



HARFORD COUNTY, MARYLAND

Office of the County Auditor

September 15, 2015

Report Highlights

Why We Did This Audit

This review is a component of the FY2016 Annual Audit Plan, in accordance with the Rules of Procedure of the Office of the County Auditor.

What We Found

| Recommendation | Status | # |
|----------------------|--------|---|
| Closed | 35 | |
| Open and Outstanding | 50 | |
| Due Date Not Passed | 7 | |

Adequate remediation efforts are in progress.

Currently, no prior issues require escalation.

What We Recommend

Management should continue its efforts to close prior audit findings.

STATUS OF PRIOR AUDIT FINDINGS

Council Members and County Executive Glassman:

In accordance with Sections 213 and 214 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 September 1, 2015. Review procedures included inquiries 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 our last report (October 23, 2014), there were 52 open findings being tracked by the County Auditor, related to 17 audits and reviews. Since then, 40 new findings for 11 projects have been issued. Based on our review, there are 57 findings that remain open and will be included in the next status update. Of the recommendations that were not yet implemented and are beyond their due date, management indicated that remediation efforts were planned. We did not find these to be critical issues requiring further escalation. A summary of the current status of the findings 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

Chrystal Brooks
County Auditor

MANAGEMENT RESPONSE

The administration welcomes the role of the County Auditor and her staff in improving efficiency and transparency in County government. In many of the audit findings there is consensus and changes in policies and procedures are being implemented. In those areas where there is not consensus we maintain that there are legitimate technical or philosophical issues that prohibit us from making the recommended changes. In addition it should be noted that many of the findings deal with organizations outside the direct control of County government, namely the school system, the community college, the library and the health department. While County government is a significant funding source for these organizations, its ability to effect the management of these organizations is limited at best.



HARFORD COUNTY, MARYLAND

Office of the County Auditor

Report Number:

2015-A-11

Date Issued:

9/15/2015

Audit Team:

Chrystal Brooks

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

Laura Tucholski

CPA, CIA, CFE, CRMA

Managing Auditor

Sarah Self

Staff Auditor

STATUS OF PRIOR AUDIT FINDINGS

Period Covered:

10/16/2014 through 8/1/2015

This review 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.

Management disagreed with 4 recommendations made in the last year and has accepted the risk of not implementing them. Management responses are included in the "Detailed Findings Status" section of this report. The recommendations and their dispositions are as follows:

2015-A-02.01 Support for Capital Expenditures Reimbursement Request - We recommend, at least on a test basis, management request and review additional support, including invoices, for expenditures noted on the capital project reimbursement request for affiliated agencies. - *This issue will be closed.*

2015-A-03.01 Documentation of Board Member Approval - We recommend the Harford County Ethics Board members consistently document their review of all the financial disclosure statements to ensure compliance with the Harford County Ethics Code. - *This issue will be closed.*

2015-A-03.03 Confirmation of Completeness of Vendor and Employee Lists for Ethics Disclosures - To ensure the completeness of the vendor and employee lists, we recommend a review of the data entered before the system becomes available to users. In addition, to facilitate the administration of this process, management should consider including members of other boards who are required to file in the Financial Disclosure Filing System and using the system to track any paper forms that are filed. - *This issue will remain open.*

2015-S-01.05 Sick Leave Retirement Credits - We recommend that HCPS Board reevaluate the accumulated sick leave payment practices and consider discontinuing the practice of certifying unused sick leave to MSRPS while making a payment to employees for unused sick leave at retirement. - *This issue will be closed.*

FINDINGS SUMMARY

| Audit | Closed | Closed – Disagreed/ Superseded | Due Date Not Passed | Open | Total |
|--|---------------|---------------------------------------|----------------------------|-------------|--------------|
| 2013 Budget Bill Analysis | 2 | | | 2 | 4 |
| 2013 Grants Administration and Monitoring Controls | | | | 3 | 3 |
| 2013 Payroll Controls | | | | 2 | 2 |
| 2013 Procurement Practices | | | | 4 | 4 |
| 2013 Purchase Card Controls | 1 | | | | 1 |
| 2013 Section 214 Review Harford Center Inc. | 1 | | | 1 | 2 |
| 2013 Status of Board of Education Legislative Audit Findings | 2 | 5 | | 1 | 3 |
| 2014 Accounts Payable Controls | | | | 3 | 3 |
| 2014 Budget Bill Analysis | 4 | | | | 4 |
| 2014 Cash Receipts Controls | 1 | | | | 1 |
| 2014 Harford County Health Department | 2 | | | 3 | 5 |
| 2014 HCPS Budget Analysis | 2 | | | 2 | 4 |
| 2014 Management of Fleet Maintenance Contract | 1 | | | 1 | 2 |
| 2014 Petty Cash Audits – Senior Centers | 1 | | | 1 | 2 |
| 2014 Property Management Controls | 2 | | | 2 | 4 |
| 2014 Section 214 Review Human Resources | | | | 1 | 1 |
| 2014 Water and Sewer Billing and Collection Controls | 2 | | | | 2 |
| 2015 Capital Projects for Affiliated Agencies | | 1 | | | 1 |
| 2015 Ethics Disclosures and Related Processes | | 1 | 1 | 1 | 3 |
| 2015 Financial Statement Audits for FY2014 | | | | 2 | 2 |
| 2015 HCPS Budget Analysis | | | | 1 | 1 |
| 2015 Library Employee Benefits | 1 | | | | 1 |
| 2015 Petty Cash Audits | 3 | | 2 | 2 | 7 |
| 2015 Purchase Card Controls | | | 4 | | 4 |
| 2015 Section 214 Review of County Council | | | | 1 | 1 |
| 2015 Section 214 Review of County Executive | | 1 | | 2 | 3 |
| 2015 Section 214 Review of Other Officials | 1 | | | 1 | 2 |
| 2015 HCPS Financial Management Practices | | 1 | | 14 | 15 |
| Grand Total | 26 | 9 | 7 | 50 | 87 |

DETAILED FINDINGS STATUS

| Orig. Due Date | Revised Due Date | Completion Date | Recommendation | Management Response | Status Comments |
|---|------------------|-----------------|--|---|--|
| FY2014 Budget Bill Analysis | | | | | |
| Open | | | | | |
| 2012-L-02.02 Engineering Efficiencies | | | | | |
| | | | <i>Different groups are responsible for managing design and construction of highways, buildings, facilities and parks.</i> | | |
| | | | The County should consider whether efficiencies may be gained from combining the resources of the various Engineering and Capital Project Management groups. | As a budget recommendation, no management response is required. | This matter has been considered, but has not been studied. |
| 2013-L-02.01 Other Post-Employment Benefits | | | | | |
| | | | <i>Other Post-Employment Benefits (OPEB) are not budgeted.</i> | | |
| | | | We recommend the Administration include Other Post-Employment Benefits in the budget ordinance. | As a budget recommendation, no management response is required. | Approximately \$4,570,000 of the County's unappropriated Fund Balances will be assigned for Other Post-Employment Benefits in the FY2016 budget. The recommendation will remain open until the funds are appropriated. |
| Closed | | | | | |
| 2012-L-02.01 Facilities Maintenance Efficiencies | | | | | |
| | | | <i>Different groups are responsible for maintenance of highways, buildings and parks.</i> | | |
| | | 4/15/2015 | The County should consider whether efficiencies may be gained from combining the resources of the various facilities maintenance groups. | As a budget recommendation, no management response is required. | In the proposed FY2016 budget, the administration has combined the resources of the Administration and Parks and Recreation facility maintenance groups. The Highways maintenance remains a separate entity. |
| 2012-L-02.10 Economic Development Loan Estimates | | | | | |
| | | | <i>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.</i> | | |
| | | 4/15/2015 | 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 a budget recommendation, no management response is required. | During the budget cycle, we were advised that 4 to 5 loans, representing \$350,000, are expected in FY2016. |

| Orig. Due Date | Revised Due Date | Completion Date | Recommendation | Management Response | Status Comments |
|---|------------------|-----------------|--|---|---|
| 2013 Grants Administration and Monitoring Controls | | | | | |
| Open | | | | | |
| 2012-A-03.01 Inconsistent Award Processes | | | | | |
| <i>Grants are awarded by several County agencies, but the award processes are not consistent.</i> | | | | | |
| 7/24/2013 | 12/31/2015 | | <p>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.</p> | <p>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.</p> <p>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".</p> | <p>Management advised the County has not yet developed standard procedures to ensure that all departments award grants consistently. According to Management, applicable policies will be reviewed and clarified by December 31, 2015.</p> <p>Grants and Contributions have been separated from one another for financial reporting purposes.</p> |

| Orig. Due Date | Revised Due Date | Completion Date | Recommendation | Management Response | Status Comments |
|--|------------------|-----------------|---|---|---|
| 2012-A-03.02 Inconsistent Monitoring Processes | | | | | |
| <i>Grant monitoring procedures were not adequate to ensure grantees used County funds as intended.</i> | | | | | |
| 1/31/2014 | 12/31/2015 | | <p>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.</p> | <p>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.</p> <p>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.</p> | <p>Management advised the County has not yet developed standard procedures to ensure that all departments are monitoring grants consistently. According to Management, applicable policies will be reviewed and clarified by December 31, 2015.</p> |
| 2012-A-03.03 Transit Reimbursement Calculations | | | | | |
| <i>Transit Grant Reimbursement Process is complicated and susceptible to errors.</i> | | | | | |
| 1/31/2014 | 12/31/2015 | | <p>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.</p> | <p>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.</p> | <p>Harford Transit uses monthly reports of FAMIS detail and payroll detail to update a summary spreadsheet for reporting purposes. Some of data is still manually entered; however, Harford Transit is in the process of implementing a new Automated Vehicle Locater System for the driver and fare information.</p> |

| Orig. Due Date | Revised Due Date | Completion Date | Recommendation | Management Response | Status Comments |
|---|------------------|-----------------|--|--|--|
| 2013 Payroll Controls | | | | | |
| Open | | | | | |
| <i>2012-A-04.03 Certification of Employee Timekeeping</i> | | | | | |
| <i>There is no County policy in place requiring employee or supervisor certification of employee time worked.</i> | | | | | |
| 3/31/2014 | 7/1/2016 | | <p>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.</p> | <p>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.</p> <p>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.</p> | <p>Human Resources indicated on 8/11/2015, KRONOS (time and attendance software) will be rolled out in 2016.</p> |

| Orig. Due Date | Revised Due Date | Completion Date | Recommendation | Management Response | Status Comments |
|--|------------------|-----------------|--|---|---|
| 2012-A-04.04 Time Entry System | | | | | |
| <i>The time entry system can be improved to prevent data entry errors.</i> | | | | | |
| 3/31/2014 | 7/1/2016 | | 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. | <p>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. ...</p> <p>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.</p> | Human Resources indicated on 8/11/2015, KRONOS (time and attendance software) will be rolled out in 2016. |

