HARFORD COUNTY, MARYLAND
Office of the County Auditor

August 30, 2013

Honorable Members of the County Council
Harford County, Maryland
212 S. Bond St., 2nd Floor
Bel Air, MD 21014

County Executive David Craig
Harford County, Maryland
220 S. Main St.
Bel Air, MD 21014

Dear Council Members and Mr. Craig:

In accordance with Section 213 of the Harford County Charter, we have performed audits of various subject matters. The results of those audits have been communicated to you in prior reports. For each audit finding reported, management has provided a response indicating its agreement or disagreement with the finding, corrective actions and an expected remediation date, if applicable. This report is being sent to update you on management's efforts to address the previously reported recommendations.

The scope of this review was limited to assessing whether management's audit responses have been implemented. In planning and conducting our review, we focused on remediation activity prior to August 1, 2013. Our review was limited to management responses to prior audit findings that indicated an expected remediation date on or before July 1, 2013. Review procedures included inquires of appropriate personnel and inspection of documents and records. We also tested transactions and performed other procedures we considered necessary to meet the review's objectives.

As of July 1, 2013, there were 67 findings being tracked by the County Auditor, relating to 9 audits and reviews. Four (4) new findings were added during the follow-up period. The disposition of the audit recommendations, based on the due dates in management's original audit responses, is as follows:

Closed	Open	Due Date Not Passed
40	19	12

Of the recommendations that were not yet implemented, management has created new deadlines for 8. For the others that were beyond their due date, but not yet implemented, members of management indicated that remediation efforts were planned. We did not find these to be critical issues requiring further escalation.

Based on our review, there are 31 findings that remain open and will be included in the next status update. A summary of the current status of the audit findings reviewed follows this letter.

We would like to thank the members of management for their cooperation during the audit. Management has been advised of our results and has provided the response below.

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

Sincerely,

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

MANAGEMENT RESPONSE

The Administration will continue to work with the audit team on any outstanding issues. Management responses can be found on all issues within the document.

HARFORD COUNTY, MARYLAND
Office of the County Auditor

STATUS OF PRIOR AUDIT FINDINGS

Period Covered:
07/01/2012 through 07/01/2013

Report Number: 2013-A-06

Date Issued:
08/30/2013

Audit Team:

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

Laura Tucholski, CPA, CFE
Auditor

FINDINGS SUMMARY

Audit No.	Audit Name	Status				Total
		Closed	Closed - Superseded	Due Date Not Passed	Open	
2012-A-02	Procurement Practices	1		5	1	**7**
2012-A-03	Grants Administration and Monitoring Controls			2	2	**4**
2012-A-04	Payroll Controls	2		2		**4**
2012-A-05	Purchase Card Controls	9			1	**10**
2012-A-06	Purchase Card Controls - Supplemental Procedures			1		**1**
2012-A-07	Status of Board of Education Legislative Audit Findings	12			8	**20**
2012-L-02	2012 Budget Bill Analysis (FY 2013)	6	4			**10**
2013-A-01	Housing Agency Petty Cash	1				**1**
2013-A-03	Section 214 Review - Harford Center, Inc.	5		1	2	**8**
2013-L-02	2013 Budget Bill Analysis (FY2014)			1	5	**6**
	Grand Total	**36**	**4**	**12**	**19**	**71**

DETAILED FINDINGS STATUS

Orig. Due Date	Revised Due Date	Recommendation	Management Response	Status Comments
Audit: 2012 Budget Bill Analysis				
Status: Closed - Superseded				
Subject: 2012-L-02.01 Facilities Maintenance Efficiencies				
Issue: Different groups are responsible for maintenance of highways, buildings and parks.				
		The County should consider whether efficiencies may be gained from combing the resources of the various facilities maintenance groups.	As this recommendation flows from a fiscal analysis, not an audit, the County Auditor will follow up with the Administration.	Moved forward to FY2014 budget analysis.

Orig. Due Date	Revised Due Date	Recommendation	Management Response	Status Comments
**Subject: 2012-L-02.02 Engineering Efficiencies**
*Issue: Different groups are responsible for managing design and construction of highways, buildings, facilities and parks.*
		The County should consider whether efficiencies may be gained from combing the resources of the various Engineering and Capital Project Management groups.	As this recommendation flows from a fiscal analysis, not an audit, the County Auditor will follow up with the Administration.	Moved forward to FY2014 budget analysis
**Subject: 2012-L-02.07 Inspection, License and Permit Fees**
*Issue: The FY2013 Spending Affordability Committee assumed that these types of revenues would be unchanged, but also noted that they are becoming more significant and recommended consideration of the impact of these fees.*
		The County should consider whether the current fees charged for inspections, licenses, permits and related services remain appropriate to meet the County's goals.	As this recommendation flows from a fiscal analysis, not an audit, the County Auditor will follow up with the Administration.	
**Subject: 2012-L-02.10 Economic Development Loan Estimates**
*Issue: In FY2012, the Office of Economic Development supported a bill to change the parameters of its Economic Development Loan Fund (Bill 12-19). At that time, the Office had not developed a projection of how many loans it would issue through the program.*
		The Office of Economic Development should consider developing models that will help quantify its planned initiatives, actual efforts and, if possible, results of those efforts.	As this recommendation flows from a fiscal analysis, not an audit, the County Auditor will follow up with the Administration.	This recommendation will be moved forward to the FY2014 budget analysis.
**Status: Closed**
**Subject: 2012-L-02.03 Personnel Matters Analysis**
*Issue: The personnel matters budget is less than the county's potential liability.*
		The County should perform an analysis of employees eligible for retirement and related payouts to determine the County's potential exposure beyond the budgeted amount.	As this recommendation flows from a fiscal analysis, not an audit, the County Auditor will follow up with the Administration.	Per discussion with Scott Gibson on 4/30/2013, this has been considered. An increase would be ideal, but other budget needs will not allow for an increase right now. If necessary, the Administration will request an additional appropriation during the year.
**Subject: 2012-L-02.04 Software Budgets**
*Issue: BataData software is used to track facility use and revenue for the Emmorton Recreation Center, so its costs (and budget) should be allocated to the Parks and Recreation Fund.*
		The County should assess and clarify its process for budgeting software and hardware related costs to present a better definition of the costs required to operate the various departments.	As this recommendation flows from a fiscal analysis, not an audit, the County Auditor will follow up with the Administration.	Software budgets have been moved to ICT for the FY2014 budget.

Orig. Due Date	Revised Due Date	Recommendation	Management Response	Status Comments
Subject: 2012-L-02.05 ICT Audit Planning				
Issue: The County needs an assessment of information technology controls including network security, application controls and policies and procedures.				
		The Administration should involve the County Auditor when determining the scope of the planned technology controls assessment to prevent duplication of effort.	As this recommendation flows from a fiscal analysis, not an audit, the County Auditor will follow up with the Administration.	
Subject: 2012-L-02.06 Sheriff's Overtime Budget				
Issue: The Sheriff's Office has budgeted $2,722,973 for overtime in FY2013.				
		The Sheriff should perform a cost-benefit analysis of the costs related to creating new positions and/or paying overtime to current employees.	As this recommendation flows from a fiscal analysis, not an audit, the County Auditor will follow up with the Administration.	Per discussion with Jennifer Rogers and her emailed response, "Yes, an analysis has been performed related to overtime and additional employees. Numerous variables exist that affect overtime in the law enforcement and correctional arena. Training requirements, calls for service, court, investigations, and the limitations that must be set on the hours that existing personnel are eligible to work are but a few. While staffing deficits definitely have a direct correlation to overtime, even a fully staffed Sheriff's Office would require a substantial overtime budget. A 24/7 operation cannot be functional without overtime. Unfortunately, its not as easy as "one additional position will save X number of overtime dollars". "
Subject: 2012-L-02.08 Snow Removal Budget				
Issue: The snow removal budget has not changed since the prior year.				
		The County should consider how much salt, sand and deicer inventory remains from the prior year, in order to reduce projected spending in FY2013.	As this recommendation flows from a fiscal analysis, not an audit, the County Auditor will follow up with the Administration.	Per Hudson Myers at the 4/30/2013 budget hearing, the amounts have been considered. In FY2013 approximately $74,000 was spent to fill the salt domes and the remaining budget was used to purchase large equipment.

