded into the payroll system as a

		unique pay record that is processed along with all other pay-lines to create the employee's total earnings. This process repeats each pay period, creating a new record for the period. If payroll sees just GTL on the payroll screen where all-time records end up before calculating the earnings, deductions and taxes report, payroll deletes it the GTL and reruns the earnings, deductions, and taxes report. Since payroll has started this process, there have not been any zero dollar checks required to be reversed.
Payroll Disbursements Analysis	Review of Payroll Disbursements by Day of the Week	We noted election judges that were paid for time periods in which they did not serve. The errors were subsequently detected, and payments were recovered. Payroll pays election judges for the hours worked based on an excel spreadsheet provided to them from the Board of Elections. That spreadsheet is then uploaded into Infor for processing. Payroll is 100% dependent on the Board of Elections for accurate time records.
Payroll Disbursements Analysis	Overall	FCG could not provide payroll register detail prior to the Infor Systems migration for fiscal year 2018 and for the first four months of fiscal year 2019. Information in PeopleSoft was only available for one year after the Infor Systems Migration after which PeopleSoft was not IT supported.
Purchase Card Disbursements	Overall	FCG could not provide purchase card detail prior to the Infor Systems migration for fiscal year 2018. Information in PeopleSoft was only available for one year after the Infor Systems Migration after which PeopleSoft was not IT supported.
Vendor Master File Analysis	Search for Duplicate Vendors	Infor only allows for one income code for 1099 reporting to be assigned to a vendor so if a vendor receives multiple 1099 reportable payments multiple vendors must be set-up in the system.
Vendor Master File Analysis	Active Vendors not Paid in 3 years	Employee reimbursement vendors are not deactivated until the vendor terminates employment with Frederick County Government.

Refer to the specific area of the report, as noted for more information on each of the observations identified above.



CliftonLarsonAllen LLP

Baltimore, Maryland
February 16, 2022

BACKGROUND

Frederick County, Maryland is governed by an elected County Executive and an elected County Council pursuant to the Charter of Frederick County, Maryland that became effective in December 2014. The Charter provides, among other things, for the election of the County Executive and the organization, powers, and duties of the executive and administrative branches; the election of a seven-member County Council and the organization, powers, and duties of the legislative branch; and fiscal and budgetary matters. The Charter supersedes a Commissioner form of government where the five Commissioners (combined executive/legislative) exercised powers granted by the General Assembly of Maryland. For financial reporting purposes, in conformance with GAAP, the reporting entity includes Frederick County, Maryland (the primary government) and its component units. The concept of “financial accountability” determines which organizations are included in the reporting entity and how they are reported. The primary government or the separately elected governing body is the nucleus of the financial reporting entity. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are part of the primary government.

The Board of Education of Frederick County and the Board of Trustees of Frederick Community College are component units that meet the conditions for fiscal dependency with respect to the County.

OBJECTIVES AND METHODOLOGY

The objectives of the data analytics are as follows:

- Gain an understanding of types of data sets available at FCG 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 indicate an internal control weaknesses. Procedures were performed over the following data sets:
 - General ledger entries
 - General disbursements
 - Purchase card disbursements
 - Vendor master file
 - Payroll disbursements

We used the following three-phase approach for performing the data analytics:

1. *Collaborative Planning*
We met with personnel from the FCG Finance Department to gain an understanding of system controls in place to ensure all data is properly entered, reports that can be generated from the financial system, and their thoughts and perspectives of the risks associated with the data entry.
2. *Information and Evidence Gathering*
We obtained the necessary and available data including electronic transactional files, master files, trial balances, financial reports, chart of accounts, and supporting documentation from the FCG’ accounting system, Infor Systems.

3. *Technical Analytics and Interpretation*

Based on the plan developed in Phase 1 and the available data obtained in Phase 2, execute the analytical tests.

We analyzed available disbursement data identifying unusual or unexpected patterns and transactions. After analyzing the data, we shared our results and collaborated with Frederick County Government representatives who provided context and aided interpretation. Together, we then determined if there were additional vendors or transactions that warranted further review.

We obtained the following data for our analytics:

- General ledger entries for fiscal years 2018, 2019 and 2020 including the following data: date entered, transaction type, transaction number, batch, source journal, description, GL account, debit, credit, posting user, approving user, date posted;
- Trial Balances for fiscal years 2017, 2018, 2019 and 2020 including the following data: account number, account name, debit, credit;
- Chart of Accounts;
- General disbursement listing for fiscal years 2018, 2019 and 2020 including checks, wires, and automated clearing house (ACH) payments;
- Vendor master file;
- Employee master file;
- Payroll Registers for fiscal years 2019 and 2020 including pay period begin date, pay period end date, pay date, hours, gross amount, taxes, net amount, employee name, employee ID, department; and
- Purchase Card Spending Reports for fiscal years 2019 and 2020.

We attempted to obtain 2018 payroll and purchase card information. However, information in the old PeopleSoft system prior to Infor is no longer accessible or IT supported.

When investigating fraud and identifying risk, it is critical to confirm that the data being examined is complete. To establish completeness general ledger data, we reconciled the general ledger to the trial balance – as the trial balance is used for preparation of the audited financial statements. We successfully established that we had a complete general ledger detail dataset and felt confident in executing our analytical tests.

DATA ANALYTICS

A. Journal Entries

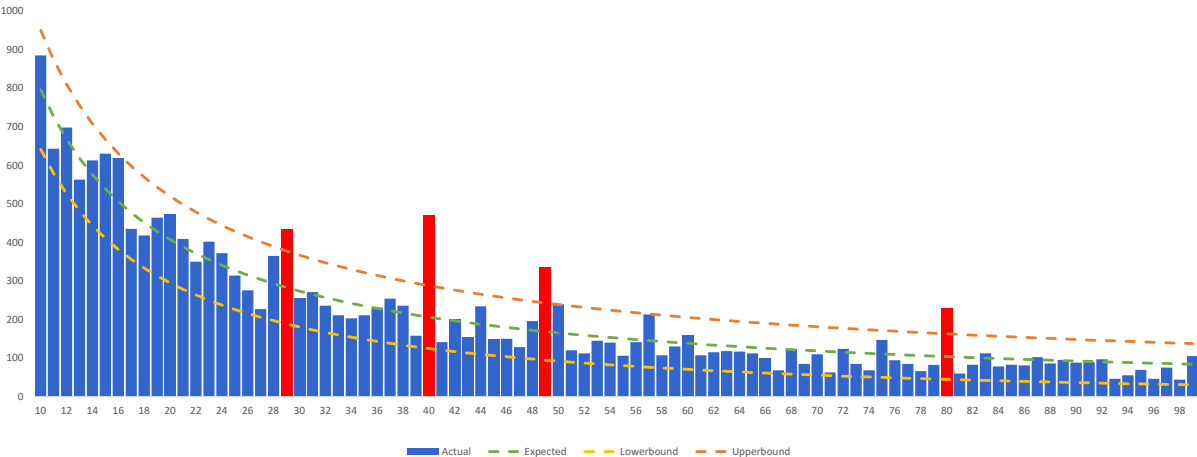
We used the General Ledger entries received from FCG to extract all manual journal entries. We only included manual journal entries, as system generated journal entries were pulled from another source journal (payroll, general disbursements, etc.) and analyzed separately. We also deemed manual journal entries to be the highest risk entries and the entries most susceptible to fraud or error. Manual journal entries are comprised of entries for which fields in the “SY” column are equal to “GL.”

1. Benford’s Law

Benford’s Law, also known as the *Law of First Digits*, is the finding that the first digits of the numbers found in a series of records of the most varied sources do not display a uniform distribution, but rather are arranged in such a way that the digit “1” is the most frequent, followed by “2”, “3”, as so on in a successively decreasing manner down to “9”. We performed this analysis on the first two digits of the line item amount of the manual journal entries. We would expect the data to fall within the Benford’s curve. See the graphs below for the results of Benford’s law analysis on fiscal years 2018, 2019 and 2020.

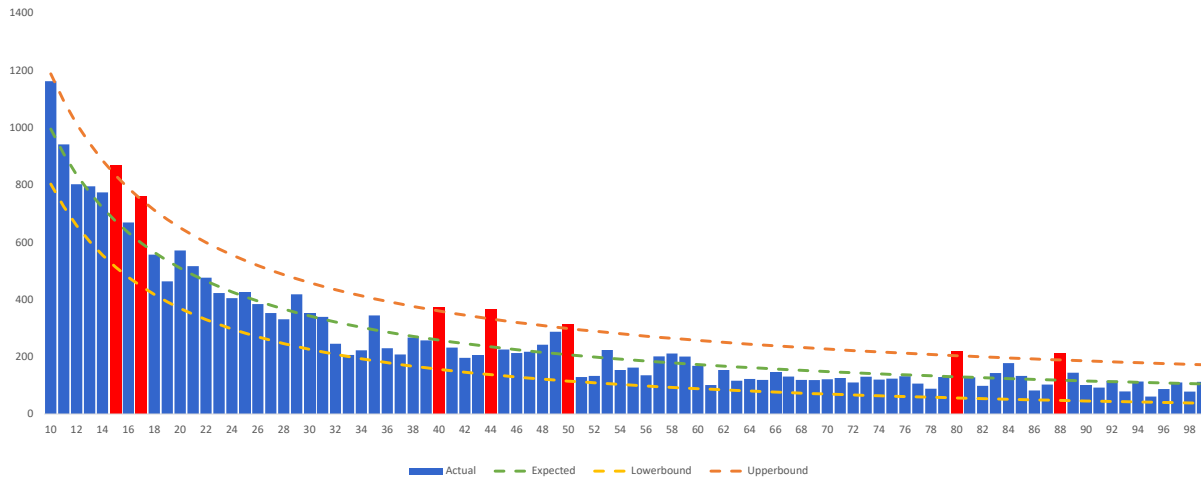
Fiscal Year 2018

First Two Digits Benford’s Law Analysis
Journal Entries



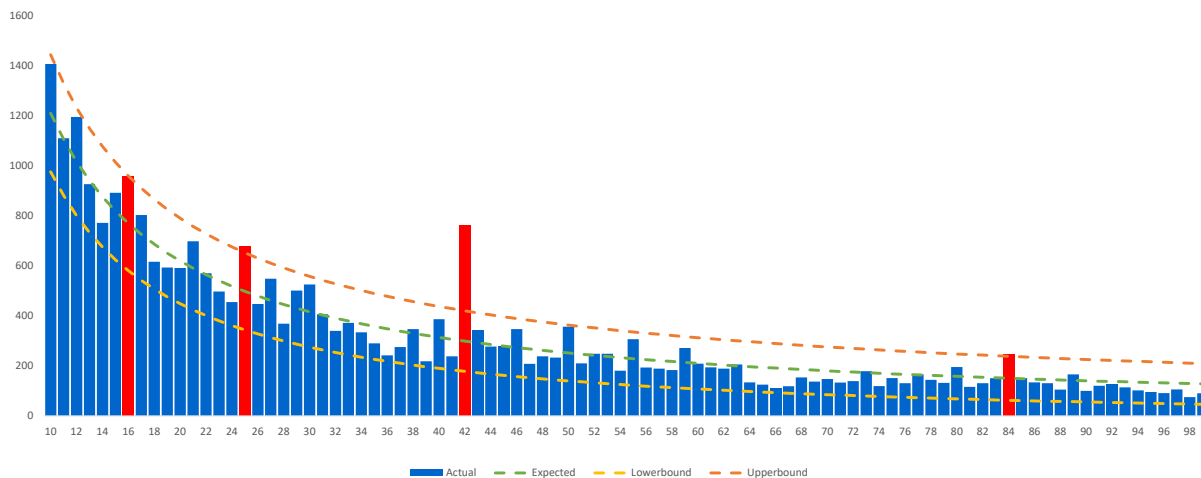
Fiscal Year 2019

First Two Digits Benford's Law Analysis
Journal Entries



Fiscal Year 2020

First Two Digits Benford's Law Analysis
Journal Entries



Results:

The following amounts were over the expected upper bound as indicated by a bar highlighted in red in the above graphs. We obtained FCG explanations which were consistent with the underlying data:

FY18:

Amounts beginning in 29 – Various trends including monthly landline charges to each department for phone, monthly charge for wireless phones and additional amount for adding your phone as a hotspot, fleet charges for monthly repairs & maintenance to FCG Departments, monthly transfers between general fund and capital projects, monthly administrative fee charged to Tourism, and monthly deferred loss amortization on 2012 refunding bonds.

Amounts beginning in 40 – Various trends including monthly landline charges to each department for phone, monthly charge for wireless phones and additional amount for adding your phone as a hotspot, monthly OPEB allocation to each department based on FTE's, overhead allocation to various water & sewer projects, and monthly deferred loss amortization in 2012 refunding bonds.

Amounts beginning in 49 – Various trends including monthly landline charges to each department for phone, monthly charge for wireless phones and additional amount for adding your phone as a hotspot, transfers from impact fee fund to capital projects related to paygo, and monthly deferred loss amortization on 2017B refunding bonds.

Amounts beginning in 80 – Various trends including monthly landline charges to each department for phone, monthly charge for wireless phones and additional amount for adding your phone as a hotspot, and automated zone balancing for the allocation of expense for OPEB between funds.

FY19:

Amounts beginning in 15 – Various trends including monthly landline charges to each department for phone, monthly charge for wireless phones and additional amount for adding your phone as a hotspot, monthly OPEB allocation to each department based on FTE's, auto generated transactions to balance funds when a journal is allocating between funds, monthly deferred loss amortization on 2006 refunding bonds, monthly allocation of construction management payroll expense to correct account category in CIP, monthly allocation of public works payroll expense to correct account category in CIP, monthly allocation of transportation engineering payroll expense to correct account category in CIP monthly deferred loss amortization on 2014C refunding bonds, monthly charge to departments for printing (based on the number of copies and type of copier), monthly printing/copier charges, and Cigna checks that were uncashed/outstanding and requested to be reissued by the payee (escheated property).

Amounts beginning in 17 – Various trends including monthly landline charges to each department for phone, monthly charge for wireless phones and additional amount for adding your phone as a hotspot, monthly allocation of public works payroll expense to correct account category in CIP, monthly allocation of construction management payroll expense to correct account category in CIP, monthly allocation of transportation engineering payroll expense to correct account category in CIP, allocation of mileage charges to various activities in the CIP, monthly OPEB allocation to each department based on FTE's, automated zone balancing for the allocation of expense for OPEB between funds, recording of termination benefit expense for one division director at year end, monthly deferred loss amortization on 2012 ref (2007) bonds, and monthly transfers from general fund to various capital projects.

Amounts beginning in 40 – Various trends including monthly landline charges to each department for phone, monthly charge for wireless phones and additional amount for adding your phone as a hotspot, monthly allocation of public works payroll expense to correct account category in CIP, monthly allocation of construction management payroll expense to correct account category in CIP, monthly allocation of transportation engineering payroll expense to correct account category in CIP, allocation of mileage charges to various activities in the CIP, monthly OPEB allocation to each department based on FTE's, automated zone balancing for the allocation of expense for OPEB between funds, monthly deferred loss amortization on 2012 ref (2007) bonds, and monthly entry to record indirect costs to enterprise funds.

Amounts beginning in 44 – Various trends including monthly landline charges to each department for phone, monthly charge for wireless phones and additional amount for adding your phone as a hotspot, monthly allocation of public works payroll expense to correct account category in CIP, monthly allocation of construction management payroll expense to correct account category in CIP, monthly allocation of transportation engineering payroll expense to correct account category in CIP, allocation of mileage charges to various activities in the CIP,

monthly OPEB allocation to each department based on FTE's, automated zone balancing for the allocation of expense for OPEB between funds, monthly deferred loss amortization on 2012 ref (2007) bonds, and monthly entry to record indirect costs to enterprise funds.

Amounts beginning in 50 – Various trends including employee expense accruals related to travel and training. Employee Expense reimbursements are processed through A/P not payroll. Monthly landline charges to each department for phone, monthly charge for wireless phones and additional amount for adding your phone as a hotspot, monthly OPEB allocation to each department based on FTE's, automated zone balancing for the allocation of expense for OPEB between funds, monthly allocation of transportation engineering payroll expense to correct account category in CIP, and monthly allocation of public works payroll expense to correct account category in CIP.

Amounts beginning in 80 – Various trends including monthly landline charges to each department for phone, monthly charge for wireless phones and additional amount for adding your phone as a hotspot, automated zone balancing for the allocation of expense for OPEB between funds, monthly entry to record indirect costs to enterprise funds, monthly transfers from general fund to various capital projects, and entries related to the Homebuyer's Assistance Program settlement.

Amounts beginning in 88 – Monthly OPEB allocation to each department based on FTE's and automated zone balancing for the allocation of expense for OPEB between funds.

