



# HARFORD COUNTY, MARYLAND

## Office of the County Auditor

### AUDIT OF CASH RECEIPTS

**Report Number:**  
2022-A-13

**Report Date:**  
03/11/2022

Council Members and County Executive Glassman:

In accordance with Section 213 of the Harford County Charter, we have performed an audit of the County's cash receipts controls for the period of 07/01/2020 through 01/31/2022. This audit was conducted as part of the County Auditor's risk-based Annual Audit Plan approved by the County Council for FY2022.

The objective of this audit was to confirm that payments received at the Treasurer's payment window, lockbox, and through other sources were properly applied and deposited. The scope of this audit was limited to the receipt and posting processes that support the various revenue systems. Controls related to determining the amounts due were not considered within the scope of this audit; those processes are tested in the related revenue audits, e.g., Water and Sewer Billing, Property Tax Billing and Collection, and Parks and Recreation Revenue. Collection of delinquent accounts has been reviewed in those audits, as well. The results of the audit, our findings and recommendations for improvement are detailed in this report.

We would like to thank the members of management for their cooperation during the audit. Although, none was required, they have been provided an opportunity to respond to this report; accordingly, none was provided.

Sincerely,

*Chrystal Brooks, CPA*

Chrystal Brooks  
County Auditor

## CONCLUSIONS

Our opinion, based on the evidence obtained, is controls are adequate to ensure that cash receipts are allocated to customer accounts correctly. This assessment is based on the strengths and weaknesses identified for the operational objectives below.

<b>Business Process Objective</b>	<b>Assessment<sup>i</sup></b>
Payments are applied completely to the correct accounts	Effective
Cash and Checks are deposited timely and completely	Effective

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

Revenue processing is a key administrative function, for which the public should expect there to be adequate controls. Cash Receipts are initiated when payments are received for water and sewer bills, property taxes, transfer taxes, licenses, permits, and other revenue. Payments are received at the counter in the Treasurer’s Office, via mail, lockbox or by completing an electronic online payment.

The County uses an electronic cash register system to account for its over-the-counter receipts. The Treasurer also receives payment files from the various online, credit card and lockbox receipts. There are electronic interfaces that upload each payment file to the proper accounts receivable system (e.g. Water and Sewer, Property Tax) and post the payments to individual customer accounts. According to Harford County’s fiscal year 2021 Financial Report, annual revenue totaled approximately \$885.2 million.

The audit approach focused on testing the key controls that address management’s objectives. Our audit procedures included interviewing personnel, observation and testing as described in the table below.

<b>Process / Control Objective</b>	<b>Scope of Review</b>
<b>Payments are Applied to Accounts Correctly</b>	
Data uploaded from the cashier system transfers to revenue systems accurately	<ul style="list-style-type: none"> <li>• For a sample of days, confirm that data transfers were complete</li> <li>• In prior audits, we have confirmed that individual accounts were properly credited.</li> </ul>
Adjustments/Voids in the cashier system are reviewed by supervisors	<ul style="list-style-type: none"> <li>• Review a sample of voids to determine their justification and confirm that they were reviewed.</li> </ul>
<b>Bank Deposits</b>	
Remittance for deposits received directly by the bank are forwarded to the County	<ul style="list-style-type: none"> <li>• Review the internal controls reports for the vendors that collect payments on behalf of the County</li> <li>• Confirm that reported transactions agree to the amount uploaded to revenue systems</li> </ul>
Daily cash collections are received by the bank completely	<ul style="list-style-type: none"> <li>• For a sample of days, agree the cashier receipts to the amount received by the bank</li> </ul>

We have also reviewed the issues reported in a prior audit and found that those issues were addressed prior to this audit. Those issues were related to old systems and were not relevant to this audit.

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.

**Report Distribution:**

Mr. Robert Sandlass, County Treasurer  
Ms. Rachel Holmes, Chief, Revenue Collections

**Audit Team:**

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

Sarah Self, CIA, CGAP  
*Senior Auditor*

<sup>i</sup> Definitions

**Effective:** The design and effectiveness of the internal control environment address key risks. The business unit complies with external laws and regulations, and internal policies, procedures and guidelines. Business processes are managed effectively resulting in achievement of expected outcomes.

**Generally Effective:** The design and/or effectiveness of the internal control environment generally address key risks; however, the number and severity of findings relative to the size and scope of the business unit being audited indicate that some minor areas of weakness in the control environment need to be addressed. Isolated instances of non-compliance with external laws and regulations, and internal policies, procedures and guidelines may exist. Business processes may not be managed effectively in all areas resulting in reduced achievement of expected outcomes.

**Not Effective:** The design and/or effectiveness of the internal control environment does not address key risks. Non-compliance or historical patterns of non-compliance with key regulatory requirements and internal policies, procedures and guidelines exist which expose the audited entity to financial, reputational, and operational risks. Business processes are not managed effectively and expected outcomes are not achieved.