



HARFORD COUNTY, MARYLAND

Office of the County Auditor

August 22, 2017

Report Highlights

Why We Did This Audit

This audit was conducted as part of the County Auditor's risk-based Annual Audit Plan approved by the County Council for FY2018.

What We Found

We noted twenty-five (25) findings have been closed and 9 findings have been dropped. Thirty-one (31) remain open.

STATUS OF PRIOR AUDIT FINDINGS

Council Members and County Executive Glassman:

In accordance with Section 213 of the Harford County Charter, we have performed audits of various subject matters. The results of those audits have been communicated to you in prior reports. For each audit finding reported, management has provided a response indicating its agreement or disagreement with the finding, corrective actions and an expected remediation date, if applicable. This report is being sent to update you on management's efforts to address the previously reported recommendations.

The scope of this review was limited to assessing whether management's audit responses have been implemented. In planning and conducting our review, we focused on remediation activity prior to August 1, 2017. Our review was limited to management responses to prior audit findings that indicated an expected remediation date on or before 07/01/2017. Review procedures included inquiries of appropriate personnel and inspection of documents and records. We also tested transactions and performed other procedures we considered necessary to meet the review's objectives.

As of 07/01/2017 there were 64 findings being tracked by the County Auditor, relating to 30 audits and reviews. One (1) new finding was added during the follow-up period. The disposition of the audit recommendations is as follows:

<u>Closed</u>	<u>Dropped</u>	<u>Open</u>
25	9	31

Based on our review, there are 31 findings that remain open and will be included in the next status update. A summary of the current status of the audit findings reviewed follows this letter.

We would like to thank the members of management for their cooperation during the audit. The Board of Education's Internal Auditor, Laura Tucholski, assisted us by providing the status of the findings related to the schools.

Management has been advised of our results and has been given an opportunity to respond to the report; however, no response was provided. The audit team is available to respond to any questions you have regarding the attached report.

Sincerely,



Chrystal Brooks
County Auditor

cc: Mr. Billy Boniface, Director of Administration

FINDINGS SUMMARY

Audit No.	Audit Name	Status			Total
		Closed	Closed - Disagreed	Open	
2012-A-02	Procurement Practices	1		3	4
2012-A-03	Grants Administration and Monitoring Controls	1			1
2012-A-04	Payroll Controls	2			2
2013-A-04	Accounts Payable Controls	1			1
2013-A-08	Section 214 Review - Human Resources		1		2
2013-L-02	2013 Budget Bill Analysis			1	1
2014-A-09	Property Management Controls			2	2
2014-A-15	Section 214 Review of County Council		1		1
2014-F-01	Financial Statement Audits for FY2014		1	1	2
2014-L-03	2014 HCPS Budget Analysis	1		1	2
2015-A-01	Network Security Monitoring Controls			1	1
2015-A-03	Ethics Disclosures and Related Processes	1		1	2
2015-A-04	Contract Management			2	2
2015-A-05	2015 Purchase Card Controls	1		3	4
2015-L-03	2015 HCPS Budget Analysis			1	1
2015-S-01	HCPS Financial Management Practices	8	3	3	14
2016-A-02	2016 Purchase Card Controls	3		1	4
2016-A-03	Recruitment and Hiring Practices			2	2
2016-A-04	Economic Development Programs	3			3
2016-A-06	Inspections Standards, Billing and Collection			1	1
2016-A-13	2016 Petty Cash Audits	2			2
2016-F-02	Financial Statement Audits for FY2016			2	2
2016-L-03	2016 HCPS Budget Analysis			1	1
2017-A-01	Environmental Services Billing and Collection			1	1
2017-A-02	Recreation Council Collections and Disbursements		1		1
2017-A-05	Cable Franchise Fee Revenue	1			1
2017-A-06	Grant Award and Monitoring Controls		2	1	3
2017-A-09	License Issuance and Billing Controls			1	1
2017-A-15	Hotel Occupancy Tax Revenue			1	1
2017-L-02	2017 Budget Analysis for FY2018			1	1
	Grand Total	25	9	31	65



HARFORD COUNTY, MARYLAND

Office of the County Auditor

Period Covered:
8/1/2016 through
6/30/2017

Report Number:
2018-A-01

Date Issued:
08/22/2017

STATUS OF PRIOR AUDIT FINDINGS

This review 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.

