
The Internal Audit Department

STATE OF MARYLAND JUDICIARY
GRANTS PRESENTATION
DECEMBER 2018
CAROLYN SCHNECK, INTERNAL AUDIT MANAGER

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About MD Judiciary Internal Audit....

- We are a department in the AOC Internal Affairs Division.
- We report functionally to the State Court Administrator and administratively to the Managing Legal Counsel.
- We conduct our operations in compliance with the Government Auditing Standards issued by the United States Government Accountability Office.

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Internal Audit Functions

- We conduct different types of audits (financial, compliance, information technology) and also provide consulting services. Our reports are issued to Judiciary leadership and are not available to the public.
- We evaluate and report on the effectiveness of internal control systems and processes to help the Judiciary meet its objectives.
- We also offer advice on business systems, policies, and accounting practices.
- Confirm compliance with regulations, policies, and procedures.
- Evaluate information system controls.
- Determine compliance with grant guidelines.

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IA audit of grants

Generally, on a 4-year recurring cycle:

- Circuit Courts and District Courts
 - ✓ Local Court programs receiving Judiciary grants:
 - i. Department of Juvenile and Family Services (DJFS)
 - ii. Office of Problem Solving Courts (PSC)
 - iii. Mediation and Conflict Resolution Office (MACRO)
 - iv. Access to Justice
- Nonprofit organizations receiving State Judiciary grants or Federal grants passed through Judiciary.

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What Grants to audit ?

| Entity | Decision Factors | |
|-------------------------|---|----------------------------------|
| Local Court Programs | Included by default when Circuit or District Court is scheduled (every 4 years) | |
| Nonprofit Organizations | Size of Grant Financial Award (\$ 100k threshold) | If risk rating is medium or high |
| | Prior Audit Findings | |
| | Not previously audited or time since last audit | |
| | Management concerns | |
| | Receives pass-through Federal grant | |

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Audit Objectives

1. Grant funds are spent appropriately
2. Expenditures reported each quarter to AOC reconcile to source financial records.
3. Evaluate the reliability of financial information
4. Determine compliance with all applicable MD Judiciary grant guidelines and conditions.

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Risk-based audit focus

Some risk areas:

- Inaccurate expenditure reimbursement request submission to AOC
- Ineligible expense charged to grant
- Contractors (if applicable) are prohibited per State's Debarment List
- Expense not supported by valid invoices or other supporting documentation (such as timesheets related to payroll).
- Expense incurred outside of the prescribed grant period

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What to expect – Internal Audit



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An Overview – What to expect

- ❖ Audit scope – the period the audit will cover is approximately the last 4 years
- ❖ Actual testing period – is usually a more limited period (e.g. 15 months)
- ❖ Internal control questionnaire
- ❖ Document / Information request - Populations and Samples
- ❖ Interviews, inquiry, inspection of documents, observations of procedures, recalculations.
- ❖ Any exceptions noted – bring to auditee’s attention and analyze the exception with the auditee
- ❖ Conclusion

| Result | Receive a Draft Report | Exit Meeting | Management Response |
|--------------------|------------------------|--------------|---------------------|
| Finding(s) | Yes | Yes | Yes |
| Discussion Item(s) | Yes | Yes | No |
| No findings | No | No | No |

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An Overview – What to expect

- ❖ Findings will be rated (high, medium, low).
- ❖ Final Audit Report
 - If contains finding(s), must be accompanied by a written management response to address all findings
 - Is issued to Senior Management of Judiciary
- ❖ Follow-Up ...

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Follow-up Audits

- High-risk rating: An audit engagement is planned and performed to specifically address the status of prior findings and recommendations.
- Medium-risk rating: The audit client will be asked to provide a documented confirmation of the status of the prior findings and recommendations.
- The status of all prior findings and recommendations are evaluated during the next internal audit cycle.

Best Practices – Internal Control Activities

For Non-Profit Organizations ~ from the Maryland Judiciary Internal Audit Department

Internal control is defined as follows:

Internal control is a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance.¹

Internal Control in an organization is comprised of five components:

- Control Environment
- Risk Assessment
- Control Activities
- Information and communication
- Monitoring

With respect to the third bullet point, “Control Activities”, the following are general and specific internal controls that a non-profit organization should implement in its operations.

