

FREDERICK COUNTY INTERAGENCY INTERNAL AUDIT AUTHORITY

**FISCAL YEAR 2025 ANNUAL REPORT
(July 1, 2024 – June 30, 2025)
September 17, 2025**

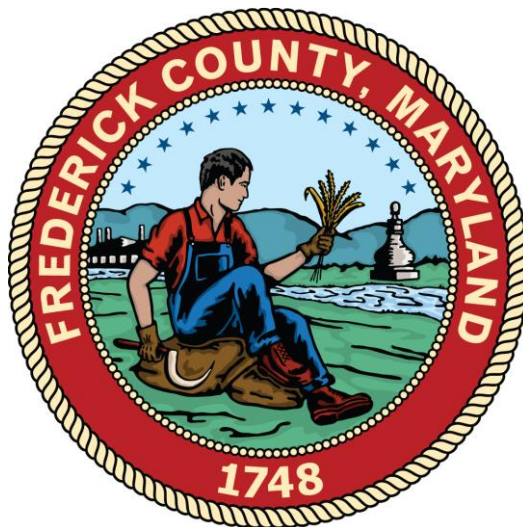


TABLE OF CONTENTS

I.	INTRODUCTION.....	2
II.	AUTHORITY AND RESPONSIBILITIES.....	3
III.	SUMMARY OF AUDIT RESULTS.....	4
IV.	SUMMARY OF NON-AUDIT RESULTS.....	9
V.	IIAA MEMBERS AND AUDIT STAFF.....	14

I. Introduction

We are pleased to present the Interagency Internal Audit Authority's (IIAA) annual report on the accomplishments of the Internal Audit Division during Fiscal Year (FY) 2025 (FY25; period July 1, 2024 – June 30, 2025). The Internal Audit Division (IAD), consisting of a Director and a Coordinator, reports to the IIAA, established by County Resolution in 1978 and codified into the Frederick County Charter on June 16, 2018, as Bill No. 18-12, updated under Bill No. 25-03, dated May 31, 2025, and operates independently from the entities we audit. Our reports help to improve management internal controls and provide accountability to the taxpayers of Frederick County. The IIAA and IAD serves Frederick County Government (FCG), Frederick County Public Schools (FCPS) and Frederick Community College (FCC).

The focus of our audits, attestation engagements and special projects is to identify areas where fraud, waste, abuse, lack of controls and inefficiencies can or could occur within the County. Most of our audits, attestation engagements and special projects result in more effective and efficient use of staff time and improved internal controls. Cost savings in these cases are not always quantifiable. During FY25, the IIAA made a total of thirty-three (33) audit attest and non-attest recommendations and/or analytic areas or findings across FCG, FCC, and FCPS through the finalization of engagement reports. By June 30, 2025, the IIAA had also conducted two (2) special projects, twelve (12) investigations, thirteen (13) follow-up reports and one (1) financial review each for the FCG, FCC, and FCPS entities.

Since being awarded contracts, first in 2014, through the County procurement and contracting department, by means of a request for proposal process, the IIAA utilizes three contractors, SC&H Group, Inc. (SC&H), CliftonLarsonAllen, LLP (CLA), and UHY Advisors Mid-Atlantic, Inc. (UHY). These firms were hired to conduct audits and other tasks under the direction of the Director of Internal Audit and the IIAA. In addition to those audits, special projects are conducted by the department itself. These firms were awarded new contracts on December 9, 2024, which began on January 1, 2025, for a duration of two years with options for three possible 1-year extensions.

Our reports, unless confidential, are available to the public. If you would like to obtain copies of any of the reports, please visit our website at [Audit Reports | Frederick County MD - Official Website](#) or call Dawn Reed, Coordinator, at 301-600-1154.



Tricia A. Reaver, CPA
Director, Internal Audit Division



Interagency Internal Audit Authority
Jon Alexander, CPA, IIAA Chair

II. Authority and Responsibilities

Authority: The Interagency Internal Audit Authority (IIAA) was authorized by the Board of County Commissioners of Frederick County, Maryland, Resolution No. 78-08 (amended Resolution No. 14-24) and now codified as Bill No. 18-12 and updated Bill No. 25-03, to direct a broad comprehensive program of internal auditing within the County, Frederick County Public Schools (FCPS), and Frederick Community College (FCC). In accomplishing its activities, the IIAA and the Internal Audit Division (IAD) are authorized to order the production of all records and materials necessary to perform audits, attest and non-attest functions of any commission or agency that receives county funds.

