



HARFORD COUNTY, MARYLAND

Office of the County Auditor

September 22, 2023

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 FY2024.

What We Found

- 12 recommendations are Closed
- 7 recommendations remain Open

Audit Team:

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

Sarah Self
CIA, CGAP
Senior Auditor

STATUS OF PRIOR AUDIT FINDINGS

Council Members and County Executive Cassilly:

In accordance with Section 213 of the Harford County Charter, we have performed audits of various subject matters. The results of those audits have been communicated to you in prior reports. For each audit finding reported, management has provided a response indicating its agreement or disagreement with the finding, corrective actions and an expected remediation date, if applicable. This report is being sent to update you on management's efforts to address the previously reported recommendations.

The scope of this review was limited to assessing whether management's audit responses have been implemented. In planning and conducting our review, we focused on remediation activity prior to August 1, 2023. Our review was limited to management responses to prior audit findings that indicated an expected remediation date on or before 7/1/2023. Review procedures included inquiries of appropriate personnel and inspection of documents and records. We also tested transactions and performed other procedures we considered necessary to meet the review's objectives.

As of 7/1/2023 there were 17 findings being tracked by the County Auditor, relating to 14 audits and reviews. Two (2) new findings were added during the follow-up period. Based on our review, there are seven (7) findings that remain open and will be included in the next status update.

For action plans that were beyond their due date, but not yet implemented, members of management indicated that remediation efforts were planned. We did not find these to be critical issues requiring further escalation. A summary and details of the status of the audit findings reviewed follows this letter.

This review 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.

Management has been advised of our results and has been given an opportunity to respond to the report; their response is below. 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 McCord, Director of Administration

MANAGEMENT RESPONSE

Management will continue to work towards resolving the open audit findings.

FINDINGS SUMMARY

Audit No.	Audit Name	Status		
		Closed	Open	Total
2018-A-05	Public Information Open Meetings and Records Retention Compliance		1	1
2018-A-15	Facility Access Controls	1	1	2
2020-A-08	Purchase Card Controls	1		1
2021-A-17	Construction Inspection Billing Controls	1		1
2021-A-18	Property Management Controls		1	1
2022-A-09	Procurement Practices		1	1
2022-A-10	Purchase Card Controls	2		2
2022-A-12	Environmental Services Billing and Collection Controls	1		1
2023-A-03	Petty Cash – Highways Maintenance	1		1
2023-A-07	Fleet Maintenance Management	1	1	2
2023-A-09	DPW Inventory Controls	2	1	3
2023-A-18	Grant Award and Monitoring Controls		1	1
2023-A-20C	Hotel Occupancy Tax – Comfort Inn and Suites	1		1
2023-A-20E	Hotel Occupancy Tax – Hilton Garden Inn	1		1
	Grand Total	12	7	19



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DISAGREED FINDINGS

Management disagreed with one finding and has accepted the risk of not implementing the auditors' recommendations. The finding below has been dropped and will not be included in future follow-up reviews.

Orig. Due Date	Revised Due Date	Completion Date	Recommendation	Management Response	Status Comments
2023 Fleet Maintenance Management					
Closed - Dropped					
<i>2023-A-07.02 Preventative Maintenance Performed Late Action Plan</i>					
7/1/2023			<p><i>Preventative maintenance schedules are not always adhered to.</i></p> <p>We recommend management retrain Fleet Liaisons regarding preventative maintenance scheduling requirements.</p>	<p>Management agrees with the assessment of this audit and has met with our provider of maintenance to establish processes going forward. Virtual meetings/training to provide ample opportunity for all Fleet Liaisons to be trained or refreshed on the importance of adherence to the preventive maintenance program. Review with fleet liaisons the guidelines relative to vehicle and equipment usage policies and procedures that are stated in the Fleet Management Manual. The purpose of this will be to ensure that County employees are utilizing County assets for purposes related to county business only. Provide training to improve understanding the following reports currently being distributed – fuel reports, PM reports and billing reports. Review and reinforce Fleet Liaison responsibilities.</p> <p>Fleet Management will also, on as needed basis, provide pertinent updates for cabinet meetings through the procurement director to the respective department directors, as well as reaching out by phone and email to non-Harford County agencies such as HCPL and HCC to communicate important information. Virtual trainings will be held in May and June 2023</p>	<p>Per management "Fleet Management met with our maintenance contractor and found that they were doing their job as required in our contract number 18-176. Most of the issues with the preventative maintenance schedule not being adhered to were a direct result of Covid-19 and agencies not bringing in their units as required. In addition to the procedures currently in place, Fleet Management is following up two and three times via email and phone call notifications to our fleet liaisons to hopefully obtain 100% compliance." Based on this information and management's acceptance of the associated risk, this finding will be closed.</p>

