



HARFORD COUNTY, MARYLAND

Office of the County Auditor

September 18, 2013

Board of Directors
The Harford Center, Inc.
4 North Earlton Rd.
Havre de Grace, MD 21078

Dear Board Members:

In accordance with Section 213 of the Harford County Charter, we have performed an audit of the Harford Center's attendance records for fiscal years 2012 and 2013 to determine if billings to the Developmental Disabilities Administration (DDA) were appropriate. The results of that audit, our findings and recommendations for improvement are detailed in the attached report. We would like to thank the members of management for their cooperation during the audit.

The audit found significant problems resulting in approximately \$47,000 due to DDA. It appears the root cause of the problem was an employee who was altering attendance records. The employee believed to be responsible is no longer working for the Center. Implementing a DDA billing review procedure will help deter employees from changing these records in the future.

Given the circumstances noted in the audit report, I have referred this matter to the State's Attorney's Office for further review.

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

Sincerely,

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

cc: Members of the Harford County Council
Mr. David Craig, County Executive
Dr. Gerald Horn, Harford Center Acting Executive Director
Mr. Joseph Cassilly, State's Attorney for Harford County

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HARFORD COUNTY, MARYLAND
Office of the County Auditor

AUDIT OF HARFORD CENTER ATTENDANCE

Period Covered:
07/01/2011 through 06/30/2013

Report Number: 2013-A-07

Date Issued:
09/18/2013

Audit Team:

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

Laura Tucholski, CPA, CFE
Auditor

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BACKGROUND INFORMATION

INTRODUCTION AND KEY STATISTICS

The Harford Center (the Center) provides day care services to approximately 120 adults with disabilities in Harford County. The not-for-profit organization is run under the oversight of a Board of Directors; while day-to-day management is the responsibility of the Executive Director. An Acting Executive Director has been in place since March 2013.

The Center is funded by the State of Maryland, Harford County and donations. Annual expenses are approximately \$2 million. County revenue is provided as an annual appropriation, while State revenue is based on the number of service days provided to each client. Attendance is taken each day and summary information is submitted to the State monthly.

REVIEW OBJECTIVE, SCOPE AND METHODOLOGY

The objective of this audit was to determine if the attendance information submitted to the State of Maryland for payment was appropriate. The scope of this review was limited to client attendance revenue and related records.

The audit focused on activity during the period of 07/01/2011 through 06/30/2013. The audit period was selected to coincide with the presentation of the Center's fiscal year 2013 financial statements. The State requires the Center to maintain financial and attendance records for 6 years; there may be information in prior period records that would increase the impact of matters identified in this report.

Our audit procedures included interviewing personnel and inspection of documents. Specifically, we compared the Developmental Disabilities Administration (DDA) records to attendance sheets, absentee lists and other records to determine that the information submitted was correct.

The audit was performed in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

REVIEW RESULTS

The Harford Center management is responsible for establishing and maintaining effective internal controls. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records, effectiveness and efficiency of operations including safeguarding of assets and compliance with applicable laws, rules and regulations are achieved. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected.

Our procedures disclosed that attendance records were altered and the Center billed (and received payment) for days when clients were absent. It appears the Center's former Executive Director signed the monthly submissions indicating that she was responsible for the altered records and fraudulent payment requests.

In order to receive payment, the Harford Center submits a monthly count of attendance for each of its clients through the DDA website. That information should be supported by records maintained by the Harford Center for 6 years.

Each day attendance is taken as clients arrive at the Center and an absentee list is created showing the clients and staff who were absent for the day or were late. At the end of each month, the Secretary makes a copy of the attendance sheet and gives the original to the Executive Director so that the counts can be tallied and submitted to DDA. The original attendance sheet is kept as the official record for DDA. There is no secondary review of the information prior to submission to DDA to ensure agreement with the original attendance sheet.

We noted that, generally, the information contained on the attendance sheet agreed to what was submitted to DDA for payment. However, when comparing the official record to the copy made by the Secretary, we noted that there were many alterations that appeared

to be made by the Executive Director. Additionally, for August 2012, we noted that the attendance sheet had been totally recreated. In total, we found:

	<u>FY2012</u>	<u>FY2013</u>	<u>Total</u>
Total Client Days Billed	21,197	22,857	44,054
Total Payments from DDA	\$ 1,501,278	\$ 1,706,874	\$ 3,208,153
Changed Records*	364	270	634
Clients Affected*	51	57	71
Days Billed Inappropriately	359	324	683
Overpayment	\$ 24,103.68	\$ 23,290.78	\$ 47,394.46

* In addition to the August 2012 record, which was recreated for all clients.

For the months July 2012 through December 2012, we confirmed that the clients whose absence was changed to present appeared on the original absentee list. For the six months reviewed, we noted there were two days missing (9 absences) and of the remaining 257 days reported present, 254 were listed as absent. Only 3 appeared that they may have been reasonable changes.

We reviewed the circumstances that allowed the fraud to occur and to be discovered. Our investigation revealed that in prior years, the Director provided the altered original attendance sheets to the auditors for review. However, in 2013, unaware that there would be discrepancies, management provided the first copy of the attendance sheets to the financial statement auditors. It appears that the problem was isolated to the Executive Director whose work was not subject to verification. While there were substantial issues noted during the review period, we did not note any instances of changed records since the former Executive Director's separation.

Areas for improvement are described in the Findings and Recommendations section of this report. Management has been provided an opportunity to respond to the report; their response is included in the Findings and Recommendations.

FINDINGS AND RECOMMENDATIONS

Finding Number: 2013-A-07.01 Incorrect Attendance and Billing

Attendance Records were altered and income was billed and received for absent clients.

Analysis: In order to receive payment, the Harford Center submits a monthly count of attendance for each of its clients through the DDA website. The original attendance sheet is kept as the official record for DDA. There is no secondary review of the information prior to submission to DDA. When comparing the official record to an earlier copy, we noted that there were many alterations that appeared to be made by the Executive Director.

As a result of these changes, we noted that Harford Center was paid inappropriately for 683 days, representing an overpayment by DDA of \$47,394.46.

While there were substantial issues noted during the review period, we did not note any instances of changed records since the former Executive Director's separation.

Recommendation: We recommend Harford Center recognize the amount as payable or temporarily restricted in its FY2013 financial statements and consider whether amounts may be due for prior periods. We further recommend that the Center add, to its monthly billing process, a review of the attendance records by someone other than the person submitting the request for payment.

Management Response: A number of changes have been instituted that will increase the reliability of the attendance data at the Harford Center. There have been individual and group trainings on the subject with an emphasis on the need for accuracy. We identified a staff member who had filled out his attendance forms in advance. He received detailed individual instruction about the importance of accurate data. We collect afternoon attendance of clients and reconcile it with the morning attendance. We are continuing to refine this process and have repeatedly solicited the input of staff charged with collecting the data.

The financial assistant is responsible for entering the attendance data for submission to DDA for payment. The director is responsible for reviewing a copy of the submission and the original data.

The matter of repayment to DDA will be brought to the attention of the Board of Directors at the September meeting. A draft copy of the Auditor's report of September 6, 2013 was forwarded to the financial office of DDA.

Expected Completion Date: 09/18/2013