



HARFORD COUNTY, MARYLAND

Office of the County Auditor

January 23, 2015

Report Highlights

Why We Did This Audit

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

What We Found

We estimate that Mr. Craig owes Harford County \$1,665.

What We Recommend

Management should take steps to recoup the indebtedness.

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 former County Executive, David Craig. 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.

We found that Mr. Craig gave gifts to cabinet members using County funds which should have been his personal expense.

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

Sincerely,

A handwritten signature in black ink that reads "Chrystal Brooks, CPA".

Chrystal Brooks
County Auditor

cc: Mr. Robert Sandlass, Treasurer
Mr. James Richardson, Director of Human Resources

~ Preserving Harford's past; promoting Harford's future~

212 South Bond Street * Room 219 * Bel Air, Maryland 21014

410-638-3161 * www.harfordcountymd.gov/auditor



HARFORD COUNTY, MARYLAND

Office of the County Auditor

SECTION 214 REVIEW OF COUNTY EXECUTIVE

Report Number:

2014-A-14

Period Covered:

07/01/2012 through 12/31/2014

Date Issued:
January 23, 2015

Audit Team:

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

Laura Tucholski
CPA, CIA, CFE, CRMA
Managing Auditor

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BACKGROUND INFORMATION

INTRODUCTION AND KEY STATISTICS

David Craig served as Harford's County Executive following his appointment in 2004, election in 2006, and re-election in 2010. Following the County's term limits, Mr. Craig left office in December, 2014.

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 departing County Executive, David Craig. The scope was limited to accounts and resources under the control of the Office of the County Executive.

The audit focused on activity during the period of 07/01/2012 through 12/31/2014. Our audit procedures included interviewing personnel, observation and testing. Specifically, we sought to confirm that the accounts under Mr. Craig's control did not have unusual or inappropriate costs; Mr. Craig's physical and financial access to County resources had been revoked and that his final paycheck and leave payout were correct.

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.

REVIEW RESULTS

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.

With regard to transactions that were approved or initiated by Mr. Craig, we found that he did not have direct access to the accounting system. This appeared reasonable given the organizational structure of the Office of the County Executive. Mr. Craig's ability to initiate transactions was limited to purchase card use and directives to office staff to process invoices for payment. We reviewed relevant documentation to confirm that purchase card

charges, travel, meals and miscellaneous expenses during the review period were reasonable and appropriate. We noted a number of purchase card transactions that did not have supporting documentation. A similar issue has been noted in audit report 2014-A-15 related to the County Council Office. We have not recommended reimbursement for the purchase card transactions.

However, we identified a gift purchase that should have been paid by Mr. Craig, personally. This transaction represents an amount that Mr. Craig should repay to Harford County.

The Treasurer's Office confirmed to us that Mr. Craig has been removed as a signatory from each of the County's bank accounts. We confirmed that Mr. Craig's purchase card was returned and destroyed in a timely fashion and confirmed that the purchase card account has been disabled.

We confirmed that Mr. Craig's logical access to County resources, including network and computer systems, has been revoked. We additionally confirmed that Mr. Craig's security card has been disabled and that he returned facility keys to County officials. We confirmed that he returned all County property assigned to him.

We confirmed that Mr. Craig's final paycheck was correct. However, we noted that, throughout his tenure, Mr. Craig accrued paid leave time, which is inconsistent with other elected officials in Harford County and state-wide. In 2012, Harford County began distributing excess annual leave balances to employees' section 106 accounts; Mr. Craig received distributions under the program. Upon his separation, Mr. Craig was scheduled to receive a payment for unused leave balances. As part of management's response to the draft version of this report, the leave accrual was not paid.

Our conclusion, based on the evidence obtained, is that Mr. Craig should repay to Harford County \$1,665.

Areas for improvement are described in the Findings and Recommendations section of this report. The current Administration has provided responses to each recommendation. Mr. Craig was provided an opportunity to respond to this report; his response, in its entirety, follows this report.

FINDINGS AND RECOMMENDATIONS

Finding Number: 2014-A-14.01 Payment for Accrued Leave

Mr. Craig has accrued paid leave time and received payment for related balances, which is inconsistent with other elected officials.

Analysis: Over his term as County Executive, Mr. Craig has accrued annual leave, sick leave and personal leave and did not consistently account for the use of leave. In 2011, Harford County began distributing annual leave balances in excess of 320 hours to section 106 accounts for each employee. These practices resulted in excess leave disbursements to Mr. Craig of approximately \$17,000 in prior years and a current leave balance that was scheduled for payment. The balance of leave would have resulted in a payment of more than \$21,000 upon separation.