FY20:

Amounts beginning in 16 – Various trends including monthly landline charges to each department for phone, monthly charge for wireless phones and additional amount for adding your phone as a hotspot, monthly OPEB allocation to each department based on FTE's, monthly charge to departments for printing (based on the number of copies and type of copier), monthly printing/copier charges, and monthly transfers from general fund to various capital projects.

Amounts beginning in 25 – Various trends including monthly landline charges to each department for phone, monthly charge for wireless phones and additional amount for adding your phone as a hotspot, monthly OPEB allocation to each department based on FTE's, automated zone balancing for the allocation of expense for OPEB between funds, monthly allocation of transportation engineering payroll expense to correct account category in CIP, and monthly allocation of public works payroll expense to correct account category in CIP, and recording of payments for transcripts \$25 from the SAO to Circuit Court.

Amounts beginning in 42 – Various trends including monthly landline charges to each department for phone, monthly charge for wireless phones and additional amount for adding your phone as a hotspot, monthly OPEB allocation to each department based on FTE's, automated zone balancing for the allocation of expense for OPEB between funds, monthly charge to departments for printing (based on the number of copies and type of copier), monthly printing/copier charges, and monthly transfers from general fund to various capital projects.

Amounts beginning in 84 – Various trends including monthly landline charges to each department for phone, monthly charge for wireless phones and additional amount for adding your phone as a hotspot, monthly OPEB allocation to each department based on FTE's, automated zone balancing for the allocation of expense for OPEB between funds, monthly charge to departments for printing (based on the number of copies and type of copier), monthly printing/copier charges, and monthly transfers from general fund to various capital projects.

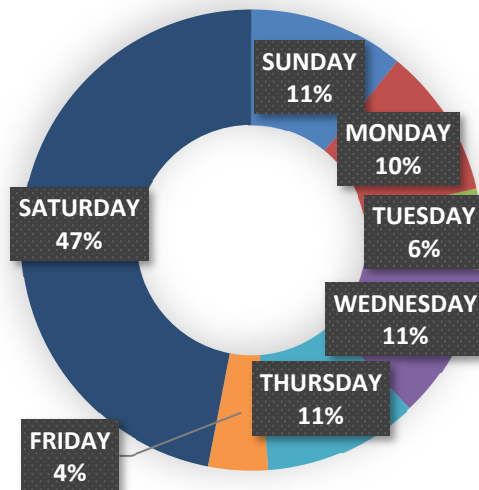
We deemed deviations from Benford's law to be appropriate.

Entries by Day of Week

We performed an analysis on the journal entries by day of week the entry was posted. We expect all journal entries to be made on normal workday (Monday – Friday). See below for the distribution of journal entries by day of week for fiscal years 2018, 2019 and 2020.

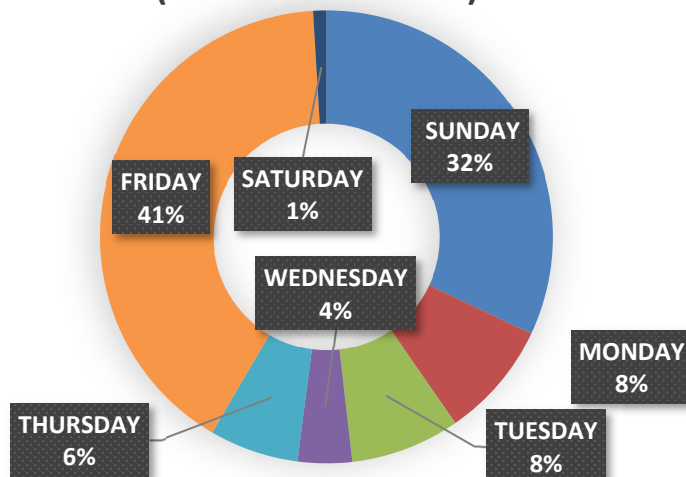
Fiscal Year 2018

Journal Entries by Day the Week (Transaction Count)



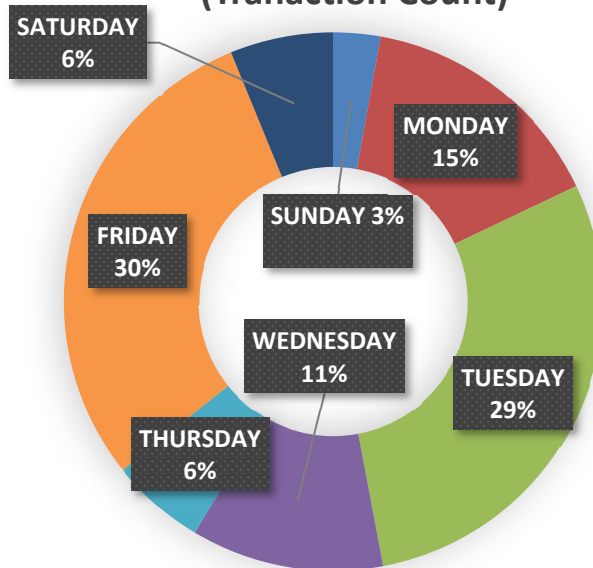
Fiscal Year 2019

Journal Entries by Day the Week (Transaction Count)



Fiscal Year 2020

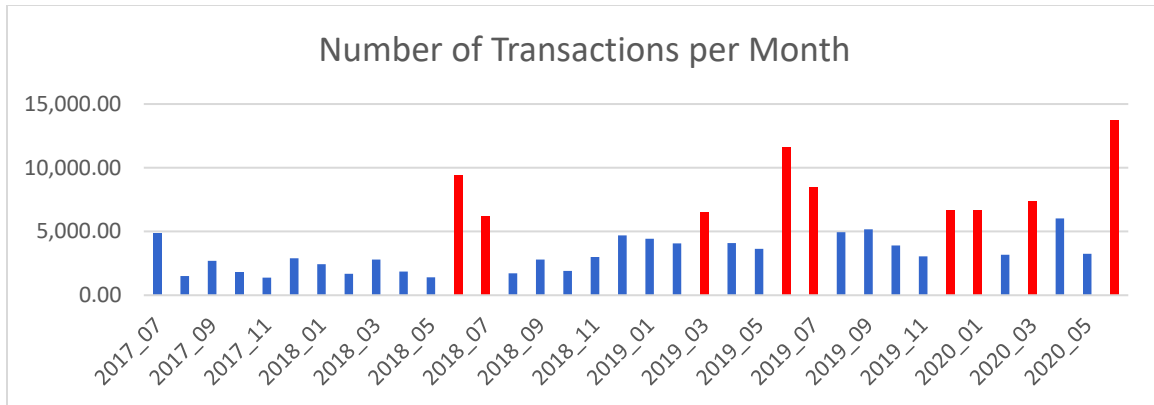
Journal Entries by Day the Week (Transaction Count)



Results: There was a significant number of weekend transactions in each year under review. FY18 in particular had an unusually large number of Saturday manual entries which made up 47% of all manual entries. Approximately 89% of these Saturday entries were made on June 30, 2018. Upon further inquiry it was determined that these 2018 weekend entries were related to the fact that the last day of the fiscal year fell on Saturday and year end entries were posted to this date. Similar trends were noted on Sunday of 2019 and Tuesday of 2020 which were the last days of their respective fiscal years. This is within expectations as a large number of entries posted on the last day of each fiscal year is anticipated regardless of which day of the week the last day falls. There were also more entries made in 2018 due to the migration from PeopleSoft to Infor Systems. Per discussion with Finance Division, employees have the ability to work weekends so during periods of reporting it is not uncommon for journals to be created, approved & posted. Per review of the underlying data, the overwhelming majority of weekend journal entries pertained to month end, quarter end, or year-end close.

2. Entries by Year and Month

The below graphs represent an analysis of the manual journal entries by year and month. We expect journal entry activity to be consistent throughout the year, with the exception of June (year-end) due to closing entries.



Results: As expected, there was a significant uptick in entries each June. Per discussion with the Finance Division, this is directly correlated with year-end close activity. The uptick seen in July is also related to year end activity in the form of reversing entries. All other increases in monthly activity was attributed to monthly and quarterly county wide entries and reconciliations related to quarterly reporting.

3. Debit Entries to Revenue Accounts

A revenue account typically has a credit balance, therefore a debit to a revenue account would be reducing/removing revenue. We performed an analysis to identify entries posted that included a debit to revenue. We expect there to be a limited number of debit entries to revenue accounts.

Fiscal Year	Number of debit entries to revenue accounts
2018	1,164
2019	1,396
2020	1,753

Results: To determine the reason and legitimacy of deductions to revenue accounts, we selected ten entries from each year to obtain further explanations. Per FCG, debit entries to revenue were related to manual reversal of billing accruals related to the migrating to the new Infor system (FY18 only), allocating and reclassifying revenue to correct accounts, correcting of entries posted twice, and several entries to correct/reverse posting errors.

4. Credit Entries to Expense Accounts

An expense account typically has a debit balance, therefore a credit to an expense account would be reducing/removing expenses. We performed an analysis to identify entries posted that included a credit to an expense. We expect there to be a limited number of credit entries to expense accounts.

Fiscal Year	Number of credit entries to expense accounts
2018	4,724
2019	14,204
2020	24,188

Results: To determine the reason and legitimacy for these credits, we selected ten entries from each year to obtain further explanations. Per FCG, credit entries to expense accounts include payroll accruals, allocation of expenditures to the proper grants, reclassification of amounts to proper accounts, reallocation of costs to the correct CIP project, year-end inventory adjustments, and year end entries related to reconciliations. We inquired concerning the year over year trend of significant increases in credit entries to expense accounts and it was determined that the large increases were related to the nature of how payroll entries are recorded in the Infor System versus the legacy PeopleSoft System. Infor was used for a fraction of 2019 and for the entirety of 2020. When taking into account the new Infor System processes, the total number of credit entries in 2019 and 2020 is comparable to 2018.

5. Description Key Word Search

We performed a search in the description of each manual journal entry for words that could indicate an inappropriate journal entry. We searched for the following key words: "mistake" or "error".

Results:

In fiscal year 2018, there were 11 entries that had the word "error" listed in the description. The nature of the errors included posting to the wrong bank fee accounting unit, use of the wrong interfund transfer account, correction of posting for which debits and credits were inversely entered, correction of duplicate entries, and correction of entries that were posted for the wrong amount.

In fiscal year 2019, there were 24 entries that had the word "error" listed in the description. Per discussion with FCG, these were related to correction of social security amounts charged to a grant, reversal of year end accruals, entries related to money that was seized by the Frederick County Sheriff's office and now has been forfeited to the Sheriff's Office per the State's Attorney's Office and so the funds were moved to the Law Enforcement Aid Fund, and entries to a holding account for entries that have an error (such as needs an activity set up or an account activated). The journal will post to this account until the error is corrected. The account is reconciled daily.

Lastly, in fiscal year 2020, there were 94 entries that had the word "error" in the description. The entries related to payroll corrections, one correction of a purchase card distribution account, and correction of accounts payable coding errors.

Explanations appear reasonable.

6. Accounts with Significant Activity but Net to Zero

During our review of the data, we noted several accounts with more than 100 transactions for which activity netted to zero. Based on our experience with local county governments, we expect FCG would have zero balance bank accounts, whereby, funds are swept at the end of each day to a main bank account. Additionally, we expect FCG to have payroll liability accounts, whereby payroll deductions are recorded each pay date and then remitted to a third party (i.e., garnishments, payroll taxes). The following table shows the number of accounts by fiscal year:

Fiscal Year	Number of Accounts
2018	10
2019	16
2020	17

Results: Accounts listed included:

- Accounts payable voucher clearing account
- Payment clearing account
- Transfer clearing account
- Accounts receivable Received but not applied account
- Capital asset clearing
- Developer Escrow clearing account
- Imputed Income clearing
- Semi-Annual Interest payable account
- Bond Refund Premium account
- An Error Suspense holding account for entries that have an error (such as needs an activity set up or an account activated)
- Real Estate Municipalities Discount Account (When the money is received if there is a discount it is applied to this account and when the taxes are paid to the municipalities is then cleared out)
- Soil Conservation Liability Account (Any amount in these accounts gets paid to Soil Conservation. The funds sit in a liability account and are processed quarterly)
- Court Papers Served account (Revenue received for serving papers and revenue was classified under fines but then journaled out to charges for services)
- Fleet clearing account
- Liability Accounts that are cleared out when payment is made (i.e. Maryland Bay Fee is cleared out when payment is remitted to the state)

None of accounts noted as netting to zero were considered outside of the normal operations of a county government.

B. General Disbursements

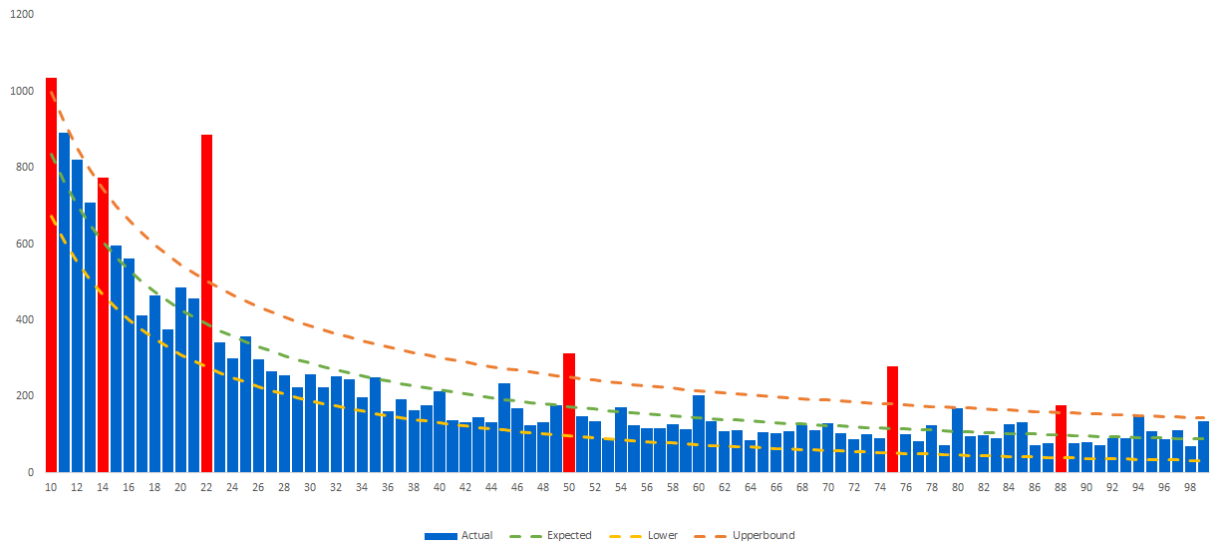
We obtained the general disbursements listing including checks, automated clearing house (ACH) and wires to complete the analysis over general disbursements. We determined the completeness of the population of general disbursements received by FCG by performing gap detection analysis over the general disbursement population. Several gaps were noted. We selected a sample of 10 missing payment numbers for each year. All gaps were related to company 2000 which is the LOSAP Trust fund which makes payments to LOSAP recipients.

1. Benford's Law

Benford's Law, also known as the *Law of First Digits*, is the finding that the first digits of the numbers found in a series of records of the most varied sources do not display a uniform distribution, but rather are arranged in such a way that the digit "1" is the most frequent, followed by "2", "3", as so on in a successively decreasing manner down to "9". We performed this analysis on the first two digits of the line item amount of the manual journal entries. We would expect the data to fall within the Benford's curve. See the graphs below for the results of Benford's law analysis on fiscal year 2018, 2019 and 2020.