2013 Procurement Practices

Open

| | | | | | |
|-----------|------------|--|---|---|---|
| 9/30/2013 | 12/31/2015 | | <p>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.</p> | <p>Management acknowledges Auditor's comments and has met with ICT to develop a database that will combine all information and integrate into one database.</p> <p>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.</p> | <p>Procurement implemented a contract database in July 2015; however, the database does not include vendor numbers for reference. Procurement is reviewing the possibility of adding the vendor number to the database so each contract can be linked to vendor payment details in FAMIS.</p> |
|-----------|------------|--|---|---|---|

| Orig. Due Date | Revised Due Date | Completion Date | Recommendation | Management Response | Status Comments |
|--|------------------|-----------------|--|---|--|
| 2012-A-02.05 Public Advertising | | | | | |
| <i>Public Notice of Procurement Opportunities is not published in a local newspaper.</i> | | | | | |
| 12/31/2013 | 12/31/2015 | | 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. | Effective January 2015, Department of Procurement links the Board of Estimates minutes on the website for each meeting, however, they do not link the agendas. The Department advised they will also upload the agendas in the future. Additionally, legislation has not been drafted to change County Code public advertising requirements. |
| 2012-A-02.06 Improper Use of Direct Vouchers | | | | | |
| <i>Direct Vouchers do not require Procurement Approval below \$25,000.</i> | | | | | |
| 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 was provided 9/18/2013 and will be provided again in October 2015. Attendees will be trained on document types and use. Management advised approval paths were reviewed in Fall 2015; however, there is no documentation of this review or what was changed. Instead of requiring DVs to go to Procurement, Treasury advised they will review DVs to confirm proper use and reject any that should be DPs. |
| 2012-A-02.07 Ethics Disclosures | | | | | |
| <i>Ethics policies should cover additional employees.</i> | | | | | |
| | | | 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 the Director of Procurement, they have provided the Legal Department with sample disclosures they would like to use for future financial disclosure for the Procurement Agents and Engineers.. |

| Orig. Due Date | Revised Due Date | Completion Date | Recommendation | Management Response | Status Comments |
|--|------------------|-----------------|---|--|--|
| 2013 Purchase Card Controls | | | | | |
| Closed | | | | | |
| 2012-A-05.04 Cardholder Spending Limit Review | | | | | |
| <i>Monthly cardholder limits have not been reviewed for appropriateness.</i> | | | | | |
| 3/31/2013 | 10/6/2014 | 10/28/2014 | 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. | The Department reviewed the cardholder spending report and has reduced individual cardholder limits, when needed. |
| 2013 Section 214 Review Harford Center Inc. | | | | | |
| Open | | | | | |
| 2013-A-03.03 Administrative Policies and Procedures | | | | | |
| <i>The Harford Center does not have documented administrative policies and procedures.</i> | | | | | |
| 9/30/2013 | 9/16/2015 | | 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. | Financial policies were approved by the Board on November 19, 2014; however, credit card procedures are in draft form pending review by the Board on 9/16/2015. |
| Closed | | | | | |
| 2013-A-03.06 Email Account and File Security | | | | | |
| <i>Email accounts and network file access are not appropriately secured.</i> | | | | | |
| 5/31/2013 | | 8/31/2015 | 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. | In December, 2013, Harford Center had a secure server installed with a separate domain (harfordcenter.org). Additionally, they have folders on the secure server which are organized so that only the staff that should have access to the information have privilege to that folder. One example of this is the finance folder, which is only accessible by Ms. Nolte and Mr. Battaglia. Client files were added to the Nursing folder and access is limited. |

| Orig. Due Date | Revised Due Date | Completion Date | Recommendation | Management Response | Status Comments |
|--|------------------|-----------------|--|---|---|
| 2013 Status of Board of Education Legislative Audit Findings | | | | | |
| Open | | | | | |
| 2012-A-07.18 Action Plan | | | | | |
| 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. | OLA's most recent report, dated January 2015, does not include this finding. However, the scope of audits performed has not changed significantly and we believe the prior finding remains valid. Therefore, the recommendation will remain open. |
| Closed | | | | | |
| 2012-A-07.10 Action Plan | | | | | |
| Performance Standards Need to Be Developed for General Maintenance and Custodial Operations, and the Work Order System Should Be Fully Utilized | | | | | |
| | 12/31/2013 | 2/3/2015 | 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. | OLA's most recent report, dated January 2015, does not include this finding. Therefore, the recommendation will be closed. |
| 2012-A-07.12 Action Plan | | | | | |
| Adequate Procurement Documentation Should Be Maintained for All Construction Contracts | | | | | |
| | 12/31/2013 | 2/3/2015 | 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. | OLA's most recent report, dated January 2015, does not include this finding. Therefore, the recommendation will be closed. |

| Orig. Due Date | Revised Due Date | Completion Date | Recommendation | Management Response | Status Comments |
|--|------------------|-----------------|---|---|---|
| 2014 Accounts Payable Controls | | | | | |
| Open | | | | | |
| 2013-A-04.01 Vendor Additions and Changes | | | | | |
| <i>Vendor additions and changes may not be reviewed.</i> | | | | | |
| 1/31/2014 | 7/1/2016 | | <p>We recommend vendor maintenance functions be performed by staff not involved in processing payments to reduce the risk of fraudulent or incorrect changes. We further recommend an automated report that will summarize the vendor changes that have been made so that all changes are captured for independent review. Finally, we recommend that vendors' system status be changed after a period of inactivity and that management purge the vendor rolls when a new system is implemented to help prevent payments to incorrect vendors.</p> | <p>We concur with the recommendations and are taking the following actions. The current report used to summarize changes to ACH bank account information will be modified and expanded by the Information, Communication and Technology Department (ICT) to include any addition of vendors to the vendor file and any changes to the vendor name, tax identification number, and remittance address. ICT has started the process and confirmed with test results that the modifications can be added to this report. Accounts Payable (A/P) staff will continue to make additions and changes to the vendor master file. The Financial Systems Management section of Treasury will review and verify that changes are justified and supported with documentation.</p> <p>The vendor system status will be changed after a period of inactivity and we will have the A/P staff review and code duplicate vendors in the vendor master file as "inactive" or "flagged for deletion". Due to the size of the vendor file, this process will be an ongoing effort.</p> | <p>We observed the Vendor Report detailing changes made by Accounts Payable staff. The report is reviewed weekly by the Administrative Secretary in Treasury to ensure changes agree to supporting documentation.</p> <p>Treasury has reviewed the listing of Vendors and is still in the process of cleaning the vendor file up.</p> |
| 2013-A-04.02 Improper Document Types | | | | | |
| <i>Payments were issued using the wrong type of document in the Accounts Payable System.</i> | | | | | |
| 10/18/2013 | | | <p>We recommended that the Department of Procurement include discussion of these matters in its refresher training for ADPICS users. We confirmed that the topic was included in the October 18, 2013 training and will perform follow-up procedures in the next audit.</p> | <p>None Needed.</p> | <p>Training for buyers was provided 9/18/2013 and will be provided in October 2015. Attendees will be trained on document types and use. However, document type use is still not proper based on our review of 20 direct vouchers. Treasury advised Accounts Payable will reject any improper document types in the future.</p> |
| 2013-A-04.03 Improper Match Type | | | | | |
| <i>Controls related to receiving orders may be circumvented.</i> | | | | | |
| 10/18/2013 | | | <p>We recommended management consider refresher training and updated user manuals for employees responsible for purchasing to improve ordering and receiving compliance. We confirmed that the topic was included in the October 18, 2013 training and will perform follow-up procedures in the next audit.</p> | <p>None Needed</p> | <p>We selected 10 DP's with matching types other than 3-way match to ensure proper use of 2-way matching. We noted 4 of the 10 selected were not coded as the proper match type.</p> |

| Orig. Due Date | Revised Due Date | Completion Date | Recommendation | Management Response | Status Comments |
|--|------------------|-----------------|--|---|--|
| FY2015 Budget Bill Analysis | | | | | |
| Closed | | | | | |
| 2014-L-02.01 HI Premium Increases | | | | | |
| <i>Health Insurance costs are budgeted higher than the actual premium increase.</i> | | | | | |
| | | 4/15/2015 | We recommend management amend the budget to reflect lower-than-budgeted insurance increases to reduce the budget by approximately \$1.2 million. | As a budget recommendation, no management response is required. | For FY2016, actual insurance cost increases are expected to approach 10%, the budgeted amount. |
| 2014-L-02.02 Vacant Budgeted Positions | | | | | |
| <i>There are 57 vacant, but funded positions in the FY2015 budget.</i> | | | | | |
| | | 4/15/2015 | We recommend management consider eliminating and/or unfunding positions that have been vacant for 40 or more weeks to reduce the budget by approximately \$1.5 million. | As a budget recommendation, no management response is required. | In the proposed FY2016 budget, a significant number of vacant and unfunded positions have been eliminated. |
| 2014-L-02.03 P&R Fees | | | | | |
| <i>Parks and Recreation Fund revenue may not cover increased expenses.</i> | | | | | |
| | | 4/15/2015 | We recommend management consider the model for fees and reimbursements for Parks and Recreation to determine if the special revenue fund is self-sustaining. | As a budget recommendation, no management response is required. | In the proposed FY2016 budget, budgeted expenses reasonably align with projected revenues. |
| 2014-L-02.04 Outyears Paygo Estimates | | | | | |
| <i>Future Paygo amounts in the Capital Improvement Program may be unrealistic.</i> | | | | | |
| | | 4/15/2015 | We recommend the administration consider the feasibility of the Paygo amounts included in the Capital Program for outyears. | As a budget recommendation, no management response is required. | This issue has been addressed in the proposed FY2016 budget and capital improvement program. |
| 2014 Cash Receipts Controls | | | | | |
| Closed | | | | | |
| 2013-A-05.01 Support for Voids and Adjustments | | | | | |
| <i>Controls were not adequate to ensure voided and adjusted transactions were proper and authorized.</i> | | | | | |
| 1/2/2014 | 6/30/2015 | 8/31/2015 | We recommend review of the systems' access for cashiers to ensure proper segregation of duties. We recommend that supervisory personnel review and confirm voided transactions at the close of each business day to ensure voids were adequately supported and approved. | Treasury concurs with this finding and has implemented changes to comply with the recommendation. An automated report has been created to summarize all voids done for each day. This report will be printed daily, reviewed and signed by personnel who did not perform the void to ensure that the voids were adequately supported. | Treasury is using an automated report to obtain a summary of voids performed for the day and is performing an independent review of the support to ensure proper. Additionally, Treasury has removed cashier access to all A/R applications. |