The status of Open and Closed Findings follows the 'Disagreed Findings' section of this report.

DISAGREED FINDINGS

Management disagreed with nine (9) findings and has accepted the risk of not implementing the auditors' recommendations. These findings will not be included in future follow-up reviews. The findings are as follows:

Orig. Due Date	Revised Due Date	Completion Date	Recommendation	Management Response	Status Comments
2014 Section 214 Review Human Resources					
Closed - Dropped					
<i>2013-A-08.02 Leave Payout During Employment</i>					
<i>Annual and Compensatory Leave were paid to a current employee, overriding the standard practice and policy.</i>					
3/5/2014	12/31/2015		We recommend management clarify the policies and procedures related to payment of excess leave balances for current employees. We further recommend that management deny this type of request unless specific criteria for approval have been enumerated.	Management disagrees that the policies and procedures related to the payment of leave balances earned by cabinet members are in need of clarification.	Management has not taken steps to update the relevant policies. Since there have been any similar payments, we will not continue to follow-up on this issue.

Orig. Due Date	Revised Due Date	Completion Date	Recommendation	Management Response	Status Comments
2015 Financial Statement Audits for FY2014					
Closed - Dropped					
<i>2014-F-01.01 VFC Financial Reporting Standards</i>					
<i>Volunteer Fire Companies do not report comparable financial information.</i>					
6/30/2015	12/31/2015		We recommend County officials work with fire companies to clarify allowable expenses and to determine standards for consistent financial reporting.	We agree with the recommendations and plan to work with the emergency response providers to identify and implement best practices.	After reporting this issue for 3 years, management has not taken steps to develop a reporting standard. We will not continue to follow this recommendation.
2015 HCPS Financial Management Practices					
Closed - Dropped					
<i>2015-S-01.04 Personnel Transaction Reviews</i>					
<i>Independent reviews of payroll and personnel transactions were lacking and access to the automated system was not properly restricted.</i>					
6/30/2015			We recommend that HCPS a. perform a documented independent review of personnel and payroll transactions (repeat), b. resolve the noted payment error, and c. limit assignments of critical system functions to those employees who require such capabilities to perform their job duties (repeat).	a. Agree. Beginning this fiscal year, HCPS will perform a periodic documented independent review of personnel and payroll transactions on a test basis. b. Agree, in part. HCPS will strengthen procedures to ensure that only sick leave earned during the employee's tenure with HCPS is paid out at retirement in accordance with the negotiated agreements. HCPS will also review sick leave payouts for the last three years for accuracy and will determine the feasibility of recouping prior leave payments where appropriate. c. Agree. HCPS has reviewed the existing access to critical system functions for personnel and payroll transactions and has limited assignments of critical system functions to only those employees who require such capabilities to perform their job duties. Additionally, since the conclusion of the audit, HCPS has completed the implementation of Lawson Security, which replaces the prior class-based security function Lawson User Access with a role-based security schema and enables user access control customization based on the individual user's job function. Beginning this fiscal year, HCPS will perform an independent review of access to critical system functions identified by the OLA team on a periodic basis.	Management advised the noted payment error was not an error but was made in accordance with an exception that was approved by the Superintendent and that the access was restricted where it could, given the limited staff. However, they have not established an independent review for personnel and payroll transactions and access to critical functions. Management has accepted the risk of not implementing this recommendation.