Auditor Note: After review of the draft version of this report, management elected not to pay the accrued leave balance.

County Code section 4-33 specifies the County Executive's salary and provisions for adjustments to his salary. Payment of the leave would have resulted in the County Executive receiving more compensation than authorized by County Code.

In the past, a regulation for exempt personnel has been used to support the leave accrual for the County Executive. However, the regulation has not been consistently followed. Specifically, we noted that while elected officials are included in the regulation, the standard has not been applied to Council Members. By Charter, as elected officials, Council Members are Exempt employees and are treated as full-time employees for Human Resources purposes. Additionally, the regulation for exempt personnel allows payment of severance pay, but none was included in Mr. Craig's estimated payment.

If they accrued leave, officials could complete a 4 year term without using any leave and would stockpile 40 days of annual leave, 60 days of sick leave and 8 days of personal leave. This accrual of leave, which would be eligible for payout upon separation, amounts to salary payments of more than 10.3% above an official's approved salary. Implementing this leave accrual and payout policy for all of the County's elected officials would cost the County more than \$50,000 per year.

We were advised that prior Harford County Executives have been paid in this fashion. However, we were not able to confirm the payments since audit reports for those executive's separations are not available. As another point of comparison, we surveyed

other chartered counties in Maryland and found that none of them pay this type of leave to elected officials.

Recommendation: We recommend management discontinue the practice of accruing leave for the County Executive.

Management Response: At the recommendation of the County Auditor, management has not released a final payment to Mr. Craig and is currently reviewing the findings of the report. Applicable policies will be reviewed and clarified within the next 6 months.

Expected Completion Date: 06/30/2015

Finding Number: 2014-A-14.02 Gifts for Cabinet Members

Mr. Craig purchased gifts for cabinet members using County funds.

Analysis: In our testing of transactions for the County Executive's office, we noted a purchase within the "Other Professional Services" account that appeared unusual. The purchase, costing \$1,665, was for gifts for cabinet members from Mr. Craig and appears to be a personal expense that should not be funded by Harford County. The supporting documentation indicated a billing address in Havre de Grace sent to the attention of Mr. Craig's wife. The 17 gifts ranged in price from \$60 to \$120, with most costing \$110.

We inquired about the transaction and a response was provided, on Mr. Craig's behalf, indicating that "Management has determined that payment of these items, although categorized as "Other Professional Services", is in fact a service award no different than that given to employees with 25 or more years of service."

We disagree with this assertion because length of service awards are awarded to all employees (including cabinet members) at 5 year increments of service and historically cost the County less than \$60 each. A number of the cabinet members had been employed by the County for fewer than 5 years. Further, service awards costs are paid from the Service Awards budget, but this transaction was not.

As a test of reasonableness for this purchase, we considered whether the County would reimburse any other supervisor for gifts purchased for the employees in their department. Our conclusion is that the cost would not be reimbursed. Accordingly, our opinion is that

these gifts should have been Mr. Craig's personal expense and the amount should be repaid to the County.

Recommendation: We recommend management take steps to recoup the cost of the gifts purchased by Mr. Craig.

Management Response: Management acknowledges that the cost associated with recouping these funds would far exceed the expenditure required and as a result, no action will be taken at this time.

Expected Completion Date: N/A

Finding Number: 2014-A-14.03 Missing Documentation for Purchase Card Transactions

Documentation for purchase card transactions was not sufficient to support the necessity and appropriateness of purchases.

Analysis: We noted 45 purchase card transactions made by Mr. Craig that did not have adequate supporting documentation. Those transactions included:

- 18 Meals totaling \$1,761.68 that were missing itemized receipts, a list of meal attendees and/or a documented business purpose.
- 20 Fuel purchases totaling \$1,077.44 that did not have explanations for why a County fuel pump was not used (i.e. business purpose of a trip, if outside of Harford County).
- Other transactions were missing itemized receipts.

We inquired of Mr. Craig and were advised that "These were always county business related. The receipts were general in nature with no specifics. They were always multiple issues meetings taking place on busy days when the only time to meet was a lunch or dinner. Each would have been a reimbursable item for the staff person attending." Mr. Craig also advised "The 18 meal/meetings were always placed on my schedule by the office staff. These staff people never attended the meal/meeting but they knew; a) the date and time, b) the place, c) the attendees, and d) the general purpose." And "Filling the fuel tank of the automobile in Harford County is impossible all the time especially when the county executive has to travel a great deal as part of his job. I was a member of MACO (including president), a member of the Baltimore Regional Council, (including chairman) a

member of the Shock Trauma Board, and a member of the Baltimore Economic Commission just to mention a few."