DETAILED FINDINGS STATUS

Orig. Due Date	Revised Due Date	Completion Date	Recommendation	Management Response	Status Comments
2018 Facility Access Controls					
Open - 3+ Years					
<i>2018-A-15.02 Inappropriate or Unnecessary Access (1)</i>					
<i>Some facility access rights are inappropriate or unnecessary.</i>					
11/1/2019	6/30/2023		Active devices assigned to separated employees, or not specifically assigned to County personnel, should be disabled. Additionally, access role configurations should be reviewed periodically and updated to reflect changes in operations.	Management will review the access provided to employees/contractors and refine or correct their privileges.	Management advised Facilities is reviewing access configurations as each building is being re-keyed. However, this is an on-going process and management has not instituted a review process for the assigned configurations.
Closed					
<i>2018-A-15.01 Physical Key Management</i>					
<i>Management does not have a process in place to track physical keys for County facilities.</i>					
11/1/2019	12/31/2022	8/7/2023	We recommend management develop procedures so that, as new locks are installed, new keys are logged and assigned, and PIN locks are periodically changed.	Management appreciates the recommendation and will be reviewing the processes and policies regarding physical key management as well as periodic reprogramming of PIN locks.	Management has re-keyed three county buildings and are in the process of re-keying a fourth. Their plan is to re-key three buildings per fiscal year, subject to available funding. Management has also provided a draft of their Keying Procedures.
2018 Public Information Open Meetings and Records Retention Compliance					
Open - 3+ Years					
<i>2018-A-05.01 Lack of Current Records Retention Schedules</i>					
<i>Records retention schedules are not available.</i>					
6/30/2018	6/30/2024		Each County Department should develop a current records retention schedule and file it with Maryland State Archives.	Management will coordinate with County Departments to develop/update current records retention schedules and file with Maryland State Archives.	Management plans to coordinate with the Law Department and develop document retention policies as needed. This process is expected to take several years.

