



# HARFORD COUNTY, MARYLAND

## Office of the County Auditor

### AUDIT OF EMPLOYEE BENEFITS ADMINISTRATION

**Report Number:**  
2025-A-14

**Report Date:**  
6/23/2025

Council Members and County Executive Cassilly:

In accordance with Section 213 of the Harford County Charter, we have performed an audit of the administration of employee benefits for the period of 1/1/2024 through 2/28/2025. 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 procedures are in place to ensure that Harford County employees receive the correct benefits, appropriate premiums are collected, and the County monitors its outgoing payments for benefits provided. The scope was limited to the controls over enrollment, deductions, and subsequent premium payment reconciliations for employees paid by the County Government. 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 response(s) provided follows the Issues and Corrective Actions.

Sincerely,

*Chrystal Brooks, CPA*

Chrystal Brooks  
County Auditor

### CONCLUSIONS

Our opinion, based on the evidence obtained, is Harford County employees received the correct benefits, and the County monitored its outgoing payments for benefits provided; however, controls can be improved to ensure appropriate premiums are collected. This assessment is based on the strengths and weaknesses identified for the operational objectives below.

| Business Process Objective  | Assessment <sup>i</sup> |
|---|-------------------------|
| Ensure employees receive the correct benefits                                   | Effective               |
| Ensure appropriate premiums are collected through employees' payroll deductions | Generally Effective     |
| Ensure payment amounts are correct and paid to the correct vendors              | Effective               |

## ISSUES AND CORRECTIVE ACTIONS

### 2025-A-14.01 Incorrect Deductions for Crossing Guards

During the review of payroll deductions for fiscal year 2025, we identified that incorrect benefit deduction rates were applied to employees classified as Crossing Guards. As a result, excess amounts were deducted from their paychecks. The error appears to have resulted from the previous Benefits Administrator (a contracted firm) providing the Payroll department with incorrect rates for medical, dental, and vision plans for the Crossing Guards. Those incorrect rates were then entered into the payroll system. Payroll deduction rates must be applied accurately and in accordance with approved rate schedules and employment classifications to ensure accurate application of agreed upon rates and lawful compensation practices. The incorrect rates resulted in overpayments by 9 employees, almost entirely relating to medical plans, totaling approximately \$3,700 through February 2025. If the issue remains uncorrected, the projected overpayment for the fiscal year will be about \$6,400.

We recommend that management promptly review and correct the deduction configurations for Crossing Guards in the payroll system and reimburse overpayments to affected employees. Additionally, internal controls over rate changes, specifically as it relates to communication with and confirmation of deduction rate changes within the division of Payroll, should be strengthened to prevent the recurrence of similar errors.

**Management Response:** Crossing guards have a unique cost-split for benefits that is not shared among other employees. Management agrees that the employer/employee benefit cost split was incorrectly calculated for ten crossing guards who are on county health insurance. This unique cost-split for benefits contributed to the miscalculation. The final pay of FY 2025, which is effective on June 27, 2025, properly calculates the benefit split, resulting in a net employer increase of \$626.44 for that specific pay. In order to correct for the prior pay periods of FY 2025, the appropriate amounts will be refunded to each of these ten employees and will be included in the June 27th paychecks.

## **BACKGROUND, OBJECTIVES, SCOPE, AND METHODOLOGY**

Harford County Government provides varying benefits to its employees, including health, dental, vision, life insurance, retirement, and health and dependent care flex benefits plans. Within the audit period, a total of 2,001 employees were actively enrolled in one or more of these benefit programs and had corresponding benefit deductions processed through payroll. On a biweekly basis, employee work and leave hours must be documented, time and salary adjustments made, benefit deductions managed, accounting transactions recorded, and payments deposited to employees' bank accounts while on a monthly basis invoices from benefits vendors must be reconciled to pay deductions and paid.

The administration of employee benefits is managed by the Department of Human Resources in coordination with the Department of Treasury, which oversees payroll processing. Accurate enrollment, timely processing of benefit changes, and proper deduction of premiums are necessary to ensure compliance with plan requirements, contractual obligations, and fiscal accountability.

Employees contributed \$2.1, \$2.3, and \$2.5 million toward their benefits costs in fiscal years 2023 through 2025 (projected through June). In the same period, benefit costs paid by the County were \$25.9, \$28.1, and \$29.4 million, respectively. In each of those years benefit costs paid by the County represented approximately 13.0% of the County's personnel expenditures. Consequently, effective controls over benefits administration are critical to safeguard public funds, maintain data integrity, and ensure employees receive the appropriate coverage. This audit was initiated to evaluate the efficiency and effectiveness of Harford County's employee benefits administration, assess the accuracy of benefit deductions, and determine whether internal controls are in place to prevent errors and detect potential irregularities.

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.

| <b>Process / Control Objective</b>  | <b>Scope of Review</b>  |
|---|---|
| <b>Employee Benefits</b>  |   |
| Benefits selected by employees are automatically transferred accurately from the elections system to the HR/Payroll system. | <ul style="list-style-type: none"><li>• Observe and document benefit selection within the employee benefits system and the accurate interfacing with the HR/Payroll system.</li></ul> |

| Process / Control Objective  | Scope of Review   |
|--|---|
|  | <ul style="list-style-type: none"> <li>For a sample of employees, confirm that enrolled benefit levels match payroll deductions and agree to their benefits selections.</li> </ul>  |
| Benefits changes require approval and initiation from a Human Resource Benefits Specialist.                    | <ul style="list-style-type: none"> <li>Observe and document system controls over an employee-initiated change of benefits due to a qualifying life event.</li> </ul>  |
| The benefits elections system restricts employees' enrollment to only eligible benefit options.                | <ul style="list-style-type: none"> <li>Observe and document system controls over required or limited fields within the employee benefits system.</li> </ul>   |
| Reports containing improperly completed fields during enrollment are automatically generated.                  | <ul style="list-style-type: none"> <li>Confirm the most recent Error Reports were transmitted and a review process exists.</li> </ul>   |
| <b>Benefit Deductions</b>  |   |
| Benefit deductions are calculated based on employee elections, employment status and the relevant rate tables. | <ul style="list-style-type: none"> <li>Perform data analysis of benefits deductions to ensure they agree to the County's rate tables.</li> <li>For a sample of employees, confirm that enrolled benefit levels match payroll deductions.</li> </ul> |
| <b>Benefit Provider Payments</b>   |   |
| Payroll reconciles vendor invoices to the benefits premiums collected during the month.                        | <ul style="list-style-type: none"> <li>Confirm payments to benefit providers are reconciled to the providers' invoices and to the premiums of each employee.</li> <li>Confirm benefits terminate appropriately for separated employees.</li> </ul>  |

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.

| <b>Report Distribution:</b>                       | <b>Audit Team:</b>   |
|---|--|
| Mr. Robert Sandlass, County Treasurer             | Chrystal Brooks<br>CPA, CIA, CGAP, CISA, CGFM, CRMA<br><i>County Auditor</i> |
| Ms. Tiffany Stephens, Director of Human Resources | Brad DeLauder<br>CPA, CIA<br><i>Senior Auditor</i>                           |

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<sup>i</sup> 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.