General control activities

- ✓ Segregation of duties
- ✓ Independent counting or confirmation of assets
- ✓ Controlled access to electronic data
- ✓ Adequate backup and data recovery procedures

Specific control activities

FINANCIAL REPORTING:

- Budgets
- Timely comparative financial reports
- Detailed chart of accounts
- Policy and procedures manual
- Month-end checklist

BANK ACCOUNTS:

- Limited number of accounts
- Use of entity name, not individual, on the account
- Limited number of check signers
- Monthly bank reconciliations
- Regular review of cancelled checks and bank statements by independent party

¹ “Internal Control – Integrated Framework”, by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Best Practices – Internal Control Activities

For Non-Profit Organizations ~ from the Maryland Judiciary Internal Audit Department

DISBURSEMENTS:

- Use of checks for all major payments
- Verification/ dual notification or authorization of electronic payments
- No pre-signed checks
- Alteration and retaining of voided checks
- Signers should not have access to the accounting records
- Require adequate support (original invoices with proper authorization) before writing checks

CASH RECEIPTS:

- Handling of cash is independent of accounting:
 - ❖ Opening mail
 - ❖ Taking deposits to the bank
- List of all cash receipts should be made by someone without access to the accounting system
- Immediate endorsement of all receipts

PAYROLL:

- Approval of payroll register by person independent of the payroll processor
- The payroll register / change report goes directly to the payroll approver
- Independent review of W-2, W-3 reports
- Use direct deposit; eliminate or minimize manual pay checks
- Use of outside payroll service provider

Presenter Bios

Carolyn Schneck is a Manager with the Maryland Judiciary Internal Audit Department, as of January this year. She has over thirty years of experience in the field of accounting and auditing. Carolyn has held management positions for non-profit, State instrumentality, higher education, and publicly-held companies.



House of Ruth Maryland

Oh No – I'm Being Audited!

Preparing for the Eventuality of an Audit

Presented by Mary L McGeady, Chief Operating Officer

Our Mission



House of Ruth
Maryland

The House of Ruth Maryland leads the fight to end violence against women and their children by confronting the attitudes, behaviors and systems that perpetuate it, and by providing victims with the services necessary to rebuild their lives safely and free of fear.

Our Vision



House of Ruth
Maryland

Our vision is that one day, every woman in Maryland will be safe in her own home.

We Serve



House of Ruth
Maryland

- ~9,000 victims annually
- Reach over 15,000 people
- Through 125 dedicated staff in
- 12 locations including courthouse offices
- All services in English and Spanish
- 24/7 – 365 Crisis Hotline
- Emergency Shelter, hoteling, rapid-rehousing
- Service Coordination & community referral
- Individual and group therapy for adults and children
- Legal advocacy and representation
- Children and Youth services including Licensed Daycare
- 2 food pantries
- Training & Outreach
- Abuser Intervention Programs
- Legislative Advocacy
- Social Enterprise

Our FY19 Budget – 30 active grants



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- Nearly 50% of Revenue from Grants
- Direct Federal awards (DOJ/OJP, HUD, DHS – VAWA/VOCA/FVPS/EFSP/ESG/HSP/CDBG)
- State pass-through grants and contracts (AOC, GOCCP, DHS, DHMH, MSDE)
- Local jurisdiction awards (Balt. City, Balt Cty, Mont Cty, Prince George's Cty)
- Various Foundation grants

Learning Objectives



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- Preparing Now for an Audit Later
- Managing the Audit Process



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Prepare Now for and Audit Later

The Grant Process



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Pre Award
Application
Process



Post Award
Do the
Work!



Post Award
Closeout



Learn from the Application



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Applications Include

- References to applicable laws, regulations, and policies (Non-discrimination, housing guidelines, etc.)
- Programmatic Requirements and Focus Areas
- Limitations and Restrictions on Expenditures (or “Allowable Costs” and “Unallowable Costs”)
- General Reporting Requirements (Program, Stats, Financial)
- Desired Formats (documentation and reporting)
- Contacts for Technical Assistance

Do the Work



Start your work with Compliance and Transparency in mind.

Educate all staff on project about any Special conditions, documentation requirements, procedures etc.

Collect the information!