Orig. Due Date	Revised Due Date	Recommendation	Management Response	Status Comments
Subject: 2012-L-02.09 Budget Contingencies				
Issue: Department funding may vary significantly from the budgeted revenue.				
		The Board of Education, Harford Community College and Harford County Public Library should ensure that they have contingency plans in place to address revenues that are higher or lower than projected.	As this recommendation flows from a fiscal analysis, not an audit, the County Auditor will follow up with the Administration.	
Audit: 2013 Budget Bill Analysis				
Status: Open				
Subject: 2012-L-02.01 Facilities Maintenance Efficiencies				
Issue: Different groups are responsible for maintenance of highways, buildings and parks.				
		The County should consider whether efficiencies may be gained from combing the resources of the various facilities maintenance groups.		This matter has been considered, but has not been studied.
Subject: 2012-L-02.02 Engineering Efficiencies				
Issue: Different groups are responsible for managing design and construction of highways, buildings, facilities and parks.				
		The County should consider whether efficiencies may be gained from combing the resources of the various Engineering and Capital Project Management groups.		This matter has been considered, but has not been studied.
Subject: 2012-L-02.07 Inspection, License and Permit Fees				
Issue: The FY2013 Spending Affordability Committee assumed that these types of revenues would be unchanged, but also noted that they are becoming more significant and recommended consideration of the impact of these fees. The recommendation remains for the FY2014 budget.				
		The County should consider whether the current fees charged for inspections, licenses, permits and related services remain appropriate to meet the County's goals.		This matter has been considered, but has not been studied. The Administration has not determined the appropriate time to adjust these fee structures.
Subject: 2012-L-02.10 Economic Development Loan Estimates				
Issue: In FY2012, the Office of Economic Development supported a bill to change the parameters of its Economic Development Loan Fund (Bill 12-19). At that time, the Office had not developed a projection of how many loans it would issue through the program. In FY2013, the department confirmed that it does not have a fixed number of loans planned. Historically 4-5 loans are issued each year, per Jim Richardson.				
		The Office of Economic Development should consider developing models that will help quantify its planned initiatives, actual efforts and, if possible, results of those efforts.		This matter was discussed during the FY2014 budget hearings.

Orig. Due Date	Revised Due Date	Recommendation	Management Response	Status Comments
Subject: 2013-L-02.01 Other Post-Employment Benefits				
Issue: Other Post-Employment Benefits (OPEB) are not budgeted.				
		We recommend the Administration include Other Post-Employment Benefits in the budget ordinance.		Approximately $9,200,000 of the County's unappropriated Fund Balances will be assigned for Other Post-Employment Benefits. The recommendation will remain open until the funds are appropriated.
Subject: 2013-L-02.03 Board of Ed Grants				
Issue: BOE grant funding may vary significantly from the budgeted revenue.				
		The Board of Education should ensure that it has plans in place to address grant revenues that are higher or lower than projected.		This is a consequence of the budget cycle's timing. As grants increase or decrease requiring additional budget authority, the Board of Education must have those changes approved by the County Council.

Orig. Due Date	Revised Due Date	Recommendation	Management Response	Status Comments
Audit: 2013 Grants Administration and Monitoring Controls				
Status: Open				
Subject: 2012-A-03.01 Inconsistent Award Processes				
Issue: Grants are awarded by several County agencies, but the award processes are not consistent.				
07/24/2013		The County should develop standard procedures to ensure that all departments award grants in a fair, transparent manner and to ensure the terms of grants are documented in written agreements. At a minimum, grant agreements should address the intended and allowable uses of the grant funds, the responsibilities of all parties and reporting requirements.	It has become obvious during the course of the audit that the grants awarded by each department, and even by each division within each department, are very different and require different procedures for the award process. Community Development, within the Department of Community Services, awards the vast majority of grants out into the community from Harford County. Community Development already has in place a detailed competitive award process, which includes formal applications, eligibility requirements, board review and recommendations, written grant agreements, and reporting requirements. Other divisions and departments, however, which award fewer grants and for different purposes, may not require such an extensive and detailed process. In fact, it has been determined that some awards labeled as "Grants and Contributions" in our financial system are actually "contributions" and not "grants" at all. However, both types of payments were audited under the scrutiny of being a grant. Certain payments to community organizations, especially by the Office of the County Executive, are intended as general contributions, or donations, in order to provide support to the organization on behalf of the County. These types of contributions do not require a formal agreement, for example, because there are no requirements attached to the funding. Payments are made based solely on County priorities and needs that may arise during a fiscal year. To address this matter, on July 24, 2013, the County created a new subobject number 7108 to be used specifically for "contributions". Therefore, going forward these unique funds can be identified separately from "Grants".	We confirmed that a new subobject code has been created for Contributions. We have not confirmed that agreements are in place for other grants noted in the finding.

Orig. Due Date	Revised Due Date	Recommendation	Management Response	Status Comments
Subject: 2012-A-03.02 Inconsistent Monitoring Processes				
Issue: Grant monitoring procedures were not adequate to ensure grantees used County funds as intended.				
		The County should develop standard procedures or minimum requirements to ensure that all departments monitor the appropriate use of County funds. The process should require review of narrative and financial reports submitted by the grantees. We recommend departments ensure that, at least on a sample basis, grant recipients are visited and evidence of eligible expenses is reviewed periodically.	While broad minimum requirements (such as some form of reporting and periodic review of eligible expense back-up documentation) is appropriate in most circumstances, each department's specific procedures will vary based on the nature and purpose of the grant being provided. Many departments perform on-going, informal monitoring throughout the year based on regular interaction with grantees and attendance at grantees' events. In Community Development, most of the nonprofit organizations funded through the County's Grant in Aid program actually receive multiple other state and federal grants, also administered through Community Development. Therefore, monitoring of these organizations should be evaluated from a broad perspective, considering all funding received.

Community Development completes a Risk Analysis form for every Grant in Aid recipient annually, scheduling site visits based on the level of risk determined and based on the monitoring schedules for other grants received. For example, if a particular organization is scheduled to receive a site visit in a particular fiscal year for a state or federal grant received, then it is not likely to be scheduled for a Grant in Aid site visit as well in the same year. Just as the federal government monitors each of the federal grants administered by Community Development every 2-4 years, Community Development does not wish to burden Harford County's small nonprofits with the administrative stress of multiple site visits in any one fiscal year. Pursuant to this report, Community Development will create monitoring spreadsheets for its Grant in Aid program, as well as for the state and federal grants it administers, to provide a clearer picture going forward of how often each organization is monitored and for which grant over time. Monitoring reports for all types of grants administered will be kept in a central location, easily accessible for cross-reference and review. | |

Orig. Due Date	Revised Due Date	Recommendation	Management Response	Status Comments
Subject: 2012-A-03.03 Transit Reimbursement Calculations				
Issue: Transit Grant Reimbursement Process is complicated and susceptible to errors.				
		We recommend management consider simplifying the process for submitting Transit reimbursement requests and find ways to automate the data entry process and related calculations. We further recommend implementing more detailed reviews of the data that supports the reimbursement requests.	Harford Transit agrees reimbursement is currently a multi-step process that requires a significant amount of manual data entry in multiple systems. Unfortunately, the federal and state governments have set these complicated reporting parameters in order to receive federal and state funding. Harford Transit has worked with ICT for several years in an attempt to automate the reporting process as much as possible and would like to continue this process even further by making it one of ICT's priority projects.	
Subject: 2012-A-03.04 Approval of Grant Review Checklists				
Issue: Support for approval of Grant Review Checklists was not available.				
05/14/2014		We recommend that email concurrence of grant reviews be maintained (as msg, pdf or text files) with other grant documentation on the Grant Administrator's shared network space, so that the files will be available for future reference and confirmation.	We concur with this recommendation and as of May 14, 2013 we have started saving emails related to all Grant Review Checklist on a shared network drive. In addition, we are working with ICT in researching a Grant Management software program.	
Audit: 2013 Housing Agency Petty Cash				
Status: Closed				
Subject: 2013-A-01.01 Physical Security				
Issue: Cash is not maintained in a physically secured location.				
01/29/2013		We recommend the Housing Agency consider a locked cabinet or drawer for storage of the petty cash fund.	As recommend, management has provided the controls necessary to provide reasonable assurance for the protection of petty cash. Access to cash funds is restricted to the Accountant only. To prevent access by anyone except the Accountant, petty cash is kept in a locked strong box, in a locked cabinet whenever not in use or whenever the Accountant is absent.	We observed that effective 1/29/2013, the Accountant started locking the cash in a briefcase style safe in his office.