Orig. Due Date	Revised Due Date	Completion Date	Recommendation	Management Response	Status Comments
2015-S-01.06 Equipment Policies					
HCPS equipment policies were not comprehensive.					
6/30/2015			We recommend that HCPS establish policies and procedures to ensure that uniform accountability and control is maintained over its equipment inventory, including certain non-capital items that are prone to theft or loss (repeat).	<p>HCPS agrees with the spirit of the recommendation, and will review existing policies and procedures related to capitalized and non-capitalized equipment by June 30, 2015. However, current staffing levels do not allow for centralized tracking of both capitalized and non-capitalized equipment.</p> <p>Board Policy 16-0005-000, Capitalization of Fixed Assets, was amended by the Harford County Board of Education on March 29, 2009. This policy provides for the capitalization of individual assets with a useful life of at least two years and having a value of \$5,000 or greater. It also provides for the control of all fixed assets acquired under federal awards in accordance with the applicable federal requirements. HCPS will review this policy and consider incorporating system-wide standards to adequately control capital equipment that can be implemented given current staffing and resources.</p> <p>HCPS approved the administrative procedure entitled "Control over Noncapitalized Assets" in November 2008 after the first OLA report was issued. This procedure provides for the control of non-capitalized (assets with a unit cost less than \$5,000 and a useful life of at least two years). The administrative procedure provides for non-capitalized items to be controlled at the school or department level, as recommended by the GFOAs Best Practice "Maintaining Control over Items that Are Not Capitalized." HCPS will review this procedure in order to determine if any amendments can be made to provide additional uniform accountability and control over non-capitalized items given current staffing and resources.</p>	Management has a policy for assets having a useful life of at least two years and having a value of \$5,000 or greater. Management has accepted the risk of not fully implementing this recommendation.
2015-S-01.14 Healthcare Costs Reviews					
HCPS did not ensure the propriety of payments for employee and retiree healthcare costs.					
6/30/2015			<p>We recommend that HCPS establish procedures to verify the amounts paid for health insurance. Specifically, we recommend that HCPS</p> <p>a. obtain documentation to support actual claim payments and ensure audits of the claims paid by the administrator are conducted;</p> <p>b. use detailed claims payment data to ensure that all claims paid above the stop-loss limit are reimbursed by the insurer; and</p> <p>c. compare its records of enrolled</p>	<p>a. Agree. HCPS is working with its healthcare consultant, Bolton Partners, to locate a firm with the expertise to conduct an audit of the third-party administrator to include a review of claims paid for propriety.</p> <p>b. Agree. HCPS is working with its healthcare consultant, Bolton Partners, to locate a firm with the expertise to conduct an audit of the third-party administrator to include a review of claims paid above the stop-loss limit for proper reimbursement by the insurer.</p> <p>c. Agree. HCPS will work with its healthcare consultant, Bolton Partners, to implement a recalculation of administrative fees to determine the propriety of administrative fees paid.</p>	Members of the Human Resources and Business Services departments met in September 2016 with two external vendors who provide claims audit services for the purpose of evaluating feasibility of engaging an organization for audit on a claims recovery basis. According to Management, "it was determined that a fee structure secured by recovery of improper payments is not an available model of service. The costs associated with a medical claims audit has been determined to be prohibitive."

Orig. Due Date	Revised Due Date	Completion Date	Recommendation	Management Response	Status Comments
			employees, retirees, and dependents to invoices from the administrator and determine the propriety of all administrative fees billed.		Management has accepted the risk of not implementing this recommendation.

2015 Section 214 Review of County Council

Closed - Dropped

2014-A-15.01 Incorrect Mileage Reimbursements

Mileage Reimbursements for Council Members were not calculated correctly.

6/30/2015	10/1/2015		We recommend management begin using an updated reimbursement form to ensure that business miles are calculated correctly. Reimbursement requests for mileage should include specific locations and demonstrate that commuting miles have been deducted. Further, we recommend affected employees consult with their own tax advisors to determine their personal tax implications.	Management agrees with the finding and recommendation and will develop policies and procedures. We will coordinate with the Executive Administration to create updated reimbursement forms, appropriate criteria and instructional information to ensure proper calculations in the future.	We tested a sample of Council reimbursements and found that those submissions provide adequate details to support the mileage reported. Since we do not expect the forms to be modified, we will discontinue the follow-up on this issue.
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2017 Grant Award and Monitoring Controls