| Orig. Due Date | Revised Due Date | Completion Date | Recommendation | Management Response | Status Comments |
|---|------------------|-----------------|---|---|--|
| 2014 Harford County Health Department | | | | | |
| Open | | | | | |
| 2013-A-09.01 Incomplete Financial Reporting | | | | | |
| <i>Some transactions were not supported or captured for financial reporting purposes.</i> | | | | | |
| 12/31/2014 | 12/31/2015 | | We recommend HCHD record all of its transactions in one accounting system. We further recommend that within 3 months of the close of each fiscal year, HCHD provide, to the County Government, audited financial reports of its use of County funds, presented in accordance with accounting principles generally accepted in the United States of America. | Management agrees with the recommendation to provide the County Government an audited financial report on the use of County funds awarded. The Department of Health and Mental Hygiene (DHMH) does not complete its final reconciliation of the County funds until late September/early October. Therefore, HCHD is requesting that the audited financial report of its use of County funds be completed and submitted within six months of the close of each fiscal year to assure that all transactions related to the County funds are reconciled. | Per discussion with Health Department management, HCHD enters all revenues and expenditures directly in the State's Accounting System, FMIS. The Harford County Health Department has undergone an agreed upon procedures engagement to confirm its proper use of County appropriations. The resulting report indicated that all County appropriations were spent, but also indicated some transactions that were unsupported or were not recorded correctly. HCHD expects to have the FY2015 report completed by December 31, 2015. The prior audit findings and recommendations will remain open. |
| 2013-A-09.02 Appropriation Authority | | | | | |
| <i>Some funds held by HCHD are not properly appropriated for use.</i> | | | | | |
| | | | We recommend HCHD develop a policy that determines the order in which revenues will be allocated to various program costs to ensure that appropriations are used most efficiently. We further recommend that future Harford County budget ordinances specify any limitations on the use of County Funds by the Health Department and include capital projects for the Health Department where appropriate. Finally, we recommend the Health Department return expired appropriations to the County. | Management agrees that the future Harford County budget ordinances should specify any limitations on the use of County funds by the Health Department. Management will defer to Harford County Government for definitive guidance on any limitations on the use of County funds by the Health Department and will schedule a meeting with the Chief of Budget and Management Research in the next week to discuss the specifics. | The County Appropriation to Health Department remains unspecific in the FY2016 operating budget. |

| Orig. Due Date | Revised Due Date | Completion Date | Recommendation | Management Response | Status Comments |
|---|------------------|-----------------|---|---|---|
| 2013-A-09.03 Documentation for Patient Account Adjustments | | | | | |
| <i>Adjustments to patient accounts are not reviewed for propriety and supporting documentation is not maintained.</i> | | | | | |
| 7/1/2014 | | | We recommend management review all non-insurance adjustments, and a sample of insurance related adjustments, for appropriateness on a periodic basis. We further recommend explanatory and approval documentation be maintained for all adjustments that are not related to an Explanation of Benefits. | Management agrees that a periodic review of adjustments to client accounts should be performed. Management will review client folders to assure that proper documentation to support a fee adjustment based on the client's ability to pay is maintained in the file. In addition, a procedure is being developed to assure that non-system generated adjustments or adjustments related to Explanation of Benefits will be reviewed and approved by management before the adjustment is done and that documentation supporting the adjustment is maintained on file. Management will perform a review of these transactions on a quarterly basis to assure appropriateness. | HCHD has contracted with a vendor, MedHelp, for patient billing services and performs quarterly reviews of billing statements made by MedHelp. However, this review does not ensure all adjustments are being reviewed. |
| Closed | | | | | |
| 2013-A-09.02 Appropriation Authority | | | | | |
| <i>Some funds held by HCHD are not properly appropriated for use.</i> | | | | | |
| 6/30/2014 | | 6/24/2015 | We recommend HCHD develop a policy that determines the order in which revenues will be allocated to various program costs to ensure that appropriations are used most efficiently. We further recommend that future Harford County budget ordinances specify any limitations on the use of County Funds by the Health Department and include capital projects for the Health Department where appropriate. Finally, we recommend the Health Department return expired appropriations to the County. | Management agrees that the Health Department return expired appropriations to the Harford County Government. | HCHD returned \$1,681,696 to Harford County on 6/24/2015. |
| 2013-A-09.05 Food Facility Fees | | | | | |
| <i>Fees for food establishments may be collected at incorrect rates.</i> | | | | | |
| 2/12/2014 | | 8/31/2015 | We recommend the Harford County Health Department consider changes to the Patrac system that would automatically populate the "Group" field and restrict cashiers' ability to change fees. We additionally recommend management periodically review a sample of the facilities in Group V to confirm that they are not-for-profits. | Management agrees with the recommendation to change the PatTrac System to automatically populate the "Group" field and authorized the Information Technology Supervisor to make the change. In addition, management instructed the Information Technology Supervisor to restrict the cashier's ability to change the fees for services. Procedures were put into effect to allow only management in the Bureau of Environmental Health to make necessary fee changes. Furthermore, management in the Bureau of Environmental Health is required to document a reason on the receipt where the adjustment is made. These automated controls will eliminate incorrect charges to customers. | HCHD advised that instead of updating the system logic, they created a report that shows charges that are different than expected. Those reports are being reviewed by management periodically. |

| Orig. Due Date | Revised Due Date | Completion Date | Recommendation | Management Response | Status Comments |
|--|------------------|-----------------|---|--|---|
| FY2015 HCPS Budget Analysis | | | | | |
| Open | | | | | |
| 2014-L-03.01 Zero-based Budgeting | | | | | |
| | | | <i>The base budget being used may not be a relevant predictor of future costs.</i> | | |
| | | | We strongly recommend that the schools prepare a zero-based budget to demonstrate the specific programs, services and staffing levels that are needed. | We asked school officials if there was an ideal or target level of staffing, services, programs, etc. and were advised that determining that information would be impractical given the expected resource limitations. | After review of the FY2016 budget, this recommendation remains valid. |
| 2014-L-03.02 Department Consolidations | | | | | |
| <i>For HCPS functions that are similar to County functions, there may be some benefit to consolidation of resources.</i> | | | | | |
| | | | We recommend HCPS and the County Administration evaluate the feasibility and potential cost savings of consolidating some administrative functions and related information systems. | As a budget recommendation, no management response is required. | After review of the FY2016 budget, this recommendation remains valid. |
| Closed | | | | | |
| 2014-L-03.03 Software Upgrades | | | | | |
| <i>In FY2014, HCPS requested budget transfers for additional system upgrade costs.</i> | | | | | |
| | | 3/1/2015 | We recommend HCPS determine if any of its software packages will require upgrade or replacement in the next year. | As a budget recommendation, no management response is required. | Review of the proposed 2016 budget showed that the budget includes costs for software updates. |
| 2014-L-03.04 Technology Purchase Plan | | | | | |
| <i>It is not clear how Technology funding will be spent.</i> | | | | | |
| | | 3/1/2015 | We recommend HCPS identify or estimate specific computer equipment purchases that are needed. | As a budget recommendation, no management response is required. | In the proposed FY2016 budget, school officials have determined which purchases are planned with Technology funds |

| Orig. Due Date | Revised Due Date | Completion Date | Recommendation | Management Response | Status Comments |
|--|------------------|-----------------|---|---|--|
| 2014 Management of Fleet Maintenance Contract | | | | | |
| Open | | | | | |
| <i>2013-A-10.03 Monitoring of Fleet Services Provided</i> | | | | | |
| <i>Written guidance on monitoring the fleet maintenance billings is not provided to the departmental fleet liaisons.</i> | | | | | |
| 6/30/2014 | | | We recommend the Fleet Management Division provide the departmental fleet liaisons with written procedures detailing the steps required for a complete review of services provided. Also on a test basis, the Fleet Management Division should perform a review to ensure departments are adhering to the written procedures. | Management has recognized these findings and has offered assistance at Fleet Users Meetings. In addition, Fleet Management will be conducting work sessions to provide guidance to user agencies. | The Fleet Manager advised the Fleet policy is complete and awaiting approval and distribution by the Administration. Additionally, even though each report was explained to the fleet liaisons during a training class, reviews are not being conducted to ensure consistency with department reviews. |
| Closed | | | | | |
| <i>2013-A-10.02 Vehicle Maintenance Schedule</i> | | | | | |
| <i>Scheduled maintenance of the County's fleet was not always performed in accordance with the contract.</i> | | | | | |
| 3/1/2014 | | 9/1/2015 | We recommend any changes to the agreed upon preventive maintenance schedule be approved by the Fleet Manager and documented for future reference. | We have reviewed the recommendation and will monitor the preventative maintenance schedules to assure best practices. In addition, any changes to the schedule will be documented via email. | The Fleet Manager advised documentation in the form of an email is maintained documenting his approval of changes made to the vehicle preventative maintenance schedule. |
| 2014 Petty Cash Audits | | | | | |
| Open | | | | | |
| <i>2014-A-06.03 ShopRite House Account</i> | | | | | |
| <i>The Office of Aging routinely uses a ShopRite credit account.</i> | | | | | |
| 5/25/2014 | | | We recommend the Office of Aging obtain concurrence for the ShopRite account from the Treasurer and Director of Procurement. | This has been brought to the attention of Treasury and we are in the process of setting up a meeting with Treasury and Procurement to discuss the document for concurrence with both departments. | Office on Aging management advised they are in the process of addressing this issue with Procurement and Treasury to discuss appropriate actions. |

| Orig. Due Date | Revised Due Date | Completion Date | Recommendation | Management Response | Status Comments |
|---------------------------------------|------------------|-----------------|--|---|--|
| Closed | | | | | |
| 2014-A-04.01 Missing Approvals | | | | | |
| 4/24/2014 | 10/7/2014 | 8/18/2015 | We recommend the petty cash custodian only provide reimbursements when a properly completed request form has been provided and never for sales tax. We further recommend Water and Sewer setup an EZPass account for its vehicles. If an employee uses a personal vehicle, expenses should be reimbursed through the Accounts Payable process, not petty cash. | Internal procedures have been modified. No vouchers will be processed without appropriate supervisor's signature. No vouchers will be processed without appropriate employee signatures. The cash custodian will no longer be signing off as employee or supervisor. Electronic signatures will no longer be acceptable or allowed. Sales tax will no longer be reimbursed. | We reviewed the petty cash reconciliation (September 2014) and determined the petty cash custodian only provided reimbursements when a properly completed request form has been provided. In addition, we ensured reimbursement was never for sales tax. Employees are no longer reimbursed for purchases from Petty Cash. The department set up an EZPass account for its vehicles in December 2014. |

