



HARFORD COUNTY, MARYLAND

Office of the County Auditor

AUDIT OF CAPITAL PROJECTS FOR AFFILIATED AGENCIES

Report Number:
2025-A-10

Report Date:
2/12/2025

Council Members and County Executive Cassilly:

In accordance with Section 213 of the Harford County Charter, we have performed an audit of Capital Project Reimbursements for Harford County's Affiliated Agencies for the period of 1/1/2022 through 12/31/2024. This audit was conducted as part of the County Auditor's risk-based Annual Audit Plan approved by the County Council for Fiscal Year 2025.

The objective of this audit was to determine if affiliated agency requests for capital project reimbursements are supported. The scope of this review was limited to reviewing the invoices and supporting documentation for capital project reimbursements. 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 were provided an opportunity to respond to this report; no response was provided.

Sincerely,

Chrystal Brooks, CPA

Chrystal Brooks
County Auditor

CONCLUSIONS

Our conclusion, based on the evidence obtained, is that controls for Harford County and its affiliated agencies are adequate to ensure that capital project costs are proper, approved and accounted for. This assessment is based on the strengths and weaknesses identified for the operational objectives below.

Business Process Objective	Assessmentⁱ
Ensure capital project expenses are appropriately justified by supporting records.	Effective
Ensure capital project payments do not exceed approved budget amounts.	Effective

MANAGEMENT RESPONSE

Management would like to thank the Auditor and staff for its review of Capital Projects and its operational effectiveness.

BACKGROUND, OBJECTIVES, SCOPE, AND METHODOLOGY

Harford County reimburses its component units and affiliated agencies for capital project expenditures incurred. Capital projects include the purchase or improvement of a facility or property and related fixed equipment costs; they exclude maintenance costs of those facilities. Capital projects are approved by the County Council each year during the budget process.

For most capital projects, County employees supervise the projects and approve invoices for payment. However, capital projects for Harford Community College (HCC), Harford County Public Schools (HCPS), and the volunteer fire companies (VFC) are managed by those agencies. Harford County Public Library (HCPL) does not manage its own capital projects but does pay for new capital equipment. For these agencies, their normal accounts payable processes ensure that products and services received are satisfactory and approved prior to paying vendor invoices. Throughout the year, each agency prepares reimbursement requests, summarizing the expenses they have incurred and paid.

The County Treasurer's office reviews each reimbursement request to ensure that all of the project costs are within the approved budget. Since these costs are entered into the County's accounting system, automated controls ensure that overpayments are not allowed. Total reimbursements to the affiliated agencies during the audit period were approximately \$88.9 million. HCPS accounted for the majority of the reimbursement payments, with 78% of the total funds reimbursed. Three capital projects were responsible for 47% of the reimbursement requests: HCPS's Homestead Wakefield Elementary School Major Project (\$19.4 million), HCPS's Joppatowne High School Systemic Project (\$10.3 million), and HCC's Chesapeake Welcome Center (\$12.2 million). In our testing, we sampled 36 of the 130 reimbursement requests, totaling \$44.3 million, nearly half of the total reimbursed. Our sample included all of the agencies reimbursed.

The audit approach focused on testing the key controls that address management's objectives. We met with personnel from the affiliated agencies to gather an understanding of the capital project expense tracking, payment, and reimbursement processes. We reviewed the prior audit files and noted that there were no issues reported. Our audit procedures are described in the table below.

Process / Control Objective	Scope of Review
Review and Approval of Expenditures	
Affiliated agencies review invoices for capital project expenditures and certify receipt of goods and services prior to payment.	<p>Review supporting documentation for a sample of reimbursement requests to confirm:</p> <ul style="list-style-type: none">• The amount requested is supported by vendor invoices• Invoices were for allowable cost• Invoice totals were correct• Agency staff reviewed invoices prior to vendor payments
Tracking Budget Authorization	
Treasury ensures reimbursement of capital project expenses to affiliated agencies does not exceed approved budget amounts	<ul style="list-style-type: none">• Confirm total project spending is compared to approved budget amounts in the County's accounting system

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
Ms. Deborah Judd, Asst. Superintendent for Business Services, HCPS	CPA, CIA, CGAP, CISA, CGFM, CRMA
Ms. Karina Jackson, Associate Vice President, Finance, HCC	<i>County Auditor</i>
Ms. Mary Hastler, Chief Executive Officer, HCPL	Brad DeLauder
Mr. Rick Ayers, Director, Emergency Services	CPA CIA <i>Senior Auditor</i>

¹ 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.