

# Audit Report

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## Economic Development Revolving Financing Fund (EDRFF)

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Office of the County Auditor  
Baltimore County, Maryland  
April 2002

June 4, 2002

Honorable Members of the County Council  
Honorable C.A. Dutch Ruppertsberger, III, County Executive  
Baltimore County, Maryland

Gentlemen:

We have audited the County's Economic Development Revolving Financing Fund (EDRFF) as administered by the Directors of the Department of Economic Development and the Office of Budget and Finance for the six-year period beginning July 1, 1995 and ending June 30, 2001.

Our audit did not disclose any deficiencies in the design or operation of the system of internal control nor any instances of non-compliance with laws, rules or regulations applicable to the Economic Development Revolving Financing Fund.

We would like to express our appreciation for the cooperation and assistance provided by the Department of Economic Development and the Office of Budget and Finance – Financial Operations.

Respectfully submitted,

Brian J. Rowe, CPA  
County Auditor

Bob E. Crouse, CPA  
Audit Manager

## **Background Information**

The Baltimore County Code, Title 15 (Finance), Article XI establishes the Economic Development Revolving Financing Fund (EDRFF) for the purpose of promoting economic development in Baltimore County. The fund is included in the County's Capital Budget (Project 18.035) as a resource to businesses in need of financing assistance (e.g., loans, loan guarantees, grants). Through a program with local lending institutions, County funds are used to leverage private funds to assist firms in various business sectors Countywide. The fund also targets activities that create employment opportunities, assist small businesses and market the County's revitalization districts. Typically, funds are used to finance the acquisition or lease of land, buildings, machinery, equipment, and other associated costs.

Since its inception in 1993, approximately \$10.2 million has been appropriated to the EDRFF with another \$7.5 million scheduled in the County's five-year Capital Program (FY 2003 – FY 2007). During the audit period, the County issued 100 loans and/or grants totaling approximately \$10 million through the EDRFF. As of June 30, 2001 loans outstanding (including accrued interest) totaled approximately \$4.1 million.

Applications for financial assistance are made to the Department of Economic Development while the Office of Budget and Finance is responsible for the collection of the accounts, subject to the terms and conditions contained in the financial assistance documents. As such, both departments maintain loan files.

## **Findings and Recommendations**

Our audit did not disclose any significant deficiencies in the design or operation of the Economic Development Revolving Financing Fund's internal control. Nor did our audit disclose any significant instances of noncompliance with applicable laws, rules or regulations.

## **Audit Scope, Objectives and Methodology**

We audited the Baltimore County Economic Development Revolving Financing Fund (EDRFF) administered by the Department of Economic Development and the Office of Budget and Finance for the six-year period beginning July 1, 1995 and ending June 30, 2001. The audit was conducted in accordance with generally accepted government auditing standards.

As prescribed by the Baltimore County Charter, Section 311, the objectives of our audit were to evaluate the EDRFF's fiscal activities, including the internal accounting control, administrative and operating practices and procedures, and other pertinent financial and compliance matters. In planning and conducting our audit, we primarily focused on compliance with applicable County law and procedures based on assessments of materiality and risk.

Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of pertinent financial and administrative operations, including a review and test of internal controls. We also tested financial assistance transactions and performed other auditing procedures, as we considered necessary in the circumstances to achieve our objectives.

Management is responsible for establishing and maintaining effective internal control for providing business entities with financial assistance to promote economic development within the County. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records, 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. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

Our reports on fiscal compliance are designed to assist the Baltimore County Council in exercising its legislative oversight function and to provide constructive recommendations for improving County operations. As a result, our reports generally do not address activities we reviewed that may be functioning properly.