When requested, the specific support for each transaction was not provided. Our conclusion is that the documentation hasn't been maintained to support the assertion that all transactions were appropriate. Particularly for meals and fuel, without documentation, a prudent purchase can easily appear abusive and/or be taken out of context. To better explain, a \$200 county-paid meal for two appears much different than the same amount spent for 10 people. Further, a third party would not be able to confirm that the purchases were not personal expenses.

Assuming the purchases were prudent and business related, they were not made in accordance with established Harford County Government policy and procedures. According to the Harford County Government Corporate Purchasing Card (P-Card) Program Policy and Procedures, "Harford County Government will seek restitution for any inappropriate, restricted or prohibited purchases made with the P-Card." This policy has not been enforced.

Recommendation: We recommend management enforce the documentation standards for purchase card use, and when necessary require reimbursement when purchases have not been substantiated. We further recommend management clarify the criteria for purchasing meals with County funds.

Management Response: Management agrees that accurate and complete documentation must be provided to ensure that current policies are enforced.

Expected Completion Date: 06/30/2015



David R. Craig
453 Congress Avenue
Havre de Grace, Maryland 21078



House of Delegates 1991-1995
State Senate 1995-1999

Mayor 1985-1989
Mayor 2001-2005

January 22, 2014

Chrystal Brooks
Harford County Government
212 S. Bond Street
Bel Air, Md. 21014

Dear Ms. Brooks:

Attached is my response to your proposed final draft of the audit related to my departure as Harford County Executive. As you know I have made several responses which have resulted in some change in the initial drafts.

You may either add this by division to the particular section or as an entire addition to the audit. I still strongly recommend that to be truly accurate the three "Findings and Recommendations" should be eliminated.

Cordially,

A handwritten signature in blue ink that reads "David R. Craig".

David R. Craig

pc: Barry Glassman, County Executive
Richard Slutzky, Council President

These are the responses to the "Findings and Recommendations" on pages 3 to 6.

2014-A-14.01 Payment for Accrued Leave

The analysis in the fourth and final draft on the "accrued leave" issue has correctly deleted several of the initial mistakes that were made but still has several remaining in its analysis proposal. It does begin much differently by stating I "did not consistently account for the use of leave." Since I did not use the leave for years there was no need to "account for the use of leave." Therefore, I will still include several parts of my previous response.

It was personally unfortunate that my wife and I were unable to use annual leave for several years. This was due to the fact that my mother died in September, 2006, my wife's mother died in October, 2009, my wife's father died in January 2010, and my father died in October 2011. Each lived in Harford County. We were their primary care-givers. My wife did most of the work taking them to the doctors, visiting them at the hospital, and going to the pharmacy. Each was in bad health for eighteen months prior to their death.

I will provide a specific example in my life. I would do my 12 to 14 hour day as county executive then drive to my parent's home. Arriving between 9 pm and 10 pm. I would ensure that both had eaten, bathed, and were in bed. I would then sleep on the sofa until 7 am. I would check on my mother hourly. Melinda would then arrive (she had retired from her career to do this) and help get them up while I would go home, bath, redress, and go back to work. Melinda would stay until the hospice staff showed up. We did this for the six weeks until my mother died on Labor Day.

Because of our need to be near them, we did not take a vacation. We often could not even celebrate our birthdays and anniversary. Each of our children could easily testify how we could not be with them on vacations. We did not take a real one until September, 2014. Anyone who has lost a family member knows the difficulty of this and should fully comprehend that not using leave has nothing to do with accrued leave payments. This paragraph should be eliminated.

Before it gets to the second paragraph of its analysis, the audit mentions that "management elected not to pay the accrued leave balance." This is very significant. By law an employer who believes that an employee should not receive an accrued leave payment still has to pay it first within the pay period when the person leaves and then try to have it returned.

If the accrued leave payment is not made because of a mistake, it is considered by law to be a "negligent" action and results in a "triple damage payment" plus interest. This means that the \$21,000 payment would increase to \$63,000 plus interest.

By admitting, however, that it was done on purpose due to the recommendation of the audit means that the law considers it a "willful act" which then requires "punitive damages" to be placed on the payment raising the cost to a six figure payment. It would also result in future audits by the U.S. Department of Labor.

The reference to the salary of the county executive through the Code and the legislation of 2010 is incomplete. Legislation was approved in 1999 prior to my administration modifying the salaries of the county executive and the council members based each year after July 2006. The "Consumer Price Index" was the factor which would cause an "annual change". This means that using a statement from the Code is inaccurate. The entire paragraph should be eliminated.

