



HARFORD COUNTY, MARYLAND

Office of the County Auditor

February 13, 2015

Report Highlights

Why We Did This Audit

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

What We Found

Former Directors have no indebtedness to the County.

Purchase card documentation was not complete

Management could not confirm that Housing Agency keys were returned.

What We Recommend

Management should enforce purchase card policies

Management should review security procedures for County Offices.

SECTION 214 REVIEW - DIRECTORS

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 each Director or Department Head that was replaced in December, 2014. The results of the 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 the Directors within the scope of this review do not have any indebtedness to the County.

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

Sincerely,

Chrystal Brooks, CPA

Chrystal Brooks
County Auditor

cc: 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

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HARFORD COUNTY, MARYLAND

Office of the County Auditor

SECTION 214 REVIEW - DIRECTORS

Report Number:

2014-A-16

Period Covered:

7/1/2012 through 12/31/2014

Date Issued:

02/13/2015

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BACKGROUND INFORMATION

INTRODUCTION AND KEY STATISTICS

The Charter requires the County Executive to appoint a single officer to head each agency of the Executive Branch. Departments in the Executive Branch include the following: Department of Law, Department of the Treasury, Department of Planning and Zoning, Department of Public Works, Department of Parks and Recreation, Department of Procurement, Department of Human Resources, Community Services, Department of Inspections, Licenses and Permits, the Housing Agency, Office of Economic Development, Office of Information and Communication Technology, and the Department of Emergency Services. The County Charter, Code and position descriptions define the qualifications and duties of the department heads.

In December 2014, Harford's new County Executive appointed new Directors for many departments.

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 Directors who were replaced in December, 2014. The scope was limited to accounts and resources under the control of those directors. Two directors remained in their positions and have been excluded from the scope of this review. Additionally, three directors remain employed by the County in different positions. A list of the departments, directors and the extent of our review for each are on the last page of this report.

The audit focused on activity during the period of 7/1/2012 through 12/31/2014. Our audit procedures included interviewing personnel, observation and testing. Specifically, we confirmed that the accounts under each director's control did not have unusual or inappropriate costs; physical and financial access to County resources had been revoked and that final paychecks and leave payouts 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 by the Directors, we found that purchases appeared reasonable. We reviewed relevant documentation to confirm that 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 adequate supporting documentation. A similar issue was noted in our review of the former County Executive and is detailed later in this report. We have not recommended reimbursement for the purchase card transactions.

As expected, only the Treasurer had signatory access to County bank accounts; that access has been removed. We confirmed that each director's purchase card was returned and destroyed in a timely fashion and confirmed that the purchase card accounts have been disabled.

We confirmed that logical access to County resources, including network and computer systems, has been revoked. We additionally confirmed that security cards were disabled and, with the exception of the Housing Agency, facility keys were returned to County officials. Our finding related to the Housing Agency is detailed later in this report.

We confirmed that each director's final paycheck and leave payout were correct and that each returned all County property assigned to them.

Our conclusion, based on the evidence obtained, is that the directors subject to review do not have any indebtedness to Harford County.

Areas for improvement are described in the Findings and Recommendations section of this report. Management has been provided an opportunity to respond to this report. The responses are in each finding in the Findings and Recommendations Section.

FINDINGS AND RECOMMENDATIONS

Finding Number: 2014.A.16.01 Missing Documentation for Transactions

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

Analysis: We noted 55 purchase card transactions totaling \$3,457 for Directors that did not have adequate supporting documentation. These transactions included:

- 2 meals were missing receipts
- 22 meals did not have itemized receipts
- 18 meals were missing a list of meal attendees
- 36 transactions were missing a documented business purpose

The majority of the transactions noted above were related to lunch meetings with County Employees. In addition, 1 transaction included alcohol charges for a County sponsored event totaling \$189, which is prohibited.

Our conclusion is that the documentation has not been maintained to support the assertion that all transactions were appropriate. Particularly for meals, 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

Finding Number: 2014-A-16.02 Physical Access to Housing Agency Office

There may be unaccounted for keys to the Housing Agency office.

Analysis: We attempted to confirm that physical access to County facilities and equipment were removed for all of the separated directors. For most, we noted that physical lock keys were returned and given to the new director. However, for the Housing Agency, we were unable to confirm that keys were returned. Based on our discussions with management, they are unsure if the Housing Agency Director's keys were returned. We were also advised that Security does not maintain an inventory of keys for offices rented to the County, such as this one.

The Housing Agency maintains client files that include confidential information and the County has an obligation to ensure that access to that information is appropriately limited. While physical access via swipe cards can be reviewed and monitored, access using keys cannot. If information were lost or misused, it would be difficult to confirm who may have accessed the area. The probability of an adverse event related to physical security is low. However, it is prudent to ensure that access to each County facility is appropriate for its employees and customers based on the facilities' business needs.

Recommendation: We recommend management develop standards for ensuring that physical access is periodically reviewed and keys are assigned for accountability. We further recommend management consider changing the locks to the Housing Agency office doors and other offices periodically.

Management Response: Management agrees with the findings and is working towards implementing the recommendations.

Expected Completion Date: 08/01/2015

SUMMARY OF DIRECTORS AND TESTING

Department	Director	Separation documentation	Final Paycheck and Leave Payout	Physical Access	Logical Access	Financial Access	Accounts, Transactions and Budget Variances
Administration	Mary Chance						
Procurement	Deborah Henderson						
Treasury	Kathryn Hewitt						
Law	Robert McCord	⊖	⊖	⊖	⊖		
Planning and Zoning	Pete Gutwald						
Human Resources	Janet Schaub	⊖	⊖	⊖	⊖	⊖	
Community Services	N/A	+	+	+	+	+	+
Housing Agency	Shawn Kingston						
Info. and Comm. Technology	Ted Pibil	⊖	⊖	⊖	⊖	⊖	⊖
Emergency Services	Russell Strickland						
Insp., Licenses and Permits	Richard Lynch						
Public Works	Timothy Whittie	⊖	⊖	⊖	⊖	⊖	⊖
Parks and Recreation	Arden McClune						
Economic Development	James Richardson	⊖	⊖	⊖	⊖		

Legend

 Reviewed/ Tested
 Tested in Report 2014-A-13 (October, 2014)

⊖ Not Tested - Official remained in Office
 ⊘ Not Tested – Official Remains Employed in another capacity