2014 Property Management Controls

Open

2014-A-09.01 Real Estate Inventory Listing Completeness

Without a comprehensive Real Estate Inventory Listing, the County may not be able to effectively manage its real estate assets.

| | | | | | |
|------------|-----------|--|---|--|---|
| 12/31/2014 | 8/28/2015 | | The County should ensure the Facilities Master Plan has methods and procedures for maintaining a comprehensive inventory of real estate assets effectively and efficiently. | The County agrees with the recommendation and is currently working to ensure the Facilities Master Plan has methods and procedures for maintaining a comprehensive inventory of real estate assets effectively and efficiently. The Facilities Master Plan should be completed by October, 2014. The resulting database will be operational by December 2014 and will be managed by the Department of Planning and Zoning. | Per discussion with the Chief of Facilities and Operations, training was provided on the database and they are working on exporting the information to a Master spreadsheet to include all facilities, open space and DPW properties. This spreadsheet will be updated and maintained monthly by the Administrative Specialist for Property Management. |
|------------|-----------|--|---|--|---|

| Orig. Due Date | Revised Due Date | Completion Date | Recommendation | Management Response | Status Comments |
|---|------------------|-----------------|--|--|--|
| 2014-A-09.04 Payments from Tenants | | | | | |
| <i>Lease payments from tenants are not monitored to ensure they are correct and timely.</i> | | | | | |
| 9/30/2014 | 10/15/2015 | | The County should establish procedures to reconcile payments received to the lease agreements on a monthly basis while maintaining adequate segregation of duties among those that authorize the lease, receive the lease payments, and conduct the reconciliation. Demand letters should be sent for any missing payments on a monthly basis (potentially adding penalties and interest) so that management fulfills its stewardship duties over its leased assets and cash collections. The County should consider sending reminder or billing notices prior to the due date to tenants with leases paid on an annual basis. | The County agrees with the recommendation and our current procedures do have adequate segregation of duties. Our current procedures have Treasury collecting and depositing rental payments and forwarding a spreadsheet of lease payments received for the month and the date of receipt to Procurement. Upon receiving the spreadsheet, Procurement will reconcile the payments to the lease agreements. Any missing payments or payments not made in accordance with the lease will be reviewed and a phone call or a letter will be sent to the tenant. Property Management will consider sending notices in future. As stated previously, the Board of Estimates and the Director of Procurement in signing the lease is the authorization of all leases in the County. | The Chief of Facilities and Operations informed us the Administrative Specialist is in the process of putting lease terms in an excel spreadsheet for tracking purposes. |

| Orig. Due Date | Revised Due Date | Completion Date | Recommendation | Management Response | Status Comments |
|---|------------------|-----------------|--|--|--|
| Closed | | | | | |
| 2014-A-09.02 Completeness of the Fixed Assets Module | | | | | |
| <i>Missing real estate assets in the Fixed Assets module can impact the County's ability to properly value and report the County's properties in its financial reports.</i> | | | | | |
| 9/30/2014 | | 8/11/2015 | The County should establish procedures to reconcile the FA module to the County's real estate inventory to ensure the completeness, physical existence, and appropriate valuation of the County's real estate in its financial records and reports, including donated property. | <p>The recommendation to establish procedures to reconcile the FA module to the County's real estate inventory will not be done since the County's real estate inventory data base has not been kept current due to the Facilities Master Plan being conducted.</p> <p>Treasury has reviewed the finding on the missing real estate assets in the fixed assets module (FA module). Of the seven missing real estate assets, one had an assessed value of \$238,000 and the other six had a combined total of \$11,600 with no one property having an assessment greater than \$5,000. It appears that most of these assets are donated assets that only have an economic benefit to the County. The property that is valued at \$238,000 was obtained prior to 1961 with an assessed value of \$1,000. This property cannot be found on our Geographic Information System (GIS) which shows plats of land in Harford County. After numerous discussions with the Department of Assessments and Taxation, where they were also unable to identify the property, they did a visual inspection of the area and decided to remove the property from their records. They believe that the property has been absorbed by the neighboring lots over the years.</p> <p>Treasury has instituted a new procedure in Fiscal Year 2014, designed to alert the Fixed Asset Accountant to all transactions involving real property transfers. Since the processing of deeds are done by Treasury, a new procedure has been instituted by which any deed that has Harford County, Maryland as the buyer or seller will be sent to the Fixed Asset Accountant for entering the information into our FA module.</p> | <p>An email is automatically sent to the Fixed Asset Accountant to notify him of any deed transaction that has Harford County, Maryland as the buyer or seller. The Accountant updates the Fixed Asset Accounting Module with the change. We observed the emails received and confirmed the property was subsequently recorded in the Fixed Asset Accounting Module.</p> |
| 2014-A-09.03 Payments to Landlords | | | | | |
| <i>Payments for property and spaces leased to Harford County are not being made in accordance with the lease agreements.</i> | | | | | |
| 9/30/2014 | | 9/1/2015 | The County should establish procedures to reconcile payments made based on statements received from landlords to the lease agreements on a monthly basis while maintaining adequate segregation of duties among those that authorize the lease, make the lease payments, and conduct the reconciliation. | <p>The County agrees with this recommendation. We currently have adequate segregation of duties for the authorization of the lease, payments and reconciliation. The Board of Estimates and the signing of the lease by the Director of Procurement is the authorization of lease agreements. The duties of making payment is done by our Administrative Assistant entering the lease payment into our ERP system whereas the approving of the payment by the Chief of Property Management is the reconciliation of payments since her approval is based on checking the leases to the payments being made for that month.</p> | <p>The Administrative Specialist for Property Management maintains an excel spreadsheet with a listing of the properties leased by Harford County and the terms of the lease agreements and initiates the payments in FAMIS. Erin Schafer conducts reconciliations from the excel spreadsheet to the lease agreements and agrees any changes made to supporting documentation on a periodic basis. The Director of Procurement approves the payments to the excel spreadsheet.</p> |

| Orig. Due Date | Revised Due Date | Completion Date | Recommendation | Management Response | Status Comments |
|---|------------------|-----------------|--|---|--|
| 2014 Section 214 Review Human Resources | | | | | |
| Open | | | | | |
| 2013-A-08.02 Leave Payout During Employment | | | | | |
| | | | <i>Annual and Compensatory Leave were paid to a current employee, overriding the standard practice and policy.</i> | | |
| | 12/31/2015 | | We recommend management clarify the policies and procedures related to payment of excess leave balances for current employees. We further recommend that management deny this type of request unless specific criteria for approval have been enumerated. | Management disagrees that the policies and procedures related to the payment of leave balances earned by cabinet members are in need of clarification. | According to Management, applicable policies will be reviewed and clarified by December 31, 2015. |
| 2014 Water and Sewer Billing and Collection Controls | | | | | |
| Closed | | | | | |
| 2014-A-08.01 Water and Sewer Billing Adjustments | | | | | |
| <i>Procedures for verifying the propriety of certain adjustments to water and sewer billing accounts were inadequate.</i> | | | | | |
| 10/1/2014 | | 8/20/2015 | We recommend that supervisory personnel verify, at least on a test basis, the propriety of adjustments and document such review. The review should utilize a system generated report of all adjustments. We also recommend an independent employee review all adjustments made by the supervisor to ensure they were proper. | The Department of Treasury agrees with the recommendation and will have the supervisor use the system generated report of all adjustments to verify the propriety of adjustments and document such review by signing off on each adjustment on the report. If an adjustment is made by the supervisor, the Chief of Revenue Collections will sign off on the adjustment on the report. | The Water and Sewer Billing supervisor verifies the propriety of all the adjustments by agreeing to the supporting documentation and documents her review by signing off on each adjustment on the report. The supervisor advised she no longer makes any adjustments. |
| 2014-A-08.03 Meter Reading Upload to Mainframe | | | | | |
| <i>The water meter reading upload for billing purposes is not reviewed for completeness.</i> | | | | | |
| 10/1/2014 | | 8/20/2015 | We recommend the number of sectors and number of projected bill count be verified on the Host Upload Summary and the related SYSM Message prior to the completion of the upload to the billing system. | After the Itron upload is complete, a SYSM message is automatically generated that shows the "projected bill count". That number should and always has matched the "export customers" from the MV-RS Host Upload Summary. Another set of numbers has come to our attention during this audit that can be used for additional confirmation of a successful upload. The number of "lines" on the Transfer Activity Log from the BIM transfer software should match the "total export records" from the M-RS Host Upload Summary report. These numbers will never match the numbers mentioned earlier due to accounts that have multi dial meters. This latest report information brought to our attention by this audit will enhance our records checking process that has been flawless up this point. | The Meter Department verifies upload is complete by comparing the Host Upload Summary to the related SYSM Message. We observed the documentation for a few uploads and were able to verify the upload was complete. |

| Orig. Due Date | Revised Due Date | Completion Date | Recommendation | Management Response | Status Comments |
|--|------------------|-----------------|---|---|--|
| 2015 Capital Projects for Affiliated Agencies | | | | | |
| Closed - Dropped | | | | | |
| <i>2015-A-02.01 Support for Capital Expenditures Reimbursement Request Action Plan</i> | | | | | |
| <i>Invoices from affiliated agencies are not verified against supporting documentation prior to payment to those agencies.</i> | | | | | |
| | | | <p>We recommend, at least on a test basis, management request and review additional support, including invoices, for expenditures noted on the capital project reimbursement request for affiliated agencies.</p> | <p>The affiliated agencies are independent. Their authority is derived from the State of Maryland. While the County government is a significant funding source for these agencies, it does not have control over their expenditures. The majority of County funds allocated to these agencies are for operating expenses, and these funds are disbursed by schedule and are in effect forward funding. It is the responsibility of the agencies to manage these funds in accordance with all relevant laws and policies. Capital expenditures have traditionally been reimbursed by the County for reasons of cash flow management; however, the County does not have any more oversight authority for capital projects than it does for operating expenditures.</p> <p>It should also be noted that this audit found no instances of misuse or mistakes under the current system. This is a testament to the controls already in place by the affiliated agencies and the existing level of oversight provided by the State. Putting aside the question of whether the County has oversight authority over these capital projects, it is uncertain the benefit of another layer of review would exceed the cost of instituting that procedure.</p> | <p>Management has accepted the risk of not implementing this recommendation.</p> |
| 2015 Ethics Disclosures and Related Processes | | | | | |
| Open | | | | | |
| <i>2015-A-03.02 Board Procedures for Complaints and Requests Action Plan</i> | | | | | |
| <i>The Board of Ethics does not have written procedures for reviewing complaints and requests for opinions.</i> | | | | | |
| 9/30/2016 | | | <p>We recommend the Board develop procedures and policies for advisory opinion requests and complaints as required by the Harford County Ethics Code.</p> | <p>Management agrees that the Board needs to adopt policies and procedures for advisory opinions requests and complaints. However, management notes that the authority of the Auditor under Resolution 29-14 was to conduct a performance audit on the ethics disclosure procedures and related process and Management points out that the scope did not include advisory opinions or complaints (although the Auditor requested and was given access to all advisory opinions issued and complaints that resulted in findings of a violation).</p> | <p>Due to the recent issuance of this report, we will follow-up in 2016.</p> |