Fiscal Year 2018

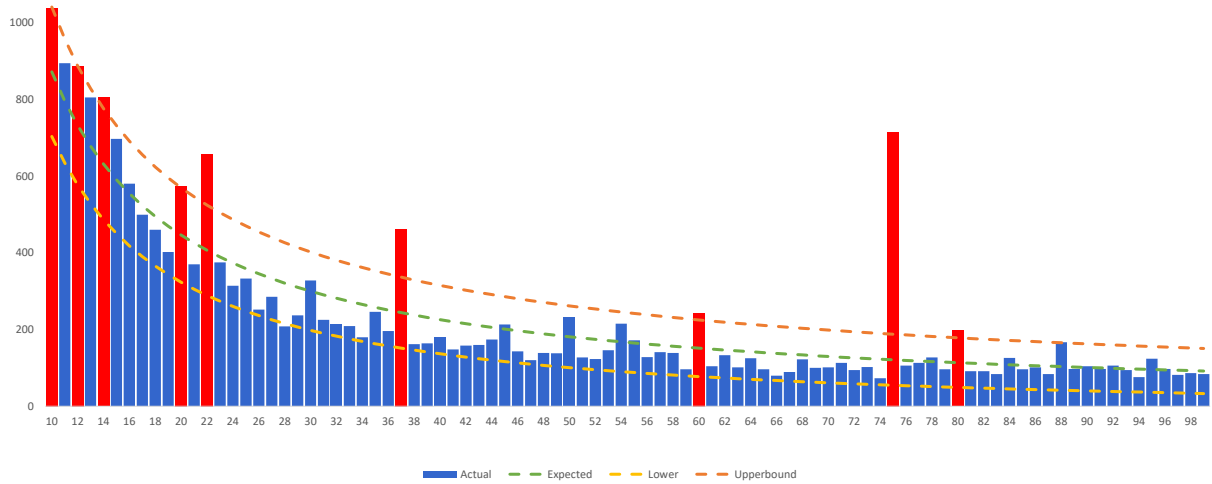
First Two Digits Benford's Law Analysis
Cash Disbursements



Fiscal Year 2019

First Two Digits Benford's Law Analysis Cash Disbursements

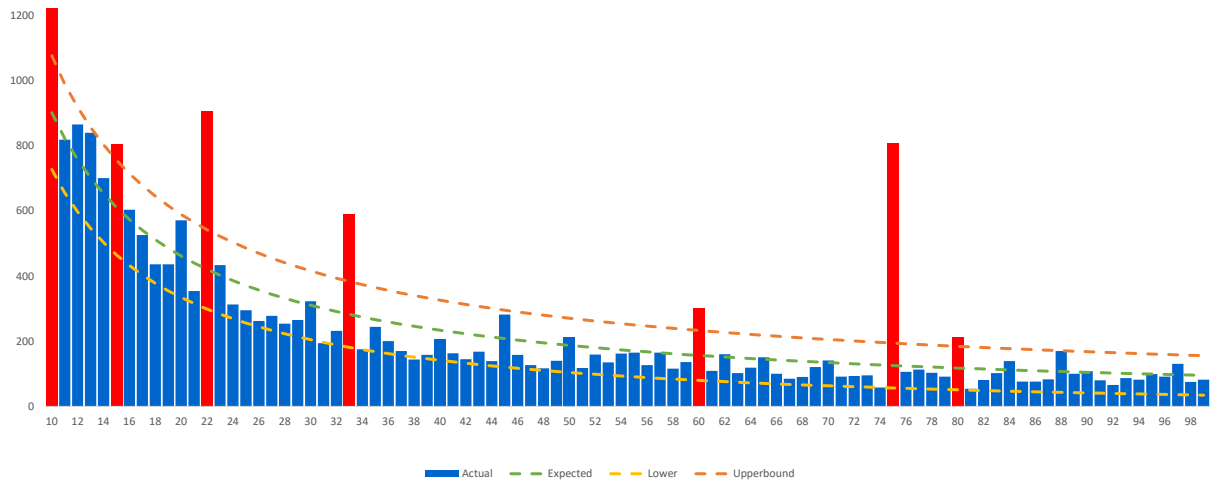
1200



Fiscal Year 2020

First Two Digits Benford's Law Analysis Cash Disbursements

1400



Results: The following disbursement amounts were over the expected upper bound as indicated by a bar highlighted in red in the above graphs. We obtained FCG explanations which were consistent with the underlying data:

FY18: Amounts beginning in 10 – Various trends including employee expense reimbursements, various parks and rec refunds, and HUD utility payments (disbursements in the amount of \$10); soil fees, employee reimbursements, wage garnishments and HUD utilities (disbursements in the amount of \$100 & \$102); employee expense reimbursements, and senior services classes (disbursements in the amount of \$105); HUD utilities (disbursements in the amount of \$108); HUD Landlord payments (disbursements ranging from \$1,003 – \$1,099); Title Company fees, CDBG, and homebuyer programs (disbursements in the amount of \$10,000); bulk child support garnishments (disbursements in the amount of \$10,750); Chemicals for Waste Water treatment (disbursements in the amount of \$10,934); Retirement fund transfers (disbursements in the amount of \$1,000,000).

FY18: Amounts beginning in 14 – Various trends including HUD utility payments (\$14); Employee expense reimbursements and HUD utility payments (\$140 & \$141); Waste services (\$143.22); HUD utility payments (\$144, \$146, \$148); Settlement/title search fees (\$148.01, \$148.02, \$148.03); HUD landlord payments (ranging from \$1,400 - \$1,489); Monthly rents to St. John's Properties (\$14,228.87)

FY18: Amounts beginning in 22 – Various trends including Law enforcement, work release & detention center employee allowances (\$225); HUD utility and landlord payments (\$229); HUD landlord payments (ranging from \$2,236 - \$2,250); payroll garnishments – PA State child support bulk (\$2,288.60)

FY18: Amounts beginning in 50 – Various trends including employee reimbursements, refunds, and HUD utility payments (\$50); HUD landlord payments (\$502); payroll garnishments (\$502.02 & \$502.12); Title company fees/homebuyer services, adult service fees (\$5,000).

FY18: Amounts beginning in 75 – Various trends including HUD utility payments, refunds, payroll garnishments, and gun permits for courthouse deputies (\$75).

FY18: Amounts beginning in 88 – Various trends including HUD utility payments (\$88); settlement and title services (\$88.01, \$88.02 & \$88.03); HUD landlord payments (\$880, \$882, \$884, \$885 & \$886); Employee Retirement refunds (\$8,855.57).

FY19: Amounts beginning in 10 – Several various refunds, permits, and various fees (\$10); soil fees, employee reimbursements, wage garnishments, HUD utility payments, High School awards, and Title 1 recording fees (\$100); Refunds on building permits (\$103); HUD utility payments (ranging from \$104 - \$108); HUD Landlord payments (ranging from \$1,005 - \$1,097); Title Company fees/CDBG & homebuyer programs, equipment rental (\$10,000); Retirement fund transfers (\$1,000,000)

FY19: Amounts beginning in 12 – Various trends including HUD utility payments, employee expense reimbursements; dance/yoga instructor fees (\$12); HUD utility payments, employee expense reimbursements (\$120); permit refunds, title services (\$125); HUD utility Payments (\$126); HUD landlord payments (\$1,200 – 1,298); Waste treatment plant chemicals (\$12,144); Non-profit grant subsidies (\$12,500).

FY19: Amounts beginning in 14 – Various trends including HUD utility payments, employee expense reimbursements-mass safety shoe reimbursement program, senior services classes (\$140 & \$146); Grease trap cleaning fee at senior center (\$145); Settlement/Title search fees (\$148.01, \$148.02); HUD landlord payments & easement fees (\$1,400); HUD landlord payments

(ranging from \$1,402 - \$1,495); monthly rents related to St. John's properties (\$14,576.35 & \$14,934.27).

FY19: Amounts beginning in 20 – Various refunds and fees including many court summons fees (\$20); HUD utility payments (ranging from \$201 - \$207); HUD landlord payments (ranging from \$2,023 - \$2,098)

FY19: Amounts beginning in 22 – Various trends including law enforcement work release & detention center employee allowances (\$225); HUD utility payments (\$226); HUD Landlord payments (ranging from \$2,240 - \$2,280); Contract payments on waste water treatment facility (\$2,290.96).

FY19: Amounts beginning in 37 – Various trends including HUD utility payments, solid waste cart lease refunds (\$37); Sheriff's office uniform allowances, alarm contract testing, parks bathroom service (\$375).

FY19: Amounts beginning in 60 – Various trends including treasury refunds for bay restoration and stormwater fees (\$60.01); Sheriff's office uniform allowances, various fees to various vendors, impact awards, HUD landlord payments (\$600); HUD landlord payments (\$606); payments related to the Blue Ops Contract with Workforce Services (\$6,055.83); Infor software/ ERP payments (\$60,000).

FY19: Amounts beginning in 75 – Septic pump rebate program fees/refunds (\$75); HUD landlord payments (\$757).

FY19: Amounts beginning in 80 – Yoga classes for senior services, family partnership interpreter services (\$800); HUD landlord payments (\$801 & \$809), Title company fees/CDBG and homebuyer programs (\$8,000).

FY19: Amounts beginning in 88 – Various trends including HUD utility payments and other various services/fees (\$88); settlement & title services (\$88.01 & \$88.02); HUD landlord payments (\$881)

FY20: Amounts beginning in 10 – Various trends including refunds, HUD utility payments, and employee expense reimbursements (\$10); Soil fees, employee reimbursements, wage garnishments, Title recording fees (\$100); HUD utility payments (ranging from \$100 - \$109); HUD landlord payments (ranging from \$1,000 - \$1,090).

FY20: Amounts beginning in 15 – Referee fees, court fees, employee expense reimbursements (\$15); HUD utility payments, trash services (\$150); HUD utility payments, permit refunds, City of Brunswick public works payments (\$154); HUD utility payments (\$156).

FY20: Amounts beginning in 22 – Work release & detention center employee allowances (\$225); Payroll garnishments (\$228.76); HUD landlord payments (\$2,208, \$2,245, \$2,270); Quarterly Fleet Contract Payments (\$22,457.99); Volunteer fire company funds (\$22,612).

FY20: Amounts beginning in 33 – Employee expense reimbursements, HUD utility payments (\$33); Employee expense reimbursements related to team skills training (\$336.88); Covid-19 micro grants paid to business which were all paid on the same day to various business (\$3,300).

FY20: Amounts beginning in 60 – Support group therapy fees, HUD utility payments, referee fees, various fees for services (\$60); Farmer's Covid-19 grant payments made to different farms (\$6,000); Grant funding & Infor billing (\$60,000).

FY20: Amounts beginning in 75 – HUD utility payments, refunds, septic refunds (\$75); Office of sustainability creative partnership fees (\$750); HUD landlord payments (\$752).

FY20: Amounts beginning in 80 – Refunds, Spanish interpreters, senior services programs, HUD utility payments (\$80); HUD landlord payments, interpreter services, yoga PT for senior services, fees for services (\$800); CDBG/homebuyer and HAP program title and settlement payments (\$8,000); Meters for Water and Sewer (\$8,070.52).

We deemed deviations from Benford's law to be appropriate.

2. Stratification Trends

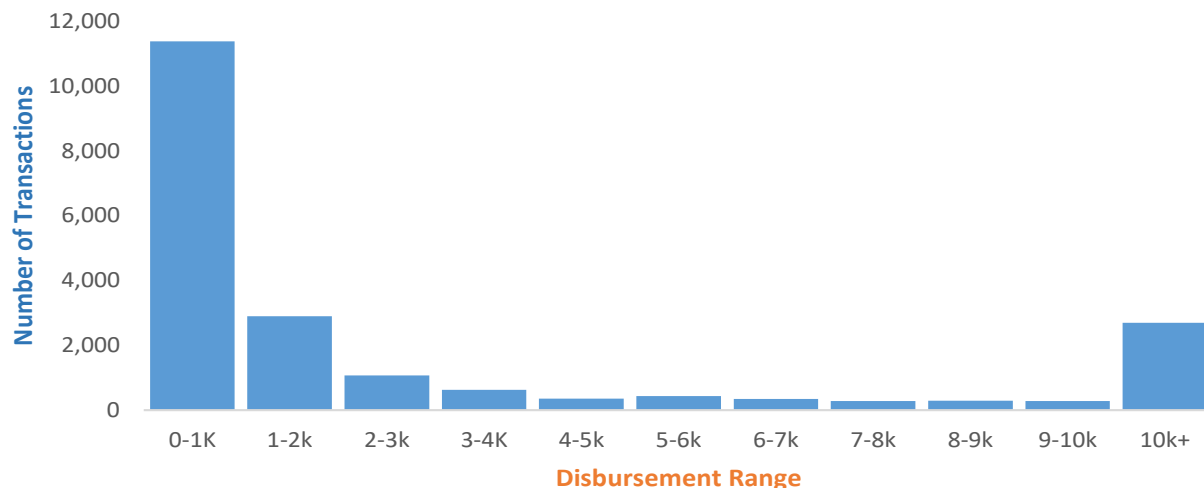
To gain a better understanding of the disbursement population, we performed a stratification of the disbursement information by amount and number of transactions. This analysis assists us in understanding what an “average” transaction at FCG resembles.

Results:

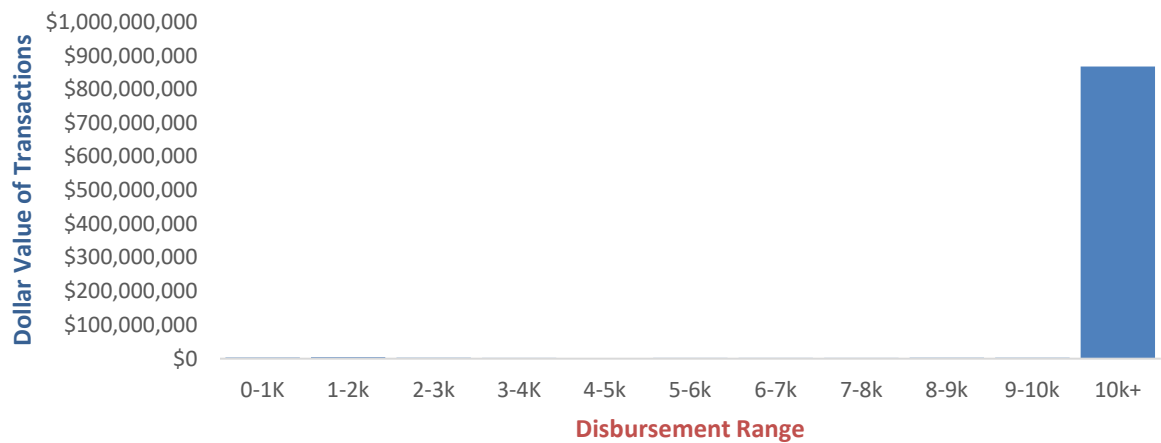
Fiscal Year 2018

Approximately 70% of disbursement transactions were below \$2,000. However, transactions below \$2,000 represent only approximately \$6,990,000 or 0.8% of total disbursements. Approximately 13% of disbursement transactions are over \$10,000, however, disbursements over \$10,000 total approximately 97% of dollars of all transactions. As such this range represents the largest concentration of dollars and is considered a higher risk area.

Disbursement Stratification (Transactions)



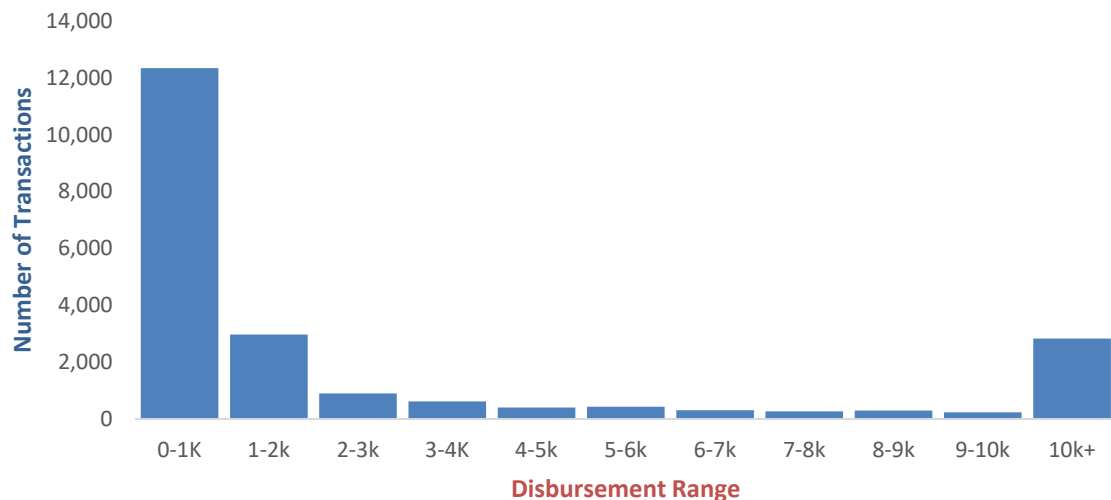
Disbursement Stratification (Dollars)



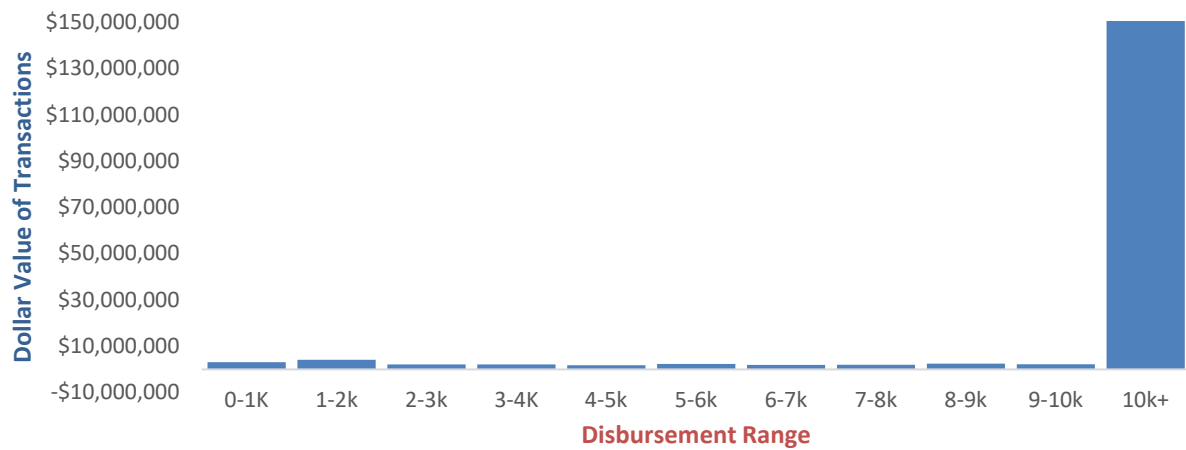
Fiscal Year 2019

Approximately 71% of disbursement transactions were below \$2,000. However, transactions below \$2,000 represent only approximately \$7,216,000 or 0.87% of disbursements. Approximately 13.10% of disbursement transactions are over \$10,000, however, disbursements over \$10,000 total approximately 97% of dollars of all transactions. As such this range represents the largest concentration of dollars and is considered a higher risk area.