Orig. Due Date	Revised Due Date	Recommendation	Management Response	Status Comments
Audit: 2013 Payroll Controls				
Status: Open				
Subject: 2012-A-04.03 Certification of Employee Timekeeping				
Issue: There is no County policy in place requiring employee or supervisor certification of employee time worked.				
03/31/2014		We recommend the County consider requiring time entry to be certified by the employee and a supervisor with direct knowledge of the employee's time worked. We further recommend the County require explanatory documentation when someone other than a knowledgeable supervisor approves an employee's time entry.	We agree with the recommendation. Prior to this audit, the Administration recognized a need to improve the time and attendance system and to move away from the common practice of exception-based timekeeping. Again, prior to the audit commencing, the Administration had already taken steps to procure a new time and attendance system. The system, TimeLink, was approved by the Board of Estimates, and the contractor has been brought on board to analyze all of the work rules and policies and adjust their system to accommodate our employee base and our work rules. The improvements suggested in this finding were already identified by the Administration and will be implemented with the new system. Having said that, under our current exception-based system, we note that when a supervisor approves leave that in turn is certifying that the employee was on leave. These approved leave slips are then provided to the timekeeper who should enter the leave slips into the current system. If the timekeeper does not have a leave slip then the timekeeper should assume that the employee was at work based on the fact that the supervisor did not provide any leave slips. We also note that the workforce is divided in such a way that it is reasonable to expect that a supervisor will know when one of his/her subordinates is not working in order to require a leave slip.	The TimeLink project is in progress and moving forward. The project should meet the expected completion date.

Orig. Due Date	Revised Due Date	Recommendation	Management Response	Status Comments
Subject: 2012-A-04.04 Time Entry System					
Issue: The time entry system can be improved to prevent data entry errors.					
03/31/2014		We recommend management ensure manual controls are in place to supplement the system's missing validations. We additionally recommend that management include this additional functionality in the requirements for the new time entry system.	We believe this finding is the result of continuing confusion over the functionality of the two systems used by Human Resources and Payroll: the time entry system and the Cyborg system which is a Human Resources Information System. As explained prior to the audit, the Payroll Department does have manual controls in place to supplement the system's missing validations. Currently, Payroll reviews every employee's timesheet by location after they have been approved to check for any unusual issues. They contact the department for additional information if necessary. Payroll has requested that security be changed so that those employees who should have "view only" access cannot change any time entry documents. Additionally, the last person to make a change to a time entry record (i.e., the timekeeper) cannot approve the employee's time. A timekeeper can enter more than 24 hours in a day because of the County's work rules and policies. In the event of a super holiday or an emergency closure, an employee may have 8 hours worked plus a second shift plus straight overtime and time and one-half. These may add up to more than 24 hours in a day. An example was the hurricane closure on October 29, 30 and 31, 2012. Time Entry System Code Hours Explanation WH - Normal work schedule 8 hours Straight work schedule EC – Earned straight comp 8 hours Emergency closure during normal schedule earns 8 hours of compensatory time 01 – Premium overtime 16 hours Worked additional schedules during the emergency will be paid at 1.5 times Total hours 32 hours With our current systems, time entry handles the number of hours and the Cyborg system applies the pay rate. The Cyborg system is exception based and will record each employee for a standard work schedule per pay period unless there is adjusting documents such as approved leave slips and overtime hours entered through the time entry system. When the new time and attendance system is implemented, we will discontinue using an exception based system.	The TimeLink project is in progress and moving forward. The project should meet the expected completion date.

Orig. Due Date	Revised Due Date	Recommendation	Management Response	Status Comments
Status: Closed				
Subject: 2012-A-04.01 Payroll Application Interfaces				
Issue: There is no reconciliation between the time entry and payroll systems to ensure that data is transferred completely and accurately.				
05/15/2013		We recommend management confirm that each system interface job completed successfully without any abnormal ends (abends) each time payroll is processed. Any abends should be reviewed, corrected and documented to ensure software issues are resolved.	We agree with the recommendation. To correct this matter, Payroll has requested the Department of Information and Communication Technology (ICT) to write a report from the time entry system and compare it to a Cyborg report to ensure that all of the time data is included in the transfer. ICT has completed the programing for the reconciliation report and the report was used for the first time for pay period ending May 24, 2013. The reconciliation was successful.	We confirmed, for two pay periods, that the system reconciliation reports were being generated and that they supported the complete transfer of data.

Orig. Due Date	Revised Due Date	Recommendation	Management Response	Status Comments
Subject: 2012-A-04.02 Critical Payroll Data Changes				
Issue: Critical changes made to Payroll and Human Resources data are not subject to an independent review to ensure the changes were authorized and proper.				
07/15/2013	08/31/2013	We recommend the Payroll and Human Resources Departments independently confirm all changes are authorized and proper and both departments document their reviews.	We disagree with the recommendation. The Payroll Department has procedures in place to verify all authorized changes within payroll. The types of adjustments that Payroll make are leave corrections, missed time, work out of class and various non-standard employee hours. All changes made by Payroll are authorized by the initiating department either through an email or memorandum, and the documents are maintained as an audit trail. A different Payroll staff member reviews the changes to the source documents provided by the department to verify that the adjustment was properly completed. Prior to this audit, the review was completed, but not documented with a positive sign-off on the documents by the reviewer. Since the audit, a new procedure has been implemented that the reviewer must sign and date the review. These documents are maintained in the Payroll file for a period of two years. All changes made by Human Resources are authorized by either the initiating department or through employee self-service. Access to these systems is controlled by password and by access level security. Both the employee and the authorizing department are equipped with the data needed to review critical payroll changes, and it is incumbent on them to do so. The audit relies on one error, which it notes was identified and corrected. The audit seems to place undue weight on the time lapsed to correct the error. However, the timeframe is consistent with a department reconciling its accounts on a quarterly basis. Notwithstanding this, departments and staff will be advised to review charges on a more frequent basis. Employees will also be reminded around July 1 to review their pay statements to confirm that benefit deductions are correct.	The department heads were reminded about reviewing payroll information periodically. Further, employees were reminded to check their pay, benefits, etc. in the August newsletter from HR.