| Orig. Due Date | Revised Due Date | Completion Date | Recommendation | Management Response | Status Comments |
|---|------------------|-----------------|--|---|--|
| 2015-A-03.03 Confirmation of Completeness of Vendor and Employee Lists Action Plan | | | | | |
| Vendor and Filer lists are not verified for completeness in the Disclosure system. | | | | | |
| | | | <p>To ensure the completeness of the vendor and employee lists, we recommend a review of the data entered before the system becomes available to users. In addition, to facilitate the administration of this process, management consider including members of other boards who are required to file in the Financial Disclosure Filing System and using the system to track any paper forms that are filed..</p> | <p>Management disagrees with the findings and recommendations based on the following reasons. The initial list of individuals required to file statements is generated by the Department of Human Resources. The list created by the Department of Human Resources is then reviewed by the Department of Law to ensure that all individuals required to file disclosure statements are included. Adding another level of review is unnecessary. The law clearly identifies those individuals required to file and having the list reviewed by two different sources to ensure compliance is sufficient. As for the members of those designated County Boards that are required to file, those members do file financial disclosure statements. The disclosure statements filed by the board members contains a statement that each filer must sign verifying that they have no interest, employment, indebtedness and receive no gifts that might constitute a prohibited interest, conduct or gift under the Harford County Code. The statement is signed under a penalty of perjury that the information contained in the statement is true and correct.*</p> <p>As for the list of vendors, there is a sufficient review. The initial vendor list is generated by The Department of Treasury and includes all payees receiving \$5000 or more from the County. The list of vendors from the Department of Treasury is then supplemented with a list of vendors receiving more than \$5000 under the pcard system; this listed is provided by the Department of Procurement.*In total there are approximately 1360 vendors submitted, the percentage of vendors missed amounts to approximately one percent and in Management's opinion such a low percentage is negligible. Finally, regarding the recommendation that the Financial Disclosure Filing System designate if a user filed a paper statement or modified statement instead of electronic, Management finds this unnecessary. The purpose of the ethics law is to have those individuals that are required to file submit a disclosure statement. The Law Department keeps a log of all the individuals that are required to file and the Department updates that file for each disclosure statement submitted. The format under which the disclosure statement is submitted (electronic or pdf) does not appear to be relevant as long as the statement is submitted.</p> <p>*Response has been condensed to fit this report. See audit report 2015-A-03 for complete response.</p> | <p>Although management has accepted the risk of not implementing this recommendation, we believe that it should remain an item of consideration. Due to the recent issuance of this report, we will follow-up in 2016.</p> |

| Orig. Due Date | Revised Due Date | Completion Date | Recommendation | Management Response | Status Comments |
|---|------------------|-----------------|--|---|--|
| Closed - Dropped | | | | | |
| <i>2015-A-03.01 Documentation of Board Member Approval Action Plan</i> | | | | | |
| <i>Board of Ethics members did not always document their review of the financial disclosure forms to ensure compliance with the Harford County Ethics Code.</i> | | | | | |
| | | | We recommend the Harford County Ethics Board members consistently document their review of all the financial disclosure statements to ensure compliance with the Harford County Ethics Code. | <p>Management disagrees with the findings and recommendations based on the following reasons. The Harford County Ethics Board acts as a body. A majority of the members of the Board must agree in order for the Board to take action. The Harford County Ethics law requires that "the Board shall review the financial disclosure statements submitted under this section for compliance with the provisions of this section and shall notify an individual submitting the statement of any omissions or deficiencies(§ 23-6 H (1)). For a statement to be determined to be deficient or failing in any manner, the Board (not an individual member) would need to make that determination. In the review of the disclosure statements, the Auditor was provided the background material that shows that four of the five members of the Board clearly reviewed all the electronically filed statements and that three members confirmed through emails that they had reviewed the financial statements submitted through the pdf format. The Board as required by law has reviewed the submitted financial disclosure statements.</p> <p>As for further investigation of any rejected schedules. If the Board (not a single member) rejects a financial disclosure statement, the Board would notify the individual regarding the omission or deficiency as required by the law (as has happened in the past).</p> | Management has accepted the risk of not implementing this recommendation. |
| 2015 Financial Statement Audits for FY2014 | | | | | |
| Open | | | | | |
| <i>2014-F-01.01 VFC Financial Reporting Standards</i> | | | | | |
| <i>Volunteer Fire Companies do not report comparable financial information.</i> | | | | | |
| 6/30/2015 | 12/31/2015 | | We recommend County officials work with fire companies to clarify allowable expenses and to determine standards for consistent financial reporting. | We agree with the recommendations and plan to work with the emergency response providers to identify and implement best practices. | Director of Emergency Services plans to discuss this issue with the Director of Administration in Fall 2015. |
| <i>2014-F-01.02 Timelines of Financial Reporting</i> | | | | | |
| <i>Financial Statements from some affiliated agencies were not submitted timely.</i> | | | | | |
| 6/30/2015 | 12/31/2015 | | We recommend the administration consider modifying the VFC agreement to allow the second quarter payments to be withheld until financial reports have been provided. | We agree with the auditor's findings and will work with the fire companies to address this matter. | Director of Emergency Services plans to discuss this issue with the Director of Administration in Fall 2015. |

| Orig. Due Date | Revised Due Date | Completion Date | Recommendation | Management Response | Status Comments |
|---|------------------|-----------------|--|--|--|
| FY2016 HCPS Budget Analysis | | | | | |
| Open | | | | | |
| <i>Technology Cost Classification</i> | | | | | |
| <i>Computer refresh costs are included in the capital, rather than operating, budget.</i> | | | | | |
| | | | School and County officials should consider including technology refresh costs in the operating budget, rather than in the capital budget | We also fully support your recommendation that "School and County officials should consider including technology refresh costs in the operating budget, rather than the capital budget". | This matter will be reviewed in the FY2017 budget analysis. |
| 2015 Library Employee Benefits | | | | | |
| Closed | | | | | |
| <i>2015-I-02.01 Board Review of Benefit Changes</i> | | | | | |
| <i>Library benefits have not been approved by the Board of Trustees.</i> | | | | | |
| 4/16/2015 | | 8/18/2015 | We recommend the Board of Trustees retroactively review and take action related to the benefit changes that were made in June 2014. We further recommend the board review and approve employee benefit plans annually, in accordance with its policies. Such review should be documented in Board meeting minutes. | <p>Thank you for the review and recommendation. The Harford County Public Library Board of Trustees will retroactively review and take action related to the revisions that were made in June 2014 pursuant to the Affordable Care Act ("ACA") guidelines, and will perform a review and approval of HCPL employee benefits plan on an annual basis. These actions will be documented in the Board meeting minutes.</p> <p>Regarding the allegation pertaining to the reduction in contributions made into the Flexible Spending Account of opt-out employees, I have discussed the matter with Ms. Hastler and reviewed the same documentation provided to your office. I also have a personal recollection of this matter when Ms. Hastler discussed it with the Board.</p> <p>While the HCPL's benefit administrator, Wage Works, reported that an employer may contribute additional funds to match an employee's contribution over \$500, the Library does not and has not offered a matching option, and doing this would be a change in policy requiring Board review and approval. In other words, the option was not something the Library had ever done before, as with many health care options, so the decision made at the time was merely to bring the Library into compliance with the ACA since that is what the law required. In addition, it is my understanding that Ms. Hastler received conflicting information during June 2014 regarding the impact of the ACA guidelines on the library's health care benefits and determined that further research would be critical to prepare a solid recommendation for the Board of Trustees to review and approve. This was discussed during the Executive Session of the Library Board of Trustees at the October meeting.</p> <p>That said, I appreciate the recommendation for the Board to actively review the benefit plan (and changes) each year.</p> | We observed the Harford County Public Library Board of Trustees Agenda and Minutes from the 4/16/2015 meeting documenting approval of the FY2016 Benefit Package and retroactive approval of the FY2015 Benefit Package. |

| Orig. Due Date | Revised Due Date | Completion Date | Recommendation | Management Response | Status Comments |
|---|------------------|-----------------|---|---|---|
| 2015 Petty Cash Audits | | | | | |
| Open | | | | | |
| 2015-A-06.01 Additional Fee for Amusement Park Tickets Action Plan | | | | | |
| <i>Surcharge fees are not tracked routinely to ensure proper use and financial reporting.</i> | | | | | |
| 11/1/2015 | | | We recommend management eliminate the ticket surcharge and create a modest petty cash (change) fund for amusement park ticket sales. | Management understands the concerns raised about the ticket surcharge. The current ticket prices advertised to the public include the surcharge fee, therefore, Management will honor those prices thru the end of this season (November, 2015). In the meantime, Management is meeting to determine the feasibility of continuing the Discounted Ticket Program. If Management decides to continue the program next year, the ticket surcharge fee will be eliminated and a separate petty cash fund will be established for ticket sales. | Due Date Not Passed. |
| 2015-A-06.02 Physical Security of Cash Action Plan | | | | | |
| <i>Parks and Recreation Petty Cash is not properly restricted to those who require access.</i> | | | | | |
| 9/18/2015 | | | We recommend the Department of Parks and Recreation consider a lockbox for storage of the petty and ticket sales funds. Additionally, access to the tickets and related revenue should be restricted to the custodian and a trained backup. | Management has ordered locking money bags to store petty cash and ticket sales money separately inside the safe and will contact a locksmith to have the combination on the safe changed. The new combination will be given to a maximum of 4 employees at the Main Office and will be changed as needed (assignments/duties change, staff turnover, etc). | Due Date Not Passed. |
| 2015-A-07.01 Proof of Employees' Receipt of Funds Action Plan | | | | | |
| <i>Havre de Grace Senior Center's transactions were missing documentation of employee's receipt of funds.</i> | | | | | |
| 8/10/2015 | 8/10/2015 | | We recommend the petty cash custodian only provide reimbursements when a properly completed request form has been provided. | The original petty cash receipts had been sent to the Office on Aging from the Havre de Grace center without copies being made and kept at the center. Making a copy of any receipt submitted for reimbursement is part of our written Petty Cash Fund Procedure. There was a change in staffing at the Havre de Grace center in May 2015. The new Center Manager is familiar with and is following the correct procedure. Our procedure also includes an "Expense Receipt Form" which has a place for the Center Manager to approve the expense, and a place for the recipient to acknowledge receipt of petty cash. These steps are being reviewed with all center staff to ensure compliance and the Senior Center Division Manager will check for approvals and acknowledgements of receipt in future internal audits. | Due to the recent issuance of this report, we will follow-up at a later date. |