Responsibilities: The IIAA is responsible for:

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

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

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

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

III. Summary of Audit Results

We issued the following four (4) reports in FY25 with a total of thirty-three (33) recommendations and/or analytic areas or findings with management agreeing to implement most of the recommendations made.

Report #24-01, Frederick County Government Division of Fire and Rescue Services Overtime and Staffing Analysis. This audit was conducted by our outside contractor, SC&H, and was issued on May 21, 2025, with twenty-four (24) recommendations made (including additional improvement opportunities presented).

The audit objectives were:

- Evaluate County policies and procedures over staffing and overtime within DFRS.
- Review the 2023 Fire-Rescue Service Plan and 2023 Advanced Life Support Deployment Plan.

- Review the After-Action Report for Battalion Chief Laird.
- Review industry standards with regards to staffing and overtime staffing.
- Review the memorandum of understanding between the County and the Career Firefighters Association of Frederick County Maryland (IAFF Local 3666).
- Review and test data driving factors to staffing and overtime such as number of stations, station location, apparatus location, apparatus type per location, call volume, call response times, volunteerism and any other factors which the auditor deems necessary.
- Evaluate overtime data and factors across DFRS including staff overtime figures.
- Evaluate the format of overtime staffing and assignment of overtime, whether performed through software or manually.
- Through data and fact finding, provide recommendations to strengthen efficient staffing mechanisms.

DFRS monitors and performs scheduling activities 24 hours a day in order to facilitate proper staffing to stations and apparatus to ensure service and response to citizens of the County. While the Division continues to effectively manage and deploy their personnel, apparatus, and equipment resources, areas for improvement exist.

Recommendations presented were related to:

1. Review of trainings, minimum staffing levels, and staffing of specialized and supervisory personnel within DFRS to assist in mitigating the need for overtime and potential for determining minimum staffing levels.
2. Enhanced policies and procedural documentation reflective of the current procedures performed within DFRS related to staffing and overtime processes.
3. Enhanced scheduling processes to ensure compliance with the Memorandum of Understanding (MOU) and compatible responsibilities.
4. Enhanced monitoring and enforcement of sick leave.
5. Enhanced functionality between the Infor WFM and Telestaff systems in order to eliminate redundant and manual tasks.

The audit procedures resulted in twenty-four (24) recommendations (including additional improvement opportunities presented).

Report #24-03, Frederick Community College Accounts Payable and Disbursements. This audit was conducted by our outside contractor, CLA, and was issued on November 20, 2024, with four (4) recommendations made.

The audit objectives were:

- Gain an understanding of the FCC Accounts Payable and Disbursements policies and procedures and evaluate the risks and internal controls identified.
- Ensure the compliance of newly established vendors with designated policies and procedures, to conduct an evaluation of the segregation of duties in place, and to validate the presence of supporting documentation that substantiates the vendor additions. CLA tested 77 or approximately 10% of vendors added during the audit period.

- Ensure existence and adherence to appropriate policies, procedures, and controls pertaining to changes made to new vendors and to conduct testing to validate the authorization and support of changes made to new vendors through review of relevant documentation. Additionally, evaluate the existence of effective segregation of duties concerning updates to vendor information. CLA tested 69 or approximately 10% of vendors with information updates (address information, payment information, etc.) during the audit period.
- Compile a list of active vendors who have not received any payments from July 1, 2021, to December 31, 2023. Investigate the reasons for maintaining these vendors as active despite the lack of financial transactions within the specified period.
- Observe and walk through the receiving process of goods by central receiving staff, including the delivery/receipt process by the departments including reconciliation between invoice, packing slip and purchase order. For damaged or incorrect items, observe and walk through the return process, including department approval of the return.
- Select a sample of credit memos for the period 7/1/21 through 12/31/23 and verify that there was proper approval and that the transactions were supported by appropriate documentation. CLA tested 22 or approximately 5% of credit memos.
- Obtain the general disbursements population for the period from July 1, 2021, to December 31, 2023, and select sample of disbursements to test compliance with policies, including verification of item receipt, timely payment processing, proper approvals, and correct general ledger coding. If related to a purchase order, ensure the PO was properly approved and payment was made post-PO and applied appropriately. CLA tested 303 or approximately 2% of disbursements during the audit period.
- Obtain the population of procurement card holders for the specified period and for a sample of cardholders, choose one month per cardholder to review the monthly statement and receipts, testing to ensure expenditures comply with policy and the disbursement process for payment is followed. CLA selected 5 cardholders for testing, which is more than 5% of the procurement cardholder population.
- Understand various finance personnel responsibilities and search for incompatible duties.

The audit scope covered the period of July 1, 2021, through December 31, 2023, and was conducted in accordance with *Governmental Auditing Standards* issued by the Comptroller General of the United States.