The redraft has added a new mistake this time making a reference to "severance pay." it implies that "severance pay" is allowed "for exempt personnel" but was not included in my accrued leave payment. The "severance pay" is given to an "exempt employee" who is terminated or not reappointed." I was not "terminated" (fired) nor was I not "reappointed" - I was not permitted to run for "election" to a full third term, therefore, I was not eligible for "severance pay."

Comparing the Harford County Executive to other counties' executives is unnecessary. If you believe it is other issues should be raised. The other county executives in other counties have a driver and security agent. This would be costing about \$100,000 a year. I did not have this. Does the emphasis on the accrued leave as a comparison mean that the other country executive should reimburse their county for their driver or that I should be reimbursed \$900,000? I also paid over \$320 a month to use the automobile while the other county executives who are used in your comparison did not. Should they be required to pay it or should I be reimbursed the \$28,000?

Each county executive has a different staff size, different automobile, and a different salary. They also have different departments and different responsibilities. Auditing should not use legal difference as a reason to change a policy. This paragraph should be eliminated.

Recommendation:

My response to the recommendation remains the same. The accrued leave policy was not instituted by me. I have two official documents from the Human Resource Department from 2014 which informed me of my legal rights and the payment. The audit should have stated that it was required and could not be taken away through a retroactive action.

This also raises a serious question. Anyone who served on the county council, whether in the 1990's or 2000's, knows that they cannot legally change a law or policy and affect the person in office at that time. A change in policy can only be made by adopting the change prior to the next term of office.

For example, one benefit that could be changed might allow a council member to obtain a job with the county government immediately after leaving office and not waiting two years. The change could have gone in the opposite direction and made it four years. Neither could occur until the next administration was sworn-in and took office.

The same is true of salaries. The salary of the county executive and members of the county council cannot be raised or lowered during that term of office. If the vote takes place the change occurs after the new executive and council are sworn-in and take office. Since several council members and members of the administration have a voting record on these issue it is an acknowledgement that the audit and administration action on the accrued leave issue are in accurate and inappropriate.

It is also difficult to understand how an audit could be prepared by an "exempt employee" and presented to two other "exempt employees" who are all qualified to receive an "accrued leave payment" yet urges that it not be given to another former "exempt employee". It would be best to state that it is believed the policy should be changed for future county executives. Therefore, this paragraph should be changed.

II 14.02 Gifts for Cabinet members

As an elected official I have often both received and given a "ceremonial gift." My response to this section of the audit will start with examples of what I have received.

When I left the office Mayor of Havre de Grace, I was given a "ceremonial gift" of a crystal vase - and a decoy. Anyone who ever visited me in my county executive office would have seen them. They were decorative gifts that thanked me for my service.

Similar things occurred while I was county executive. At the local level I was honored as "Historic Preservationist of the Year," at the regional level I was honored to receive "the Silver Beaver Award," at the state level I was named "Innovator of the Year," and at the national level received the first award given to an elected official for BRAC. Each time I received a "ceremonial gift" which may have included a proclamation, a plaque and something else. Each would have been seen in my office. For nine years I spoke at the Harford County Chamber of Commerce and gave my "State of the County" address. Each time I was given a "ceremonial gift" - a decoy.

The opposite is also true. I often presented "ceremonial gifts". Sometimes this was done at a non-profit event. It might have been the "Athena Award" breakfast recognizing "The Woman of the Year." It might have been at the Army Alliance. It happened at the NAACP's Martin Luther King award event. There were many others annually.

I did not choose the gift. I did not buy the gift. I did not determine which line-item in the budget was used as the source of revenue. The gift was never given on the number of years of service as the audit has expressed on the cabinet members but on the quality of service and dedication. They were always "ceremonial gifts."

Paragraph 2 and 3 of the audit only mention my response about "ceremonial gifts" given to employees with 25 years or more of service. It does not mention another section of my previous response which showed that I gave gifts to "the Employee of the Month." These gifts were not based on years of service. Someone could have worked for the county for one year or forty years but the size of the gift was exactly the same - a \$100 check; a day of administration leave, an "Employee of the Month" pin, and a month of advance parking at work.

I also presented "ceremonial gifts" at events which were sponsored by a county government department. This would include "The Business Award" dinner every September sponsored by the Economic Development office and the "Harford's Most Beautiful Person" event every October sponsored by the Department of Community Services. There were numerous other events.

The gifts given were much like the ones I received. They were decorative and the receiver might place them in their office so that others could see how they were being thanked for their service with nothing based on the years of service or the cost of the "ceremonial gift." They were not selected by me or paid by me. They were given by the Harford County Government and were always "ceremonial."

