




FREDERICK COUNTY GOVERNMENT

INTERAGENCY INTERNAL AUDIT AUTHORITY *Tricia Reaver, Director of Internal Audit*

Memorandum

To: Lori Depies, Interim Chief Administrative Officer, Chief Financial Officer
Leslie Barnes-Keating, Deputy Chief Administrative Officer
Christine Cambareri Kay, Director – Citizen Services Division

From: Tricia A. Reaver, CPA


Date: March 23, 2023

Subject: Review of Non-County Agency Funds – City of Frederick

The Frederick County Government has historically provided funding through non-county agency funds to the City of Frederick, Maryland (the City) annually during the budget process. These funds have been for the use of the City's Department of Housing and Human Services, specifically the Frederick Community Action Agency, for services that the City provides on behalf of the County within programs such as HUD Continuum of Care, Home Energy, Weatherization, and the Community Health Center. These programs have services that extend beyond the City limits to benefit County tax payers. The programs are partially funded through Federal and State grant funds, however, have a gap in financing for administrative costs. The County historically has budgeted for \$175,000 each year to the City to alleviate administrative costs. The fiscal year 2023 budget includes the same funding level, which has not yet been released.

The Internal Audit Division (the IAD) performed a review of basic financial information regarding the annual funding the County provides the City of Frederick, Maryland for their Department of Housing and Human Services. The IAD reviewed both fiscal years (FY) 2021 and 2022. The IAD completed the following tasks in this review:

- Review of the County's non-county agency funds general ledger for FY 2021 and FY 2022
- Review of the annual funding request letter from the City dated March 2022 and March 2020 (one was not provided in 2021)
- Review of the City's annual Single Audit Section of the Annual Comprehensive Financial Report (ACFR) for FY 2020 and FY 2021 (FY 2022 has not yet been released)

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- Review of various Federal and State grant documents regarding funding and reporting for various City Department of Housing and Human Services programs
- Inquiry with the City’s Director of Housing and Human Services

From this basic review of information, the IAD has the following recommendations:

- There appears to be a lack of communication between the City and County regarding the programs and use of funds. During the IAD review of information, it proved troublesome to obtain information and backup from follow up questions from the City, including times of non-responsiveness to questions. The IAD recommends the following to assist with transparency of funding (the below will provide the City with an opportunity to express the need of funds, how the current funds are utilized and the outlook for future use of funds):
 - o An annual breakdown of the funds utilized. The City should track the County funding and be able to breakdown the use of funds annually for the County. This reporting should include direct allocation and budget lines of where the annual funding is spent and the amount adding up to the total provided (example – salaries, office supplies, printed materials).
 - o An annual report of the programs the funds assisted with and how that benefits County taxpayers by showing the number of County residents serviced by each program in a historical three year period.
- Semi-annual meeting regarding the funding and programs between the City and the County Citizens Services Division to discuss the current status of programs and the future of programming
- The County should review the City’s annual Federal Single Audit annually for audit of programs utilized by County taxpayers to ensure the proper handling of Federal funds
 - o During FY 2021 the City Federal Single Audit had a number of findings, some of which were related to the Department of Housing and Human Services. The County should follow up with the City to ensure that all findings were resolved timely. One finding was a material weakness in internal control over financial reporting on the Schedule of Expenditures of Federal Awards where it was noted that multiple Department of Housing and Human Services programs were misstated which reflects management oversight lacking in the financial tracking of the programs.

Conclusion

During this review it was a pleasure to work with the County Executive’s Office, Finance Division, and Budget Department. The IAD sincerely appreciates their full cooperation and assistance with the support and information required to perform the necessary work. During this review, there was a lack of timely response from the City of Frederick. This review was conducted to better the internal controls of transparency of funds released to non-county agencies, specifically to the City of Frederick towards Health and Human Services in regards to the Community Action Agency. If the County determines a need to continue funding the City for services in fiscal year 2024, the recommendations in this review memorandum would be beneficial in tracking information and obtaining transparent facts and figures.

Please let the Director of the IAD, Tricia A. Reaver, CPA, know if you have any questions or concerns as it relates to this review. The IAD staff will be happy to assist in any way that we can.

Pc: Dawn Reed, Coordinator, Internal Audit Division
Interagency Internal Audit Authority
Kelly Weaver, Budget Director