



HARFORD COUNTY, MARYLAND

Office of the County Auditor

AUDIT OF ACCOUNTS PAYABLE

Report Number:
2024-A-06

Report Date:
9/21/2023

Council Members and County Executive Cassilly:

In accordance with Section 213 of the Harford County Charter, we have performed an audit of Accounts Payable for the period of 7/1/2021 through 7/31/2023. This audit was conducted as part of the County Auditor's risk-based Annual Audit Plan approved by the County Council for FY2024.

The objective of this audit was to confirm that controls related to Accounts Payable are adequate to ensure that only valid vendors and debts are paid by the County. The scope was limited to payments issued via check, wire or electronic payment and excluded petty cash reimbursements, payroll and appropriations to component units and affiliated agencies. 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; no response was provided.

Sincerely,

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

Chrystal Brooks
County Auditor

CONCLUSIONS

Our opinion, based on the evidence obtained, is controls are adequate to ensure payments are only made to authorized vendors for valid debts of the County and those payments are made timely and accurately. This assessment is based on the strengths and weaknesses identified for the operational objectives below.

Business Process Objective	Assessment ⁱ
Payments are authorized only for valid county debts	Effective
Vendor information is accurate	Effective

BACKGROUND, OBJECTIVES, SCOPE AND METHODOLOGY

The Accounts Payable (A/P) unit within the Department of Treasury is responsible for processing and approving payment documents related to Vendor Invoices, Ad Hoc Payments, Tax Refunds and Employee Expense Reports. Purchases are initiated at the department level and require various approvals depending on the type and amount of the transaction. A/P reviews backup documentation for the purchase to ensure proper accounting codes and correct vendor address and payment amounts prior to payment. Departments can only initiate payments for vendors that are already in the vendor list. To ensure proper segregation of duties, Procurement staff are responsible for adding new vendors and making changes to existing vendors. After final approval by A/P staff, payments are processed for check printing or electronic payment on a weekly basis.

During our 25-month review period, there were nearly 37,700 check or electronic payments issued by the Accounts Payable Department. Those payments totaled approximately \$1.37 billion.

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.

Process / Control Objective	Scope of Review
Payment Authorization	
Payments are supported by vendor invoices or other documentation	<p>For a sample of payments, confirm:</p> <ul style="list-style-type: none">• Supporting documents agree to the amount and vendor to be paid• Due dates are correct• The transaction was allocated to the correct cost center and spend category
Payments are issued in batches on a weekly basis	<ul style="list-style-type: none">• Review data configurations to confirm only expected users can initiate the check printing/ electronic payment process• Perform data analysis to identify and confirm the reasonableness of those made outside of the normal schedule
Duplicate Invoice number cannot be processed	<ul style="list-style-type: none">• Perform data analysis to identify potential duplicate transactions

Process / Control Objective	Scope of Review
Large payments require supervisory, budget and procurement approval	<ul style="list-style-type: none">Review system configurations to confirm that transactions are directed to the correct users for approval
Vendor Management	
Only authorized vendors can be paid	<ul style="list-style-type: none">Review system configurations to confirm that an existing vendor must be selected for invoice entry
New vendors must provide required information	<ul style="list-style-type: none">For a sample of changes to vendor information confirm they agree to supporting documentsPerform data analysis to identify potential duplicates in the vendor file by name, tax identification number or banking information
Changes to vendor information require independent review and approval	<ul style="list-style-type: none">Review system configurations to confirm the change approval requirementsFor a sample of vendor changes, confirm they were entered, reviewed and approved by three different users

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.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate 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

Audit Team:

Chrystal Brooks

CPA, CIA, CGAP, CISA, CGFM, CRMA

County Auditor

Sarah Self, CIA, CGAP

Senior Auditor

ⁱ 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.