| Orig. Due Date | Revised Due Date | Completion Date | Recommendation | Management Response | Status Comments |
|---|------------------|-----------------|---|--|--|
| 2015-A-07.02 Alignment with County Code Action Plan | | | | | |
| <i>Office on Aging petty cash was reconciled less than monthly.</i> | | | | | |
| 8/10/2015 | | | We again recommend Office on Aging update, and follow, its policies to reflect the County Code requirements. | The requirement for the petty cash custodian to physically retrieve and deliver petty cash from seven Office on Aging locations in the County (main office and six senior centers) presents a workload challenge. At one point in time prior to this audit, the requirement was discussed with auditing staff and we were under the impression that our practice of auditing at the point when half of our funds were expended was acceptable. We now understand that the County policy conflicts and will amend our practice accordingly. | Due to the recent issuance of this report, we will follow-up at a later date. |
| Closed | | | | | |
| 2015-A-06.03 Missing Approvals Action Plan | | | | | |
| <i>Some Parks and Recreation transactions were missing approvals.</i> | | | | | |
| 8/1/2015 | | 8/19/2015 | We recommend the petty cash custodian only provide reimbursements when a properly completed request form has been provided. | Management has developed a Petty Cash Request & Receipt Form and has implemented a new procedure requiring the request be approved and receipt of cash acknowledged by a signature. | Management provided us with examples of the newly created Petty Cash Request & Receipt Forms. |
| 2015-A-09.01 Missing Recipient Documentation Action Plan | | | | | |
| <i>Some Fleet petty cash transactions were missing approvals.</i> | | | | | |
| 8/20/2015 | 8/31/2015 | 9/3/2015 | We recommend the petty cash custodian only provide reimbursements when a properly completed request form has been provided and the employee acknowledges receipt. | The cash that was involved was so small that we did not require a receipt for it on the way out and only required the receipt on the way back in to account for the dollars spent. The handing out of a \$10 bill in anticipation of a car wash for \$8 merely required the \$2 back with the car wash slip equaling \$8. We are turning back our \$100 total petty cash and will put in for expense reimbursement in the future if need be. | After discussing the situation with Treasury, Management decided to return Fleet's petty cash fund. We observed that the funds were returned on 9/3/15. |
| 2015-A-09.02 Alignment with County Code Action Plan | | | | | |
| <i>We noted reconciliations were done less than monthly.</i> | | | | | |
| 8/10/2015 | 8/31/2015 | 9/3/2015 | We recommend the Fleet Management update its policies to reflect the County Code requirements. | Reconciliation should have occurred monthly – we agree! We only spent on average \$9 per month and reconciled when necessary to replenish around \$50 which was incorrect according to Policy. | After discussing the situation with Procurement, Management decided to return Fleet's petty cash funds to Treasury. We observed the funds were returned on 9/3/15. |

| Orig. Due Date | Revised Due Date | Completion Date | Recommendation | Management Response | Status Comments |
|---|------------------|-----------------|--|---|---|
| 2015 Purchase Card Controls | | | | | |
| Open | | | | | |
| 2015-A-05.01 Insufficient Support for Purchase Card Transactions Action Plan | | | | | |
| <i>Documentation for purchase card transactions was not sufficient to support the necessity, appropriateness, and approval of purchases.</i> | | | | | |
| 10/31/2015 | | | We recommend management require cardholders to provide sufficient documentation to support the propriety of all transactions, including proper approval for out-of-state travel. We also recommend all cardholders and approving officials receive refresher training regarding the purchase card program, so they will be aware of the documentation and approval requirements for purchase card use. Finally, we recommend that consequences for inappropriate purchase card use be enforced systematically. | We are in agreement that sufficient documentation be provided, including attachment to the logs of out-of-state travel approval. In the short term, notification will be sent out to every individual cardholder, making them aware of their issues from this audit. For the long term, Marcus Williams and I will be holding mandatory PCard Refresher Training, targeted for October 2015. Procurement will be taking a more proactive role with holding all cardholders accountable for their actions and implementing consequences identified in Section IV. Of the Corporate Purchasing Card Program Policy and Procedures Manual. | Due to the recent issuance of this report, we will follow-up in 2016. |
| 2015-A-05.02 Split Purchase Action Plan | | | | | |
| <i>Purchases were split which circumvented the single transaction spending limit of \$2,500 and/or avoided more stringent procurement requirements.</i> | | | | | |
| 10/31/2015 | | | We again 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. | This requirement will be reiterated again. Procurement was made aware ahead of time regarding the need for splitting one transaction, and approval was given; it was determined at that time that it was more efficient to split rather than changing a limit and having to change back. | Due to the recent issuance of this report, we will follow-up in 2016. |
| 2015-A-05.03 Use of card by non-County employee Action Plan | | | | | |
| <i>A cardholder allowed a non-county employee to use their purchase card for board related expenses.</i> | | | | | |
| 10/31/2015 | | | We recommend management reiterate to cardholders and approvers the lending of the county purchase cards is prohibited and that management enforces the policy. | This cardholder will be contacted immediately and warned. Everyone will be reminded of this requirement during Refresher Training in October. | Due to the recent issuance of this report, we will follow-up in 2016. |
| 2015-A-05.04 Non Timely Cardholder Log Review and Approval Action Plan | | | | | |
| <i>Monthly cardholder logs are not always prepared or approved in a timely manner to ensure purchases are appropriate and approved.</i> | | | | | |
| 10/31/2015 | | | We again 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. | A review of the current hierarchy will be completed by 9/15/15 to validate all approving officials are correct and current. The procedures will be addressed and reinforced with all attending the Refresher Training in October. | Due to the recent issuance of this report, we will follow-up in 2016. |

| Orig. Due Date | Revised Due Date | Completion Date | Recommendation | Management Response | Status Comments |
|---|------------------|-----------------|--|---|---|
| 2015 Section 214 Review of County Council | | | | | |
| Open | | | | | |
| 2014-A-15.01 Incorrect Mileage Reimbursements | | | | | |
| <i>Mileage Reimbursements for Council Members were not calculated correctly.</i> | | | | | |
| 6/30/2015 | 10/1/2015 | | We recommend management begin using an updated reimbursement form to ensure that business miles are calculated correctly. Reimbursement requests for mileage should include specific locations and demonstrate that commuting miles have been deducted. Further, we recommend affected employees consult with their own tax advisors to determine their personal tax implications. | Management agrees with the finding and recommendation and will develop policies and procedures. We will coordinate with the Executive Administration to create updated reimbursement forms, appropriate criteria and instructional information to ensure proper calculations in the future. | We observed a few County Council mileage reimbursements from December 2014 through March 2015 and noted the reimbursement form was not updated to ensure that business miles are calculated correctly. Reimbursement requests for mileage did not include specific locations and demonstrate that commuting miles have been deducted. |
| 2015 Section 214 Review of County Executive | | | | | |
| Open | | | | | |
| 2014-A-14.01 Payment for Accrued Leave | | | | | |
| <i>Mr. Craig has accrued paid leave time and received payment for related balances, which is inconsistent with other elected officials.</i> | | | | | |
| 6/30/2015 | 12/31/2015 | | We recommend management discontinue the practice of accruing leave for the County Executive. | 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. | According to Management, applicable policies will be reviewed and clarified by December 31, 2015. |
| 2014-A-14.03 Missing Documentation for Purchase Card Transactions | | | | | |
| <i>Documentation for purchase card transactions was not sufficient to support the necessity and appropriateness of purchases.</i> | | | | | |
| 6/30/2015 | | | 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 agrees that accurate and complete documentation must be provided to ensure that current policies are enforced. | We noted similar issues in a recent report, 2015-A-05.01 Insufficient Support for Purchase Card Transactions. Therefore, this finding will remain open. |
| Closed - Dropped | | | | | |
| 2014-A-14.02 Gifts for Cabinet Members | | | | | |
| <i>Mr. Craig purchased gifts for cabinet members using County funds.</i> | | | | | |
| | | | We recommend management take steps to recoup the cost of the gifts purchased by Mr. Craig. | 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. | Management has accepted the risk of not implementing this recommendation. |

| Orig. Due Date | Revised Due Date | Completion Date | Recommendation | Management Response | Status Comments |
|---|------------------|-----------------|---|---|---|
| 2015 Section 214 Review of Other Officials | | | | | |
| Open | | | | | |
| 2014-A.16.01 Missing Documentation for Transactions | | | | | |
| <i>Documentation for purchase card transactions was not sufficient to support the necessity and appropriateness of purchases.</i> | | | | | |
| 6/30/2015 | | | 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 agrees that accurate and complete documentation must be provided to ensure that current policies are enforced. | We noted similar issues in a recent report, 2015-A-05.01 Insufficient Support for Purchase Card Transactions. Therefore, this finding will remain open. |
| Closed | | | | | |
| 2014-A-16.02 Physical Access to Housing Agency Office | | | | | |
| <i>There may be unaccounted for keys to the Housing Agency office.</i> | | | | | |
| 8/1/2015 | | 8/11/2015 | 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 agrees with the findings and is working towards implementing the recommendations. | Management advised the main locks to the building were recently changed by the landlord in May 2015 and will change with new tenants. The Director provided us with an up to date listing of those who have keys to the building. All of the areas are kept locked and accessed by security key cards with the exception of the main entrance, when open to the public. |