Orig. Due Date	Revised Due Date	Completion Date	Recommendation	Management Response	Status Comments
2020 Purchase Card Controls					
Closed					
2020-A-08.01 Prohibited Purchases					
<i>Some purchases were made that do not follow the County's purchase card guidelines.</i>					
6/15/2021		8/15/2023	We recommend all cardholders and approving officials receive refresher training regarding the purchase card program, so they are aware of the documentation and approval requirements for purchase card use, including the types of retailers employees are not permitted to make County purchases from. Finally, we recommend that consequences for inappropriate purchase card use be enforced systematically.	<p>All purchase card holders are provided training when they initially receive their card. Procurement provides training as necessary and continues to audit approximately 20% of the cardholder logs. If Procurement deems a purchase was inappropriate they will notify the card holder. Treasury will also do the same if they find an inappropriate use.</p> <p>With regards to the use of a P-Card at a wholesale club, the County will be updating the P-Card policy and procedures manual to allow transactions at wholesale clubs under business memberships, as well as reviewing best practices regarding travel rewards.</p> <p>Training is on-going. We hope to have the manual updated and available to card holders by second quarter of 2021.</p>	Current year testing shows fewer purchases that do not follow the County's purchase card guidelines.
2021 Construction Inspection Billing Controls					
Closed					
2021-A-17.01 Lack of Support for Capital Project Invoicing					
<i>Daily inspection reports were not always available and employee time sheets did not always support time invoiced to developers.</i>					
9/30/2021		8/15/2023	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.	<p>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.</p>	We reviewed a sample of 8 invoices and noted all hours billed were sufficiently supported by appropriate documentation. No exceptions noted.
2021 Property Management Controls					
Open					
2021-A-18.01 Lease Receivable Payments					
<i>Lease receivable payments are not complete and timely.</i>					
6/30/2021			We recommend Facilities and Operations document any actions taken when payments are received late.	<p>Management provided leniency to tenants due to the COVID pandemic, follow-up actions were not planned until after the State of Emergency expired (which is July 1, 2021). All payments were received from tenants and documented.</p>	We reviewed a sample of 6 rental properties, including one that was a noted exception in the FY23 follow up testing. We noted several instances of late or missing payments. We will leave this finding open and address it in the upcoming Property Management Audit scheduled for the fall of 2024.

Orig. Due Date	Revised Due Date	Completion Date	Recommendation	Management Response	Status Comments
2022 Environmental Services Billing and Collection Controls					
Closed					
<i>2022-A-12.01 Incomplete Bonding Documentation for Hauler Vehicles</i>					
<i>Management lacks proper bonding documentation for some approved haulers' vehicles.</i>					
9/1/2022		8/6/2023	We recommend management provide refresher training to employees who review hauler applications. Additionally, management may want to consider updating the Harford County Solid Waste Hauler's License Procedures to thoroughly define criteria for acceptable bond coverage on a per vehicle basis for the various hauler vehicle types so employees will have appropriate criteria to more readily judge the adequacy of a hauler's bonding.	MES agrees with auditors' finding of issues related to performance bond requirement for the haulers. Per the recommendations of the auditors, management will provide refresher training to employees who review hauler applications. Additionally, MES will prepare and provide reference guides to employees related to Harford County Solid Waste Haulers Licenses procedures to ensure adequacy and compliance per the County code and requirements. Procedures and communication will be improved between recipient (Harford County) of the cash bond and the hauler license (Maryland Environmental Service). Each responsible party will verify with each other that sufficient bonding for cash bonds has been provided prior to signing the hauler license package. Issues have already been reconciled for this year.	We tested a sample of hauler applications for bond coverage and noted coverage amounts were sufficient.
2022 Procurement Practices					
Open					
<i>2022-A-09.01 Monitoring of Total Spending</i>					
<i>Total spending by vendor can be improved.</i>					
5/15/2022			We recommend directing additional resources towards the Procurement Department so that staff have more time to strategically monitor spending (and cumulative purchases), in addition to meeting the County's ongoing contracting needs.	We have changed business practices to utilize the functionality of WorkDay and provided the auditors responses to help understand why some purchases are labeled "non-contract." The Code requires contracts \$25,000 and over to be competitively bid when we know what the estimated value will be for a good or service. The Code does not require vendors to be put under contract when an aggregate annual spend is \$25,000 and over. We are proactive when analyzing spend with vendors and ensure we are following the Code. When the estimated spend for a good or service is under \$25,000, the user departments are getting three quotes as required. The premise for purchasing cards is to allow users/cardholders to make small dollar purchases where the spend represents approximately 20% of total dollars spent, but account for approximately 80% of the transactions. Procurement staff focuses on the 80% of total	A deputy director position has been added to the Department of Procurement, but resources are still needed. Management is researching purchase of new procurement software that would provide addition functions such as tracking total vendor spending.