Disbursement Stratification (Transactions)



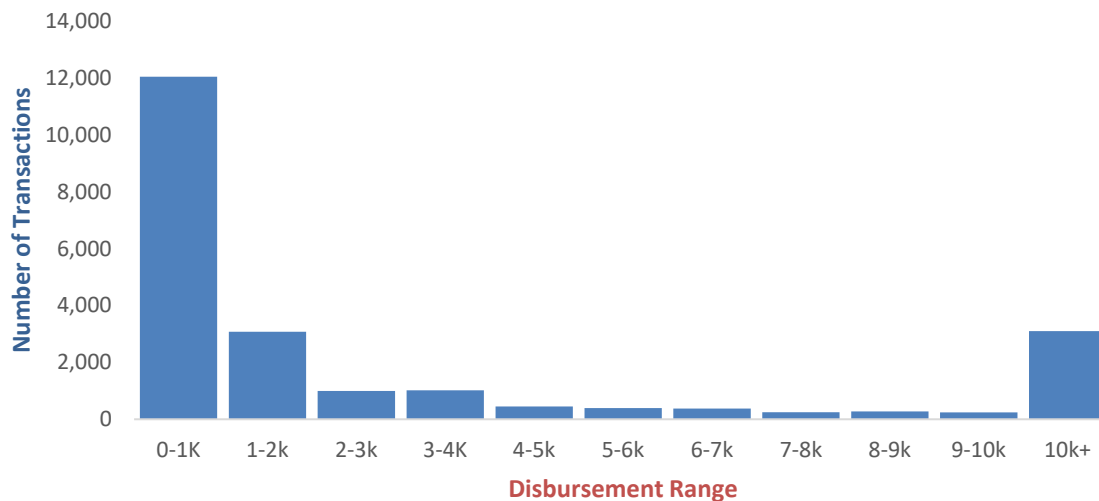
Disbursement Stratification (Dollars)



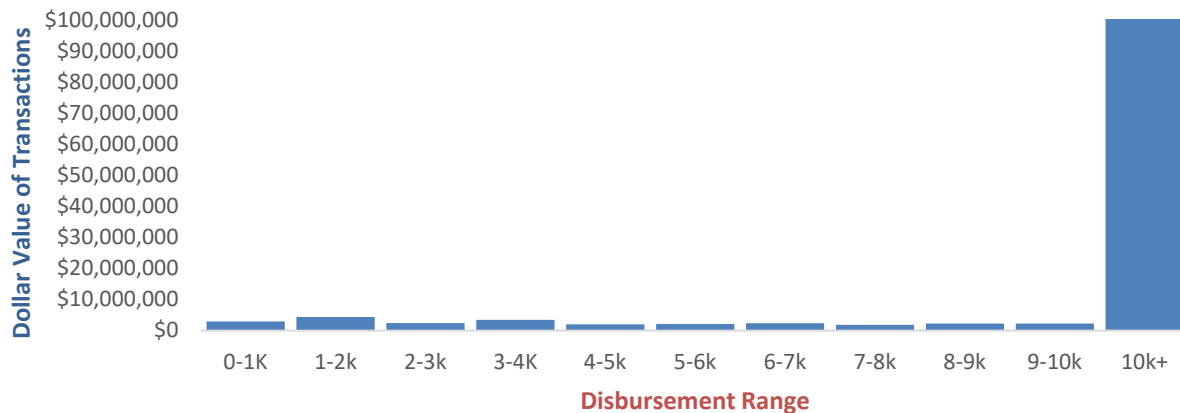
Fiscal Year 2020

Approximately 68% of disbursement transactions were below \$2,000. However, transactions below \$2,000 represent only approximately \$7,277,000 or 0.84% of disbursements. Approximately 13.95% of disbursement transactions are over \$10,000, however, disbursements over \$10,000 total approximately 97% of dollars of all transactions. As such this range represents the largest concentration of dollars and is considered a higher risk area.

Disbursement Stratification (Transactions)



Disbursement Stratification (Dollars)



We noted that the number of high dollar disbursements comprised a majority of the total dollar amount disbursed for all three years (approximately 97%). Therefore, we extracted the detail of all disbursements over \$10,000 to perform an additional analysis. We summarized this detail by vendor in order to obtain an understanding of the types of services provided and to confirm these vendors are within normal operations of the county government. We provided the top 10 vendors paid with disbursements over \$10,000 for each fiscal year, as follows:

Fiscal Year 2018

Payee	Number of Records	Total Sum	Description of Services
Frederick County Public Schools	56	\$346,860,312	Appropriations, Salaries, Warehouse supplies, CIP
M&T Trust Safekeeping (Vendor 4352)	31	78,063,572	Pension payments to bank account
Wilmington Trust (Vendor 3123)	8	67,215,127	Manage Pension & LOSAP trust
City of Frederick	46	60,710,745	Property tax payments, Utilities, Appropriations, Parking
State of Maryland	12	29,779,137	Property tax payments, Tax equity payments, MVA tag renewals
Aurora Health Management	64	20,792,720	Funding for the working capital account, payroll and accounts payable. Management of Comprehensive Care facilities through an enterprise fund.
Frederick Community College	4	19,912,786	Quarterly Appropriations
IESI MD Corp	12	8,799,998	A parent company to vendor 6593 Waste Connections of Maryland; solid waste management services
Urbana Highlands Development	9	6,661,768	Community Development Authority payments related to Library and Senior Center Leases.
ECI Contracting	12	8,799,998	Contractor payments for CIP projects - Walkersville Library & Middletown Fire Station

Fiscal Year 2019

Payee	Number of Records	Total Sum	Description of Services
Frederick County Public Schools	57	\$302,415,658	Appropriations, Salaries, Warehouse supplies, CIP
M&T Trust Safekeeping (Vendor 4352)	11	75,778,215	Pension payments to bank account
Wilmington Trust (Vendor 3123)	16	75,301,891	Manage Pension & LOSAP trust
City of Frederick	48	61,382,754	Property tax payments, Utilities, Appropriations, Parking
State of Maryland	15	31,441,606	Property tax payments, Tax equity payments, MVA tag renewals
Frederick Community College	23	21,781,293	Quarterly Appropriations
Aurora Health Management	56	21,760,988	Funding for the working capital account, payroll and accounts payable. Management of Comprehensive Care facilities through an enterprise fund.
Salisbury McLister & Foley	19	6,960,183	A legal & title company that handles settlements for the FCG. Also handles the County Executive's Agriculture Land Preservation initiative.
Urbana Highlands Development	10	6,850,012	Community Development Authority payments related to Library and Senior Center Leases.
Waste Connections of Maryland	6	6,216,286	Solid waste management services

Fiscal Year 2020

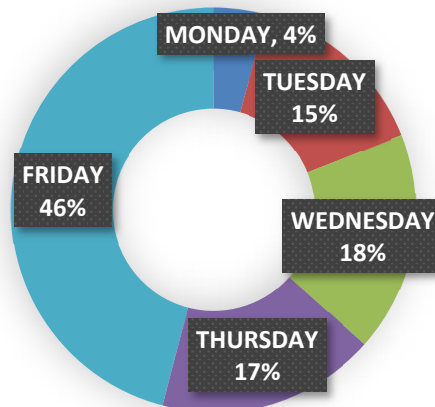
Payee	Number of Records	Total Sum	Description of Services
Frederick County Public Schools	52	\$335,373,770	Appropriations, Salaries, Warehouse supplies, CIP
Wilmington Trust (Vendor 3123)	4	71,737,510	Manage Pension & LOSAP trust
City of Frederick	38	63,035,095	Property tax payments, Utilities, Appropriations, Parking
M&T Trust Safekeeping (Vendor 4352)	12	62,908,228	Pension payments to bank account
State of Maryland	14	33,251,130	Property tax payments, Tax equity payments, MVA tag renewals
Aurora Health Management	67	26,298,128	Funding for the working capital account, payroll and accounts payable. Management of Comprehensive Care facilities through an enterprise fund.
Frederick Community College	20	23,724,064	Quarterly Appropriations
Waste Connections of Maryland	12	11,417,239	Solid waste management services
Francis O Day Inc	15	10,751,067	Contractor payments for multiple CIP projects
Lobar Inc	10	8,665,544	Contractor payments for work done at Monocacy Sewage Pumping Station

Results: Per review of the top ten vendors paid with disbursements over \$10,000 for each fiscal year, we noted they were consistent with operations of a county government. However, Salisbury McLister & Foley were in the top ten vendors in 2019 but were not in the top ten vendors in 2018 or 2020. Per discussion with the Finance Division, Agriculture Land Preservation related payments to Salisbury McLister & Foley vary from year-to-year dependent on the number and size of land parcels participating in the program. This vendor was number 22 in 2018 and number 11 in 2020. Activity is deemed reasonable.

3. **Disbursements by Day**

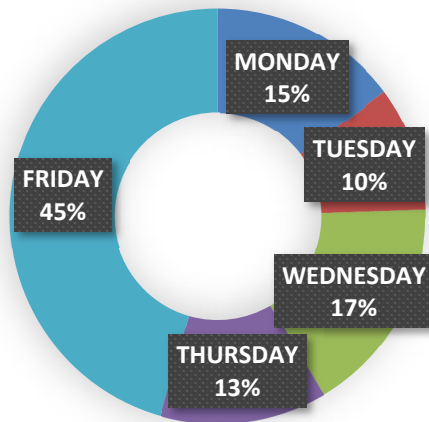
The following graphs represent the population of general disbursements by day of the week. Per our discussion with FCG, the pay cycle is usually processed on Thursdays using a check date of Friday. However, FCG processes check pay cycles on other days as needed to accommodate various specific pay dates. For example, payments to the various towns are due the 10th of each month, monthly section 8 Housing rental payments are due the 1st business day of each month.

Fiscal Year 2018
Cash Disbursements by Day the Week
(Dollar Value)



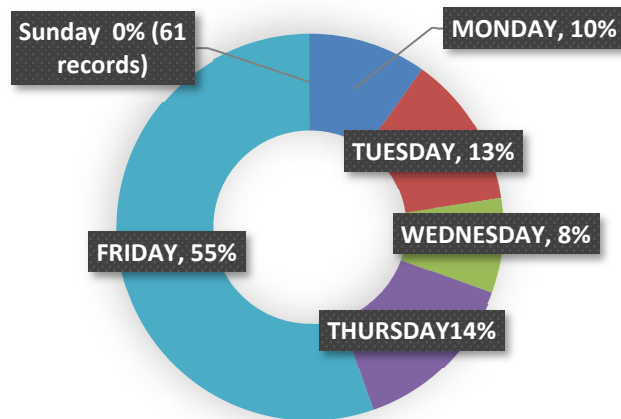
Fiscal Year 2019

Cash Disbursements by Day the Week (Dollar Value)



Fiscal Year 2020

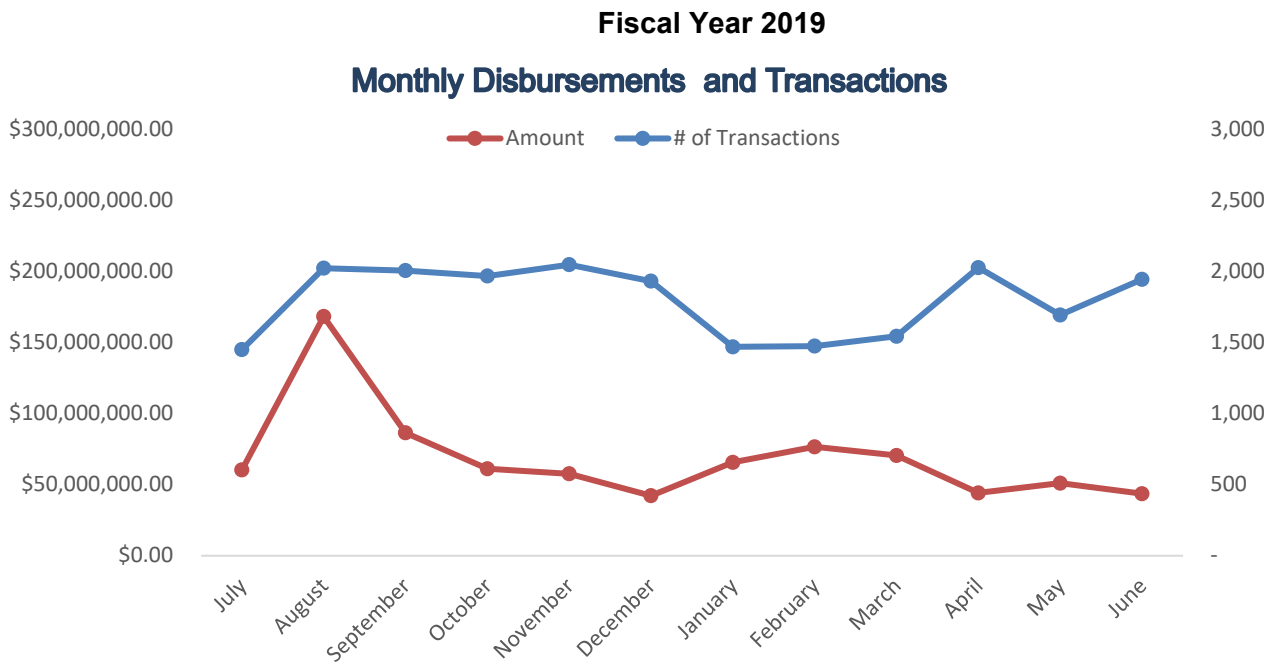
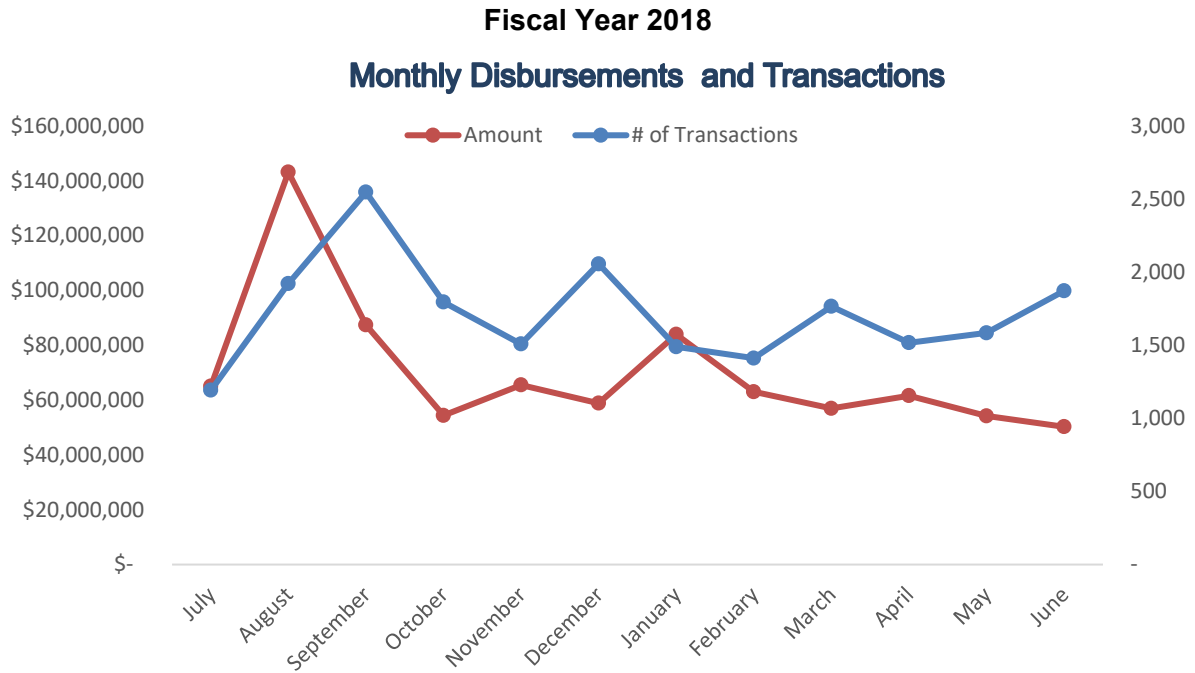
Cash Disbursements by Day the Week (Dollar Value)