- ? How are you tracking info on those served on the project?
- ? How are you tracking your progress towards your proposed outcomes?
- ? How are you tracking staff time on a project?
- ? Who is authorized to approve expenses?
- ? Who reviews expenses to assure they are “Allowable Costs”
- ? How are you getting feedback from staff doing the work to identify problems, gaps, challenges?
- ? How often are you reviewing your work to assure alignment with project goals ?
- ? How are you saving and storing the information to be retrieved later? (who has access?)
- ? How are your records structured? (standardize files)
- ? Who is your grant contact in the funder’s office?

So What's Your Role?



- Agency / Section Head

Know the regulations, establish and assure controls are in place, communicate special conditions, set audit tone

- Program/Project Director

Implement project in accordance with award, assess project progress, timely reporting, communicate support to staff on project

- Accounting Staff

Follow controls procedures, segregate funds, know expenditure and modification requirements

- Grant funded staff

*Document work on project (timesheets ***, data entry, expenditure receipts, "AUDIT READY" CLOSED FILES!)*



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Managing the Audit Process

Audit Lingo



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- Internal Controls
- Transparency
- Compliance
- Sampling /Testing
- Special Conditions
- Scope
- PBC List
- Remedy
- Best Practices
- Findings
- Risk ratings
- Opinion

Breathe – You’ve Got This!



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Understand the Scope of the Audit, the Audience, and the Implications of Findings

Respect the auditor’s job - Be collegial but don’t encourage

Identify Your Key Personnel for introductory and on-going audit engagement support

ALL requests should flow through ONE person if feasible

Educate the audit team on your program and its context within the audit scope

Answer only questions asked!

Collect and Review all documents requested in a timely fashion

Limit your responses and documents to **ONLY** those requested

So What's Next?



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- Exit Interview to identify issues
- Report(s) Issued – The Opinion guides any next steps
- Learn from feedback – share feedback with team, improve practices if needed and document changes

Whew!



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Presenter Bios

Mary L. McGeedy, MBA, is the Chief Operating Officer for House of Ruth Maryland, Inc., Maryland's largest provider of services to victims of intimate partner violence and their families. Mary received her MBA from University of Baltimore and has over 25 years' experience working in non-profit administration. As COO, Mary wears many hats overseeing Grant Administration, Finance and Accounting, Facilities, IT and Data Management, and Social Enterprise, and has only recently relinquished oversight of Human Resources. Mary serves as the liaison to the Board of Directors for Finance Committee and its Investment subcommittee, leads the staff 403B Retirement Committee and was an active member of the construction team for HRM's new Community Engagement Center. Currently, Mary oversees HRM's grant portfolio of 30+ local, state, federal and foundation grants and contracts and the agency's \$8.2 Million operating budget. As part of the internal grants team, Mary helps to identify and close funding gaps, analyze service trends, assure database support for programs and track program outcomes for compliance reporting. Mary's team actively supports HRM's 125 staff working out of 12 service locations.



AUDITS

Demystified

Family Services Division Worcester County Circuit Court

- Grant Funded by AOC – (Administrative Office of the Courts).
- Requires Annual Request & Approval for Funding.
- Funding is “Reimbursable”.
- Quarterly Financial Report is Required by AOC for Reimbursement of Expended Funds.
- County provides Fiscal (accounts payable and accounts receivable) services.
- County assigns account numbers for accounts payable and accounts receivable that are used by Family Services.

Family Services Division Worcester County Circuit Court

- Expenditures are allocated in the approved budget by line item.
(personnel, fringe, services, contracts, supplies, equipment, travel/training, etc.)
- Expenditures are made by submitting an invoice for payment to the County “Accounts Payable” department. (see handout)
- The County then makes those payments (cuts and sends checks).
- These payments and reimbursements are recorded on the Excel Spreadsheet provided by the County Finance Office. (see handout)
- When the Qtr. Financial report is submitted to AOC and approved, AOC sends reimbursement check back to County.

Preparing for Audit

- You will receive notice that the Auditors are coming approximately 7-10 days in advance – this comes via e-mail.
- You will receive a “Document Request List” as well as the “Internal Control Questionnaire” from your assigned Auditor prior to his/her arrival on site (again sent via e-mail) (see handouts).
- The “Internal Control Questionnaire” must be completed and returned to the Auditor in advance of his/her arrival on site.
- You will need to put your hands on and organize the documents on the “Document Request List” for each fiscal year that you are being audited for.