Orig. Due Date	Revised Due Date	Recommendation	Management Response	Status Comments
Audit: 2013 Procurement Practices				
Status: Open				
Subject: 2012-A-02.02 Availability of Information				
Issue: Information related to Procurements and Purchases is not readily accessible for reference or analysis.				
09/30/2013		We recommend the County improve its databases to facilitate the cross-referencing of information. For example, the Procurement Database should include vendor numbers for contract awardees and purchases in ADPICS should reference a contract number. We additionally recommend that management develop procedures to search for and identify purchases that circumvent the procurement process.	Management acknowledges Auditor's comments and has met with ICT to develop a database that will combine all information and integrate into one database. We selected 147 vendors with purchases exceeding $25,000 and found that 20 vendors did not have contracts that could be provided by the Department of Procurement.) Purchase orders were used in place of contracts in 20 instances, further, 1 was a developer agreement and 2 were grants; these 3 agreements are outside the Procurement scope of authority.	Per discussion with Ms. Henderson, Management is seeking to procure a database system with the assistance of Information and Communication Technology to address this matter.
Subject: 2012-A-02.03 Purchases Near $25,000				
Issue: Change Orders may increase a purchase to an amount that would require bids.				
12/31/2013		The County should consider implementing additional review procedures for purchases when the quoted prices average more than $25,000 and encourage departments to err on the side of caution with purchases nearing this threshold.	Management acknowledges these findings. We identified a large purchase that did not go through the bid/proposal process.) This procurement did go through the proper bid process at the time of purchase. 3 price quotes were obtained which is what the law requires.	Per discussion with management, the recommendation does not require a change in procedures. Training for buyers will be provided in September 2013 and will include discussion of this topic.
Subject: 2012-A-02.04 Written Quotes				
Issue: Written quotes for purchases greater than $2,500 were not always obtained or maintained.				
12/31/2013		We recommend the Department of Procurement develop procedures to periodically review the written quotes that are obtained by the user departments.	Management acknowledges these findings and shall implement periodic reviews. 2 of the 5 had quotes attached to the purchase order in ADPICS, 1 was a Sole Source for software maintenance and 1 was a Sole Source for replacement floor tiles.	We reviewed a sample of purchases and noted that in some cases quotes were not entered in ADPICS. Procurement agents are not yet routinely confirming a sample of departments' written quotes.

Orig. Due Date	Revised Due Date	Recommendation	Management Response	Status Comments
Subject: 2012-A-02.05 Public Advertising				
Issue: Public Notice of Procurement Opportunities is not published in a local newspaper.				
12/31/2013		We recommend County officials consider legislation to better align the Procurement Code with the current procurement advertisement trends. We additionally recommend that the Procurement Department consider posting Board of Estimates agendas and minutes on its website to improve transparency. We further recommend that the Department of Procurement consider making bid documents available to anonymous parties on the County's website and/or direct information seekers to eMarylandMarketplace.	Management concurs with these recommendations.	Legislation has not yet been drafted.
Subject: 2012-A-02.06 Improper Use of Direct Vouchers				
Issue: Direct Vouchers do not require Procurement Approval below $25,000.				
12/31/2013		We recommend management create and/or review the approval paths for each document type and initiating department to ensure that they are complete and relevant.	Management acknowledges these findings. Procurement will meet with ADPICS administrators to review approval paths. In addition a plan to conduct training sessions in partnership with Treasury to review procedures will help to alleviate certain concerns.	Training for buyers will be provided in September 2013 and will include discussion of this topic.
Subject: 2012-A-02.07 Ethics Disclosures				
Issue: Ethics policies should cover additional employees.				
		We recommend the County's officials consider legislation requiring annual financial disclosures for all personnel involved in the procurement process.	Management disagrees with this recommendation. As described by the Harford County Code, the Director is responsible to perform the duties as directed by the County Executive or by legislative act of the Council, and consequently is bonded to protect the County.	Per discussion with Ms. Henderson, copies of the Ethics Code have been provided to Procurement staff as a reminder. Given the nature of this recommendation, the Procurement Department has taken appropriate action. The finding will remain open, however, and responsibility for remediation will be reassigned to encourage consideration of legislative changes by the County Executive and Council.

Orig. Due Date	Revised Due Date	Recommendation	Management Response	Status Comments
Status: Closed				
Subject: 2012-A-02.01 Competitive Procurement Processes				
Issue: Certain purchases were made without formal, competitive bidding, non-competitive bids were not always justified and contracts were not adequately supported.				
12/31/2013		We recommend that Procurement documentation standards be established to help Procurement Agents confirm that purchases of goods and services are made in accordance with the Harford County Code. Specifically, we recommend that the Department of Procurement and purchasing departments: consolidate purchases and competitively procure frequently used goods and services; obtain required approvals prior to making purchases or executing contracts; maintain documentation supporting the vendor selection process, clearly documenting deviations from the standard process; and maintain clear documentation of the justification for non-competitive procurements.	Management recognizes these findings and with reports provided by Treasury will more closely monitor purchasing activities.

21 vendors (of 103 tested) were paid without undergoing a formal competitive bidding process. The transactions considered were individually less than $25,000 but, in total, far exceeded that amount. Recognizing the complex method required in order to access all necessary information, management examined additional files and found the necessary documentation for 16 out of the 26 findings. These files are available for the auditors review.

23 vendors paid over $50,000 (of 53 sampled), were not approved by the Board of Estimates. In one case, a vendor was paid $470,942 in FY2011 and $345,198 in FY2012, but only about $114,000 was approved by the Board of Estimates.
Additional files were accessed and required documents were found for 14 of 31 findings. These files are available for the auditors review. Some of the files audited originated prior to the audit period. Prior to July 2010 the Harford County Code did not require certain items to go before the Board of Estimates, including many examples cited in the audit report.

For 11 contracts (of 96 tested), documentation did not show that the purchasing (user) department provided input into the vendor selection. Management concurs. In some instances, such as Independent Contractor Agreements, Procurement is not required to provide input into vendor selection.

For 20 contracts (of 23 sampled), there was no evidence that an Awardee or Award Amount was recommended by the Negotiation Committee. Management acknowledges these findings and is developing a new process to address this issue. Currently recommendations from a Negotiating Committee only occur if a request for an award goes to the Board of Estimates.

18 contracts (of 72 tested) were not approved by the Legal Department or Treasury Department.
Management acknowledges these findings and has created a uniform process to address these deficiencies.

6 contracts (of 23 tested), did not have documentation showing all bids were received.
5 of the 6 contracts required a negotiating process which does not require a low bid award.

37 non-competitive purchases (of 55 tested) did not have documented justification for the procurement method used.
While management acknowledges these findings, further investigation by Management provided appropriate documentation for almost every contract tested. | We reviewed a sample of contracts initiated since 1/1/2013 and noted that the documentation is complete and includes justifications for non-competitive purchases. |

Orig. Due Date	Revised Due Date	Recommendation	Management Response	Status Comments
Audit: 2013 Purchase Card Controls				
Status: Open				
Subject: 2012-A-05.04 Cardholder Spending Limit Review				
Issue: Monthly cardholder limits have not been reviewed for appropriateness.				
03/31/2013	01/01/2014	We recommend management review and adjust, if necessary, cardholder spending limits at least annually, in accordance with the County's policies, to ensure that the County's exposure to misappropriation is appropriately limited.	Management agrees with this recommendation and will review limits and compare the established history of card use to the cardholder application for compatibility with departmental and program objectives.	Cardholder reviews are underway, but not yet complete. The expected completion date has been revised.
Status: Closed				
Subject: 2012-A-05.01 Incomplete Monthly Purchase Logs				
Issue: Monthly Cardholder Logs were not always prepared and approved.				
10/31/2012		We recommend management enforce existing procedures related to review and approval of cardholders' transactions and logs, and enforce related consequences for cardholders and approvers who do not comply with the purchase card guidelines. We additionally recommend that the cardholder log template be revised to include a space for the cardholder's acknowledgement of the appropriateness of their purchases and the completeness of their documentation. Finally, we recommend review of the aforementioned personal purchases and take corrective action, as appropriate.	Management agrees with the recommendation and had already implemented a process of re-training all of those individuals involved with the program. The revised manual, available online, reflects an emphasis on the need for approval of transactions and the importance of proper documentation for all transactions. All purchases will be reviewed monthly by the PCC in conjunction with the Director of Procurement. Persons who are responsible for non-compliance will be counseled and reminded of their responsibilities to the program and may be referred for remedial training or disciplinary action.	We reviewed a sample of purchase card logs for March 2013 and noted that they were completed and approved timely and had appropriate supporting documentation.
Subject: 2012-A-05.02 Insufficient Support for Purchase Card Transactions				
Issue: Documentation for purchase card transactions was not sufficient to support the necessity, appropriateness and approval of purchases.				
10/31/2012		We recommend management require cardholders to provide sufficient documentation to support the propriety of all transactions. We also recommend all cardholders and approving officials receive refresher training regarding the purchase card program, so that they will be aware of the documentation and approval requirements for purchases. Finally, we recommend that consequences for inappropriate purchase card use be enforced systematically.	Management agrees with the recommendation and completed the refresher training as of 10/31/2012. Each department will be reminded of the responsibilities of cardholders and approving officials on an ongoing basis including the requirement to obtain fuel from County pumps when they are in service.	We reviewed documentation for a sample of 50 purchase card transactions between 1/1/13 and 3/31/13 and noted that appropriate supporting documentation was maintained.

