HARFORD COUNTY, MARYLAND
Office of the County Auditor

AUDIT OF HARFORD TRANSIT CASH RECEIPTS CONTROLS

Report Number:
2024-A-13

Report Date:
1/23/2024

Council Members and County Executive Cassilly:

In accordance with Section 213 of the Harford County Charter, we have performed an audit of Harford Transit Cash Receipts Controls for the period of 7/1/2021 through 11/30/2023. 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 the audit was to determine if controls are adequate to ensure that fare revenue collected for Harford Transit is physically protected and deposited completely. The results of the audit and our findings 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,

Chrystal Brooks, CPA

Chrystal Brooks
County Auditor

CONCLUSIONS

Our opinion, based on the evidence obtained, is controls are adequate to ensure that Transit revenue is collected completely, held securely, deposited timely and correctly accounted for. This assessment is based on the strengths and weaknesses identified for the operational objectives below.

Business Process Objective	Assessment[i]
Riders are charged the correct rates	Effective
Revenue is reported correctly	Effective
Cash is deposited completely and timely	Effective

BACKGROUND, OBJECTIVES, SCOPE AND METHODOLOGY

Harford Transit LINK is Harford County's public transportation bus system and a division under the Department of Housing and Community Services. LINK is approved for operation by the Maryland Public Service Commission and operates Monday through Friday, with seven routes countywide and into Cecil County. In addition to regular fixed bus routes, Harford Transit operates on-demand transit services and vehicles are available for riders who are non-ambulatory or need other assistance.

Transit users pay for their rides in cash or by purchasing ride tokens or daily, weekly or monthly passes using the Token Transit app. Passengers may also buy paper vouchers from the Transit office to be used instead of cash for both fixed route and demand response trips. Seniors over age 60 and disabled riders pay reduced rates when they present appropriate documentation. During our review period, Harford Transit reported fare revenue of approximately $631,500 (about $260,000 annually). The totals represent approximately 636,000 fixed route rides and 100,000 demand response trips. Transit relies on Federal and State grant revenue to help fund the program. Receipt of grant revenue is dependent upon maintaining compliance with grant terms, including proper allocation of revenue.

There were no issues reported in a prior audit of this process. 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
Correct Fares	
Riders pay standard rates and they cannot be adjusted by drivers	• Perform data analysis to confirm fare rates were correct
Reduced fares are supported by appropriate documentation	• Perform data analysis to determine if discounts were material. If so, review a sample to ensure they were supported. *The number and amount of discounts were immaterial.*

Process / Control Objective	Scope of Review
Timely, Complete Deposits	
Cash collected is held securely and deposited timely	• Observe the physical security of cash on buses and in the Transit office • For a sample of days, confirm that the deposit was made within 3 business days • For sampled days, confirm the cash could be reconciled to transaction logs
Revenue Recognition	
Electronic token revenue is received timely and completely from the app vendor	• For a sample of weeks, confirm Token Transit deposits were received timely and are supported by transaction details.
Transactions are assigned to the correct grant accounts	• Confirm that journal entries for sampled deposits were coded correctly • For a sample of months, confirm that reconciling journal entries agreed to supporting documents

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	Audit Team:
Ms. Barbara Richardson, Director, Housing and Community Services	Chrystal Brooks
Mr. Gary Blazinsky, Administrator, Harford Transit	CPA, CIA, CGAP, CISA, CGFM, CRMA
Mr. Robert Sandlass, County Treasurer	*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.