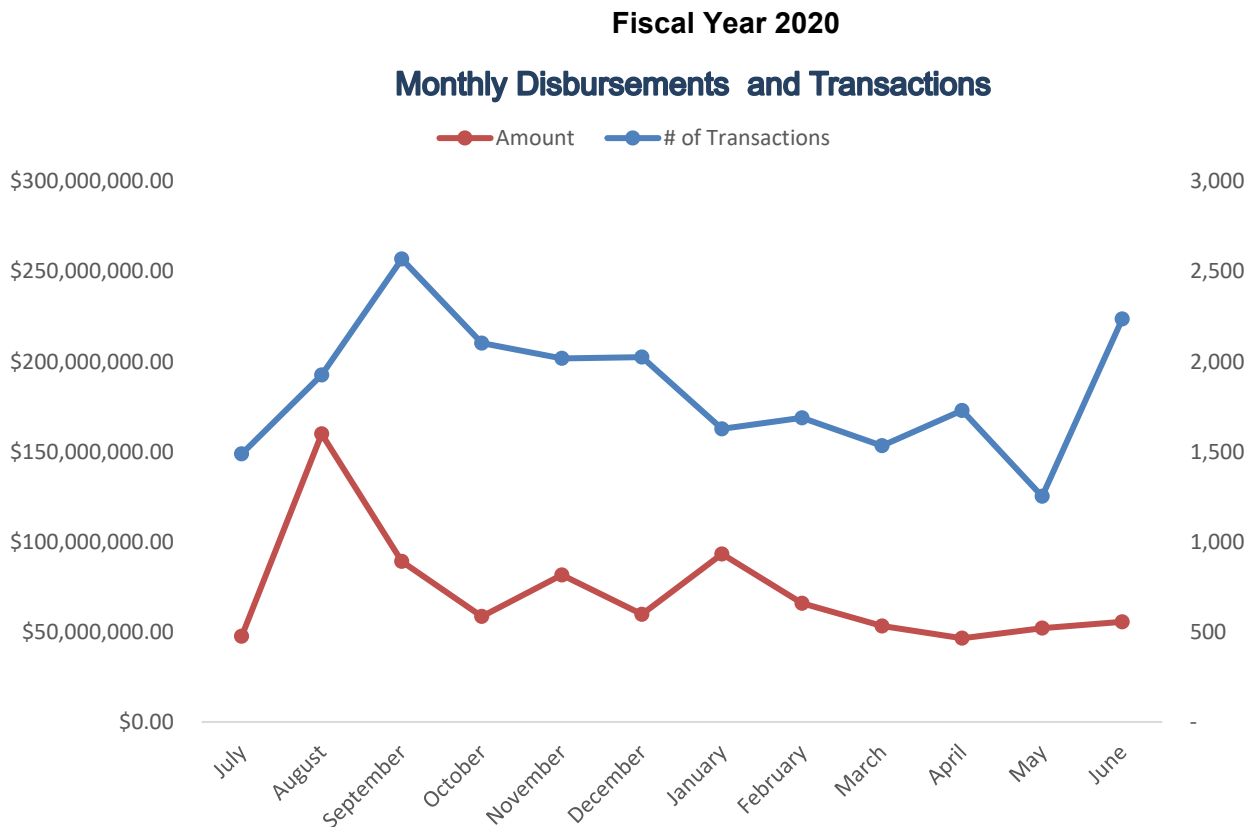


Results: We noted that while checks were processed on several days, the greatest share of checks had Friday check dates. We also noted there were no checks run with a date that falls on Saturday or Sunday in FY18 or FY19. There were however, 61 checks dated 5/31/20 which was a Sunday. Per discussion with FCG personnel, the date should have been 5/29/20 and the weekend date was input simply due to a keying error.

4. Disbursements by Month

The following graphs represent the population of general disbursements, in total dollars and total transactions for each month. Based on our experience with county governments and discussion with FCG personnel, we would expect disbursements at a county government to remain fairly consistent from month to month.





Results: During fiscal years 2018, 2019 and 2020, FCG disbursed on average \$70,383,4400 per month. During the same 3-year period, the average number of transactions was 1,790 per month. The months with the most significant increases from average were August 2017, August 2018, August 2019.

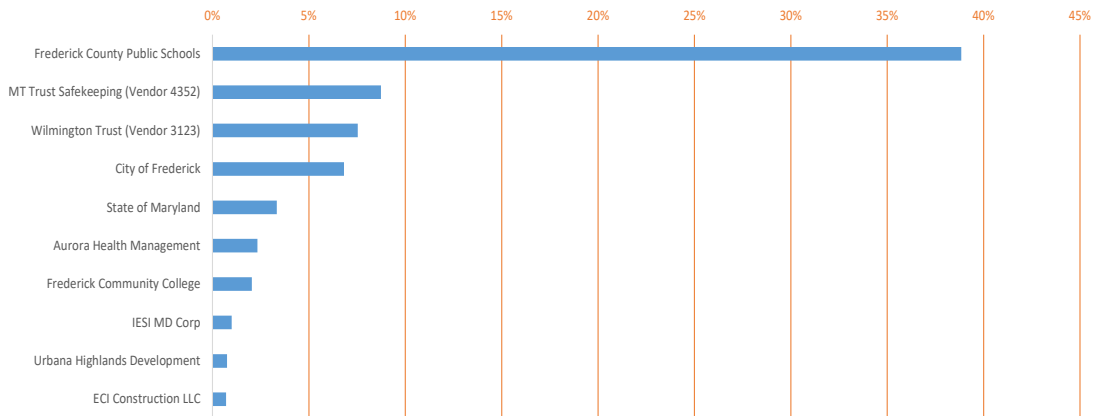
Per discussion with FCG Accounts Payable personnel, there are fluctuations monthly due to the issuance of refunds produced by the Treasury office. These refunds are generated once or twice a month and are based on overpayments or credits that are due to taxpayers. Also, LOSAP payments are issued on a quarterly basis (March, June, September & December). Also, in June due to the end of the fiscal year and budgetary constraints, vendor transactions may be reduced. It was also noted that wire payments are not processed by Accounts Payable can impact monthly trends. Large wire transactions include payments to the Maryland State Retirement Agency, Maryland Local Government Investment Pool, and Aurora Health Management (manages Citizens Care & Rehabilitation and Montevue Assisted Living which collective comprise the Comprehensive Care enterprise fund of FCG). Lastly per review of the underlying data, August of each year is the month that debt service payments are made as well as payments to Wilmington Trust related to Pension & LOSAP.

5. Top Ten Vendors

The following graphs represent an analysis of the activity of the top vendors of FCG. Generally, we expect the top ten vendors to represent a significant portion of total disbursement activity. Per our understanding of county government operations and discussion with FCG, we also expect these vendors to include the public school system, managers of retirement funds, the City of Frederick, the state government, vendor that manages the county assisted living facilities and nursing homes, the community college, and construction and public maintenance related vendors. Lastly, we expect that vendors will remain fairly consistent from year to year.

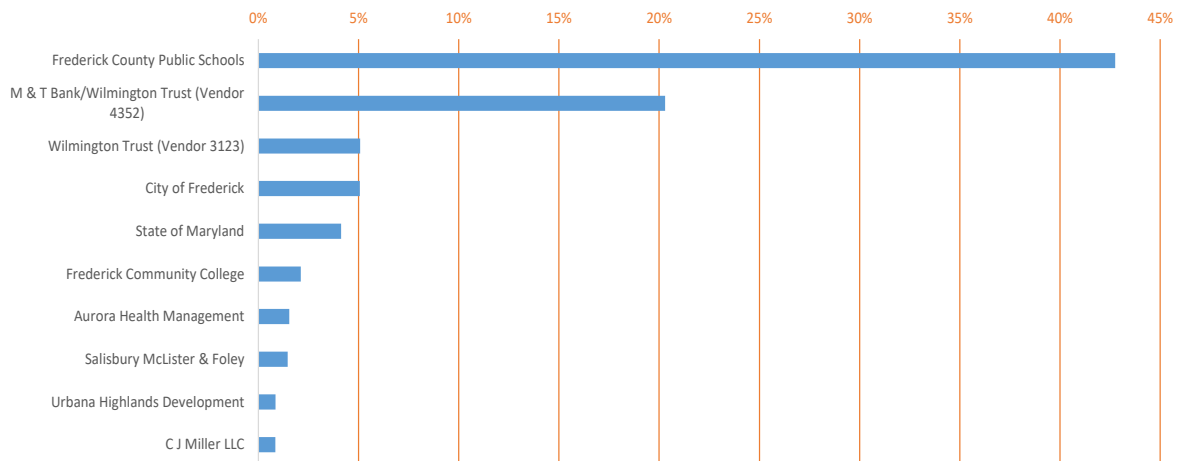
Fiscal Year 2018

Vendors By Cash Disbursements



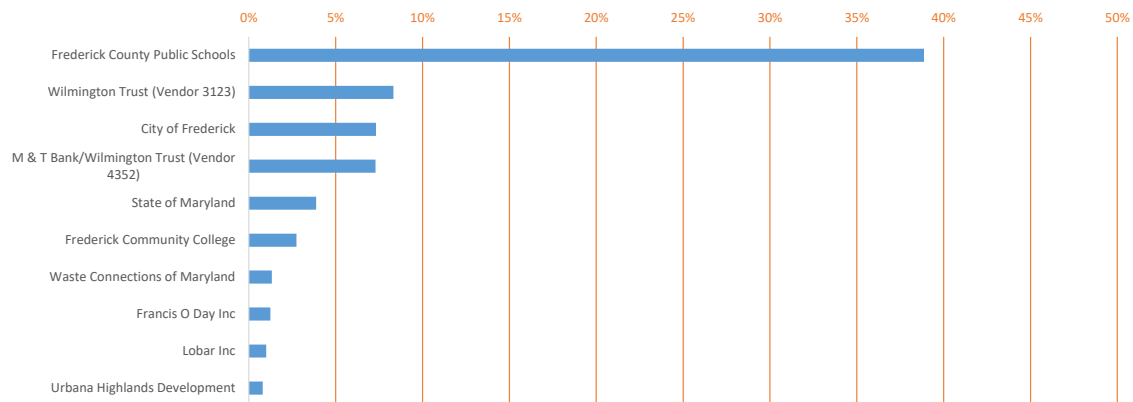
Fiscal Year 2019

Vendors By Cash Disbursements



Fiscal Year 2020

Vendors By Cash Disbursements



Results: At FCG, the top 10 vendors represented 72.11% of all disbursements in FY18, 84.14% in FY19, and 72.79% in FY20. We reviewed the vendors and our expectations were met.

Services provided by the top ten vendors for each fiscal year are as follows:

Vendor Name	Nature of Service	Fiscal Year
Frederick County Public Schools	Salaries, Warehouse supplies, CIP	2018
MT Trust Safekeeping (Vendor 4352)	Pension payments to bank account	2018
Wilmington Trust (Vendor 3123)	Manage Pension & LOSAP trust	2018
City of Frederick	Property tax payments, Utilities, Appropriations, Parking	2018
Aurora Health Management	Funding for the working capital account, payroll and accounts payable. Management of Comprehensive Care facilities through an enterprise fund.	2018
State of Maryland	Property tax payments, Tax equity payments, MVA tag renewals	2018
Frederick Community College	Quarterly Appropriations	2018
IESI MD Corp	A parent company to Waste Connections of Maryland; solid waste management services	2018
Urbana Highlands Development	Urbana Community Development Authority payments	2018
ECI Construction LLC	Contractor payments for CIP projects - Walkersville Library & Middletown Fire Station	2018

Vendor Name	Nature of Service	Fiscal Year
Frederick County Public Schools	Salaries, Warehouse supplies, CIP	2019
M & T Bank/Wilmington Trust (Vendor 4352)	Pension payments to bank account	2019
Wilmington Trust (Vendor 3123)	Manage Pension & LOSAP trust	2019
City of Frederick	Property tax payments, Utilities, Appropriations, Parking	2019
State of Maryland	Property tax payments, Tax equity payments, MVA tag renewals	2019
Frederick Community College	Quarterly Appropriations	2019
Aurora Health Management	Funding for the working capital account, payroll and accounts payable. Management of Comprehensive Care facilities through an enterprise fund.	2019
Salisbury McLister & Foley	A legal & title company that handles settlements for the FCG.	2019
Urbana Highlands Developme	Urbana Community Development Authority payments	2019
C J Miller LLC	Contractor payments for multiple CIP projects	2019

Vendor Name	Nature of Service	Fiscal Year
Frederick Co Public School	Salaries, Warehouse supplies, CIP	2020
Wilmington Trust	Manage Pension & LOSAP trust	2020
City of Frederick	Property tax payments, Utilities, Appropriations, Parking	2020
M & T Bank/Wilmington Trust (Vendor 4352)	Pension payments to bank account	2020
State of Maryland	Property tax payments, Tax equity payments, MVA tag renewals	2020
Aurora Health Management	Funding for the working capital account, payroll and accounts payable. Management of Comprehensive Care facilities through an enterprise fund.	2020
Frederick Community College	Quarterly Appropriations	2020
Waste Connections of Maryland	Solid waste management services	2020
Francis O Day Inc	Contractor payments for multiple CIP projects	2020
Lobar Inc	Contractor payments for work done at Monocacy Sewage Pumping Station	2020

Results: We obtained and understanding of the types of services paid by each of the aforementioned vendors and confirmed that disbursements to these vendors are line with normal operations.

6. One-Time Vendors

As part of our analysis of general disbursements, we identified one-time payments that occurred during the year, typically the infrequency of the payments results in these transactions being a higher risk for fraud. During the period of July 1, 2017 to June 30, 2020 there were 6,127 instances of one-time vendors.

Results: Per discussion with FCG Finance personnel and review of the one-time vendor listing detail, 3,609 these one-time vendors have a vendor number that begins with 999 indicating that they are truly for the purpose of a single payment and are utilized by departments for various types of refunds. The remaining one-time transactions are simply related to vendors that were only used once. In order to corroborate this explanation, we selected a sample of ten vendors not related to vendor numbers beginning in 999 and obtained documentation indicating that each vendor was authorized to received payment in the applicable payment year. We also noted no unusual vendor descriptions. Additionally, in another test that will follow below, we also compared information from the employee master file to the disbursement listing and no unexplained relationships were noted.

7. Voided/Zero Dollar Payments

There were 539, 274, and 320 voided/stop payment disbursement transactions in fiscal years 2018, 2019, and 2020, respectively. We selected a sample of 10 voided disbursements from each fiscal year for which to obtain an explanation.

The composition of the 30 voided checks selected for testing across the three years under review is follows:

- a. Voided and reissued. Vendor never received check. (14 checks)
- b. Voided and reissued. Stale dated. (3 checks)
- c. Voided. Created with an incorrect amount. (3 checks)
- d. Voided. Check not needed (3 checks). One check was for a fee should have been paid by MD DHCD not FCG. The second check was related to a housing program tenant that was absorbed by another agency and FCG was no longer responsible for the tenant. The FCG check was returned. The third check was created for the incorrect amount and re-processed by Treasury for the correct amount.
- e. Voided. Check re-issued in error via Accounts Payable void process and needed to be voided in the Cash Book Systems void process which is the banking module of Infor Systems. (2 checks)
- f. Voided. Treasury reprocessed check to surviving spouse only (decedent was removed as payee) Policies and procedures were followed in re-issuing the check. (2 checks)
- g. Voided. Vendor was unable to deposit. (1 check)
- h. Voided. Treasury created check payable to the incorrect vendor. (1 check)
- i. Voided. Reissued subsequently after settlement date. (1 check)

Explanation appears reasonable with county government operations.

8. Disbursements to the Same Vendor on the Same Day

We summarized all payments made to the same vendor on the same day. We expect a limited number of vendors who had more than one payment made on the same day. Multiple payments made to the same vendor on the same day could indicate a bypass of dollar threshold approvals. Those vendors with significant expenditures should also be consistent with operations.