Orig. Due Date	Revised Due Date	Recommendation	Management Response	Status Comments
Subject: 2012-A-05.03 Insufficient Support for Card Issuance				
Issue: Documentation was not available to confirm that purchase cards were properly issued in accordance with the County's Policies.				
10/31/2012		We recommend management ensure that all current cardholders are assigned an approving official. We also recommend that all required approvals are obtained prior to the issuance of the card. This information should all be documented on the cardholder application. To improve cardholder accountability, we further recommend that management standardize the training (and re-training) that is provided to cardholders and approvers, and maintain documentation of such training.	Management agrees with the recommendation. The cardholders have been reminded of their assignment of an approving official. Consideration will be given to including additional requirements prior to the issuance of a card and revocation of card privileges for lack of use.	We reviewed cardholder agreements and training documentation for a sample of new users and determined that support was adequate.
Subject: 2012-A-05.05 Vendor Purchases Exceed $25,000				
Issue: Several vendors had total annual purchases exceeding $25,000, without soliciting competitive bids and entering into a written contract, as required.				
03/31/2013		We recommend management implement a process to monitor total purchases for each vendor and initiate solicitations for requirements estimated to exceed $25,000.	Management agrees with the recommendation and will develop a system to monitor all purchases, card and non-card, by vendor in order to identify cumulative purchases prior to reaching the appropriate thresholds. Additionally, through refresher training, management will remind program participants of their obligation to respect these limits.	We observed that the monthly spending trends are reviewed by the program coordinator and the Director of Procurement. Per discussion with Ms. Henderson, at least two new contracts have been initiated based on these reviews.
Subject: 2012-A-05.06 Split Purchases				
Issue: Purchases in excess of the single purchase limit were split into multiple purchases to avoid the single transaction spending limit of $2,500 and/or to avoid more stringent procurement requirements.				
10/31/2012		We recommend management reiterate to cardholders and approvers that splitting transactions is not allowed and that purchases over $2,500 may not be made using a purchase card.	Management agrees with this recommendation and has reiterated these requirements to cardholders and approvers in the training conducted in October of 2012.	We confirmed that cardholders were reminded of the purchase card policies, including split purchases, on March 29, 2013.

Orig. Due Date	Revised Due Date	Recommendation	Management Response	Status Comments
Subject: 2012-A-05.07 Missing Travel Approvals				
Issue: Approval of travel, including airfare and hotels, was not always documented.				
10/31/2012		We recommend the purchase card procedure be updated to require cardholders to include their travel approval documentation with their travel receipts each month. We additionally recommend management create a policy that defines "out of town" travel, clarifies allowable "transportation expenses" and explains the documentation required for such expenses.	Management agrees with this recommendation and has accomplished the removal of ambiguities and inconsistencies in the revision of the manual (Oct 2012) and the training conducted in October of 2012.	We reviewed documentation for a sample of transactions from 1/1/2013 through 3/31/2013 and noted that, except for the County Executive, all travel transactions included support for approval of the travel.
Subject: 2012-A-05.08 Use of Personal Rewards Accounts				
Issue: Employees received personal benefits from the use of their County purchase cards.				
10/31/2012		We recommend management reinforce the importance of understanding the Procurement Code to all employees who have been authorized to make purchases on behalf of the County.	Management agrees with the recommendation and has reinforced compliance in the updated manual (Oct 2012) and in the training conducted in October of 2012.	We reviewed a sample of transactions from 1/1/2013 through 3/31/2013 and found that users were not using their personal rewards accounts for purchases like Best Buy, hotels and airlines.
Subject: 2012-A-05.09 WORKS Administrator Access				
Issue: The system administration function within the Purchase Card system should be improved.				
10/31/2012		We recommend that all administrator activity be reviewed periodically by an individual other than the system administrator, generic accounts within WORKS be disabled or monitored and a backup administrator be assigned.	Management agrees with the recommendation. Accounts, including the activity in the system administrator account, are monitored on a monthly basis for appropriateness by a person other than the PCC and a back-up system administrator has been assigned.	We reviewed the WORKS system user list and noted that an administrator has been added.
Subject: 2012-A-05.10 Monthly Log Preparation Inefficiency				
Issue: The monthly log preparation process contains some unnecessary redundancies.				
04/30/2013		We recommend that the cardholder log template and preparation process be modified to facilitate electronic preparation and reduce duplication of information.	Management agrees with this recommendation to the extent that efficiencies can be obtained within a particular department. The efficiencies to be gained must be balanced with the needs of the department, the ability of the participants to interface electronically and the ease of retaining appropriate source documentation in the field or at the worksite. An electronic preparation process will be researched and departments will be given the option, if appropriate.	Users have the option to complete the monthly log manually or electronically. Departments have determined which methods are best for their workflow.

Orig. Due Date	Revised Due Date	Recommendation	Management Response	Status Comments
Audit: 2013 Purchase Card Controls - Supplemental Procedures				
Status: Open				
Subject: 2012-A-06.00 Late Payment Fees/Finance Charges				
Issue: Finance Charges and Late Payment Penalties were assessed and paid for certain purchase card accounts.				
10/01/2013		We recommend that the Sheriff's Office determine a timeline to migrate as many credit card accounts as possible to the County's centralized program. For cards remaining outside of the County's program, we recommend the Sheriff's Office utilize Bank of America's online account tools to facilitate timely reconciliation of purchases and ensure that bills can be paid as promptly as possible.	Based on the above recommendation, the Sheriff's Office will review current procedures and implement protocols to satisfy our requirements.	Per Jennifer Rogers, "We have begun the process. The motorcycle operators will be receiving their P-cards the last week in July. We will then cancel the credit cards that they are currently using. We are reviewing the need for the cards that the Sheriff, Colonel and Major have."
Audit: 2013 Section 214 Review - Harford Center Inc.				
Status: Open				
Subject: 2013-A-03.02 Outsourced Bookkeeping Action Plan				
Issue: The Auditor's independence is threatened.				
07/01/2013		We recommend the Harford Center internalize its accounting activities to streamline transaction recordkeeping, bill payment and invoicing processes. Further, we recommend that the Board consider requiring a certain number of Board members to have a financial background.	The Harford Center will purchase a copy of the accounting software used by the accounting firm. The financial assistant will begin keeping a set of accounting records that will be parallel to those the accounting firm keeps and their staff has agreed to help us in this endeavor. After the completion of our contract with the accounting firm, bookkeeping activities will remain in-house.	As of 7/23/2013, the Financial Assistant is maintaining the accounting records internally; however, the audit firm continues to keep the official records.