Members of the county council would often attend these events and stand with me as the gifts were presented. No council members ever expressed an opinion that it was a "personal gift," that it should not be given, or that I pay for it or they pay for it. In fact they would usually thank me for giving it.

I will also be specific that I did give "personal gifts" to many department heads and that I paid for them. Over the past ten years I have given gifts for birthdays, wedding anniversaries, the graduation of children, the birth of grandchildren, and Christmas. These will never show up on the audit because I did pay for "personal gifts" personally.

A "personal gift" is not something that someone would use as a decoration in their office in recognition of their service. It might be a gift card, a reservation to a restaurant, a bottle of wine, a book to read, an article of clothing, a piece of jewelry, or a set of flowers to take home. In fact, the last such personal gift I gave was given to the current director of Human Resources Department for his wedding anniversary. I paid for it.

The comment in the audit refers to an event given to honor all the cabinet members who had served as a director of a county department. This included those that had retired or resigned. I spoke to the entire group, presented each a "ceremonial gift" which included a decoy, a Harford County "Challenge Coin," and a "Thank You" note. Photographs were taken with each one so no attempt was made to not let others know what occurred.

Collectively the directors had committed 152 years of service to the people of Harford County. Some had served for several other county executives. Some had served for a year. The time of service was not what was recognized. It was their capability, dedication and willingness to serve. They were all equally appreciated. The audit also ignores the fact that I could have given each director a \$1,000.00 bonus instead of a \$100 decoy ("The County Executive may award salary increase to exempt employees").

The decoys given appropriately as a "ceremonial gift" were not selected by me. I never talked to the owner of the business about them. I did not go there to the shop and use my pcard, nor did I select that as the source of revenue. I was the one who handed them to the person and thanked them.

Finally, the audit mentions my wife, the bill, and a Havre de Grace address. The First Lady always volunteers (without pay) to help whether she is married to the President of the United States, the Governor of Maryland, or the Harford County Executive. When the staff member who was dealing with the need to pick up the "ceremonial decoys" mentioned it to my wife she volunteered to help the county save time and money. Rather than have a staff person drive 25 minutes to collect them my wife drove the 38 seconds to the shop which is 400 yards from our home, had them loaded into her car, and then delivered them to the staff in Bel Air.

The ultimate irony of the audit asking the county council to recoup the cost of these "ceremonial gifts" is that I attended the final council meeting of the previous council and was presented a "ceremonial gift coin". I still suggest that this entire section should be removed from the audit.

III 14.03 Missing Documents for Purchase Card

The three types of items in this were fully explained by my staff but not fully acknowledged in the audit.

The 18 meal/meetings were always placed on my schedule by the office staff. These staff people never attended the meal/meeting but they knew; a) the date and time, b) the place, c) the attendees, and d) the general purpose. Therefore, it was unnecessary for me to return and provide a report because they already knew before I even attended. The only things they would need would be the credit pcard receipt which they did receive. The difference between the people attending have a hamburger, a crab cake, or a Caesar salad is insignificant and the cost of auditing it would be more than what was eaten. Alcohol was never permitted.

Implying that any of these meals/meetings could have been private is easy to repute. My wife and I rarely had more than two meals together a week for the past nine years. Her own schedule would show her somewhere else. Since I usually worked a 12 to 14 hour days it was always good to have her boil my two eggs for my 10PM dinner at home.

The 20 fuel bills were correctly explained by my staff. If no receipt was provided it was because the fuel pump would not print one. Filling the fuel tank of the automobile in Harford County is impossible all the time especially when the county executive has to travel a great deal as part of his job. I was a member of MACO (including president), a member of the Baltimore Regional Council, (including chairman) a member of the Shock Trauma Board, and a member of the Baltimore Economic Commission just to mention a few. These were not personal memberships but because I was county executive.

Dealing with state officials and department secretaries require a great deal of travel around the state. Dealing with federal officials in Washington, DC especially due to BRAC, or Bonding officials in New York (during which I successfully obtained Triple AAA Bond rating for the county) required a great deal of travel – outside of Harford County and Maryland. With an automobile that did less than 15 miles a gallon, most people would quickly understand “Why a county fuel pump was not used” all the time.

I live in Havre de Grace. Driving to Bel Air to fill the tank would have wasted one gallon to get to the pumps and second a gallon just to get back on the route and would have wasted time and money and auditing such a decision costs more than having saved money to do it.

I did not need to inform the office staff where I was going or to what the event; they informed me based on the importance of the event. And, again the schedule could change each day. The staff would be the ones who changed it because the phone calls asking for my attending went to them.

This entire section should be eliminated.