Fiscal Year 2018 – Top 10 Vendors: Multiple Disbursements per Day: By Frequency

VENDOR NAME	PAYMENT DATE	NUMBER OF RECORDS	TOTAL PAYMENT AMOUNT
NVR Inc	4/27/2018	53	117,060.00
Middletown Commons Holdings LLC	9/21/2017	18	327.10
Maryland State Police	3/1/2018	15	1,125.00
Maryland State Police	2/23/2018	15	1,500.00
Frederick/Catoctin Soil	10/13/2017	15	5,551.00
Frederick/Catoctin Soil	7/14/2017	15	1,500.00
NIH Federal Credit Union	8/24/2017	13	413.46
Urbana Investment Properties	5/10/2018	11	594.00
NVR Inc	3/16/2018	11	24,090.66
Mid-Atlantic Federal Credit Union	8/24/2017	11	128.34

Fiscal Year 2018 – Top 10 Vendors: Multiple Disbursements per Day: By Total Payment Amount

VENDOR NAME	PAYMENT DATE	NUMBER OF RECORDS	TOTAL PAYMENT AMOUNT
Frederick Co Public School	6/15/2018	2	18,057,345.74
MT TRUST SAFEKEEPING	1/23/2018	3	15,076,624.31
MT TRUST SAFEKEEPING	11/30/2017	3	15,004,541.66
MT TRUST SAFEKEEPING	4/30/2018	3	15,000,000.00
MT TRUST SAFEKEEPING	8/8/2017	3	15,000,000.00
Wilmington Trust	2/1/2018	2	13,250,407.93
City of Frederick	1/10/2018	2	10,477,091.03
Wilmington Trust	12/1/2017	2	8,742,501.75
Frederick Co Public School	11/7/2017	2	7,568,809.83
Frederick Co Public School	3/14/2018	2	7,556,615.89

Fiscal Year 2019 – Top 10 Vendors: Multiple Disbursements per Day: By Frequency

VENDOR NAME	PAYMENT DATE	NUMBER OF RECORDS	TOTAL PAYMENT AMOUNT
Walker Title LLC	8/16/2018	15	103.13
Comstock Beshers LC	9/13/2018	15	113.18
SED Maryland Development LLC	11/8/2018	11	7,785.91
North American Title Company	10/11/2018	11	518.22
Wilmington Trust	8/1/2018	10	43,613,830.13
NVR INC	11/5/2018	10	12,854.82
SED Maryland Development LLC	5/16/2019	9	486.00
RGS TITLE	11/29/2018	9	366.85
Offutt Horman Burdette &	10/26/2018	9	1,076,235.50
NVR INC	9/13/2018	9	93.15

Fiscal Year 2019 – Top 10 Vendors: Multiple Disbursements per Day: By Total Payment Amount

VENDOR NAME	PAYMENT DATE	NUMBER OF RECORDS	TOTAL PAYMENT AMOUNT
Wilmington Trust	8/1/2018	10	43,613,830.13
MT Trust Safekeeping	9/12/2018	2	25,000,000.00
State of Maryland	8/10/2018	2	16,874,354.67
Frederick Co Public School	10/15/2018	2	16,704,885.63
MT Trust Safekeeping	3/25/2019	3	15,000,000.00
MT Trust Safekeeping	2/4/2019	3	15,000,000.00
Frederick Co Public School	9/14/2018	3	13,716,228.58
Frederick Co Public School	6/14/2019	2	13,348,002.74
Frederick Co Public School	1/15/2019	2	12,681,199.82
Frederick Co Public School	3/15/2019	2	12,325,544.44

Fiscal Year 2020 – Top 10 Vendors: Multiple Disbursements per Day: By Frequency

VENDOR NAME	PAYMENT DATE	NUMBER OF RECORDS	TOTAL PAYMENT AMOUNT
Orix Real Estate	9/24/2019	64	1,472.72
NIH Federal Credit Union	9/9/2019	19	448.37
Dan Ryan Builders	9/24/2019	16	179.92
NVR INC	7/22/2019	15	507.60
Amrock INC	9/9/2019	15	337.27
Village Settlements	8/7/2019	13	516.91
Urbana Active Adult LLC	3/12/2020	13	738.15
Carolyn Hallein	10/17/2019	12	317.98
Monocacy Land Company	6/15/2020	11	603.91
Land Bay A LLC	9/9/2019	11	289.72

Fiscal Year 2020 – Top 10 Vendors: Multiple Disbursements per Day: By Total Payment Amount

VENDOR NAME	PAYMENT DATE	NO_OF_RECS	TOTAL PAYMENT AMOUNT
City of Frederick	8/9/2019	2	33,438,841.72
M&T Trust Safekeeping	1/9/2020	3	20,000,000.00
M&T Trust Safekeeping	11/26/2019	3	20,000,000.00
Frederick Co Public School	9/13/2019	2	18,850,282.85
State of Maryland	8/9/2019	3	18,189,731.61
Frederick Co Public School	3/13/2020	2	15,752,409.00
M&T Trust Safekeeping	9/4/2019	3	15,000,000.00
Frederick Co Public School	2/14/2020	2	13,957,118.71
Frederick Co Public School	5/8/2020	2	5,407,462.93
Frederick Co Public School	4/10/2020	2	5,030,524.18

Results: Multiple payments on a single day are made for several reasons including refunds for multiple building permits which have to be on separate checks, tax refunds generated by Treasury which are for separate properties, gun permits (each individual must be on a separate check) and filing for soil testing (each property must be on a separate check). We corroborated this explanation by obtaining documentation for a sample of instances where a single vendor was paid on the same day. We selected 12 transactions across the 3 years and noted that in each instance checks to the same vendor were for different invoices/vouchers with the exception of one instance in which two checks were used to pay different components of the same item. One check was used to make an installment payment agreement disbursement and a second check was used to pay the related interest.

9. Duplicate Checks

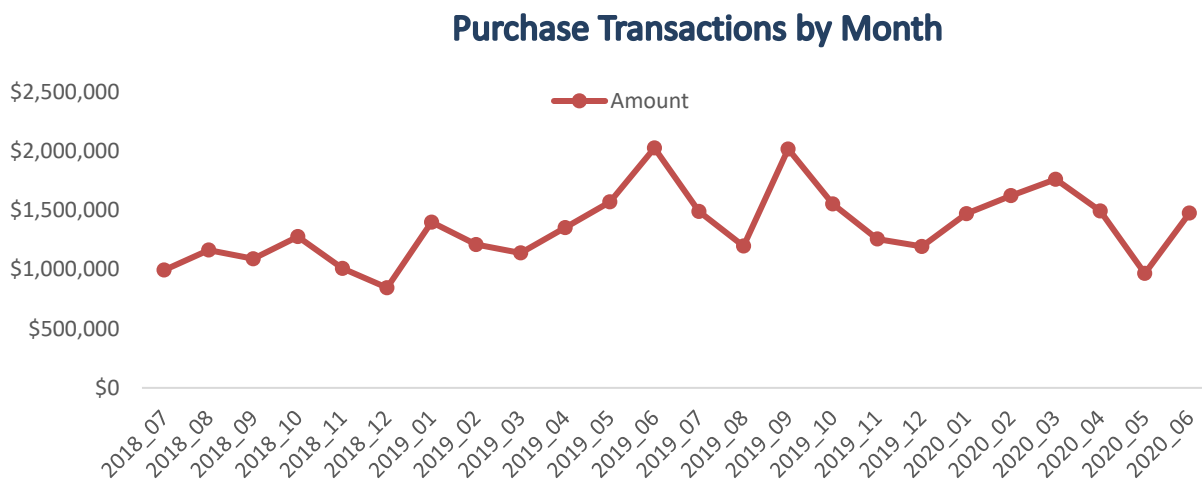
The query designed to identify duplicate payments did not identify any duplicate disbursements.

C. Purchase Card Disbursements

Purchase card transactions for fiscal years 2019 and 2020 were analyzed together. Frederick County Government was not able to provide purchase card transaction detail for FY18 because information stored in the legacy PeopleSoft system was not available post one year after the complete transition to Infor systems.

1. Purchase Card Transactions by Month

The following graph represents purchase card transactions by dollar amount for each month of the review period:



Results: We noted two months that had unusually high activity (June 2019 and September 2019) which varied significantly from the monthly average. We noted the following per discussion with the Finance Division:

June 2019

There were 2 large transactions for Software/IT equipment that were over \$120k. One of the invoices was for an annual software renewal for Smartnet related to vendor Presidio. The second invoice was for a Dell System enclosure.

September 2019:

There was 1 transaction for approximately \$270k and a second transaction for approximately \$169k. Both were for IT Software/Equipment. The \$270k invoice was related to Presidio tech upgrades to the health dept, detention center, and fire station. The \$169k invoice was for 2 SHI International Scaler load balancing devices.

2. Top Ten Purchase Card Vendors

The following are the top ten purchase card vendors by total disbursement amount for the period of July 1, 2018 to June 30, 2020:

Vendor Name	Total Disbursement Amount	Nature of Service
JRS-VA	\$3,392,420	Fuel - Gasoline and Diesel (Fleet gas costs to fill the fleet tanks in the FCG. All costs were processed via finance manager's P-Card from the Fleet Department)
DMI* DELL HLTHCR/REL	2,021,010	Computer Equipment
PRESIDIO NETWORKED SOL	1,090,977	Technology Network Products and Services
VZWRLSS*MY VZ VB P	779,984	Local Calling
AMZN MKTP US	657,877	Office Supplies and other Miscellaneous Items
VZWRLSS*IVR VB	586,097	Wireless
SHI INTERNATIONAL CORP	539,355	Security, Productivity, Cloud, and Infrastructure IT Solutions Software
WASHINGTON GAS/EZ-PAY	514,111	Utility - Natural Gas
BOUND TREE MEDICAL LLC	504,567	Medical Supplies
OFFICE DEPOT #5910	452,831	Office Supplies/ Furniture

Results: All vendors were within the normal operations of FCG.

3. Top Ten Procurement Card Users

We summarized the top 10 procurement card users by top dollar amount and frequency. See below for results.

By Total Dollar Amount

Cardholder Name	No. of Records	Amount Sum	Position
	516	\$ 3,481,476	Specialist II - Fleet Services
	578	\$ 3,158,046	Administrative Specialist - IIT
	926	\$ 2,800,811	Administrative Specialist - IIT
	5067	\$ 1,546,876	Inventory Specialist - Public Works
	3567	\$ 753,968	Inventory Specialist - Public Works
	1614	\$ 752,457	Service Coordinator - Public Works
	47	\$ 733,542	Director - Emergency Management
	1102	\$ 660,601	Administrative Coordinator - Public Works
	1790	\$ 656,239	Coordinator - Property & Purchases – Sheriff's Office
	858	\$ 653,921	Logistics Specialist - Fire & Rescue

By Frequency

Cardholder Name	No. of Records	Amount Sum	Position
	5067	\$ 1,546,876	Inventory Specialist - Public Works
	3567	\$ 753,968	Inventory Specialist - Public Works
	1801	\$ 250,836	Coordinator - Transit
	1790	\$ 656,239	Coordinator - Property & Purchases – Sheriff's Office
	1738	\$ 447,162	Maintenance Job Controller
	1614	\$ 752,457	Service Coordinator - Public Works
	1102	\$ 660,601	Administrative Coordinator - Public Works
	1051	\$ 370,687	Fiscal Assistant – Public Library System
	1014	\$ 80,853	Assistant Superintendent – Water & Waste Maintenance
	943	\$ 317,802	Administrative Coordinator - Animal Control

Results: It was determined that the above top ten purchase card users by total dollar amount and by frequency were appropriate based on their position and responsibilities.

D. Vendor Master File

We obtained the vendor master file and performed the following analysis over the vendor master file:

1. Duplicate Vendors

We identified 23 instances where there were multiple vendor numbers associated with a single vendor name. Per further investigation, several explanations were identified including the following:

- a) Infor only allows for one income code for 1099 reporting to be assigned to a vendor so if a vendor receives multiple 1099 reportable payments multiple vendors have to be set-up.
- b) FCG employees who also were LOSAP recipients.
- c) Vendors who are individuals with the same name (different social security numbers).
- d) Instances where one vendor number was deactivated and a new vendor number was created for 1099 Reporting due to the conversion from PeopleSoft to Infor.
- e) A vendor number that was deactivated and replaced by a new vendor number due to company buy out and now the entity operates under a different TIN.
- f) Vendors with names that start the same but the ending of the name was cutoff due to vendor name charter limit within Infor (i.e. Housing Authority of the: Housing Authority of the City of Greensboro, Housing Authority of the City of Frederick, Housing Authority of the County of Dauphin).

Similarly, we identified a significant number of vendor addresses for which each address had multiple vendor names. We selected a sample of 25 instances of which to inquire. As a general note, FCG indicated that deactivated vendor documents are destroyed during the deactivation process. New information is obtained upon the request for the vendor to be re-activated. Also, Infor only allows for one income code (1099 reporting) and one TIN to be assigned to any particular vendor. Vendors may have the same address but have different 1099 reporting income codes and/or TIN #'s. Explanations to the 25 samples selected including the following:

- a) Spouses receiving separate payments
- b) Separate LLC's set up to receive abatement interest payments
- c) Separate LLC's set up to receive tax sale interest payments
- d) Management company handling landlord Section 8 rental payments
- e) Vendors Converted from PeopleSoft - No payments made in Infor. Status was changed to inactive (vendors were placed inactive status during the vendor review process. Accounts Payable policy is to not delete any vendors from the system due to 1099 reporting. If a vendor was paid by ACH, all of the information is removed and the payment type is changed from ACH to check.)
- f) Main office location of the management company for apartment complexes
- g) Multiple Community Grant recipient entities all managed by one company
- h) Payments are made to the individual district or the joint district
- i) Same vendor provided separate services (Section 8 Landlord vs Customer Training)
- j) Different lock boxes at same PO Box address
- k) Respite subsidy payments (Senior Services)
- l) Performs services for FCG while also receiving Tax Sale Interest Payments under separate vendor ID
- m) Company owner who performs services for FCG separately from company or individual who performs services for FCG separately from affiliated entity at which they receive payment (i.e. a lawyer who performs services separately for FCG and receives payment at law office address and law office also performs services for FCG)

We also noted that there were several vendor "addresses" that appear to be internal and related to various agencies/entities. These addresses have many (in some case hundreds) of vendor numbers associated with each of them (i.e. "Emergency Svcs Section", "Sheriff - Law Enforcement", "Detention Center", "Fire and EMS Operations", "School Health", "Accounting", "Family Partnership") . We obtained a general explanation concerning these which is as follows: "These are EMP (employee) vendors and FCG does not maintain the personal address information. All employee addresses contain the department they work for (indicated in the Address 1 field) and 12 East Church Street, Frederick, MD 21701.

2. Active Vendors not Paid in 3 Years

We identified 1,474 vendors that are listed as active but haven't had a payment in over 3 years. FCG reviewed the vendors in this category and all instances fall under one of the below categories:

- a. Vendor was converted from PeopleSoft because they received payments from FCG in the fiscal year prior to the implementation of Infor. FCG is currently working to inactivate converted vendors that have not been paid.
- b. Created by Treasury because they could possibly receive interest payment related to tax abatement. Abatement interest vendors are being deactivated following 1099 reporting.
- c. Created for the use to process Payroll related payments via an import for the Payroll module. Payroll related vendors are not deactivated until Payroll submits notification that they are no longer needed.
- d. Created for the use to record wire payments made through Treasury. The finance department will inquire concerning if this vendor is still needed since it is used as a vehicle for an import and payments are not directly paid to it.
- e. Created to make payment to individual state for possible unclaimed property reporting. Unclaimed property vendors are not deactivated.
- f. Created to reimburse State Election Department employees for expenses. Since they are not FCG employees they are paid differently. State Election employee vendors are deactivated when the Elections Department submits notification that they are no longer employed with the Elections department.
- g. Vendor was created to process purchase card related transactions brought into Infor via the Procurement module. This vendor (1998) will not be deactivated because it is utilized for an import and payments are not directly paid to it.
- h. Vendor was created to track possible investment payments but never used. The finance department is inquiring concerning if this vendor is still needed since it is used as a vehicle for an import and payments are not directly paid to it.
- i. Employee Reimbursement vendors were either converted from PeopleSoft or created for employees who may or may not receive expense reimbursements. Employee reimbursement vendors are not deactivated until the vendor terminates employment with Frederick County Government.
- j. Payees who received wire transfers. Vendor created for 1099 reporting purposes.
- k. Vendor in which PO's are created related to a subsidiary company while payments are made to a parent company. This vendor will not be deactivated because the PO's must be created to the parent company whereas payments need to be made to the subsidiary that provides the goods/services.
- l. Vendor created by a department as a possible future supplier of good/services. These vendors will be deactivated if they have no activity.
- m. Vendor created by Housing as it relates to rental payments as part the Section 8 Housing program. The finance department is currently working with Housing to verify active HAP vendors so ones that are not needed will be deactivated.

- n. Vendor created by Housing as it relates to utility subsidy payment as part the Section 8 Housing program. The finance department is currently working with Housing to verify active HAP vendors so ones that are not needed will be deactivated.
- o. Vendors created for which payments have been subsequently made in FY21. These vendors will be deactivated if they have no activity.
- p. Vendor created via the Supplier Portal by Procurement. Vendors created by the supplier portal are not marked inactive because they are needed within Infor by Procurement to create contracts/vendor agreements.
- q. Length of Service Award Program recipients through Fire & Rescue. LOSAP vendors are deactivated upon the recipient's death.