Preparing for Audit

- If you are going to be out of the office or on vacation during the lead up to or during the Audit, and it's going to impact your ability to get the "Document Request List" together; you need to communicate that ASAP to the auditors, they are typically willing to work with you.
- You should notify your finance people immediately that you've been scheduled for an audit and share with them the document request list and internal control questionnaire.
- You'll be working closely with your finance people to gather any of the information on the document request list that you don't have or keep.

What Did We Learn

- Maintaining Grant Award & Funding Information/Documentation and Financial records, for each fiscal year, in an easy to find and organized manner is key.
- If you've never been audited, or haven't been audited in the past 3-5 years, there's a good chance they will be auditing multiple years when they come.
- Where is your 2014 stuff? If you can't easily put your hands on it, you will be stressed.
- The single most useful tool for us is the County Excel Spreadsheet; the auditor basically took that spreadsheet and was able to reconcile each fiscal year.
- Get your "document request list" items gathered and ready prior to the auditors arriving on site.
- Be prepared to have your regular work day interrupted with questions and requests if you are unable to gather the documents on the "document request list" in advance.

Presenter Bios

Anne Turner, LCSW-C has been the Family Division Coordinator at the Worcester County Circuit Court since 1998. She is responsible for the administration and management of all aspects of the day to day operation of the Family Division including, but not limited to, administration, policy and procedure development and implementation, supervision, fiscal/budgetary management, quarterly and annual reporting, budget preparation, case management, coordination/management of the courts ADR programs as well as oversight of the Court's Differentiated Case Management Plan for Domestic Relations cases. Ms. Turner is a Certified Court Executive with the National Center for State Courts Institute for Court Management Program. Ms. Turner's prior experience includes nine years with the Department of Social Services as a child protective services investigator and foster care worker and four years with the Health Department's Mental Health Clinic as a child and family therapist.

**Worcester County Government
 FY 2018 Grant Revenue & Expenditures
 for the Annual Audit**

CFDA #

Grant: Family Support Services

Grant Amount: \$223,100.00

REVENUE ACCT. #: 100.5725

| DATE | GRANT CHECK # | DESCRIPTION | AMOUNT |
|-------------|----------------------|--------------------|---------------|
| 12/29/2017 | 50539138 | FY 18 1st Qtr. | |
| 03/27/2018 | 50746200 | FY 18 2nd Qtr. | |
| 06/18/2018 | 50983289 | FY 18 3rd Qtr. | |
| 07/15/2017 | Pending | FY 18 4th Qtr. | |

EXPEND. ACCT. #: 100.1002.6160.070

| DATE | COUNTY CHECK # | DESCRIPTION | AMOUNT |
|-------------|-----------------------|-----------------------|---------------|
| 07/20/2017 | | Office Supplies | \$191.00 |
| 07/20/2017 | | Ct. Ordered Mediation | \$420.00 |
| 07/20/2017 | | Pro Se Mediation | \$400.00 |
| 07/20/2017 | | Pro Se Clinic | \$650.00 |
| 07/20/2017 | | Pro Se Clinic | \$300.00 |
| 07/20/2017 | | Pro Se Clinic | \$400.00 |
| 07/20/2017 | | Pro Se Mediation | \$200.00 |
| 08/02/2017 | | Ct. Ordered Mediation | \$550.00 |
| 08/02/2017 | | Pro Se Clinic | \$500.00 |
| 08/02/2017 | | Ct. Ordered Psychol. | \$1,495.00 |
| 08/02/2017 | | Pro Se Clinic | \$700.00 |
| 08/16/2017 | | Pro Se Mediation | \$550.00 |
| 08/16/2017 | | Pro Se Clinic | \$600.00 |
| 08/16/2017 | | Pro Se Clinic | \$500.00 |
| 08/16/2017 | | Pro Se Mediation | \$200.00 |
| 08/16/2017 | | Pro Se Mediation | \$100.00 |
| 08/16/2017 | | Pro Se Mediation | \$450.00 |
| 08/16/2017 | | Co-Parent. 1st Qtr. | \$2,250.00 |
| 08/29/2017 | | Child Counsel Fees | \$1,073.25 |
| 08/29/2017 | | Photo Copier | \$191.00 |
| 08/29/2017 | | Pro Se Clinic | \$550.00 |
| 08/29/2017 | | Pro Se Clinic | \$600.00 |
| 08/29/2017 | | Office Supplies | \$53.73 |

