



# HARFORD COUNTY, MARYLAND

## Office of the County Auditor

### AUDIT OF SECTION 214 REVIEW

### GOVERNMENTAL AND COMMUNITY RELATIONS

#### Report Highlights

#### Why We Did This Audit

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

#### What We Found

Mr. Schreiber has no indebtedness to the County.

Purchase card and employee expense reimbursement documentation was not complete.

#### What We Recommend

Management should enforce purchase card policies.

**Report Number:** 2015-A-10

**Date Issued:** 10/14/2015

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 former Director of the Office of Governmental and Community Relations, Mr. Bret Schreiber. The results of that audit, our findings and recommendations for improvement are detailed in the attached report.

The audit found Mr. Schreiber does not have any indebtedness to the County.

We would like to thank the members of management for their cooperation during the audit. The audit team is available to respond to any questions you have regarding the attached report.

Sincerely,

*Chrystal Brooks, CPA*

Chrystal Brooks  
County Auditor

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



# HARFORD COUNTY, MARYLAND

## Office of the County Auditor

### REVIEW RESULTS

We have audited the accounts under the control of Bret Schreiber, former Director of the Office of Governmental and Community Relations for the period of 12/1/2014 through 9/2/2015, in accordance with §214 the Harford County Charter. These audit procedures are required “upon the death, resignation or removal of any County officer”.

Our conclusion, based on the evidence obtained, is that Mr. Schreiber does not have indebtedness to Harford County. However, we noted a number of purchase card and expense reimbursement transactions that did not have adequate supporting documentation. Similar issues related to the purchase card transactions and mileage reimbursements were noted in our review of the former County Executives, County Council and other Directors. The audit approach focused on testing the key controls that address management’s objectives for the process. Conclusions drawn are below.

<b>Risk</b>	<b>Expected Control</b>	<b>Conclusion</b>
Accounts under the Official’s control were not properly used.	<ul style="list-style-type: none"> <li>• Spending is within budgeted limits.</li> <li>• Large transactions are supported by adequate documentation.</li> <li>• Transactions are approved through proper channels.</li> <li>• Travel, Meal Expenses and Employee Reimbursements were justified.</li> </ul>	Satisfactory “ “ Needs Improvement
Official continues to have access to County financial resources.	<ul style="list-style-type: none"> <li>• Signatory access is removed from County bank accounts.</li> <li>• Assigned purchase cards are returned and disabled.</li> <li>• Access to financial and information systems is revoked timely.</li> </ul>	Satisfactory “ “
Official continues to have physical access to County resources.	<ul style="list-style-type: none"> <li>• Keys, security and identification cards are returned.</li> <li>• Assigned equipment, uniforms and vehicles are returned.</li> </ul>	Satisfactory “

Risk	Expected Control	Conclusion
Official is paid more than authorized.	<ul style="list-style-type: none"> <li>• Separation documentation was completed timely.</li> <li>• Pay rate reflects the approved budget amount.</li> <li>• Changes to pay rates were approved.</li> <li>• Leave payouts were correct based on accrued balances.</li> </ul>	Satisfactory  “  “  “

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

## FINDINGS AND RECOMMENDATIONS

### **Finding Number: 2015-A-10.01 Missing Documentation for Purchase Card Transactions**

**Documentation for purchase card transactions was not sufficient to support the necessity and appropriateness of purchases.**

**Analysis:** We reviewed 51 purchase card transactions totaling \$3,167 for Mr. Schreiber. Of these transactions, 18 did not have adequate supporting documentation. These transactions included:

- 10 meals totaling \$1,663 that did not have itemized receipts
- 7 transactions missing a documented business purpose
- 5 transactions missing receipts
- 2 meals missing a list of meal attendees
- 1 monthly log missing approver's signature

Harford County Government Corporate Purchasing Card (P-Card) Program Policy and Procedures Manual requires that "A receipt must support each transaction. The preferred documentation is listed below in order of preference:

1. An original, receipt/invoice from the vendor, including: vendor name, transaction amount, date, itemized description of item(s) purchased if available from vendor.
2. A screen-print or order confirmation email, when making Internet purchases, or a copy of an order form that was mailed to a vendor to request an item."

Additionally, we noted 9 instances of fuel purchases within Harford County totaling \$284.88 that did not have an explanation for why a County fuel pump was not used.

Our conclusion is that the required documentation has not been maintained to support the assertion that all transactions were appropriate. Particularly for meal and fuel charges, lack of supporting documentation can make a prudent purchase appear abusive or be taken out of context. Additionally, a third party would be unable to determine that the purchases were not personal expenses.

Assuming the purchases were prudent and business related, they were not made in accordance with established Harford County Government Policy and Procedures. According to the Purchasing Card manual, "Harford County Government will seek restitution for any inappropriate, restricted, or prohibited purchases made with the P-Card." This policy has not been enforced.

**Recommendation:** 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 Response:** The Department of Procurement will perform more frequent reviews of cardholder activities to ensure proper procedures are being followed, as well as adhere to consequences regarding any issues.

**Expected Completion Date:** On-going

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**Finding Number: 2015-A-10.02 Insufficient Support for Expense Reimbursements**

**Documentation for expense reimbursements was not sufficient to support the necessity and appropriateness of the expenses claimed.**

**Analysis:** Of the 7 expense reimbursements made during the review period, 2 lacked adequate supporting documentation to determine reasonableness. Specifically, we noted the employee was reimbursed for 2 lunch meetings that were not sufficiently documented with an itemized receipt. Without this documentation, a reviewer is unable to determine the reasonableness of the purchase and whether county policy was appropriately complied with.

We were not able to confirm that all mileage reimbursements were correct and appropriate. We noted the reimbursements did not reflect reductions for the normal commute mileage. 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 employee's office and the employee's home is considered excess reimbursement. In that case, excess reimbursement should be returned to the employer or reported by the County as income to the employee. Any amount paid above the correct reimbursement is an unnecessary expense to the County.

**Recommendation:** We recommend management begin using an updated reimbursement form to ensure that business miles are calculated correctly. Reimbursement requests for mileage and meals should demonstrate that commuting miles have been deducted and provide sufficient documentation to determine reasonableness.

**Management Response:** The County is currently reviewing many of its policies, including its mileage reimbursement policy and it will report back to the auditors in six months.

**Expected Completion Date:** 3/15/2016

## **MANAGEMENT RESPONSE**

Management agrees that a more proactive approach to purchase card and contract management needs to be adhered to, as well as periodic training for our users. Accounts Payable and the Department of Procurement will be holding training sessions in the near future.

## **BACKGROUND INFORMATION**

### **PROGRAM DESCRIPTION**

Bret Schreiber served as Harford County's Director of Governmental and Community Relations from December 2014 until his resignation in June 2015. The Office of Governmental and Community Relations was "responsible for the coordination of county boards, agencies and organizations regarding application of governmental policies, laws and programs".

## **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 Bret Schreiber, Director of the Office of Governmental and Community Relations. Mr. Schreiber separated from Harford County effective September 2, 2015. His last working day was June 26, 2015. The scope was limited to accounts and resources under the control of the Office of Governmental and Community Relations.

The audit focused on activity during the period of December 1, 2014 through September 2, 2015. Our audit procedures included interviewing personnel, observation and testing. Specifically, we confirmed that the accounts under Mr. Schreiber's control did not have unusual or inappropriate costs, Mr. Schreiber's physical and financial access to County resources had been revoked and that his final paycheck and leave payout were correct.

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.

### **Audit Team:**

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

Laura Tucholski  
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*Managing Auditor*

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