Orig. Due Date	Revised Due Date	Recommendation	Management Response	Status Comments
Subject: 2013-A-03.03 Administrative Policies and Procedures Action Plan				
Issue: The Harford Center does not have documented administrative policies and procedures.				
09/30/2013		We recommend Harford Center develop administrative policies and procedures. Procedures should address, at a minimum, cash handling, invoicing, bill payment, accounting procedures, purchase card procedures, vending machine management, contractor agreements, employee reimbursements, cell phones, human resources change documentation, DDA compliance, document management and document retention requirements.	There are policies and procedures for various areas that have been developed for the Harford Center. However, the policies and procedures are sometimes inconsistent, include varying amount of detail and are not held in one place or compiled into one document. Particular weaknesses are the policies and procedures for financial management. With guidance from the Board, a plan will be developed by June 30, 2013 and a comprehensive set of policies and procedures will be created by September 30, 2013. Once this is accomplished the policies and procedures will be made available to staff, as appropriate, for their work assignments and training opportunities will be provided.	Per discussion with the Financial Assistant, Policies and Procedures have been drafted for review and finalization in September.
Subject: 2013-A-03.06 Email Account and File Security Action Plan				
Issue: Email accounts and network file access are not appropriately secured.				
05/31/2013		We recommend the Harford Center centralize its email system on a domain that is unique to the organization. We further recommend management consider how to best segregate confidential information to those with a business need to know.	We are seeking bids on a computer system server for the Harford Center. We have received bids from Dell and met with local computer consultants on April 11, 2013. We have explored the cost of and capabilities of using "cloud" based storage services as an alternative to a server. We continue to research to determine if we can password protect our current client folders on our existing network.	Per discussion with the Financial Assistant, new email accounts and file security have not yet been implemented.
Status: Closed				
Subject: 2013-A-03.01 Retirement Plan Contributions Action Plan				
Issue: Liability for 401K contributions may be incorrect.				
05/15/2013		We recommend the Harford Center Board make an official designation of funds for 401K contributions annually. These amounts and detailed Board intentions should be reflected in the Board minutes.	The recommendation is accepted and will be presented to the Board for their consideration. In addition, it is our intention to have a Financial Assistant begin keeping internal records and a log of disbursement of funds.	The Board has decided to allocate $40,000 to address the prior years' retirement plan contributions. The amounts will be distributed to employees as an additional one week of pay to each employee and the remaining amount will be distributed evenly between employees' 401K accounts.

Orig. Due Date	Revised Due Date	Recommendation	Management Response	Status Comments
Subject: 2013-A-03.04 Petty Cash Accounting Action Plan				
Issue: Petty Cash accounting is incorrect.				
04/01/2013		We recommend petty cash only be replenished up to the amount of verifiable transactions and that the accounting reflect expenses actually incurred.	Recommendation has been accepted and implemented effective April 1, 2013.	We confirmed that the procedures were corrected.
Subject: 2013-A-03.05 Purchase Accounts Action Plan				
Issue: The Harford Center maintains purchase accounts with multiple stores and a PayPal account.				
04/20/2013		We recommend management close store-specific credit accounts and exclusively use its Visa account whenever possible. We further recommend that the Harford Center immediately change the password and security questions for the PayPal account or close the account altogether.	The PayPal account has been closed. By April 20, 2013 the Home Depot and Wal-Mart credit accounts will be closed. Our intention is to have one VISA account with cards assigned to specific individuals.	The Harford Center provided support showing that the additional accounts have been closed.
Subject: 2013-A-03.07 Budget to Actual Analysis Action Plan				
Issue: Budget figures are not necessarily relevant when compared to actual results.				
05/31/2013		We recommend Harford Center review and revise its budget figures each year to ensure that its projections will be relevant. Additionally, Board members should consider the budget when analyzing the Center's financial results.	As noted in an earlier response, the Harford Center will purchase the same software the accounting firm currently uses and begin keeping parallel financial records. We will seek input from the accounting firm regarding budget categories. This will allow for accurate, monthly reconciliation of financial records that will be made available to Board members. Monthly accounting and logical, consistent categories will simplify the annual projections.	The budget has been revised to be more detailed and relevant. The Board has requested quarterly financials that can be easily compared to the new budget. Janet provided a copy of the budget.
Subject: 2013-A-03.08 Director's Compensation Action Plan				
Issue: The Director received compensation above her regular salary.				
04/17/2013		We recommend the Board consider whether the unpaid insurance premiums and phone charges were part of the Director's compensation and whether to discontinue the phone accounts with high service costs. We additionally recommend the Board update the Director's position description to indicate specific tasks that must be accomplished for success and consider incorporating the role of Board Secretary into the position description.	The recommendations are acknowledged. Management has provided detail to the Board Chairperson and will be available at the next Board Meeting on April 17, 2013 to provide information to the full board to facilitate decisions on these issues. There was no justification for expanded cell phone services. The two cell phone accounts noted above ($29.99 and $60.57) have been shut down and the cell phones returned to the Human Resources Assistant.	The Board has determined the responsibilities of the Executive Director. They have been included in the recruitment for the next Director.

Orig. Due Date	Revised Due Date	Recommendation	Management Response	Status Comments
Audit: 2013 Status of Board of Education Legislative Audit Findings				
Status: Open				
Subject: 2012-A-07.02 Action Plan				
Issue: HCPS Should Strengthen Internal Controls Over Its Disbursements, Procurements, and Contract Monitoring				
	08/31/2013	HCPS should implement effective internal controls over its procurement, disbursement, and contract monitoring processes. Such controls should include restricting employee capabilities on the procurement and disbursement systems and segregating employee duties. In addition, HCPS should ensure that invoiced prices agree to the related contracts. Also, HCPS should establish appropriate processes for obtaining support for invoices. Finally, all purchases, contracts, and agreements exceeding $100,000 should be approved by the Superintendent and by the Board in accordance with HCPS policy.	We concur with the recommendation and have restricted employee capabilities on the procurement and disbursement systems thereby segregating those duties. We also effected changes when a cooperative contract is utilized and require the contractor to indicate or append to their proposal a pricing sheet that is relational to the published prices and discounts given. Finally we have implemented changes requiring the Superintendent and Board approval on all contracts estimated to exceed, or having the potential to exceed, $100,000 in value.	The recommendations have been partially implemented. HCPS upgraded to Lawson 9.01 in November 2012. As a result, HCPS is currently engaged in a technical project to revamp class-based access controls into the new role-based security schema.
Subject: 2012-A-07.05 Action Plan				
Issue: Human Resource and Payroll Internal Controls Need to Be Strengthened				
	08/31/2013	HCPS should take the necessary corrective actions to ensure that adequate internal controls are in place over its automated human resource and payroll system. Specifically, system capabilities and job duties should be segregated and an independent review and approval process should be established over payroll-related changes recorded in the system, including final payments to terminated employees for unused leave balances.	HCPS agrees with the recommendation. The Finance Department reviewed existing security with the Technology Department as part of our upgrade to Lawson version 9.0. Our understanding is that the newer version of Lawson completely overhauls the security component of the software and the new functionality may provide opportunities to address the issues noted in the finding. We expect to implement Lawson version 9.0 in the fall of 2008. Additionally, the Payroll Manager developed a standard form to be used for calculating final payouts, including a place for an independent reviewer (Payroll Manager) to sign off.	HCPS upgraded to Lawson 9.01 in November 2012. As a result, HCPS is currently engaged in a technical project to revamp class-based access controls into the new role-based security schema.