Recommendations presented were related to:

1. Assign distinct roles to different personnel to ensure that no individual has the authority to perform overlapping functions that are incompatible with proper segregation of duties, implement access controls within the system to restrict permissions based on job functions, and establish a multi-tier approval process for critical accounts payable activities.
2. Implement a systematic process for the periodic review and removal of inactive vendors from the active vendor listing including establishing criteria for identifying

inactive vendors, conducting regular reviews, maintaining documentation of the review process, and communicating updated vendor status.

3. Work with the IT Department to develop a report that tracks Master Vendor File changes for a period greater than 250 days for proper audit support.

This audit procedure resulted in four (4) recommendations made.

Report #24-04, Frederick County Government Interagency Information Technology (IIT) State Minimum Cybersecurity/IIT Checklist Engagement. This assessment was conducted by our outside contractor, SC&H, and was issued on June 26, 2024.

SC&H Group, Inc. (SC&H), was engaged by Frederick County Government Interagency Internal Audit Authority to conduct an information technology security assessment checklist review on Frederick County Government Interagency Information Technology Division systems to coincide with the State of Maryland Minimum Cybersecurity Standards.

The assessment's objectives were:

- Review and validate Maryland State Minimum Cybersecurity Standards.
- Perform assessment and validate that controls meet a minimum Cybersecurity Maturity Model Institute (CMMI) maturity score.
- Issue a final documented review and certification of the Frederick County Government Worksheet/Checklist for Certification of the Maryland State Minimum Security Requirements as required by the State of Maryland and a Statement of Compliance on the Standards.

The assessment's procedures were:

- Obtain and review the most recent Maryland State Minimum Cybersecurity Standards document.
- Obtain and review the FCG Worksheet (the Worksheet) for Certification of the Maryland State Minimum Cybersecurity Requirements as completed by the FCG IIT Division.
- Walkthrough each of the standards within the Worksheet verifying that they follow the most up to date Maryland State Minimum Cybersecurity Standards
- Walkthrough each of the standards within the Worksheet with FCG staff to validate whether or not each control meets the minimum requirements.
- Complete a statement of Compliance from findings of the review of the Worksheet.

The State of Maryland's Department of Information Technology and Office of Security Management released the State Minimum Cybersecurity Standards in May 2023. Those standards have been established to be followed by each agency or unit of the Executive Branch of State government, in which Frederick County Government falls as a local government of the State. The Standards require that each of these entities certify by third

party to the Office of Security Management compliance with the State Minimum Cybersecurity Standards on or before June 30, 2024.

This assessment resulted in a completed checklist to the State of Maryland and did not include recommendations

Report #25-03, Frederick County Government Prospect Center Project Grants. This task order is an open work order with our outside contractor, CLA, to assist in the analysis of open grants utilized for the Prospect Center Project. The task order resulted in an initial report issued on May 29, 2025, with five (5) recommendations made.

This analysis by CLA, is to understand the grants awarded and potentially to be utilized in the Prospect Center Project and the compliance components of each. CLA is to gain an understanding of the best use of the funding sources provided and potentially provided and assist in a preliminary review of funds sourced to date as well as review potential sources, their documentation and programmatic compliance features and to make recommendations to FCG on the best use of funds over the Project.

The analysis objectives were:

- Gain an understanding of the overall funding sources already in use and to be utilized over the Project
- Gain an understanding of each funding sources compliance and restrictive guidelines
- Make recommendations to FCG regarding the best use of funds for the Project based on compliance components of funding sources, budgetary restrictions and Project construction phasing.
- Assist FCG in providing recommendations on tools and best practices to track, manage and organize the funding sources to maintain compliance with all funds and their regulatory requirements.
- Assist FCG in recommendations to organize funding sources to match best needs and cost-effective spending based on source compliance requirements and phased out construction needs.

After a thorough analysis of grant award documents and inquiries of responsible program managers, CLA, along with the IAD, recommended proceeding with all federal and state grants related to the Prospect Center as of March 31, 2025. The analysis indicated that the benefits of these grants significantly outweigh any additional effort or costs that may be incurred by the county, however, included recommendations in the use of those grants.

This analysis resulted in five (5) recommendations.

IV. Summary of Non-Audit Results

The primary non-audit services the Internal Audit Division (IAD) provides are non-attest engagements/agreements, special projects and follow-up reviews of audits containing recommendations¹. Follow ups are conducted approximately six months to one year after the audit reports are issued and depending upon management responses to implementation time frames. In FY25, the Division conducted two (2) special projects, twelve (12) investigations, thirteen (13) follow-up reports and one (1) financial review (which includes reviews of FCG, FCC and FCPS).