3. Inactive Vendors paid within the last 3 years.

We extracted the inactive vendors from the Vendor Master File for vendors with an "I" (Inactive) value in the Vendors Status column and compared inactive vendors to the disbursement listing that included disbursements from FY18, FY19, and FY20. There were 1,296 vendors listed as inactive that received payment within the last 3 years. However, this is due to the timing of when the vendor master file was run (March 30, 2021). We selected a sample of 10 inactive vendors to test. None of the selected vendors received payment within 2 years of the Vendor Master File run date.

Per discussion with FCG, inactivation policy is as follows:

Vendors are deactivated if they have not received any payments within the last 2 years. When an employee terminates their EMP (employee) vendor is marked inactive. "COV" vendors (which were used for only payments relating to Covid 19 grants payments) were deactivated following the processing of their payment and/or some vendors are deactivated following 1099 reporting since they are no longer needed. Installment Purchase Agreement vendors are deactivated once the 25 years of their agreement has ended or if a recipient has passed away. LOSAP Recipient vendors are marked inactive following the recipient's death. Payroll garnishment vendors are deactivated once the garnishment has been satisfied or the vendor is no longer needed by Payroll.

4. Vendor Master File Comparison to Employee Master File

We compared the employee listing to the vendor master file to determine if any employee's address information matches vendor address information. There were 16 instances in which a vendor address matched an employee address. Explanations included:

- 1. Housing tenants who receive utility subsidies that are also employed as election judges
- 2. Employees who are also Housing Assistant Payment tenants
- 3. Contractors who received payments related to a county contract but were subsequently hired as employees and therefore transitioned to receiving payments processed through payroll.

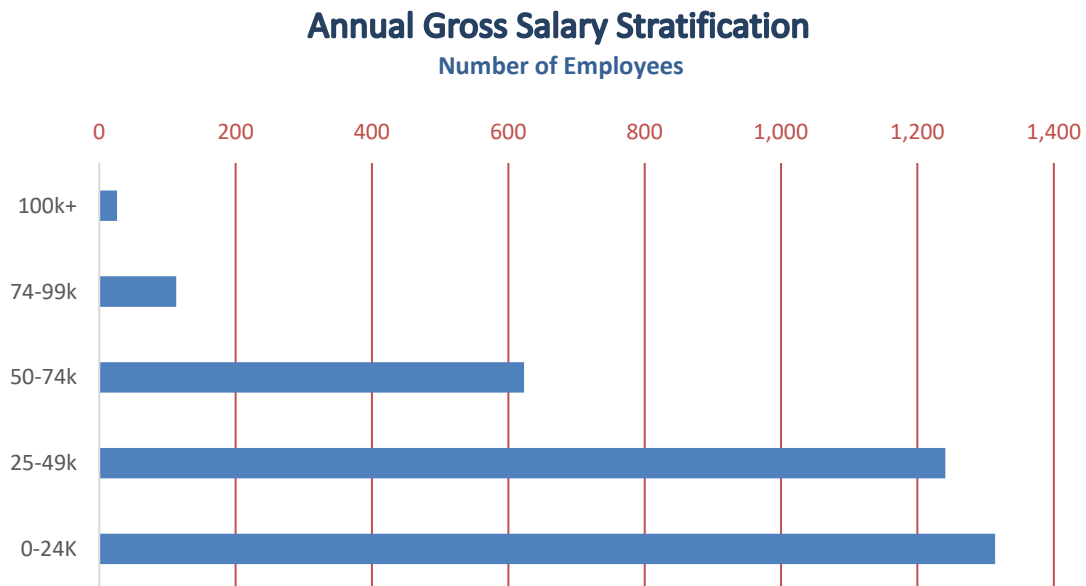
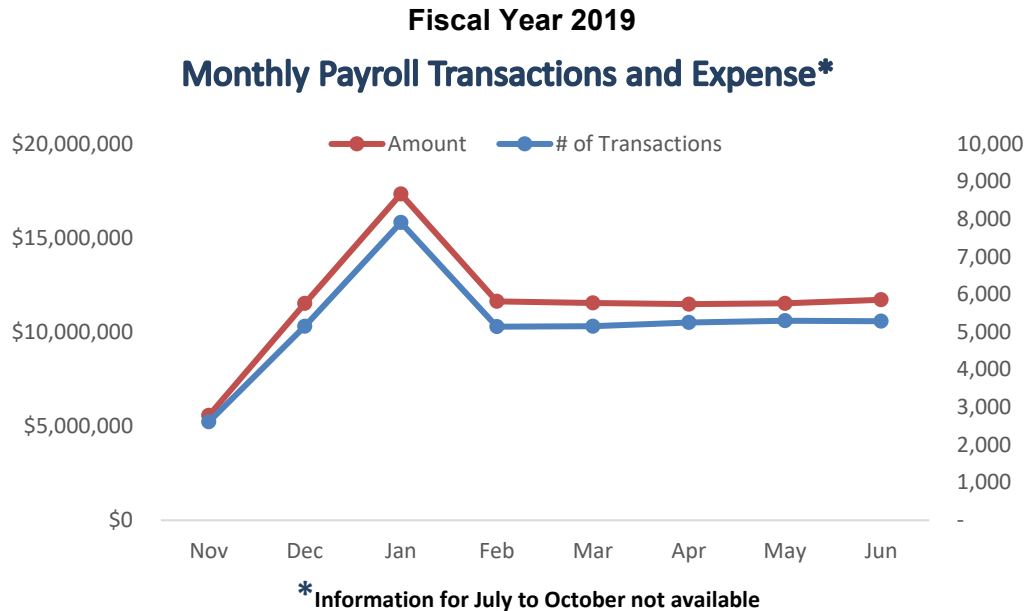
5. Disbursements to Vendor Master File Comparison

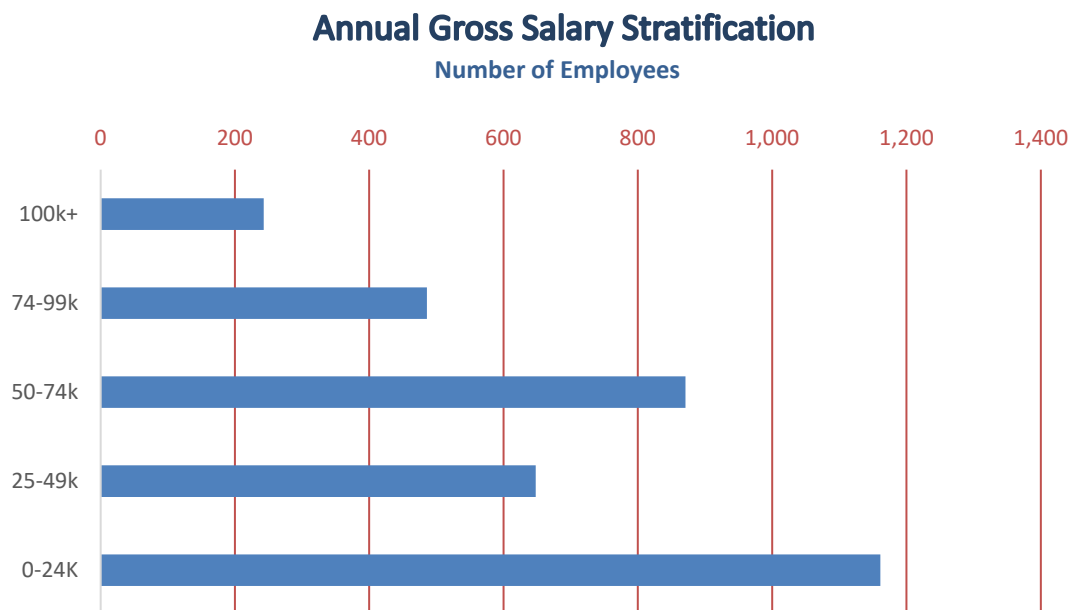
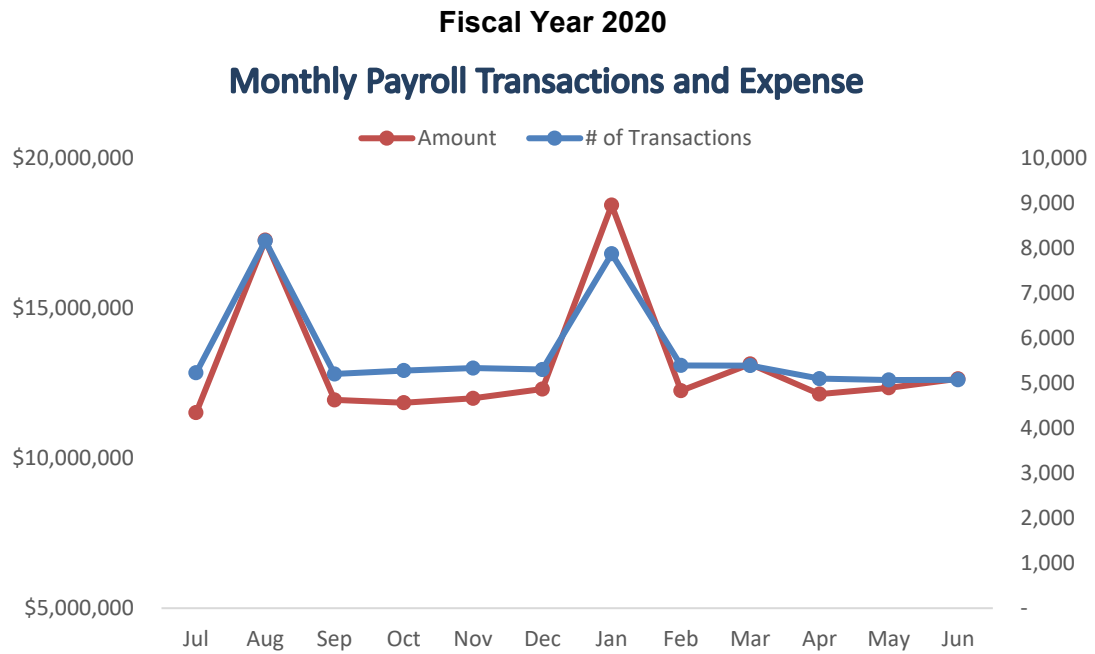
We performed an analysis to identify any vendors that were paid during fiscal years 2018, 2019 and 2020 that are not on the approved vendor master file. There were 4,531 vendors identified that received payment but were not on the vendor master file. We selected a sample of 25 of these instances and it was determined that all instances sampled were related to either one-time vendors or "COV" vendors (this vendor type was used for only payments relating to Covid 19 grants) that were deactivated the following payment cycle after receiving payment. For all vendors sampled, we were able to trace each vendor number to the list of one-time vendors generated by the data analysis software.

E. Payroll Disbursements

1. Payroll by Month and Payroll Stratification

The below graphs represent an analysis of the payroll disbursement population based on pay date. FCG disburses approximately \$12.5 million dollars a month to more than 3,400 employees and over 5,400 transactions on average. Generally, we expect salary expense and number of transactions by month to be highly correlated. We also expect to see the total disbursed per month to be consistent through the year. FCG was not able to provide payroll data for pay dates prior to November 2018 when they were still using PeopleSoft prior to transitioning to Infor.

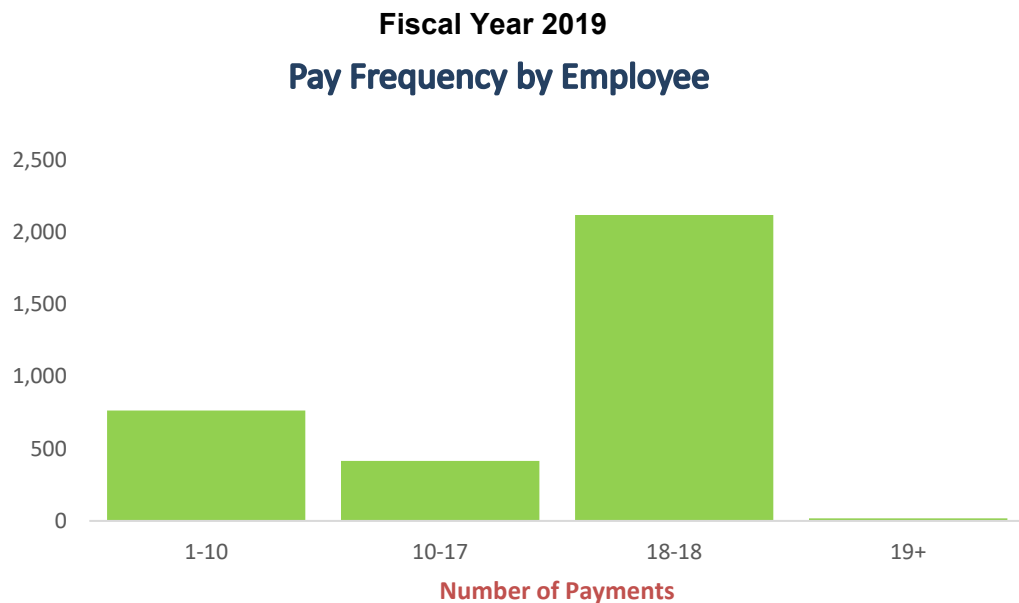




Results: The months of January 2019, August 2019 and January 2020 had significantly higher payroll totals than other months. It was determined that this was due to the fact that they all had 3 pay periods. Additionally, November 2018 had a significantly lower payroll total than other months. Per discussion with FCG payroll personnel November 2018 is the month in which FCG went live with Infor. The first payroll date of the month was processed by the old system, PeopleSoft. The annual gross salary stratification was skewed due to the fact that no payroll information was provided for the first 3 months of FY19 but would be comparable between 2019 and 2020 if 2019 was prorated.

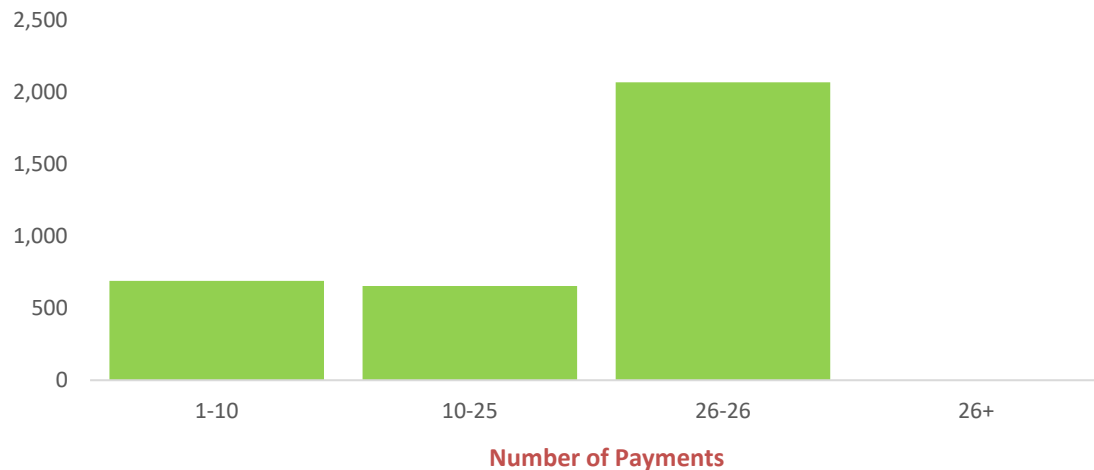
2. Pay Frequency by Employee

The following analysis reviews the frequency of pay by individual. For FCG, there are normally 26 pay periods per year. Therefore, we would expect the number of payments per employee to be less than or equal to 18 in FY19 (prorated for pay periods of July through October 2018 that FCG was not able to provide. Payroll data prior to the Infor System migration is no longer accessible via the legacy PeopleSoft system which is no longer IT supported) and less than or equal to 26 payments in FY20.



Results: There were 17 employees who had more than 18 payroll transactions in FY19 (19 paychecks each) and 1 employee who had more than 26 transactions in FY20. In FY19 there were 16 instances in which there was a second retroactive payment related to pay raises applicable to July 2018 that were not processed by HR until April of the following year. The delay was related to the transition from PeopleSoft to the new Infor accounting platform. There was also one instance where an employee had a second payroll transaction related to the reversal of a worker's compensation payment. Otherwise, there were no cases in FY19 which the data indicated that an employee was paid more frequently than appropriate.

Fiscal Year 2020
Pay Frequency by Employee



Results: There was 1 employee who had more than 26 payroll transactions in FY20. This was related to the fact that there was a Group Term Life payment transaction in error that was reversed resulting in an additional payroll transaction.

3. Employees with Multiple Employee Numbers

We summarized the payroll population by employee name and employee identification number to identify any employee name for which there are multiple employee identification numbers.

Results: There was one record that had the same full name and different employee numbers as noted below:

EMPLOYEE_NUMBER	EMPLOYEE_NAME
1004230	
1008803	

Per discussion with FCG payroll personnel, the employees are individuals who so happen to have the same name but are differentiated by their social security numbers. Jennifer Wilson employee ID 1004230 now has a last name of DeFriece.