Orig. Due Date	Revised Due Date	Completion Date	Recommendation	Management Response	Status Comments
				<p>dollars spent where we can add more value for the County. That is the best practice established for purchasing card programs in the private and public sectors.</p> <p>While Bank of America has not been able to send us a clean file to integrate pcard data to WorkDay, we are still utilizing the Bank of America system to obtain pcard transactional information. We are currently working on analyzing purchase card spending to determine when it makes fiscal sense to enter into contracts with some vendors.</p> <p>We welcome the review of the details of the 192 vendors stated in the response above. Again, the Code does not require vendors with aggregate spend of \$25,000 and over to be contracted with, but when the opportunity exists for goods or services \$25,000 and over from a good business perspective to be placed under contract, that is when we take appropriate measures to complete that process.</p>	

2022 Purchase Card Controls

Closed

2022-A-10.01 Unallowable or Unsupported Purchases

Some purchase card transactions were not allowed per County policy or lacked sufficient documentation to support the necessity, appropriateness, and approval of purchases.

6/30/2023	8/15/2023	We recommend management enforce existing procedures related to review and approval of cardholders' transactions and logs and enforce related consequences for cardholders and approvers who do not comply with the purchase card guidelines. In addition, management may consider hosting Refresher Training for all P-Card holders.	Procurement and Treasury will continue to train and reinforce the policies and procedures regarding P-Card purchases.	Current year testing shows fewer purchases that do not follow the County's purchase card guidelines.
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2022-A-10.02 Untimely Cardholder Log Submission, Review and Approval

Monthly cardholder logs are not always prepared or approved in a timely manner to ensure purchases are appropriate.

6/30/2023	8/21/2023	We recommend management enforce existing procedures related to review and approval of cardholders' transactions and logs and enforce related consequences for cardholders and approvers who do not comply with the purchase card guidelines. In addition, management may consider hosting Refresher Training for all P-Card holders.	Procurement and Treasury will continue to train and reinforce the policies and procedures regarding P-card purchases.	Current year testing shows fewer untimely cardholder log submissions and reviews.
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Orig. Due Date	Revised Due Date	Completion Date	Recommendation	Management Response	Status Comments
2023 DPW Inventory Controls					
Open					
<i>2023-A-09.01 Highways Inventory missing from AssetWorks</i>					
<i>Within Highways Maintenance, items over \$500 are not captured in the County's asset management system managed by Facilities & Operations.</i>					
3/1/2023			Highway Maintenance should request asset tags for equipment over \$500 to ensure they are captured in the County's AssetWorks system.	Highways maintenance has had preliminary conversations with Facilities and Operations and will share their asset list with F&O to make sure equipment over \$500 is captured in the County's AssetWorks system.	Highways has provided a list of their minor equipment items to Facilities for inclusion in AssetWorks. Facilities is in the process of drafting new procedures for how to handle these types of assets and provided a copy of the draft for review.
Closed					
<i>2023-A-09.02 - Inventory Procedures Consistency - Water/Sewer</i>					
<i>Across the Division of Water & Sewer, inventory and equipment management processes lack continuity.</i>					
7/1/2023		8/8/2023	We recommend management document procedures for Water and Sewer inventory that will be consistent across its bureaus, when reasonably possible. Among many topics, those procedures should address parts requests, small item tracking, manual adjustments and periodic monitoring.	The Division of Water & Sewer commits to consistent accountability and compliance with County policy for inventory control. The division uses CityWorks as its computerized maintenance management system (CMMS), for which it is a powerful and efficient application. However, because of differences in the day-to-day operations between Maintenance and Operations, we do not see a benefit in adopting the same procedures for both. The Division of Water & Sewer will prepare updated written procedures for managing parts requests and inventory controls in accordance with County policies. The procedures may include provisions for management review of manual adjustments to the CityWorks inventory.	Management provided a copy of their updated Storeroom Procedures, drafted in response to the audit finding.
<i>2023-A-09.03 - CityWorks System Access</i>					
<i>Controls are not adequate to ensure the timely deactivation of CityWorks user accounts.</i>					
3/1/2023		8/8/2023	We recommend refresher training be provided to staff responsible for completing computer access/revocation request forms to ensure all relevant systems are captured.	Refresher training will be provided to administrative staff responsible for completing computer access/revocation requests for Division employees. The training will instruct them to provide notification to the CityWorks Administrator for any Division employee that transfers or separates from county service. Administrative staff will be provided this training shortly and then are expected to update their work process to accommodate this change.	Management noted refresher training was provided to all administrative staff and removing access is now part of the normal out-processing steps when an employee leaves service.