\$ 84,039.81

COMMENTS/NOTES:

Document Request List for

Family Services Program

Worcester County

Anne Turner, Family Services Coordinator

For Fiscal Years: **2014, 2015, 2016, 2017**

1. Organization Chart
2. Acceptance and Award Letter – signed copy
3. Quarterly Expense Reports sent to AOC Family Division
4. Supplement Award Letter if applicable
5. Approved Invoices for Expenses only for Fiscal Year 2017
6. County Revenue and Expense Reports
7. Reconciliation work papers of Family Services Program expenditures to County Finance
8. Memorandums of Understanding / Agreements
9. Copies of Timesheets or Payroll Records
10. Policies and Procedures for Accounts Receivables and Service Fee Waivers
11. Confirmation of current open accounts receivable balances.

**Worcester County Circuit Court Family Services Grants
Internal Audit for the Audit Period Fiscal Years 2014 2015, 2016, 2017
Internal Control Questionnaire**

| | Financial Accounting | Client Response |
|---|---|--|
| 1 | <p>Who is your contact person at the County Finance Office?</p> <p>Please include their name, title, e-mail address, and telephone number.</p> | <p>Kim Reynolds Budget Accountant Worcester County One West Market Street, Room 1103 Snow Hill, Maryland 21863 Telephone: 410-632-1194 Fax: 410-632-3131</p> |
| 2 | <p>How does Family Services work with the County Finance Office to monitor the recording of revenue and disbursements?</p> | <p>Kim reviews my quarterly AOC financial reports for accuracy and then the budget officer, Kathy Whited, signs off on them.</p> |
| 3 | <p>How often are County revenue and expenditure reports reconciled to Family Services records?</p> <p>Have you had any reconciliation issues during the past three years? Please explain.</p> | <p>Quarterly and then at the end of each fiscal year.</p> |
| 4 | <p>Who performs this reconciliation work?</p> | <p>Kim Reynolds</p> |
| 5 | <p>How is the reconciliation documented?</p> | <p>Via the "Grant Revenue & Expenditure" annual audit form.</p> |
| 6 | <p>In what bank account are the grant funds held?</p> | <p>No grant funds are "held" since we are on a "reimbursable" system. Reimbursable funds are held in the County account.</p> |
| 7 | <p>Have you received any other grants during our audit period, such as AOC MACRO, GOCCP, or the Department of Justice? If "yes", please list the name of the grant, the awarded funds, and time period.</p> | <p>MACRO Grant FY 14 = \$11,779.00 FY 15 = \$13,824.00 FY 16 = \$13,800.00 FY 17 = \$12,000.00</p> |

**Worcester County Circuit Court Family Services Grants
Internal Audit for the Audit Period Fiscal Years 2014 2015, 2016, 2017
Internal Control Questionnaire**

| | Expenditures and Purchasing | Client Response |
|---|--|---|
| 1 | How many full time, part-time, and/or contractual positions are grant funded? | 2 – Full Time positions are funded by the grant; the Family Division Coordinator and the Family Law Case Manager. |
| 2 | Are timesheets prepared, reviewed and approved weekly? Please describe. | Yes – Bi-weekly. |
| 3 | Do you follow County Human Resources policies and procedures? | Yes |
| 4 | Do you currently have any contracts or Memorandum of Understanding (MOU) agreements with service providers? | Yes – 2 – Supervised Visitation and Co-Parenting Education. |
| 5 | Describe the procurement process used to select these services providers (RFQ, IFB, Sole Source etc.) per your county regulations. | Sole Source |
| 6 | Who reviews and approves your contracts and/or MOUs prior to execution? | Court Administrator & Administrative Judge. |
| 7 | Do you monitor ongoing contracts and/or MOU agreements through documented performance reports? If yes obtain a copy. | Not through performance reports just via statistical data. |
| 8 | Does your program provide client transportation, incentives, and/or gift cards? If so, how are these incentives managed? | No. |

Questions Answered by: Anne Turner

Date: 6/6/18