



# HARFORD COUNTY, MARYLAND

## Office of the County Auditor

### AUDIT OF CONSTRUCTION INSPECTION BILLING CONTROLS

#### Report Highlights

#### Why We Did This Audit

This audit was conducted as part of the County Auditor's risk-based Annual Audit Plan approved by the County Council for FY2021.

#### What We Found

Documentation for some inspections can be improved.

#### Audit Team:

Chrystal Brooks  
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CRMA  
County Auditor

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CPA, CIA  
Senior Auditor

Report Number: 2021-A-17

Date Issued: 08/03/2021

Council Members and County Executive Glassman:

In accordance with Section 213 of the Harford County Charter, we have performed an audit of Construction Inspections Billing Controls. 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 that while, generally, processes exist and are adequate to ensure that inspections performed by Public Works are invoiced correctly, daily inspection reports were not always available to support time invoiced to developers.

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

Sincerely,

Chrystal Brooks  
County Auditor

cc: Mr. Joseph Siemek, Director of Public Works  
Mr. Robert Sandlass, Treasurer



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### REVIEW RESULTS

We have audited construction inspections billing controls for the period of 07/01/2019 through 04/30/2021. Our opinion, based on the evidence obtained, is while, generally, processes exist and are adequate to ensure that inspections performed by Public Works are invoiced correctly, daily inspection reports were not always available to support time invoiced to developers. The audit approach focused on testing the key controls that address management’s objectives for the process. Conclusions drawn are below.

Risk	Expected Control	Conclusion
Labor hours are not billed correctly.	<ul style="list-style-type: none"> <li>• A signed contract with each developer is required and exists for all construction projects</li> </ul>	Satisfactory
	<ul style="list-style-type: none"> <li>• Timesheets are required to be completed, signed and approved, tracking each relevant Public Works employee.</li> </ul>	Satisfactory
	<ul style="list-style-type: none"> <li>• A review of uncollected fees is routinely performed and documented</li> </ul>	Satisfactory
	<ul style="list-style-type: none"> <li>• User access to the permitting system is appropriate.</li> </ul>	Satisfactory
	<ul style="list-style-type: none"> <li>• Adjustments are supported by request from departments</li> </ul>	Satisfactory
	<ul style="list-style-type: none"> <li>• Abatements require proper approval</li> </ul>	Satisfactory
Plan reviews are not charged to appropriate projects	<ul style="list-style-type: none"> <li>• Inspectors maintain daily inspection reports which support the hours billed to each project or plan review.</li> </ul>	Needs Improvement

Areas for improvement are described in the Findings and Corrective Actions section of this report. We have reviewed the issues reported in prior audits and considered their impact on this audit; each of the issues identified were closed before we began this project.

### FINDINGS AND CORRECTIVE ACTIONS

#### **Finding Number: 2021-A-17.01 Lack of Support for Capital Project Invoicing**

**Daily inspection reports were not always available and employee time sheets did not always support time invoiced to developers.**

**Analysis:** The Bureau of Construction Management manages construction of capital projects and is responsible for stormwater management and sediment control (County Code, § 214-1 through § 214-49). The Bureau also supervises and inspects developer construction of infrastructure that will be turned over to the County (e.g., a street intersection being built in a new development). Inspection Reports are required to be completed, signed and approved for on-site inspections. Timesheets are required to be completed, signed and approved, tracking each relevant Public Works employee. The timesheet details are then entered into the Payroll Cost Accounting system (PCAM) so that invoices can be generated.

We reviewed invoices to verify daily inspection reports were completed and supported the hours billed for each. Additionally, we reviewed timesheets to confirm billable hours reconciled to the related time entries in PCAM. Of the 30 invoices, covering 42 projects files, we were not provided all of the inspection reports to support the hours billed for four invoices. This resulted in unsupported invoiced billings of \$840.

**Recommendation:** We recommend the Department of Public Works (DPW) implement refresher training for PCAM timekeepers and a routine review of the PCAM exception report to ensure time billed directly relates to time indicated on inspection and timesheet documentation.

**Management Response:** The Department of Public Works will implement a refresher training for inspectors and PCAM data entry personnel to ensure that hours entered for each project directly relates to hours indicated on inspection and timesheet documentation.

**Expected Completion Date:** 09/30/2021

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## **BACKGROUND, OBJECTIVES, SCOPE AND METHODOLOGY**

Harford County is responsible for ensuring the safety of County's infrastructure and public and private structures and that the building and maintenance of each are in compliance with required standards. The County maintains public safety by regularly inspecting structures such as roads and bridges, as well as commercial and residential construction projects of all sizes. Depending on the project, various divisions within Public Works plan, manage and inspect developer progress of projects that connect to County infrastructure.

When developers apply for permits, they confirm their willingness to be invoiced for inspections of the work. The County Code defines the current billable rate of \$35 per hour in Code § 157-21 and § 157-22. Billing for those inspections is the responsibility of both

Public Works (DPW) and Treasury. DPW Inspectors complete bi-weekly timesheets and daily inspection reports to document their work and support the time invoiced to developers. Timesheet data is entered into the Payroll Cost Accounting Management (PCAM) system. At Treasury's direction, PCAM generates invoices for developers on a monthly basis. Treasury collected \$491,00 and \$447,000 in inspection-related fees in Fiscal Years 2020 and 2021, respectively. Treasury issues approximately 100 construction inspection invoices per month.

The objective of this audit is to confirm that procedures are adequate to ensure that inspections performed by Public Works are invoiced correctly. The scope was limited to invoicing of construction related projects inspected by Public Works.

The audit focused on activity during the period of 07/01/2019 through 04/30/2021. Our audit procedures included interviewing personnel, observation and testing. Specifically, we reviewed documentation for inspections performed by Public Works and met with members of management to confirm our understanding of the processes and procedures regarding construction management, tracking employee labor and invoicing for billable construction labor. Further, we reviewed the issue reported in a prior audit to determine its impact on our audit procedures; the lone issue identified was closed before we began this project. We looked to confirm daily inspection reports were completed for sampled invoices, time data entered in the County's payroll cost accounting system agreed to timesheets, adjustments were properly supported. Additionally, we looked to confirm the developer's permit file in the County's permitting system includes a signed contract and permits under the purview of Public Works were not issued when there were open invoices. Finally, we confirmed access to the payroll cost accounting system is appropriately restricted.

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.

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.