SPECIAL PROJECTS:

Special Project SP25A, Frederick County Government Ag Programming / Critical Farms Program

This task was brought to the IAD to review the Critical Farms Program selection process. The IAD met with the Division of Agriculture staff and reviewed the process. The IAD provided one (1) verbal recommendation to the Division of Agriculture which they plan to implement in the next round of selection.

Special Project SP25B, Frederick County Government local municipality audit status review

In January 2025, members of a County municipality reached out to the IAD for guidance on setting financial internal controls for a small entity. Through review of draft policy, past audits and information provided to the IAD office, the IAD made recommendations on policy, internal controls and review functions through an in-person meeting. The IAD made eight (8) verbal recommendations in the meeting.

Follow up to Special Project SP23A, Frederick County Government Senior Services Grants

In August 2022, the IAD received a request for review over internal controls and accounting for grants in the Senior Services Division, now the Division of Aging and Independence. Through review of the requests there were five concerns brought forward in which the IAD deemed it necessary to investigate further. The IAD performed a review of the five areas of concern and came up with fourteen (14) recommendations to

¹ The Internal Audit Division also conducts hotline investigations of complaints that are submitted to the fraud hotline with the County, FCPS and FCC. FCPS has implemented a third-party monitoring company hotline and FCC does not have a formal hotline or monitoring agency in place. Twelve (12) hotline complaints were received in FY25 across the three entities that were determined to be non-sufficient and closed or were investigated internally, resolved between the entity or division and closed or in on-going review.

assist the Division of Aging and Independence with bettering internal controls. This special project was closed on September 17, 2024.

Follow up to Special Project SP24D, Frederick County Government Review of the Agriculture Innovation Grant Process

In April 2024, the IAD was contacted by the Frederick County Office of Agriculture to assist in providing recommendations for the betterment of the Agriculture Innovation Grant selection process. The project resulted in five (5) recommendations.

During fiscal year 2025, the IAD reviewed the implemented management responses to the recommendations and officially closed the project. All five (5) recommendations were implemented. This special project was closed verbally through meetings with the Division of Agriculture staff in November 2024.

INVESTIGATIVE MATTERS:

During the fiscal year, the IAD conducted or assisted with twelve (12) investigational areas (FCG – 5, FCC – 1, FCPS – 6). These investigative matters are usually considered confidential personnel matters and resulted in oral recommendations made to the appropriate entity and division when applicable. Two of the investigational areas are noted in the Special Project section above.

FOLLOW UP REPORTS:

Follow up to Rpt. #17-08, Frederick County Public Schools Personally Identifiable Information (PII)

On February 21, 2018, we issued the above audit report that contained eighteen (18) recommendations to the overall control environment and twenty-three (23) departmental recommendations within the Frederick County Public Schools as it relates to PII.

This audit was closed on March 21, 2025, as the IAD has determined that mitigating controls have been put in place over PII issues and areas of recommendation.

Follow up to Rpt. #20-03, Frederick County Public Schools Timesheet Controls

The IAD continues to follow up to the FY20 audit, of which nineteen (19) recommendations were made on FCPS' timekeeping and timesheet controls. The audit focused on Payroll processes and selected FCPS departmental and school timekeeping activities. The department and time keeping activities to focus on were identified based on data analytics of overtime and supplemental pay and background information provided by FCPS. The period in scope included timesheet activity between January 1, 2019, and May 31, 2020.

FCPS is working through the recommendations made during the audit and the IAD will continue to follow up with this project. This audit is considered open.

Follow up to Rpt. #21-01, Frederick County Government Division of Fire and Rescue Services Volunteer Budget Matrix Funding

On February 17, 2021, the IIAA issued audit report #21-01, Frederick County Government Division of Fire and Rescue Services Volunteer Budget Matrix Funding, which contained twelve (12) recommendations to address. This audit was closed on July 29, 2024, with all twelve (12) recommendations being implemented.

Follow up to Rpt. #21-08, Frederick County Government Fixed Assets, Inventories, Accountability and Surplus

On January 19, 2022, the IIAA issued audit report #21-08, FCG Fixed Assets, Inventories, Accountability, and Surplus, which contained seventeen (17) recommendations to the safeguarding and tracking of the County's assets (furniture, fixtures, equipment and sensitive assets) as well as the surplus of those assets. The audit period covered the inventory procedures from July 1, 2019, through May 1, 2021. This audit is considered open awaiting updated County policies and procedures.