Orig. Due Date	Revised Due Date	Recommendation	Management Response	Status Comments
Subject: 2012-A-07.09 Action Plan				
Issue: Data Processing Functions Should Be Better Safeguarded				
	12/31/2014	HCPS should ensure that all media and equipment are properly sanitized prior to disposal and that these activities are properly documented. HCPS should also establish and implement procedures for the appropriate offsite storage of backup copies of data from critical servers and complete the development of a formal, comprehensive disaster recovery plan.	We concur with the recommendation. Current policies address proper use of removable media especially for storage of sensitive information. Office of Technology will develop a procedure of disposal and sanitation of media. Given the size of HCPS, we believe it is unreasonable to monitor the tracking and disposal of such media. Newly adopted asset recovery program with Dell, Inc. provides comprehensive documentation including a list of asset tags disposed; certificate of hard drive sanitation; and a certificate of disposal of equipment. HCPS recognizes a formal disaster recovery plan does not exist as a single bound document. Many of the components which comprise a disaster recovery plan do exist on our Information Security SharePoint site which is access controlled to those job roles responsible for IT operations. OTIS has requested the new Edgewood HS be designed with a small satellite data center to be utilized in the event of a disaster to central office. The additional items suggested for inclusion to HCPS' plan will be added.	HCPS has not formalized the Disaster Recovery Plan; they are waiting on funding to complete the Disaster Recover site at Edgewood High School to the private fiber (HMAN) for connectivity.
Subject: 2012-A-07.10 Action Plan				
Issue: Performance Standards Need to Be Developed for General Maintenance and Custodial Operations, and the Work Order System Should Be Fully Utilized				
	12/31/2013	HCPS should develop a performance system with standards and measures for maintenance and custodial operations. HCPS should also fully use the existing work order system for general maintenance operations and should establish guidelines for work order priority levels, to ensure that appropriate, cost effective, and timely maintenance is provided to all facilities.	We concur, as part of Harford County Board of Education strategic plan and goals we will establish performance measures and benchmarks.	HCPS sees the value in implementing a performance measurement system to assess the efficiency of its general maintenance and custodial operations, and such an implementation is in process.

Orig. Due Date	Revised Due Date	Recommendation	Management Response	Status Comments
Subject: 2012-A-07.12 Action Plan				
Issue: Adequate Procurement Documentation Should Be Maintained for All Construction Contracts				
	12/31/2013	HCPS should maintain adequate documentation regarding the awarding of construction contracts, including contract evaluations and bid openings. Furthermore, HCPS should develop policies and procedures for governing the retention of procurement documentation. Finally, HCPS should provide more detailed documentation to the Board to allow them to make informed decisions on construction procurements.	We concur that HCPS should maintain adequate documentation regarding the awarding of construction contracts including contract evaluations, advertisements of solicitation for bids, and bid openings. We also concur that we need to establish and follow protocols and procedures for project documentation according to prescribed record retention schedules. Currently, the Legal Services Association (LSA) of the Maryland Association of Boards of Education is undertaking a project to identify and recommend document retention schedules for all Boards of Education. The result is to be approved by the State Department of Education, General Services Administration, and the State Archivist. In the interim our internal procedures will be reviewed to assure adequate documentation is maintained. Finally, if the Harford County Public Schools Board of Education wants to require more detailed documentation to make fully informed decisions on construction procurements, we will comply.	HCPS follows the Records Retention and Disposal Schedule of the State of Maryland Public School Construction. The development of an administrative procedure is currently underway. HCPS will have a sign-in sheet at the bid openings of all construction contracts in the future.
Subject: 2012-A-07.13 Action Plan				
Issue: Outsourcing of Bus Services Has Not Been Established As Cost Beneficial				
	12/31/2014	HCPS should periodically prepare a documented analysis to determine whether continued use of outside vendors to provide student bus services is, in fact, cost beneficial for the school system. This analysis should include an evaluation of each pay element (including the ROI component of the PVA) of the current bus contracts to determine whether the rates are reasonable and necessary.	We concur with the recommendation. HCPS understands that MSDE is taking the lead in developing a model for PVA and ROI that would be consistent for all Maryland school districts using bus contractors. HCPS will implement that recommended model when released by MSDE.	The Board of Education is currently working to secure an independent consulting firm to prepare such an analysis. Additionally, the current HCPS transportation model will be evaluated as part of the cost-benefit analysis.

Orig. Due Date	Revised Due Date	Recommendation	Management Response	Status Comments
Subject: 2012-A-07.16 Action Plan				
Issue: Controls Over Food Service Bank Accounts Need Improvement				
02/01/2013		HCPS should improve controls over its food service bank accounts. Specifically, duties should be segregated between the preparation of bank reconciliations and access to the related bank accounts. Also, supporting source documentation (such as bank statements) should be examined during the supervisory reviews of bank reconciliations.	We concur. This recommendation was also stated as recommendation #1. Reassignment of the duty of verifying daily bank deposits to a clerical person that does not have access to the accounts was implemented beginning December 1, 2007. A report is prepared for the Supervisor to review on a monthly basis.	The Supervisor of Finance reviews the bank reconciliations and verifies information for the primary bank account online. Bank statements for the other two bank accounts are not currently sent to the Supervisor of Finance with the bank reconciliations. Beginning with the January 2013 reconciliation, a copy of the bank statement will be sent with each bank reconciliation.
Subject: 2012-A-07.18 Action Plan				
Issue: The Board Should Consider Additional Steps to Assist It in Governing HCPS				
	12/31/2013	The Board should consider expanding the scope of the internal auditor's work and should consider establishing a confidential hotline (with formal follow-up procedures and an employee whistleblower protection policy).	We concur. The Internal Auditor is currently immersed in a system conversion and standardization of school activity accounts. We believe this to be the high risk area due to the number of employees with access to cash, even though the dollar exposure is not substantial relative to the budget as a whole. Upon completion of that project time will be allocated to other areas. The Internal Auditor is a direct dial thereby serving as a confidential hotline. Follow-up procedures and an employee whistleblower protection policy will be prepared for approval by the end of the 2008 calendar year.	The Internal Auditor's responsibilities focus on School Activity Funds and Purchase Card accounts, as those are the areas that the Audit Committee is most concerned with. We reviewed the HCPS Internal Audit Plan for FY2013 and confirmed that other operational audits have not been included.

Orig. Due Date	Revised Due Date	Recommendation	Management Response	Status Comments
Status: Closed				
Subject: 2012-A-07.01 Action Plan				
Issue: Controls Over the Collection of Cash and Check Revenues Should Be Improved				
		HCPS should improve controls over its collection of cash and check receipts by ensuring accountability and safeguarding for these collections from the time they are initially received until they are deposited at a bank. Independent verifications should be performed to ensure all amounts received were deposited timely and intact, and agreed to related receivable records (when applicable).	We concur. The narrative indicates this recommendation relates to bank accounts managed by food services and is repeated as recommendation #16. Reassignment of the duty of verifying daily bank deposits to a clerical person that does not have access to the accounts was implemented beginning December 1, 2007. A report is prepared for the Supervisor to review on a monthly basis. In addition, we deposit cash receipts the day they arrive and have arranged electronic fund transfer from the Maryland Comptroller of reimbursements.	Procedures have been implemented to restrictively endorse checks and add segregation of duties related to the cash and check receipt process.
Subject: 2012-A-07.03 Action Plan				
Issue: Documentation and Processes Related to Travel and Credit Cards Need Improvement				
		HCPS should enhance its controls over its credit card and travel transactions. HCPS should ensure that adequate documentation exists for all credit card transactions. HCPS should establish procedures for obtaining timely reimbursements from SAF for purchases made on behalf of student organizations using HCPS credit cards. HCPS should ensure that appropriate authorization is obtained prior to travel conducted by HCPS personnel and students, and that, in accordance with policy, travel charges are not incurred for family members.	We concur. The HCPS Procurement Card Program Procedures Manual, revised July 2007, indicates that "For airline or train tickets, the cardholder may only purchase tickets for HCPS employees or students. Tickets for others who are traveling (i.e., spouses, children, etc.) may not be purchased with the P Card." In addition, the manual indicates consequences for cardholders violating policies and procedures. These consequences will be enforced as necessary. Beginning September 2007, a travel report is generated on a monthly basis through US Bank (HCPS' card provider) that indicates detailed information for any airline activity on P Cards, including both cardholder and passenger information. If the passenger is not the cardholder, a report is run in the Lawson system to determine if the passenger is a HCPS employee. If the passenger is not an employee, the cardholder is contacted and required to submit payment to HCPS to cover the expense. In the event the person traveling is a student, the school is contacted to reimburse HCPS for those expenses from a student activity fund account. Additionally, transactions are reviewed daily and a list of reimbursable items is compiled. At the month end, we send schools an email requesting reimbursement for such purchases. The reimbursable items are maintained on the list until the reimbursement is received. Authorization for travel is required in advance and requires supervisory approval.	Reimbursements were made for unallowable travel expenses. Procedures have been implemented to reconcile School Activity Fund purchases for proper reimbursement and accounting. Additionally, the Purchase Card Procedures Manual has been updated to clarify which travel costs are allowed.