| Orig. Due Date | Revised Due Date | Completion Date | Recommendation | Management Response | Status Comments |
|---|------------------|-----------------|---|--|--|
| 2015 HCPS Financial Management Practices | | | | | |
| Open | | | | | |
| 2015-S-01.01 Timely Recording of Collections | | | | | |
| <i>Collections received at the Finance Office were not recorded or deposited timely.</i> | | | | | |
| 7/1/2015 | | | <p>We recommend that HCPS</p> <ul style="list-style-type: none"> a. record collections immediately upon receipt (repeat), b. restrictively endorse all checks immediately upon receipt (repeat), c. document the chain of custody when transferring collections to other departments, d. perform independent verifications of collections from initial receipt to deposit (repeat), and e. deposit collections in a timely manner. | <p>HCPS received 98 percent of cash receipts in FY14 electronically via ACH credit or wire transfer. Included in the remaining two percent of cash receipts were state Medicaid payment checks that have now been converted to ACH credits.</p> <p>HCPS would like to note that it began the process of trying to switch medical assistance reimbursements from checks to electronic receipt in January 2007, during the first Financial Management Practices Audit performed by OLA. Since that time, HCPS had made several attempts to convert to electronic reimbursements without success. Finally, in May 2014, the Comptroller's Office processed our request and we are now receiving all medical assistance payments electronically, resulting in a decrease of collections received as checks to 1% of all cash receipts. ...*</p> <p>However, HCPS recognizes the value of the OLA's recommendations and will work with the various offices and departments to implement them. ...*</p> <p>*Response has been condensed to fit this report. See audit report 2015-S-01 for complete response.</p> | Due to the recent issuance of this report, we will follow-up next year. |
| 2015-S-01.02 Access to Financial Systems | | | | | |
| <i>HCPS did not adequately restrict users' capabilities on its automated procurement and accounts payable system.</i> | | | | | |
| 11/30/2014 | | | <p>We recommend that HCPS strengthen its controls over the automated procurement and accounts payable system and processes. Specifically, we recommend that HCPS</p> <ul style="list-style-type: none"> a. restrict user access capabilities to eliminate the ability of users to perform incompatible duties (repeat), and b. establish independent approval requirements for all critical purchasing and accounts payable transactions (repeat). | <p>a. Agree. HCPS has restricted user access capabilities to eliminate the ability of users to perform incompatible duties on its procurement and accounts payable systems to the extent possible without impairing operations. Current HCPS staffing levels prevent complete elimination of the ability of users to perform incompatible duties. However, HCPS recognizes the potential for errors and irregularities in the absence of segregation of duties and will implement compensating controls to detect any such potential errors or irregularities. Additionally, since the conclusion of the audit, HCPS has completed the implementation of Lawson Security that replaces the prior class-based security function Lawson User Access with a role-based security schema and enables user access control customization based on the individual user's job function. Beginning this fiscal year, HCPS will perform an independent review of user access capabilities on a periodic basis.</p> <p>b. Agree. The elimination of incompatible duties as identified during this audit now provides for an independent approval of purchasing transactions. The Supervisor of Purchasing, who is independent as of November 2014, will continue to review the list of purchase orders created on a monthly basis.</p> | This issue supersedes a prior finding. Due to the recent issuance of this report, we will follow-up next year. |

| Orig. Due Date | Revised Due Date | Completion Date | Recommendation | Management Response | Status Comments |
|---|------------------|-----------------|--|---|--|
| 2015-S-01.03 Payments for Special Education Services | | | | | |
| <i>HCPS did not adequately monitor payments made for special education services.</i> | | | | | |
| 6/30/2015 | | | We recommend that HCPS obtain independent supporting documentation for invoices (repeat). | Agree. HCPS will establish procedures to obtain independent supporting documentation for invoices from special education service providers by June 30, 2015. | Due to the recent issuance of this report, we will follow-up next year. |
| 2015-S-01.04 Personnel Transaction Reviews | | | | | |
| <i>Independent reviews of payroll and personnel transactions were lacking and access to the automated system was not properly restricted.</i> | | | | | |
| 6/30/2015 | | | We recommend that HCPS <ul style="list-style-type: none"> a. perform a documented independent review of personnel and payroll transactions (repeat), b. resolve the noted payment error, and c. limit assignments of critical system functions to those employees who require such capabilities to perform their job duties (repeat). | <ul style="list-style-type: none"> a. Agree. Beginning this fiscal year, HCPS will perform a periodic documented independent review of personnel and payroll transactions on a test basis. b. Agree, in part. HCPS will strengthen procedures to ensure that only sick leave earned during the employee's tenure with HCPS is paid out at retirement in accordance with the negotiated agreements. HCPS will also review sick leave payouts for the last three years for accuracy and will determine the feasibility of recouping prior leave payments where appropriate. c. Agree. HCPS has reviewed the existing access to critical system functions for personnel and payroll transactions and has limited assignments of critical system functions to only those employees who require such capabilities to perform their job duties. Additionally, since the conclusion of the audit, HCPS has completed the implementation of Lawson Security, which replaces the prior class-based security function Lawson User Access with a role-based security schema and enables user access control customization based on the individual user's job function. Beginning this fiscal year, HCPS will perform an independent review of access to critical system functions identified by the OLA team on a periodic basis. | This issue supersedes a prior finding. Due to the recent issuance of this report, we will follow-up next year. |

| Orig. Due Date | Revised Due Date | Completion Date | Recommendation | Management Response | Status Comments |
|--|------------------|-----------------|---|---|---|
| 2015-S-01.06 Equipment Policies | | | | | |
| <i>HCPS equipment policies were not comprehensive.</i> | | | | | |
| 6/30/2015 | | | <p>We recommend that HCPS establish policies and procedures to ensure that uniform accountability and control is maintained over its equipment inventory, including certain non-capital items that are prone to theft or loss (repeat).</p> | <p>HCPS agrees with the spirit of the recommendation, and will review existing policies and procedures related to capitalized and non-capitalized equipment by June 30, 2015. However, current staffing levels do not allow for centralized tracking of both capitalized and non-capitalized equipment.</p> <p>Board Policy 16-0005-000, Capitalization of Fixed Assets, was amended by the Harford County Board of Education on March 29, 2009. This policy provides for the capitalization of individual assets with a useful life of at least two years and having a value of \$5,000 or greater. It also provides for the control of all fixed assets acquired under federal awards in accordance with the applicable federal requirements. HCPS will review this policy and consider incorporating system- wide standards to adequately control capital equipment that can be implemented given current staffing and resources.</p> <p>HCPS approved the administrative procedure entitled "Control over Noncapitalized Assets" in November 2008 after the first OLA report was issued. This procedure provides for the control of non-capitalized (assets with a unit cost less than \$5,000 and a useful life of at least two years). The administrative procedure provides for non-capitalized items to be controlled at the school or department level, as recommended by the GFOAs Best Practice "Maintaining Control over Items that Are Not Capitalized." HCPS will review this procedure in order to determine if any amendments can be made to provide additional uniform accountability and control over non-capitalized items given current staffing and resources.</p> | Due to the recent issuance of this report, we will follow-up next year. |

| Orig. Due Date | Revised Due Date | Completion Date | Recommendation | Management Response | Status Comments |
|---|------------------|-----------------|--|---|---|
| 2015-S-01.07 Disaster Recovery and Data Backups | | | | | |
| HCPS' information technology controls over disaster recovery planning and backup of critical data were not sufficient. | | | | | |
| 6/30/2015 | | | <p>We recommend that HCPS</p> <ul style="list-style-type: none"> a. develop and implement a comprehensive disaster DRP that is in accordance with the State of Maryland Information Technology (IT) Disaster Recovery Guidelines (repeat); b. periodically test the DRP, document the testing, and retain the documentation for verification purposes (repeat); and c. backup files of critical data at an off-site, secure, environmentally-controlled location. | <p>a. Agree, with modifications. All necessary components of a DRP are maintained on the HCPS SharePoint server under a restricted site. Auditors made note that if a disaster involved SharePoint, the plan would be unavailable. HCPS' response is that a printed copy is too frequently outdated. With limited staff, each staff member understands their role and responsibilities during a disaster event.</p> <p>b. Agree, with modifications. HCPS lacks the resources to conduct a full scale test as recommended in the findings above. During construction of Edgewood High School, a remote disaster operations center was built, however, additional funds have been unavailable to procure backup servers and network equipment to make the remote operations center fully functional.</p> <p>c. Agree. The ERP production server backups are hosted by a vendor off site. During Q1 2014, a technical issue was present in the ERP environment that prevented the backup process from completing the nightly off-site backups in the allotted time window. The technical issue that prevented off-site backup was rectified on April 9, 2014, and we have been performing backup off site ever since. The finding is accurate that full backups of the ERP database were pushed to local servers on a daily basis; such is the first phase of the two-phase backup. The second phase is to back up the local server directory copies. This is necessary because exclusive access to the files is required to accomplish the complete ERP backup. While not compliant with keeping an off-site backup, the presence of local backups did provide a measure of recover.</p> <p>Please note that HCPS is upgrading its ERP and associated with this project will be a lifecycle platform replacement. The production and test servers will be separated between two computer rooms, at two geographically diverse locations. The new platform configuration should be operational by June 2015. The intent of this configuration is to support a measure of business continuity. Off-site data from the backup vendor could be restored onto the test platform and business operations resumed within two business days.</p> | <p>This issue supersedes a prior finding. Due to the recent issuance of this report, we will follow-up next year.</p> |

| Orig. Due Date | Revised Due Date | Completion Date | Recommendation | Management Response | Status Comments |
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| 2015-S-01.08 Third Party Data Security | | | | | |
| <i>HCPS lacked assurance that adequate information technology security and operational controls existed over its production data backups stored with a cloud service provider</i> | | | | | |
| 6/30/2015 | | | <p>We recommend that HCPS</p> <ul style="list-style-type: none"> a. ensure that cloud service provider contracts include provisions that address the aforementioned security and operational risks, including requiring service providers regularly obtain SOC 2 Type 2 reviews pertaining to the service provider's information technology security and operational controls; and b. obtain and review copies of these SOC 2 Type 2 reports from service providers and ensure that the related independent reviews adequately address all critical security and operational concerns and that the service provider implements all critical report recommendations. | <p>a. Agree. HCPS is working with the cloud service provider to ensure that the contract includes the provisions that address the security and operational risks identified by OLA.</p> <p>b. Agree. HCPS has obtained and reviewed the most recent SOC 2 Type 2 review from the service provider for the period January 1 - December 31, 2013. HCPS will continue to obtain and review SOC 2 Type 2 reports from service providers.</p> | Due to the recent issuance of this report, we will follow-up next year. |
| 2015-S-01.09 Intrusion Detection System Configurations | | | | | |
| <i>The HCPS intrusion detection prevention system was not properly protecting the network.</i> | | | | | |
| 6/30/2015 | | | <p>We recommend that HCPS perform a documented review and assessment of its network security risks from encrypted network traffic to its critical devices and identify how such traffic should be subject to IDPS. Based on this review and assessment, we recommend that HCPS implement IDPS coverage as necessary.</p> | <p>Agree. HCPS will take the suggestions under advisement. The current firewalls supports the suggested functionality, however, further investigation is required to determine if the firewalls can handle the added processing without impacting network performance.</p> | Due to the recent issuance of this report, we will follow-up next year. |

