



HARFORD COUNTY, MARYLAND

Office of the County Auditor

January 23, 2015

Report Highlights

Why We Did This Audit

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

What We Found

Reimbursements provided for mileage were not well supported.

Officials within the County Council Office have no indebtedness to the County.

What We Recommend

Management should develop a mileage log that facilitates reconciliation of actual miles driven and reductions for commuting miles.

SECTION 214 REVIEW - COUNTY COUNCIL

Council Members and County Executive Glassman:

In accordance with Section 214 of the Harford County Charter, we have performed an audit of the accounts under the direction of the County Council Office. The results of that audit, our findings and recommendations for improvement are detailed in the attached report. We would like to thank the members of management for their cooperation during the audit.

We found that each of the officials subject to review – Council President Boniface, Council Member Guthrie, Council Member Lisanti, the Council Administrator and Council Attorney - do not have any indebtedness to the County. Other Council Members, remaining in office, also have no indebtedness to the County.

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

Sincerely,

Chrystal Brooks
County Auditor

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

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

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

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



HARFORD COUNTY, MARYLAND

Office of the County Auditor

SECTION 214 REVIEW - COUNTY COUNCIL

Report Number:
2014-A-15

Period Covered:
07/01/2012 through 12/31/2014

Date Issued:
January 23, 2015

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Audit Team:

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

Laura Tucholski
CPA, CIA, CFE, CRMA
Managing Auditor

BACKGROUND INFORMATION

INTRODUCTION AND KEY STATISTICS

The Harford County Council stands as the Legislative Branch of the government of Harford County, Maryland. The Council, consisting of 6 members and a president, are elected every 4 years. As a group, they appoint a Council Administrator, Council Attorney and County Auditor. Following the November 2014 election, two Council members and the Council President were replaced by new officials and the Council Administrator and Council Attorney both resigned their positions. While Council Members are responsible for approving the Council Office's budget, the financial management tasks of the office are performed by the Council Administrator.

REVIEW OBJECTIVE, SCOPE AND METHODOLOGY

In accordance with Harford County Charter section 214, upon death, resignation or removal of any county officer, the County Auditor shall cause an audit and investigation to be made of any accounts maintained by the officer and by his agency. The objective of this review was to satisfy the requirements of Charter Section 214, with regard to three Council Members - Boniface, Guthrie and Lisanti – who left office following the 2014 elections, the Council Administrator and the Council Attorney who both resigned their positions in December, 2014. The scope was limited to accounts and resources under the control of the County Council and its appointees.

The audit focused on activity during the period of 07/01/2012 through 12/31/2014. Our audit procedures included interviewing personnel, observation and testing. Specifically, we sought to confirm that the accounts under the Council's control did not have unusual or inappropriate costs; separated officials' physical and financial access to County resources had been revoked and that their final paychecks and leave payouts, where applicable, were correct. Each of these procedures were performed for the three departing Council Members, the Council Administrator and Council Attorney. Although not required for those officials remaining in office, the above noted procedures were performed for the entire County Council Office, where applicable.

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.

Auditor Note: The Office of the County Auditor was included in this review. We have maintained independence and objectivity by ensuring that the County Auditor and staff

cannot initiate or approve financial transactions. Instead, these administrative tasks are performed by the Council Administrator, at the request of the County Auditor.

REVIEW RESULTS

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

With regard to transactions that were approved or initiated by officials within the Council Office, we found that only the Council Administrator and the employees in her chain of command were able to initiate or approve transactions within the County's accounting system. This appeared reasonable given the organizational structure of the Office. Council Members were able to initiate transactions only via purchase cards. The Council Attorney and County Auditor did not have purchase cards and did not have access to initiate or approve transactions within the County's financial systems. We reviewed the budget-to-actual variances for each component of the Council Office and confirmed the reasonableness of each.