Orig. Due Date	Revised Due Date	Completion Date	Recommendation	Management Response	Status Comments
2023 Fleet Maintenance Management					
Open					
<i>2023-A-07.01 Vehicle Usage Not Routinely Monitored Action Plan</i>					
<i>Departments do not regularly monitor usage of assigned Fleet vehicles.</i>					
7/1/2023			Departments should ensure required vehicle checklists are being completed and reviewed regularly to confirm usage complies with County guidelines. In addition, Fleet liaisons would benefit from refresher training on their job duties.		Per management, "Fleet Management reached out to our Fleet Liaisons for training but due to circumstances beyond our control, such as Spring/Summer schedules etc., we had to reschedule our Fleet Users Meeting/Trainings on October 15th, 2023. We will be offering training stations, PM importance, Fleet Liaisons Responsibilities Review, along with other important information."
2023 Grant Award and Monitoring Controls					
Open					
<i>2023-A-18.01 Allocation of Grants and Contributions</i>					
<i>A number of Grants were recorded as Contributions in the accounting system.</i>					
7/3/2023			We recommend management update its procedures for allocating funding to spend categories based on whether they require a grant agreement and monitoring and whether they were competitively awarded.	As we move forward with Tourism Funding administered through OED effective FY24, we have identified grant procedures with agreements in place specifying recipients' obligations. In addition, for FY24 all grants provided by the County through Grant-in-Aid will be administered by the Department of Housing and Community Development for a more streamlined process.	Management is currently working on ensuring funds for grants and contributions are spent from the correct categories following the implementation of new processes for Tourism funding.
2023 Hotel Occupancy Tax					
Closed					
<i>2023-A-20C.01 Incorrect HOT Exemptions</i>					
<i>Comfort Inn and Suites incorrectly reported occupancy tax exemptions resulting in an overpayment.</i>					
8/31/2023		8/25/2023	We recommend the Treasurer's Office notify the hotel operator of the balance to be applied towards future taxes.	Treasury agrees with the Auditor's calculations.	The Hotel operator's tax configuration error was corrected while the auditor was onsite and Treasury has applied the overpayment balance towards future taxes.

Orig. Due Date	Revised Due Date	Completion Date	Recommendation	Management Response	Status Comments
2023-A-20E.01 Incorrect HOT Exemptions					
<i>Hilton Garden Inn overreported occupancy tax exemptions resulting in an underpayment.</i>					
8/7/2023		8/7/2023	We recommend the Treasurer's Office notify the hotel operator of the balance of the unpaid taxes and interest.	County: We agree with the auditor's calculation and confirmed that the hotel operator paid the amount due. Hotel Operator: We have reviewed the auditor's workpapers and agree with the auditor's findings. We have paid the underpayment and fixed the issues that were uncovered in the audit.	The hotel operator paid the amount due promptly.

2023 Petty Cash

Closed

2023-A-03.01 Timely Petty Cash Accounting

Some Petty Cash reimbursements for Highways were not done timely.

8/31/2022		8/1/2023	We recommend Petty Cash supervisors reconcile their funds every 30 days in accordance with the County Code and confirm such with their supervisors or department heads.	DPW Highways agrees with the findings. We will reconcile the fund at least every 30 days.	The Highways Petty Cash Fund has been closed so no further reconciliations are needed.
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