HARFORD COUNTY, MARYLAND
Office of the County Auditor

AUDIT OF EMPLOYEE SEPARATION PROCEDURES

Report Number:
2025-A-01

Report Date:
8/23/2024

Council Members and County Executive Cassilly:

In accordance with Section 213 of the Harford County Charter, we have performed an audit of the County's Employee Separation Procedures for the period of 7/1/2022 through 6/30/2024. This audit was conducted as part of the County Auditor's risk-based Annual Audit Plan approved by the County Council for FY2025.

The objective of this audit was to confirm that when employees are separated from County service, their physical, financial, and electronic access to County resources is properly revoked and leave payouts are correct. The scope was limited to employees who are paid through the County payroll department. 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; they have been provided an opportunity to respond to this report; the responses provided follow the Issues and Corrective Actions.

Sincerely,

Chrystal Brooks, CPA

Chrystal Brooks
County Auditor

CONCLUSIONS

Our opinion, based on the evidence obtained, is controls are adequate to ensure that unused paid leave is paid correctly for separated employees, but controls can be improved to ensure timely revocation of network access and to confirm the return of County assets. This assessment is based on the strengths and weaknesses identified for the operational objectives below.

Business Process Objective	Assessment[i]
Timely Notification of Separation	Generally Effective
Accurate Payroll	Effective
Financial, Physical and Logical Access	Generally Effective

ISSUES AND CORRECTIVE ACTIONS

2025-A-01.01 Timeliness and Completeness of TERM forms

When an employee leaves County service, their supervisor must complete a TERM form electronically to notify HR of the change in status. Timeliness of these forms is important to ensure that benefits enrollment is updated, payroll is discontinued, leave payouts are calculated and computer access is revoked in a timely fashion. TERM forms may be completed before the last day of work.

We reviewed the TERM forms for a sample of 45 employees no longer receiving pay. We noted 6 were not completed within 2 business days after the employee's separation date. Those forms were initiated between 9 and 30 days after the employees' separation dates.

Human Resources notifies Payroll of employee separations, in part, so that any relevant reductions can be made from the employee's last pay. Human Resources attempts to recover items that were not returned prior to initiating a payroll deduction. Items that have been returned should be noted on the TERM form, along with items that have not been returned. We noted that 11 of the TERM forms did not confirm any "County Equipment Returned" or "County Equipment Not Returned".

It is not clear, based on our testing, that departments have confirmed all assigned items were returned.

We recommend supervisors receive refresher training on steps to be taken when an employee leaves County service.

Management Response: Management agrees and managers will be reminded of the current practices and procedures. Training will be adjusted with the implementation of the new HR system on Workday, as refreshed procedures will accompany the new system. Accordingly, a focus will be on the expectation that termination forms are to be submitted at the time of termination for standard resignations of two weeks; with exceptions made for expedited terminations due to cause.

Expected Completion Date: Managers were reminded at the last Cabinet meeting and will be updated with the implementation of HR Workday.

2025-A-01.02 Timeliness of Network Account Disabling

For most County employees, computer access is revoked after a TERM form is completed; the person completing the form must notify ICT that system access needs to be removed. ICT disables the user account when notice is received. We found 12 of 45 users' accounts were not disabled timely (within 3 days of TERM form completion), including 1 account that remained active as of 8/1/24. Most of the accounts were disabled within 1 month of completion of the TERM form.

There is not a process in place to identify all of the applications that are assigned to an employee, so ICT staff review the most obvious system assignments and revoke any access identified. Accordingly, we did not test whether application access was revoked.

When network access is not revoked timely, former employees may continue to have access to sensitive information.

We recommend ICT implement a process to confirm that the TERM related Computer Access tasks are completed timely.

Management Response: Management agrees that account access should be disabled in coordination with the termination date of an employee. Additionally, steps can be taken to move account files to a storage file outside of a disabled account. This would replace the current process of reenabling access to an account on a need-to-need basis.
ICT and HR will work together to implement a standard turnaround time between termination date and account disabling based on the new HR Workday process; a standard window of time can also be made for expedited terminations due to cause.

Expected Completion Date: In coordination with HR Workday implementation.

MANAGEMENT RESPONSE

Management is satisfied with addressing the individual recommendations in the preceding Management Response sections.

BACKGROUND, OBJECTIVES, SCOPE AND METHODOLOGY

When employees leave County service, supervisors are responsible for collecting assigned equipment, keys and badges and notifying Human Resources of the separation. Human Resources takes steps to ensure that personnel files are updated, and other departments are notified of the separation. Information and Communication Technology (ICT) uses the information to disable access to County computer systems. Treasury uses the information to pay out unused leave. Procurement uses this information to disable purchase cards. During the audit period, there were approximately 500 separations and almost 400 leave payouts.

The audit approach focused on testing the key controls that address management's objectives. We have reviewed the issues reported in a prior audit to determine their impact on our audit procedures. All of the prior issues were closed prior to starting this project. Our audit procedures included interviewing personnel, observation and testing as described in the table below.

Process / Control Objective	Scope of Review
Timely Notification of Separation	
Supervisors complete TERM forms timely	For sampled separations: • Confirm TERM forms were completed within 2 business days
Separation dates reflect the employees' last work dates	• Confirm that the separated last working date is the same period as the final pay
Accurate Payroll	
Final Paycheck is correct	• Confirm the date of the last pay is correct
Former employees are paid only for time worked before their termination dates	• Confirm that the last regular pay agrees to the last date worked
Leave payouts are accurate	• Confirm that the correct number of hours of accrued leave were paid • Confirm that the leave pay rate agrees to the correct, final pay rate

Process / Control Objective	Scope of Review
Financial, Physical and Logical Access	
Purchase cards are disabled timely	• Confirm that purchase cards for separated employees were disabled within 1 week
County assets are returned when employees separate	• Confirm that the TERM form includes notes about returned items
Network accounts are only active for current employees	• Confirm that network access was disabled within 3 business days of ICT notification

Areas for improvement are described in the Issues and Corrective Actions section of this report.

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:	**Audit Team:**	
Ms. Tiffany Stephens, Director of Human Resources Mr. Nicholas Kuba, Director of Information and Communication Technology Mr. Robert Sandlass, County Treasurer	Chrystal Brooks CPA, CIA, CGAP, CISA, CGFM, CRMA *County Auditor*	Sarah Self, CIA, CGAP *Senior Auditor* Cassandra Binesar *Audit Intern*

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[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.