We reviewed relevant documentation for purchase card charges, travel, meals and miscellaneous expenses during the review period. All were reasonable and appropriate except that we found some reimbursements for mileage were not documented consistently to allow recalculation of the actual mileage. We also found 7 purchase card transactions for meals totaling \$198.71 that were missing itemized receipts and a list of meal attendees. A similar issue has been noted in audit report 2014-A-14, related to the former County Executive. Since the total of these transactions is immaterial, we have not repeated our recommendations in this report.

As expected, we were advised that the Officials within the scope of this review did not have signatory access to any County bank accounts. We were additionally advised that each official's purchase card was returned and destroyed in a timely fashion and confirmed that the purchase card accounts had been disabled.

We confirmed that each separated official's logical access to County resources, including network and computer systems, has been revoked. We additionally confirmed that their security cards have been disabled and that facility keys were returned to County officials. County property assigned to the officials was returned.

We confirmed that each separating official's final paycheck was correct. Council Members did not earn paid leave time, so they were not eligible for payment of leave balances. The

Council Administrator's leave and severance payment were correct. The Council Attorney has assumed a new position for the County, so her leave balances were not paid out and remain accrued for her future use.

Our conclusion, based on the evidence obtained, is that Council President Boniface does not have any indebtedness to Harford County; Council Member Guthrie does not have any indebtedness to Harford County; and Council Member Lisanti does not have and indebtedness to Harford County. Further, the former Council Administrator and Council Attorney have no indebtedness to Harford County.

Areas for improvement are described in the Findings and Recommendations section of this report. Council President Slutzky and former Council Members Boniface, Guthrie and Lisanti were provided an opportunity to respond to this report. Mr. Slutzky provided the response which follows in the Findings and Recommendations section.

FINDINGS AND RECOMMENDATIONS

Finding Number: 2014-A-15.01 Incorrect Mileage Reimbursements

Mileage Reimbursements for Council Members were not calculated correctly.

Analysis: Mileage expense reimbursement forms were not always completed correctly, potentially resulting in excess reimbursements. We noted there were reimbursements requested by Council Members for 531 total days during the review period totaling more than \$11,000. Many of these days included multiple trips. Most of the mileage reimbursement forms were missing information or appeared problematic. In particular, we noted the following issues most often:

- To and From fields listing only city names without addresses
- All trips starting at 212 South Bond St.
- Round trips are not labeled as such
- Business purposes not clearly stated
- Multiple trips in one day all starting at the same location and/or
- Missing reductions for the normal commute.

We counted more than 500 instances that met at least one of the above criteria. The amounts paid above the correct reimbursements are unnecessary expenses to the Council Office. We attempted to estimate the cost of the additional reimbursements, but found that, for a number of reasons, there was not enough information available to confirm what the correct mileage should have been.

The most common of the above errors was reporting that all trips started and ended at the County Council Office. While it may be possible to go to and from the Council Office before and after each event, doing so would be inefficient and time consuming. The more likely scenario is that council members attend events primarily in their districts or around the County and travel directly from one event to the next without visiting the Council Office in between. Accordingly, most reimbursement requests should show multiple starting locations including the Council Members' homes, Council Office and other event locations. The large number of trips made determining the number of errors impractical. However, the consequence of not identifying true starting locations is that the mileage reported will often differ from the actual mileage driven. It is unclear whether Council Members would have been advantaged or disadvantaged.

Another common error was reimbursements for commute (between home and office) miles. Per the Internal Revenue Service Publication 463: Travel, Entertainment, Gift, and Car Expenses, "Daily transportation expenses you incur while traveling from home to one or more regular places of business are generally nondeductible commuting expenses." Accordingly, reimbursement for the mileage between the County Council office and a Council Member's home are considered excess reimbursements. In that case, excess reimbursements should be returned to the employer or reported by the County as income to the employee. Without the information to determine which reimbursements were proper, the County cannot fully report employee wages to the IRS. Further, regularly accepting this practice would result in all employees being paid to drive to work each day.

Recommendation: 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 Response: 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.

Expected Completion Date: 6/30/2015