



HARFORD COUNTY, MARYLAND

Office of the County Auditor

AUDIT OF GRANT AWARD AND MONITORING CONTROLS

Report Highlights

Report Number: 2019-A-13

Date Issued: 06/14/2019

Why We Did This Audit

This audit was conducted as part of the County Auditor's risk-based Annual Audit Plan approved by the County Council for FY2019.

Council Members and County Executive Glassman:

In accordance with Section 213 of the Harford County Charter, we have performed an audit of Grant Award and Monitoring Controls. The results of that audit, our findings and recommendations for improvement are detailed in the attached report. We would like to thank the members of management for their cooperation during the audit.

What We Found

We noted that controls are not adequate to ensure grant funds are awarded effectively and used as intended.

The audit found monitoring processes should be improved to ensure that grant funds are awarded effectively, used as intended and unused funds are returned in a timely fashion.

We also noted, as in a prior audit, accounting for payments made with conditions (grants) and without conditions (contributions) was not applied consistently. However, management has advised that accounting for grants and contributions and program guidelines, will be re-evaluated to more accurately reflect the nature of the use of County funds.

The audit team is available to respond to any questions you have regarding the attached report.

Sincerely,

Chrystal Brooks, CPA

Chrystal Brooks
County Auditor

cc: Mr. Billy Boniface, Director of Administration
Ms. Amber Shrodes, Director of Community Services
Mr. Leonard Parrish, Director of Comm. & Economic Develop.

REVIEW RESULTS

We have audited Harford County’s Grant Award and Monitoring Controls for the period of 07/01/2016 through 03/31/2019 to confirm that grants provided by Harford County were awarded fairly and County funds were used as intended. Our conclusion, based on the evidence obtained, is monitoring controls and County-wide oversight can be improved to ensure that County funds are awarded effectively and used as intended by grantees. The audit approach focused on testing the key controls that address management’s objectives for the process. Conclusions drawn are below.

Risk	Expected Control	Conclusion
Grants are awarded unfairly or inappropriate entities receive grants	• Grantees submit applications demonstrating need and intentions	Satisfactory
	• Grant applications are reviewed by an independent committee that recommends award amounts	Satisfactory
	• Grant agreements are signed by all parties before payments are issued	Satisfactory
	• Grant payments are properly allocated for financial reporting purposes	Needs Improvement
Objectives are not met by grantees	• Grantees submit quarterly narrative progress reports for review by County staff	Needs Improvement
Grant funds are not used for their intended purposes	• Grantees submit quarterly and year-end financial reports for review by County staff	Needs Improvement
	• County employees review supporting documents to confirm the financial information provided by grantees	Needs Improvement
	• Unspent funds are returned to Harford County each year	Needs Improvement

Areas for improvement are described in the Findings and Corrective Actions section of this report. We have reviewed the open issues reported in a prior audit – Report 2017-A-06. Current conclusions for those findings are also noted below. Management has been provided an opportunity to respond to this report; the responses provided follow each of the Findings and Corrective Actions.

FINDINGS AND CORRECTIVE ACTIONS

Finding Number: Prior Issue: 2017-A-06.03 Grant Monitoring Controls

Grant Monitoring Procedures were not always performed.

Analysis: In a prior audit, we noted Grant Monitoring Procedures were not always performed. For grants that are awarded by Harford County, granting departments require grantees to apply for funding; those applications are reviewed by advisory boards that recommend the level of funding to be provided. Granting departments should follow-up with the grantee periodically to confirm they are making adequate progress and spending their funding as authorized. The issues noted in the past have not been remediated.

In the current audit, we tested 65 grants and found:

- 5 did not have narrative reports for each quarter
- 9 did not have receipts supporting funds were fully spent
- 4 had not provided audited year-end financial statements*
- 4 grants had unspent funds that were not returned to Harford County (totaling approx. \$17,400)

*We have a specific concern as it relates to VisitHarford! The organization received approximately \$1.75 million during the audit period but did not provide verifiable supporting documentation or an audited financial report. Without audited financial statements or support for award-related expenditures, the County lacks the ability to effectively track the use of County Hotel Tax revenue.

There is no mechanism in place to confirm that Tourism Award payments are spent at year-end or a requirement that audited financial statements accompany the tourism award application ensuring verifiable support for reasonable use of County Hotel Tax revenue. While tourism awardees provide the same periodic financial reporting forms required by Community Services and Housing, lump sum payments are made at the beginning of the fiscal year.

This issue will remain open.

Recommendation: The Tourism award review process can be made more effective by requiring support (i.e., receipts) for payments as well as requiring the submission of audited financial statements along with the application.