| Orig. Due Date | Revised Due Date | Completion Date | Recommendation | Management Response | Status Comments |
|--|------------------|-----------------|---|--|---|
| 2015-S-01.10 Energy Management Program | | | | | |
| <i>HCPS' energy management program was not sufficiently comprehensive.</i> | | | | | |
| 6/30/2015 | | | <ul style="list-style-type: none"> a. develop a comprehensive energy management program that includes specific goals and strategies, such as school incentive programs; b. routinely monitor and analyze the utility usage data to determine if HCPS facilities are meeting or exceeding goals; and c. maintain documentation of energy monitoring activities, including site visits, and track the recommendations made and actions taken as the basis for reporting to management. | <p>a. Agree. HCPS has developed specific energy consumption goals as part of its energy performance contract that now encompasses 39 schools through the third phase of the project.</p> <p>HCPS' Energy and Resource Conservation Steering Committee is comprised of teachers, administrators and various central office and county government stakeholders (from Harford County Government and Harford Community College). Its mission is to evaluate the current state of our school system's sustainability by analyzing the effectiveness of our energy management plan and environmental stewardship through education. In January, 2010, a subcommittee was formed and tasked with considering the costs and benefits of a school-based incentive program. The subcommittee concluded that while a school-based incentive program would be beneficial towards HCPS' energy reduction goals, HCPS lacks the staff to accomplish the functions necessary for a successful program. However, HCPS remains committed to this endeavor and will continue to look for ways to implement a school-based incentive program.</p> <p>b. Agree. HCPS will develop a periodic reporting system to analyze the utility usage data and determine if our facilities are meeting or exceeding utility usage goals.</p> <p>c. Agree. HCPS will document its periodic analysis of the utility usage data and any corresponding recommendations made or actions taken. HCPS will also document any site visits made for the purpose of evaluating utility usage and any corresponding recommendations made or actions taken.</p> | Due to the recent issuance of this report, we will follow-up next year. |
| 2015-S-01.11 Transportation Goals | | | | | |
| <i>HCPS did not have formal targets and goals for revising bus routes or use automated routing software to improve route efficiency.</i> | | | | | |
| 8/30/2015 | | | <p>We recommend that HCPS</p> <ul style="list-style-type: none"> a. develop formal and comprehensive policies and procedures for its bus routes that include guidance regarding bus capacity, student ride times and any other factors in order to assist in developing bus routes; and b. use automated routing software to help ensure the efficient utilization of buses. | <p>a. Agree. HCPS will review existing student transportation policies and procedures for possible changes, including guidance regarding bus capacities, student ride times and other identified factors that affect bus routing decisions. We anticipate this review will be completed by December 31, 2015.</p> <p>b. Agree. HCPS had already planned to procure automated routing software prior to the OLA recommendation and issued an RFP in May 2014 while the auditors were on site. Proposals were evaluated by a selection committee and on September 8, 2014, an Informational Report was presented to the Board regarding the procurement, installation and implementation of automated transportation routing software from the Transfinder Corporation. HCPS began implementation of the transportation routing software in October 2014 and plans to begin using the software for the 2015-16 school year.</p> | Due to the recent issuance of this report, we will follow-up next year. |

| Orig. Due Date | Revised Due Date | Completion Date | Recommendation | Management Response | Status Comments |
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| 2015-S-01.12 Contracted Bus Rates | | | | | |
| <i>Certain payments to bus contractors were not based on market conditions or actual costs.</i> | | | | | |
| 6/30/2015 | | | <p>We recommend that HCPS establish payment amounts to bus contractors in a manner that ensures all costs are reasonable and necessary. Specifically, we recommend that HCPS</p> <ul style="list-style-type: none"> a. use market investment rates as the basis for establishing contractor rates for the annual PVA (repeat), b. present the components of the PVA calculation including the ROI to the Board of Education (repeat), c. use actual bus operating costs as a basis for establishing contractor rates for per mile maintenance costs, and d. exclude the full value of federal fuel excise taxes from contractor payments. | <p>a. Agree, in part. HCPS created an internal study group to perform a comprehensive evaluation of the contractor table of rates, which includes the PVA. As part of this ongoing evaluation, HCPS will consider the use of market rates as the basis for establishing contractor rates for the annual PVA. However, HCPS has always felt that the use of market investment rates as a basis for establishing the PVA is not competitive. HCPS will substantiate the basis for the ROI rate that is recommended by the group if market investment rates are not recommended.</p> <p>b. Agree. HCPS will present the components of the PVA calculation, including the ROI and along with the other components of the table of rates, beginning with the next scheduled contractor table of rates presentation to the Board of Education.</p> <p>c. Disagree. HCPS maintains that using its actual maintenance costs as a basis for contractor rates for per mile maintenance costs is not appropriate because HCPS benefits from volume discounts and lower labor rates than what is charged by commercial vehicle repair facilities. HCPS will review the per mile maintenance costs as part of the overall evaluation of the contractor table of rates mentioned above and document justification of this assertion.</p> <p>d. Disagree. However, HCPS will consider excluding the full value of federal fuel excise taxes from contractor payments as part of the annual review of the table of rates. We would note that HCPS is one of the only counties using bus contractors that deducts any portion of the federal fuel excise tax from contractor payments. In order to negotiate a constant table of rates (with the exception of the PVA), HCPS agreed not to increase the deduction for federal fuel excise tax from \$0.143 to \$0.244 from the monthly average diesel fuel price.</p> | <p>This issue supersedes a prior finding. Due to the recent issuance of this report, we will follow-up next year.</p> |
| 2015-S-01.13 Food Service Collections | | | | | |
| <i>Collections were not properly recorded nor adequately safeguarded until deposit.</i> | | | | | |
| 1/29/2015 | | | <p>We recommend that HCPS</p> <ul style="list-style-type: none"> a. record the date of initial receipt for collections received at the food service central office and ensure that collections are promptly deposited (repeat), and b. ensure all collections are adequately secured prior to subsequent processing and deposit (repeat). | <p>a. Agree. Collections at the food service central office are recorded upon receipt. The log of collections has been revised to include a field for the date received.</p> <p>b. Agree. Undeposited food service collections (primarily checks) are now stored in a locked drawer.</p> | <p>This issue supersedes a prior finding. Due to the recent issuance of this report, we will follow-up next year.</p> |

| Orig. Due Date | Revised Due Date | Completion Date | Recommendation | Management Response | Status Comments |
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| 2015-S-01.14 Healthcare Costs Reviews | | | | | |
| <i>HCPS did not ensure the propriety of payments for employee and retiree healthcare costs.</i> | | | | | |
| 6/30/2015 | | | <p>We recommend that HCPS establish procedures to verify the amounts paid for health insurance. Specifically, we recommend that HCPS</p> <ul style="list-style-type: none"> a. obtain documentation to support actual claim payments and ensure audits of the claims paid by the administrator are conducted; b. use detailed claims payment data to ensure that all claims paid above the stop-loss limit are reimbursed by the insurer; and c. compare its records of enrolled employees, retirees, and dependents to invoices from the administrator and determine the propriety of all administrative fees billed. | <p>a. Agree. HCPS is working with its healthcare consultant, Bolton Partners, to locate a firm with the expertise to conduct an audit of the third-party administrator to include a review of claims paid for propriety.</p> <p>b. Agree. HCPS is working with its healthcare consultant, Bolton Partners, to locate a firm with the expertise to conduct an audit of the third-party administrator to include a review of claims paid above the stop-loss limit for proper reimbursement by the insurer.</p> <p>c. Agree. HCPS will work with its healthcare consultant, Bolton Partners, to implement a recalculation of administrative fees to determine the propriety of administrative fees paid.</p> | Due to the recent issuance of this report, we will follow-up next year. |
| 2015-S-01.15 Healthcare Stop-Loss Policy | | | | | |
| <i>HCPS did not competitively bid the health care contract for stop-loss coverage or obtain approval from the Board of Education for the new contract.</i> | | | | | |
| 6/30/2016 | | | <p>We recommend that HCPS</p> <ul style="list-style-type: none"> a. work with its healthcare consortium members to select healthcare services vendors for stop-loss coverage through competitive procurement processes, and b. obtain Board approval for contracts that exceed \$100,000, as required (repeat). | <p>a. Agree. The finding refers to the stop-loss medical insurance for fiscal year 2012. In August 2013 Harford County Government issued RFP #14-056 [Harford County Public Entities Health Care Consortium Employee Health Benefits Plans], which required respondents to include stop-loss coverage pricing as part of their proposal for the medical portion of health coverage. The quotes for stop-loss coverage were considered by the consortium as part of the overall evaluation of medical insurance proposals.</p> <p>b. Agree. The Harford County Board of Education approved the Health Consortium bid decision on January 13, 2014 (which took effect on July 1, 2014). When it was presented to the Board, the stop-loss coverage was included as part of the contracted price for medical insurance. Going forward, beginning with the next Board approval required for healthcare, HCPS will present the stop-loss insurance contract pricing separately from the medical insurance contract pricing.</p> <p>HCPS will also strengthen procedures to ensure that Board approval is obtained for all contracts that exceed \$100,000, as required by board policy. HCPS is in the process of drafting an Administrative Procedure that will strengthen controls over several aspects of contract execution and will incorporate controls to ensure that Board approval is obtained for contracts that exceed \$100,000. We anticipate this administrative procedure to be finalized by June 30, 2015.</p> | Due to the recent issuance of this report, we will follow-up next year. |

| Orig. Due Date | Revised Due Date | Completion Date | Recommendation | Management Response | Status Comments |
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| Closed - Dropped | | | | | |
| <i>2015-S-01.05 Sick Leave Retirement Credits</i> | | | | | |
| | | | <p><i>HCPS certified sick leave to the Maryland State Retirement and Pension System as unused for the portion that was previously paid to employees upon separation, resulting in increased pension benefits.</i></p> <p>We recommend that HCPS Board reevaluate the accumulated sick leave payment practices and consider discontinuing the practice of certifying unused sick leave to MSRPS while making a payment to employees for unused sick leave at retirement.</p> | <p>Disagree. Employees who enter retirement from HCPS after ten (10) years of service receive payment for unused sick days at 25% of the employee's daily rate of pay. The amount of days eligible for payout varies by bargaining unit and ranges from 200 to 250. This partial payment of unused sick leave after entering retirement is the subject of collective bargaining agreements and is considered an employee benefit. It serves as a tool to retain loyal employees.</p> <p>Additionally, HCPS contacted the Maryland State Retirement and Pension System for clarification. In response, Karen Simpson, Program Manager, verified that the law allows retirees to receive credit for unused sick leave earned as sick leave but not used prior to retirement. She also stated that the law is silent and therefore does not restrict retirees from receiving credit for leave paid out after retirement. HCPS feels we are in compliance with the law.</p> | <p>Management disagreed with the recommendation. We will not continue to monitor this item.</p> |