



HARFORD COUNTY, MARYLAND

Office of the County Auditor

AUDIT OF TUITION REIMBURSEMENT PROGRAM

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

We noted that controls can be improved to ensure employee tuition reimbursements meet the program requirements.

Report Number: 2021-A-11

Date Issued: 03/19/2021

Council Members and County Executive Glassman:

In accordance with Section 213 of the Harford County Charter, we have performed an audit of the Tuition Reimbursement Program for county employees. 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 tuition reimbursements were properly approved with supporting documents. However, some reimbursements paid to eligible employees exceeded the allowable costs. Additionally, not all reimbursements were repaid when required.

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

Sincerely,

A handwritten signature in cursive ink that reads "Chrystal Brooks, CPA".

Chrystal Brooks
County Auditor

cc: Ms. Tiffany Stephens, Director of Human Resources
Mr. Jeffrey Gahler, Harford County Sheriff
Mr. Robbie Sandlass, Treasurer



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REVIEW RESULTS

We have audited Tuition Reimbursement for the period of 07/01/2018 through 11/30/2020. Our opinion, based on the evidence obtained, is controls can be improved to ensure tuition reimbursements follow the program guidelines. 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
Courses reimbursed do not benefit County services	<ul style="list-style-type: none">Course descriptions are reviewed to confirm they are related to a relevant program of studyPre-approval is required before classes begin to confirm employee and cost eligibilityGrade reports showing adequate progress are required for reimbursementSeparated employees must repay reimbursements made in the prior two years	<p>Satisfactory</p> <p>Satisfactory</p> <p>Needs Improvement</p> <p>Unsatisfactory</p>
Reimbursements are overpaid	<ul style="list-style-type: none">Approval is required for payment after courses are completedPrior reimbursements are reviewed to confirm annual maximums are not exceededItemized receipts are required to support the allowable costs to be reimbursed	<p>Satisfactory</p> <p>Satisfactory</p> <p>Needs Improvement</p>

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

FINDINGS AND CORRECTIVE ACTIONS

Finding Number: 2021-A-11.01 Reimbursement of Unallowed Costs

Some tuition reimbursements included costs that are not allowed.

Analysis: The Harford County policy specifies "Expenses eligible for reimbursement include tuition, required lab fees and required books. Other miscellaneous expenses such as parking, supplies, athletic fees, computer access charges, etc. are not reimbursable under this policy." The policy also requires employees to disclose financial aid that does not

require repayment, noting employees "may not seek reimbursement under this policy for said course work or expenses paid by such financial aid." To support these requirements, reimbursement requests must include "Itemized original receipts with the college name on each document (credit card receipts are not acceptable)."

We tested 38 of the 89 reimbursements and noted that 9 included costs that should not have been reimbursed. Most commonly, technology fees (for University of Maryland University College/Global Campus) and Consolidated Fees (for Harford Community College) were reimbursed. We also noted reimbursement for "Resid Fee" and fees paid by scholarship. There was one underpayment. These errors resulted in \$2,352.42 in overpayments for the sample.

In addition to the items above, two (2) test items did not have grade reports and two (2) had summary, rather than itemized, receipts so we could not confirm if the costs paid were allowable.

Recommendation: We recommend management confirm which fees have been included in the reimbursement request or modify the policy to allow the specific fees that are routine for particular schools.

Management Response: Human Resources will follow HR Policy HR-03 (Employee Tuition Assistance/Reimbursement Program) as it relates to which fees should be included....tuition, lab fees, and books only.

Expected Completion Date: 3/1/2021

Finding Number: 2021-A-11.02 Tuition Repayment for Separated Employees

For some separated employees, tuition reimbursements were not repaid when required.

Analysis: The County policy for Tuition Reimbursement requires "Employee agrees to participate in and pursue the educational program to the best of his/her ability and to use reasonable efforts to complete their course of study. An employee's repayment obligation shall be satisfied two years after the date of the most recent tuition reimbursement." If an employee leaves County employment "within two years after any reimbursement is made, the employee shall immediately pay an amount equal to the monies received within the most recent twenty-four months of the date of separation unless mutually agreed by the County and the employee otherwise."

We found 6 employees that separated within 2 years of a tuition reimbursement payment. We were unable to find evidence of repayment for three (3) employees, representing 9 reimbursements. One reimbursement was partially repaid. The unpaid amounts total \$9,820.41.

Management explained that when separation information is received by Human Resources, they will request a repayment, if the name is recognized as one who received a prior reimbursement. However, this is not a formal separation procedure.

Recommendation: We recommend Human Resources add a step to its separation review process to ensure there are no outstanding tuition-related service commitments.

Management Response: Human Resources has added a step to the separation review process. HR will work with Payroll to confirm the amount of leave payout and will verify if the employee needs to re-pay a larger amount. HR will then seek payment from the employee and refer them to collections if no payment is received.

Expected Completion Date: 3/1/2021

BACKGROUND, OBJECTIVES, SCOPE AND METHODOLOGY

As a benefit to its employees, Harford County will reimburse up to \$6,500 per year for eligible college tuition costs. To qualify, employees must have worked for the County for at least one year and must continue in County employment for two years following reimbursement. The courses can be taken towards any degree program in a field that is relevant to County operations. Circuit Court, State's Attorney and Sheriff's Office employees are not eligible; however, the Sheriff's Office has a similar program which was included in this audit.

We found 19 County and 11 Sheriff's Office employees utilized the benefit during our audit period. The County fiscal year (FY) 2021 budget for this program is \$90,000. The budget was approximately \$71,000 in fiscal year 2020 and \$60,000 for FY2019; approximately half of the budget was used in each of those years (~\$37,800 and \$28,600, respectively). The Sheriff does not have a discreet budget item for the program.

The objective of the audit is to confirm that employee tuition reimbursements followed the program guidelines. The scope will be limited to costs for credit-earning college courses; non-credit and other training courses are not included in the scope.

The audit focused on activity during the period of 07/01/2018 through 11/30/2020. Our audit procedures included interviewing personnel, observation and testing. Specifically, we

sought to confirm that pre-approvals were complete and supported by relevant documents, reimbursements were calculated correctly and agreed to payments that were issued. Additionally, we confirmed annual maximums were not exceeded and benefits were repaid if service requirements were not met. Transactions we tested covered 42% of the reimbursements and 100% of the relevant separated employees.

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:

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

Sarah Self, CIA, CGAP
Staff Auditor