Management Response: We do currently require that organizations that receive Tourism awards provide annual financial reports and quarterly reports with receipts. This year we have also added a Personnel Activity Report that is to be included in the quarterly reports provided to us. If an organization does not provide the requested information or their reporting during the year is not complete it is noted during the scoring of the new year's application (if they apply again). It does not, however, preclude them from receiving an

award. In the future, we will be requesting that Visit Harford provide an audited financial report as a part of their application for the Tourism award.

Expected Completion Date: Next round of Tourism Awards FY 21

Finding Number: Prior Issue: 2017-A-06.02 Allocation of Grants and Contributions

Incorrect allocation of Grants and Contributions

Analysis: In a prior audit, we noted, "A number of Grants were recorded as Contributions in the financial system." We further noted that grants and contributions were split into two account names "to better identify funding given with conditions (grants) and funding given without a specified purpose (contributions)... those categories are not consistently used correctly. ... Generally, these transactions were coded as Contributions instead of Grants or vice versa."

This finding was closed in 2017; at that time, management considered the risks presented and determined that no action is needed. Accordingly, this issue will not be re-opened as new finding. However, in the current audit, our testing of grants found that seven (7) of 135 transactions were allocated to the wrong object code while in our testing of 65 contributions, we found 33 transactions were also coded incorrectly.

Additionally, seven (7) of the 40 exceptions were neither grants or contributions; rather professional services, advertising, or intra-governmental transfers and should have been allocated according to their true use. Many of these issues were related to Heroin initiative spending because there is not a unique account to capture its spending.

Based on our discussions with management, *this issue will remain closed.*

Recommendation: We recommend management continue to consider how to distinguish between Grants, Contributions and Heroin Initiative spending.

Management Response: For FY 20, a new specific sub-object for the Opioid Awareness Initiative will be used.

Finding Number: 2019-A-13.01 CJCC Grant Guidelines

Guidelines for Criminal Justice Coordinating Council (CJCC) grants were not followed.

Analysis: We tested various grants awarded by the County to ensure they were awarded properly per County and grant guidelines. Among the grant reviewed were Criminal Justice Coordinating Council (CJCC) grants, which are, according to the program guidelines awarded to "community associations; informal community groups; parent/teacher associations; churches, etc... to fund programs that are new and creative or for programs that have been demonstrated to be effective [by] making communities safer and stronger, either by preserving neighborhoods or by building a sense of community." Some of the program guidelines were not met. Specifically:

- Funding may be considered up to a \$5,000 limit. We found two of 15 grantees received more than \$5,000.
- The CJCC Sub-Committee reviews applications for funding recommendations. Of the 15 CJCC grants we reviewed, none were reviewed by the CJCC Sub-Committee. We were advised that review of applications is performed by Office on Drug Control Policy (ODCP) Administrator and a staff member(s). Documentation is not maintained.

Recommendation: We recommend management revise its guidelines to reflect current practices.

Management Response: The CJCC subcommittee is comprised of Office of Drug Control Policy staff, and was prior to this Administration. Per the recommendation of the Auditor, we will revise the guidelines of CCJC funding and code these as contributions.

Expected Completion Date: Starting with FY 20 Budget

BACKGROUND, OBJECTIVES, SCOPE AND METHODOLOGY

Harford County awards funding to local not-for-profit organizations to accomplish the County's objectives. Funding is provided in the form of grants or contributions. Grants are awarded for a specific purpose, with financial and progress reporting requirements; Contributions are given without restrictions or requirements. In fiscal years 2017, 2018 and 2019 (through March), Harford County awarded \$4.2, 4.4, and \$4.0 million, respectively, to more than 300 entities through various departments.

The audit focused on activity during the period of 07/01/2016 through 03/31/2019. Our audit procedures included data analysis, interviewing personnel, observation and testing. Specifically, we performed data analysis to determine which departments provided funding (in the form of grants or contributions) and the total amount received by each grantee. We inquired about the grant award and monitoring processes in each of the identified

departments to confirm they were consistent, fair and properly designed. We reviewed a sample of contributions to confirm that they were classified properly and supported by a request for assistance. Finally, we inspected supporting documents to confirm that grantees properly applied for grants and routinely provided required reports that were supported by receipts or other confirmatory information. We reviewed the supporting documentation for \$2.03 million worth of funding.

Harford County management is responsible for establishing and maintaining effective internal controls. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records, effectiveness and efficiency of operations including safeguarding of assets and compliance with applicable laws, rules and regulations are achieved. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected.

The audit was performed in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Team:

Chrystal Brooks
CPA, CIA, CGAP, CISA, CGFM, CRMA
County Auditor

Brad DeLauder, CPA
Senior Auditor