Follow up to Rpt. #21-09, Frederick County Government Hotel Rental Tax

On June 15, 2022, the IIAA issued audit report #21-09, FCG Hotel Rental Tax, where we issued four (4) recommendations on findings from audit procedures.

The original follow up to this audit occurred on April 18, 2023. All areas of recommendations had been closed with the exception of the human trafficking recommendations as noted in recommendation 4 of the report, due to turnover in the Human Relations Department within the County. The IAD began the fiscal year 2021 through fiscal year 2024 audit in which this area will be re-tested and new recommendations will be made. During the current audit process, we will note that the past recommendation remained open and will test for current process and procedures.

Due to the onset of the updated audit procedures, this audit was closed on November 14, 2024, with three (3) recommendations being implemented.

Follow up to Rpt. 22-04, Frederick County Government Fuel Contract Compliance Review

On February 15, 2023, the IIAA issued report #22-04, FCG Fuel Contract Compliance Review, which contained five (5) recommendations and subsequently, we issued a follow up on September 4, 2023. The review was initiated in April 2022 and completed in November 2022. The review included testing invoice activity between FCG and JRS (the vendor) from January 2020 to June 2022 (the "Review Period") along with additional testing from March 2022 through June 2022. This audit was closed on March 13, 2025.

Follow up to Rpt. #22-06, Frederick County Public Schools Construction

On September 20, 2023, the IIAA issued audit report #22-06, Frederick County Public School Construction, which contained four (4) improvement opportunity recommendations relating to the Capital Program Departments major school construction projects and then issued a follow up to that report on April 7, 2025, asking for management actions to address the recommendations.

The IAD has received and reviewed all responses and documentation of new policies and procedures that provided evidence that each recommendation was addressed or implemented.

This audit was closed on June 25, 2025, with all four (4) recommendations implemented.

Follow up to Rpt. #23-01, Frederick County Government Health Department Permitting

On July 29, 2024, the IAD issued a follow up to report #23-01, Frederick County Government Health Department Permitting Performance Audit. This performance audit contained two (2) observations, resulting in two (2) multi-step recommendations on steps necessary to strengthen the effectiveness and efficiency of the permitting process.

The IAD expects this audit to close in FY26.

Follow up to Rpt. #23-03, Frederick County Public Schools Assets and Inventories, Accountability and Surplus

On July 29, 2024, the IIAA issued follow up report #23-03, Frederick County Public Schools Assets and Inventories, Accountability and Surplus. This performance audit contained fourteen (14) recommendations on FCPS' review, accountability, and surplus of FCPS assets and general inventories.

The IAD expects this audit to close in FY26.

Follow up to Rpt. #23-05, Frederick County Government Interagency Information Technology Security Assessment Report Over the Frederick County Health Department

On December 20, 2023, the IIAA issued report #23-05, Frederick County Government Interagency Information Technology Security Assessment Report Over the Frederick County Health Department. This security assessment contained four (4) findings with recommendations to better systems where connection between Frederick County Health Department (FCHD) and the FCG systems occur, with a follow up issued July 29, 2024. This audit was closed on February 28, 2025, with all four (4) recommendations implemented.

Follow up to Rpt. #23-06, Frederick County Government PCards

On March 13, 2025, the IIAA issued follow up report #23-06, Frederick County Government PCards, which contained six (6) findings with eleven (11) recommendations.

The IAD expects this audit to close in FY26.

FCG, FCPS & FCC Annual Financial Reviews

The IAD conducted an Annual Review of Frederick County Government, Frederick County Public Schools, and Frederick Community College Financial Reports. Each entity received a “clean” unmodified audit opinion, and no material weaknesses, significant deficiencies or compliance findings were noted on the financial statement reports. Additionally, no material weaknesses, significant deficiencies or compliance findings on major programs were noted on the uniform guidance reports.

Please refer to the 2025 financial review report for further information.

LINK: [2025-Annual-Financial-Review---6-30-24-Audits](#)

V. IIAA Members and Audit Staff

IIAA Members	Internal Audit Staff
Jon Alexander, CPA, Chair (Public Representative)	Tricia A. Reaver, CPA Director
Nicole Prorock, CPA, Vice Chair (Public Representative)	Dawn Reed Coordinator
Emeka Enworom (Public Representative)	SC&H Group, Inc. External Contractor
Brent Simmons, CPA (Public Representative)	CliftonLarsonAllen External Contractor
Steve McKay, Frederick County Council Representative	UHY Advisors Mid-Atlantic, Inc. External Contractor
Tracey McPherson, Frederick Community College Board of Trustees Representative	
Dean Rose, Frederick County Public Schools Board of Education Representative	