Orig. Due Date	Revised Due Date	Recommendation	Management Response	Status Comments
Subject: 2012-A-07.04 Action Plan				
Issue: Supervisory Review and Approval of Bank Reconciliations Is Needed				
		HCPS bank reconciliations should be reviewed and approved by independent supervisory personnel.	HCPS agrees with the finding and has implemented the recommendation.	Bank reconciliations are performed by the Supervisor of Finance and reviewed and approved by the Director of Finance.
Subject: 2012-A-07.06 Action Plan				
Issue: Workforce Planning Should Be Expanded to Include Non-Instructional Positions				
		HCPS should continue to develop and implement its workforce planning for key administrative and supervisory positions and should expand the planning to include other key non-instructional positions in critical operational units.	We concur with the recommendation. In terms of the workforce development recommendation, it is noted that the Strategic Plan requires us to implement a systemic Leadership Succession Plan, which was to include everyone. The Plan was provided to the auditors. However, as there is no funding to implement this objective staff will be recommending that it be removed from the Strategic Plan.	Workforce Planning remains a component of HCPS' Strategic Plan. Various programs are targeted at developing support and instructional staff.
Subject: 2012-A-07.07 Action Plan				
Issue: Policies, Controls, and Record Keeping Over Equipment Need Improvement				
		HCPS should establish policies and procedures to ensure that accountability and control is maintained over its equipment inventory, including certain non-capital items that are prone to theft or loss (and for which HCPS might want to establish a lower threshold than $5,000 for control purposes).	HCPS agrees with the spirit of the recommendation but feels that implementing the recommendation given the current resources available, is not practical. HCPS currently tracks all asset purchases and disposals meeting our capitalization threshold of $5,000. This threshold is a recommended practice by both the Government Finance Officers Association (GFOA) of the United States and Canada and the Association of School Business Officials (ASBO) International. It was linked to the implementation of the GASB 34 reporting standard. Beyond that, individual departments are responsible for tracking sensitive (prone to theft) items as deemed necessary by the Department Head. We comply with certain grants requiring capitalization at $1,000. Achieving more accountability and control while maintaining segregation of duties, although desirable, would require hiring of additional resources in the form of a property manager and is not practical in the current fiscal environment.	Management has accepted the risk of not implementing the recommendation. A policy was created to address capitalization of fixed assets.

Orig. Due Date	Revised Due Date	Recommendation	Management Response	Status Comments
Subject: 2012-A-07.08 Action Plan				
Issue: Steps Should Be Taken to Ensure Access to IT Software Applications Is Appropriate and Controlled				
		HCPS should enhance its IT security by establishing and enforcing stricter password requirements, should log all significant security-related events and conduct documented reviews of logged system activity, and should ensure that users are only given capabilities necessary for their job functions.	Office of Technology concurs with the IT security recommendations and will implement stronger password requirements for teacher/administrator/staff and secondary student accounts. Elementary accounts will not be altered. Special needs students are a concern and will need additional discussion, as numerous requests are received to accommodate students who are challenged with typing skills. In addition, HCPS will investigate a log management system to efficiently organize and analyze system logs.	HCPS has updated its password complexity requirements. There are procedures for daily log reviews.
Subject: 2012-A-07.11 Action Plan				
Issue: Additional Analysis of the Energy Management Program Is Needed				
		HCPS should perform a cost-benefit analysis of its energy management program to ensure that the desired results are being achieved.	We concur. Harford County Public Schools will periodically perform a cost benefit analysis of its energy management program.	HCPS has entered into an energy performance contract that includes a payback guarantee in energy savings within the next fifteen years.
Subject: 2012-A-07.14 Action Plan				
Issue: Bus Contractor Rates Paid Were Not Based on Documented Criteria, and Were Not Approved by the Board				
		HCPS should establish formal written criteria for the components of the bus contractor's table of rates, and should maintain documentation of the calculation of these rates for future reference purposes. HCPS should also provide the Board with the necessary information to allow it to make an informed decision on the contracted bus rates.	We concur with this recommendation. HCPS has evaluated each pay element of the current bus contracts to determine whether they are reasonable, documented these calculations for future reference purposes, and provided the Board with the necessary information to allow it to make informed decisions on the contracted bus rates (June 9, 2008 Board agenda item).	A policy for bus contractor rates was developed and approved in 2008. The PVA Table of Rates schedule was updated for fiscal year 2012 contracts.

Orig. Due Date	Revised Due Date	Recommendation	Management Response	Status Comments
Subject: 2012-A-07.15 Action Plan				
Issue: Cost Comparisons Should Be Performed When Procuring Fuel for the HCPS Fleet				
		HCPS should perform cost comparisons with other available sources when procuring fuel contracts to obtain the most favorable prices, and should use reorder points that maximize fuel delivery discounts.	We concur that we should perform cost comparisons with other available sources. In the past, it was reported that there have been issues that arose between BRCPC and some of the cooperative participants which led to unfavorable results for the end users. In August, 2006, the Harford County Public School Board of Education approved a competitive bid to secure fuel from Mansfield Fuel Company. This bid goes through August 31, 2008, at which time HCPS will evaluate whether to utilize the cooperative fuel contract or to put the purchase out for competitive bid. In addition we will insure that reorder points that maximize fuel delivery discounts are used.	HCPS has been either a participant with BRCPC's competitive solicitation or has piggybacked BRCPC contracts ever since September 1, 2008. It is the intention of HCPS to continue as a participant in this cooperative contract for fuel. A new agreement for approval will come before the Board of Education in June 2013.
Subject: 2012-A-07.17 Action Plan				
Issue: All Applicable Expenditures for Food Service Operations Should Be Recognized When Determining Self-Sufficiency				
		The HCPS Board should consider charging the food service department for its share of all related costs, including utility and custodian costs, to properly reflect the department's full operating costs.	We agree with the recommendation and will undertake an analysis by an independent firm to compare charging food services with all direct costs to the current system whereby food services reimburses the operating fund in full for certain costs that are shared. Our plan would be to implement the recommended change, should there be one, for the FY2010 budget year.	The Internal Auditor performed an analysis of the Food Service Cost Allocation. Based on that analysis, the Board of Education approved the continuance of the current method of cost allocation.
Subject: 2012-A-07.19 Action Plan				
Issue: The Board Should Consider Additional Steps to Assist It in Governing HCPS.				
		The HCPS ethics policy should be updated to ensure the filing of annual financial disclosures by all HCPS personnel involved in processing significant or numerous procurement transactions.	We concur. The policy can be amended to add the pertinent personnel to the list of personnel who are required to so file. Projected completion date would be six months from the date this report is accepted by the Board of Education, with the following caveat. Any material change in the Ethics Policy is required by law to be submitted to the State Ethics Commission which must review and approve the modification.	HCPS updated its ethics policy to require all purchasing agents to complete a financial disclosure form, effective 4/10/2012.

Orig. Due Date	Revised Due Date	Recommendation	Management Response	Status Comments
Subject: 2012-A-07.20 Action Plan				
Issue: Capital Lease Policies Need To Be Established				
		HCPS should adopt a formal policy governing long-term obligations.	We concur. To achieve this recommendation we will research GFOA recommended practices and the review the County policy on capital leases to assure we are consistent with it and present a policy recommendation to the Board for approval by the end of the calendar year.	HCPS adopted a debt management policy on 11/24/2008 to govern its use of long-term lease obligations to finance operations.