4. Top 10 Compensated Employees

We reviewed the employee file for the ten highest paid employees, and then compared the salaries earned to the job title for reasonableness. We expect that executives and upper level management would have the highest salaries during the year.

Fiscal Year 2019*

ID	Name	Amount	Position
1009165		\$163,769	Director of Fire and Rescue Services
1002340		140,154	County Attorney
1000148		131,554	Battalion Chief
1001833		125,309	State's Attorney
1004758		118,150	Finance Director
1002328		116,979	Director of Division of Utilities and Solid Waste Management
1003650		116,483	Battalion Chief
1011932		113,950	Budget Director promoted to Chief Administrative Officer
1001676		112,782	Battalion Chief
1001007		112,614	Battalion Chief

*Based on pay dates from Nov 2018 to June 2019

Fiscal Year 2020

ID	Name	Amount	Position
1002791		\$1,103,365	Deputy Sheriff. This was an error in Group Term Life Insurance in which there was a gross pay amount in one check of \$1,000,000. The check netted to zero and was reversed.
1002340		243,296	County Attorney
1011932		197,403	Chief Administrative Officer
1003650		196,402	Deputy Chief of Emergency Services. David Barnes was hourly prior to this position. As such, he also received overtime. He was promoted on 5/23/20.
1001833		192,770	State's Attorney
1001676		186,965	Battalion Chief
1002328		180,336	Director of Division of Utilities and Solid Waste Management
1004758		175,780	Finance Director
1000570		175,766	Deputy Chief Administrative Officer
1001852		174,850	Chief Deputy - Sheriff's Office

Results: Top ten employees per year appears reasonable based on position, responsibilities, and special circumstance explanations.

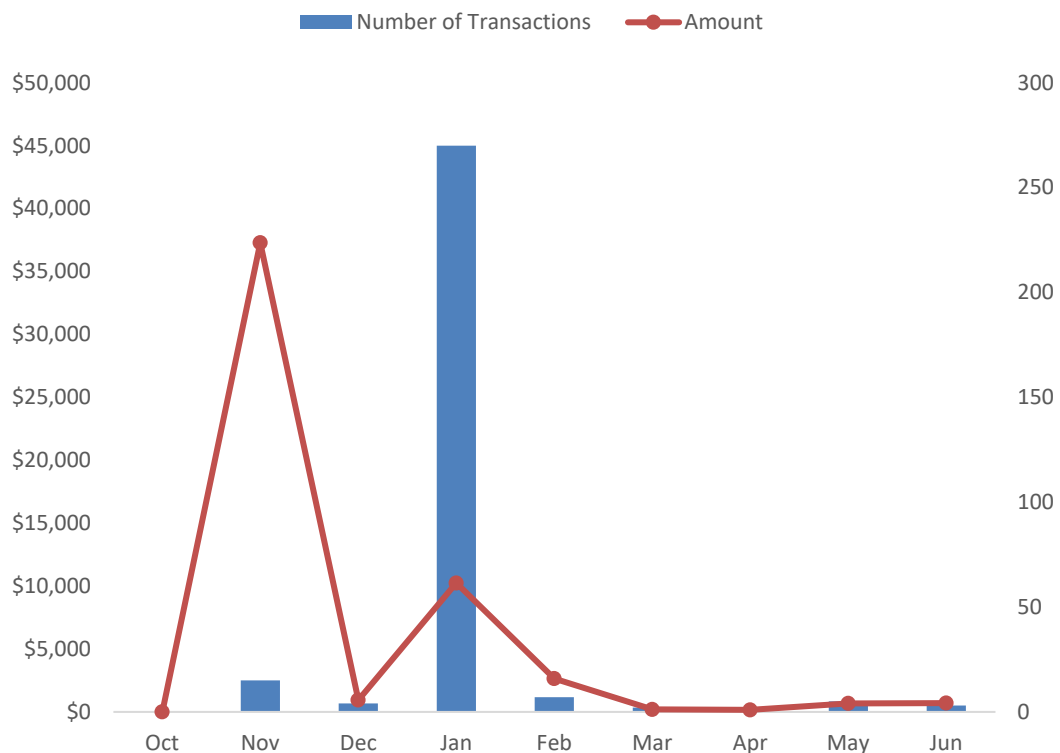
5. One-Time Payments

We identified one-time payments that occurred during the year, typically the infrequency of the payments makes these transactions higher risk.

Fiscal Year 2019*

*Information for July to October not available

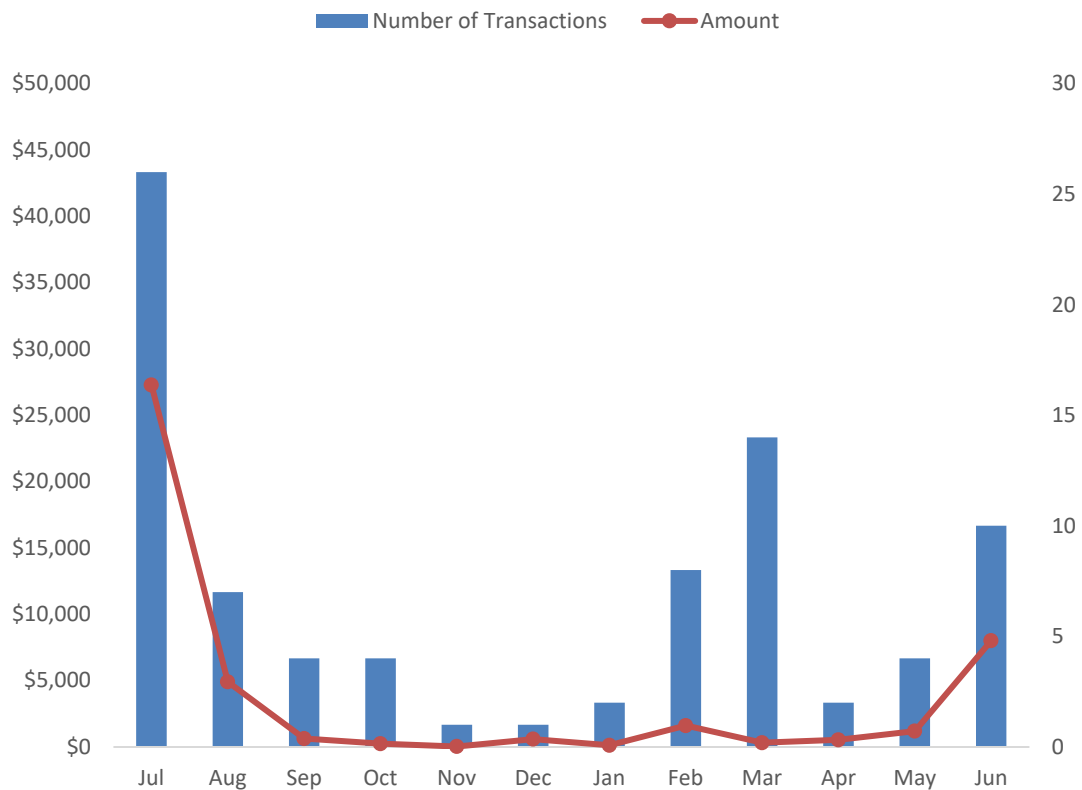
Amount and Number of One Time Payouts



Results: During fiscal year 2019, there were 342 one-time payments. We inquired as to the nature of a sample of 25 one-time payments with FCG. Explanations were dominated by one-time payments to election judges which are the driver behind the increased number of transactions in January. There were also a few one-time payments related to seasonal workers that only worked during one pay period. The cause of the increased dollar amount of one-time payments in November relates to three terminated employees who received leave payouts.

Fiscal Year 2020

Amount and Number of One Time Payouts



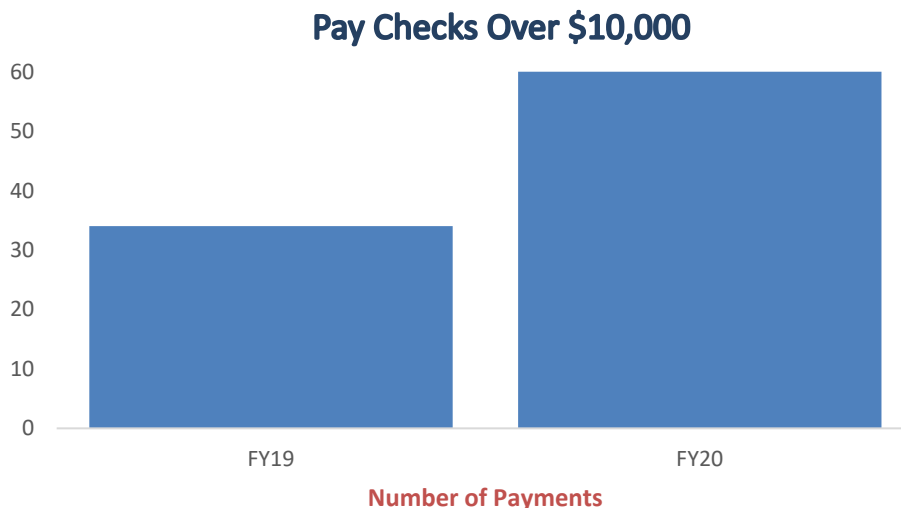
Results: During fiscal year 2020, there were 83 one-time payments. We inquired as to the nature of a sample of 25 one-time payments with FCG. Explanations included employees who were hired in the last pay period of the year, employees who terminated after receiving one paycheck in the beginning of the fiscal year, and seasonal employees who only worked during one payroll period. The spike in July 2019 was related to a batch of 18 employees who were terminated shortly after the fiscal year began and 9 employees who were hired at the end of the year and only received one paycheck. The spike in March 2020 was related to new hires and seasonal workers that were paid once and did not return after the Covid-19 pandemic began to significantly impact the FCG. Explanations received for one-time payments coincide with normal FCG operations.

6. Employees Paid Multiple Checks in One Pay Period

Based on the FY19 and FY20 dates provided there was a total of 18 instances where employees were paid more than once in a single pay period. During FY19, there were 16 instances in which there was a second retroactive payment related to pay raises applicable to July 2018 that were not processed by HR until April 2019 of the following year. The delay was related to the transition from PeopleSoft to the new Infor accounting platform. There was also one instance where an employee had a second payroll transaction related to the reversal of a worker's compensation payment. During FY20, there was one employee for whom there was an on-behalf of group term life insurance payment after they were terminated. A second payroll transaction was processed for the reversal of the payment. As noted elsewhere in this report, the underlying cause of errors in group term life insurance payments has been corrected. A file is now reviewed each pay period with the appropriate amounts for each employee.

7. Large Dollar Paychecks

We performed a stratification on payroll activity by employee to determine if there is any unusual activity. We would not expect to see any individual payroll disbursements over \$10,000. Below are the total number of payments by fiscal year of payments over \$10,000.



Results:

In fiscal year 2019, we noted 34 gross payroll amounts greater than \$10,000. For a sample of 25 selected for testing, all explanations were related to one of the following:

1. Instances in which terminated employees had leave and sometimes severance pay paid out.
2. Instances in which Fire Department personnel received straight and/or firefighter overtime.

In fiscal year 2020, we noted 60 gross payroll amounts greater than \$10,000. For a sample of 25 selected for testing, explanations included:

1. There was an error in Group Term Life Insurance in which there was a gross pay amount in one check of \$1,000,000. The check netted to zero and was reversed.
2. Several instances in which terminated employees had leave and sometimes severance pay paid out.
3. A handful of instances of Fire Department personnel received straight and/or firefighter overtime.

8. Gap Detection

We ran a gap detection on the payment number sequence to determine if there were any payments/checks missing from the registers we were provided.

Results: 9 gaps were noted in the payment number sequence for payroll disbursements in FY19 and 4 gaps were noted in FY20. Per discussion with Christie Kave, Payroll Administrator and review of the underlying data, gaps were related to reversal of payment transaction from the prior period that retained the original payment number, retro payments that were off cycle, a direct deposit rejection payment, reversal of erroneous payments to election officials, Group Term Life

Insurance adjustments and a jump in the payment number sequence from paper checks to direct deposit.

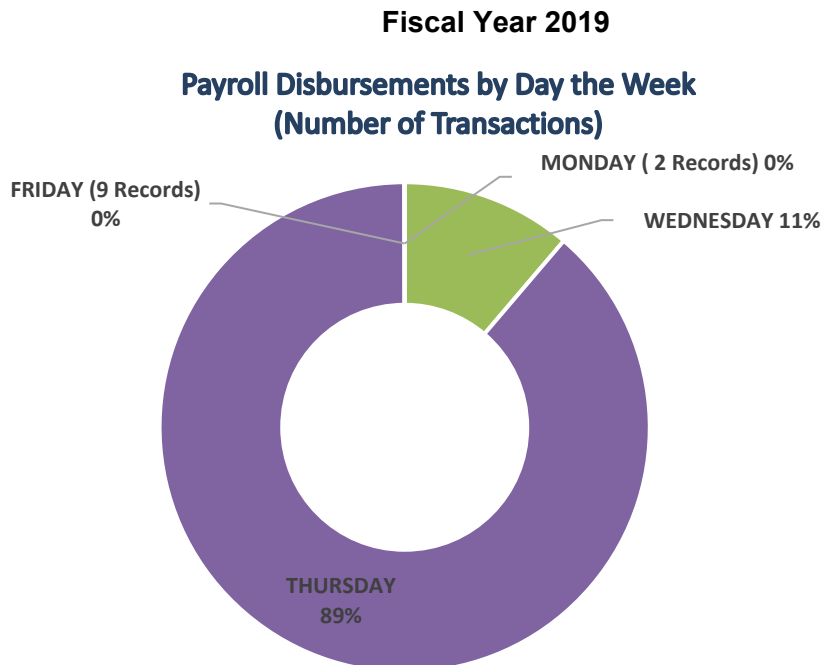
9. Gross and Net Pay Equal

We ran an analysis to determine if there were any payroll checks in which the gross pay and net pay were equal. This allowed us to determine if there were any checks in which payroll taxes were not being withheld.

Results: There were 258 and 17 transactions in fiscal years 2019 and 2020, respectively, where the gross and net pay were equal. We inquired regarding the relationship between gross and net pay for these instances. In FY19 it was determined that these instances were primarily related to election judge payments or reversals which are only subject to state and federal taxes and for which election judges completed exemption forms from state and federal taxes. There were also several \$15 payments related to training for which no taxes were taken out. In FY20, all instances were related to adjustments to prior periods because fund 10 was used where fund 22 should have been used. In all 17 cases, both gross and net pay were one cent. Per Christie Kave, Payroll Administrator, a penny had to be used to get the adjustment to work properly.

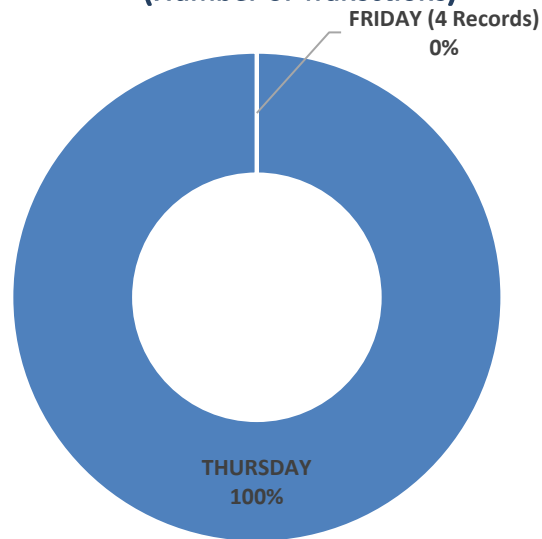
10. Weekend Payroll Checks

We summarized the payroll check register by dollar amount for each day of the week to identify any checks issued outside of normal workdays such as Saturday and Sunday.



Fiscal Year 2020

Payroll Disbursements by Day the Week (Number of Transactions)



Results: In fiscal year 2019, there were no payroll checks written on the weekend which is within expectations. We also inquired concerning the standard day for payroll check runs. The standard payroll check run day is Thursday. All checks dated on a Wednesday were related to either July 3, 2019 or November 21, 2019. These were the days before Independence Day and Thanksgiving and the check run was therefore completed a day early. The transactions on Monday and Friday were related to payment reversals. For Friday, one employee was paid by both the FCG and Workers Comp during a time he was out for an injury. He paid the FCG back subsequently. Two employees had reversals due to the fact that group term life was not cut off properly when they were terminated. The two Monday checks were related to an employee who had a payment reversed related to the fact that group term life insurance was not cut off properly at the date of termination and an election judge who received payment for a period when he did not work. As such, the payment was reversed.

In fiscal year 2020 there were also no weekend payroll checks. Additionally, there were only four payroll checks that were not processed on Thursday. All four Friday transactions were related to payroll reversals for employees whose group term life insurance was not cut-off properly when they terminated.