



HARFORD COUNTY, MARYLAND

Office of the County Auditor

AUDIT OF REAL PROPERTY TAX BILLING AND COLLECTION CONTROLS

Report Number:
2025-A-06

Report Date:
10/2/2024

Council Members and County Executive Cassilly:

In accordance with Section 213 of the Harford County Charter, we have performed an audit of Real Property Tax Billing and Collection Controls for the period of 7/1/2022 through 8/1/2024. 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 determine if controls are adequate to ensure that real property tax revenue was recorded and collected completely and correctly. 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 and no response was provided.

Sincerely,

Chrystal Brooks
County Auditor

CONCLUSIONS

Our opinion, based on the evidence obtained, is controls were adequate to ensure that bills were correct and complete, credits were authorized, and late fees were charged and collection actions taken when required. This assessment is based on the strengths and weaknesses identified for the operational objectives below.

Business Process Objective	Assessment ⁱ
Ensure that property taxes are levied correctly and completely	Effective
Ensure that tax credits are applied correctly to qualified bills	Effective
Ensure that payments are processed correctly and collection steps are taken when timely payment is not received	Effective

BACKGROUND, OBJECTIVES, SCOPE AND METHODOLOGY

Real Property tax income is Harford County's largest source of revenue. Each year, the County bills approximately 100,000 properties, collecting more than \$300 million in County taxes. Maryland State law provides that all real property is subject to property tax with a few exceptions. The State Department of Assessments and Taxation (SDAT) is responsible for assessing property values once every three years. Harford County uses those assessments to generate bills by applying the appropriate tax rates, fees, and credits. Annual property tax bills may also include charges for special assessments, and other mandated taxes and fees. Those other charges were not within the scope of this audit.

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. We reviewed issues reported in prior audits to determine their impact on our planned procedures. No prior issues remained open when starting this project.

Process / Control Objective	Scope of Review
Property Tax Invoicing	
Tax invoices are calculated in an automated fashion using assessments received from the State	<ul style="list-style-type: none"> Recalculate tax bills for the period under review
Tax Credits	
Tax credits are only awarded to qualified properties	<ul style="list-style-type: none"> Test a sample of credits to confirm they were supported
Collections	
Amounts due are adjusted only when payment is received or with support and supervisory review	<ul style="list-style-type: none"> Test a sample of adjustments to confirm they were proper and supported
Late charges and penalties are applied automatically by the billing system when late payments are applied	<ul style="list-style-type: none"> Recalculate fees on all late payments to confirm interest and penalties were charged
Properties are subject to Tax Sale when accounts are overdue	<ul style="list-style-type: none"> Confirm all required steps were completed to overdue accounts sold at tax sale

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:	
Mr. Robert Sandlass, County Treasurer	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.