



HARFORD COUNTY, MARYLAND

Office of the County Auditor

SECTION 214 REVIEW - COUNTY COUNCIL

Report Highlights

Why We Did This Audit

This audit was conducted as required by §214 of the Harford County Charter.

What We Found

Reimbursements for mileage were not calculated consistently.

Inventory processes can be improved.

What We Recommend

Management should provide training on the mileage reimbursement process to ensure that business miles are calculated correctly.

Report Number: 2019-A-12

Date Issued: 01/29/2019

Council Members and County Executive Glassman:

In accordance with Section 214 of the Harford County Charter, we have performed an audit of the accounts under the direction of the County Council. 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.

The audit found inventory controls for the Council Office can be improved and mileage reimbursements were incorrectly calculated in some cases.

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: Ms. Mylia Dixon, Council Administrator
Mr. Robert Sandlass, Treasurer
Mr. James Richardson, Director of Human Resources



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REVIEW RESULTS

We have audited the accounts under the control of the Harford County Council members for the period of 7/1/2016 through 12/31/2018, in accordance with §214 the Harford County Charter. These audit procedures are required "upon the death, resignation or removal of any County officer". As a proactive measure, we reviewed the accounting of the County Council Office and its members following the 2018 election, regardless of whether members remain in office.

Our conclusion, based on the evidence obtained, is that inventory and expense reimbursement procedures should be reviewed periodically. 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
Accounts under the Official's control were not properly used.	<ul style="list-style-type: none">Spending is within budgeted limits.Large transactions are supported by adequate documentation.Travel Reimbursements are supported.Transactions are approved through proper channels.	Satisfactory Satisfactory Needs Improvement Satisfactory
Official continues to have access to County financial resources.	<ul style="list-style-type: none">Signatory access is removed from County bank accounts.Assigned purchase cards are returned and disabled.Access to financial and information systems is revoked timely.	Satisfactory Satisfactory Satisfactory
Official continues to have physical access to County resources.	<ul style="list-style-type: none">Keys, security and identification cards are returned.Assigned equipment is returned.	Satisfactory Needs Improvement
Official is paid more than authorized.	<ul style="list-style-type: none">Separation documentation was completed timely.Pay rate reflects the approved budget amount.Changes to pay rates were approved.	Satisfactory Satisfactory Satisfactory

Areas for improvement are described in the Findings and Corrective Actions section of this report. Management has been provided an opportunity to respond to this report; the responses provided follow each finding.

FINDINGS AND CORRECTIVE ACTIONS

Finding Number: 2019-A-12.01 Incorrect Mileage Reimbursements

Mileage Reimbursements for Council Members were not calculated correctly.

Analysis: Mileage expense reimbursement forms were not always completed correctly, potentially resulting in excess reimbursements. During the review period, there were reimbursements requested by council members totaling more than \$14,000 representing approximately 1,100 days. Many of these days included multiple trips. Some of the mileage reimbursement forms were missing information. In particular, we noted the following issues most often:

- All trips starting at 212 South Bond St. or the Council Member's home;
- Multiple trips in one day all starting at the same location;
- Missing reductions for the normal commute;
- Business purposes not clearly stated, and/or
- Reimbursement requests submitted after the 1-month deadline.

We counted more than 100 instances that met at least one of the above criteria. We noted similar problems in a prior audit.

Any amounts paid above the correct reimbursements would be unnecessary expenses to the Council Office. We attempted to estimate the cost of the additional reimbursements, but found that, for several reasons, there was not enough information available to confirm what the correct mileage should have been. For example, when every trip reported has the same starting and ending locations, we must assume that the form was completed incorrectly because Council Members' schedules do not have a regular daily routine.

In December 2017, the Council Office began using new forms to request mileage reimbursements. We noted that these common calculation issues were rare after the change.

Management Response: The prior form did not require the listing and subsequent deduction of daily commuting mileage. It only required the entry of reimbursable mileage. As indicated, the form was modified based upon your advice. It is our understanding that this has addressed your concerns.

Expected Completion Date: 01/28/2019

Finding Number: 2019-A-12.02 Missing Inventory Items

Some equipment assigned to Council members could not be located.

Analysis: We obtained a list of equipment assigned to Council members to confirm each item assigned was in the possession of the Council Office. We were unable to confirm the location of one (1) of the 54 total items assigned to Council members. While the item is obsolete electronic equipment, there was no documentation of its disposal or removal from the inventory records, as required per County procedures.

In a previous Exit Audit of the Council dated 1/23/2015, our procedures included confirmation of the return of equipment assigned to outgoing Council members only. We did not confirm County possession of equipment assigned to all Council members; therefore, it is possible the aforementioned unlocated item, at the time, would've similarly been missing and lacking proper documentation of its disposal or removal.

Management Response: The item in question has been assigned since 2013 per inventory sheet revived by staff. I will be meeting with staff and review the inventory policy to ensure the proper controls are in place regarding adding or removing inventory.

Expected Completion Date: 01/29/2019

BACKGROUND INFORMATION

PROGRAM DESCRIPTION

The Harford County Council is comprised of six Council Members, elected from each of the six Councilmanic districts, and the Council President who is elected County-wide. Members are elected to four-year concurrently running terms; the most recent of which ended noon, December 3rd, 2018. The Council is the legislative branch of Harford County government.

The Council is responsible for enacting all County laws and adopts the annual operating and capital budgets. The County Council Department consists of five divisions: Council Office, Board of Appeals and Rezoning, Office of Council Attorney and the People's Counsel, Harford Cable Network, and Office of the County Auditor. The Council appoints an Administrator to handle the day-to-day business of the office. Individually, Council Members are responsible for approving their own purchase card and expense reimbursements, but do not approve other expenditures of the office.

REVIEW OBJECTIVE, SCOPE AND METHODOLOGY

In accordance with Harford County Charter section 214, upon death, resignation or removal of any county officer, the County Auditor shall cause an audit and investigation to be made of any accounts maintained by the officer and by his agency. The objective of this review was to satisfy the requirements of Charter Section 214, with regard to the three outgoing Council Members – Slutzky, McMahan, and Perrone – who left office following the 2018 elections. The scope was limited to accounts and resources under the control of the County Council and its appointees.

The audit focused on activity during the period of 7/1/2016 through 12/31/2018. Our audit procedures included interviewing personnel, observation and testing. Specifically, we sought to confirm that the accounts under the Council's control did not have unusual or inappropriate costs; separated members' physical, logical and financial access to County resources had been revoked and that their final paychecks and leave payouts, where applicable, were correct. Each of these procedures were performed for the three departing Council Members. Although not required for those members remaining in office, the above procedures were performed for the entire County Council Office, where applicable.

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