Closed - Dropped

2017-A-06.01 County-wide Oversight

Lack of County-wide Oversight of Grants

				Disagree. The grants awarded by each department are different in nature and as a result, different monitoring procedures are warranted. A short term project requires different monitoring than a long range project. Management is aware that some entities may receive additional funding not originally included in the budget; however, all are thoroughly vetted and documented. While Management agrees that there is no centralized process in place to track grants and contributions awarded by the County, this has not been problematic.	Management has considered the risks related to this issue and has determined that no action is needed. We will discontinue following this issue.
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Orig. Due Date	Revised Due Date	Completion Date	Recommendation	Management Response	Status Comments
2017-A-06.02 Allocation of Grants and Contributions					
<i>A number of Grants were recorded as Contributions in the financial system.</i>					
6/30/2017				<p>Disagree. Although there may be confusion with the verbiage used in the various agreements, the transactions were allocated correctly. To avoid future confusion, Management has changed the verbiage for tourism funding from "grant" to "competitive funding".</p> <p>Management also disagrees with the finding that one contribution for a construction project was allocated incorrectly. This was a contribution to a non-county entity for their construction project that was not a county capital project. The county has given contribution to non-county entities for construction projects that benefit the County and its citizens in the past.</p>	Management has considered the risks presented and determined that no action is needed. We will discontinue reporting this issue.
2017 Recreation Council Collections and Disbursements					
Closed - Dropped					
<i>2017-A-02.01 MOUs for Recreation Councils</i>					
<i>Harford County does not have agreements in place requiring financial and operational transparency of the Recreation Councils.</i>					
8/24/2016			Management should enter into agreements that provide accountability for entities that provide services on behalf of the County and that routinely use County employees and facilities.		Since management has accepted the risk of not implementing this recommendation, we will not continue to follow-up on it.

DETAILED FINDINGS STATUS

Orig. Due Date	Revised Due Date	Completion Date	Recommendation	Management Response	Status Comments
2013 Budget Bill Analysis					
Open					
<i>2013-L-02.01 Other Post-Employment Benefits</i>					
<i>Other Post-Employment Benefits (OPEB) are not budgeted.</i>					
4/30/2013	5/15/2017		We recommend the Administration include Other Post-Employment Benefits in the budget ordinance.	As a budget recommendation, no management response is required.	Based on our review of the FY2018 budget, this recommendation will remain open. A portion of the FY2018 unassigned fund balances have been allocated to OPEB.

Orig. Due Date	Revised Due Date	Completion Date	Recommendation	Management Response	Status Comments
2013 Grants Administration and Monitoring Controls					
Closed					
<i>2012-A-03.01 Inconsistent Award Processes</i>					
<i>Grants are awarded by several County agencies, but the award processes are not consistent.</i>					
7/24/2013	12/31/2015	1/23/2017	<p>The County should develop standard procedures to ensure that all departments award grants in a fair, transparent manner and to ensure the terms of grants are documented in written agreements. At a minimum, grant agreements should address the intended and allowable uses of the grant funds, the responsibilities of all parties and reporting requirements.</p>	<p>It has become obvious during the course of the audit that the grants awarded by each department, and even by each division within each department, are very different and require different procedures for the award process. Community Development, within the Department of Community Services, awards the vast majority of grants out into the community from Harford County. Community Development already has in place a detailed competitive award process, which includes formal applications, eligibility requirements, board review and recommendations, written grant agreements, and reporting requirements.</p> <p>Other divisions and departments, however, which award fewer grants and for different purposes, may not require such an extensive and detailed process. In fact, it has been determined that some awards labeled as "Grants and Contributions" in our financial system are actually "contributions" and not "grants" at all. However, both types of payments were audited under the scrutiny of being a grant. Certain payments to community organizations, especially by the Office of the County Executive, are intended as general contributions, or donations, in order to provide support to the organization on behalf of the County. These types of contributions do not require a formal agreement, for example, because there are no requirements attached to the funding. Payments are made based solely on County priorities and needs that may arise during a fiscal year. To address this matter, on July 24, 2013, the County created a new subobject number 7108 to be used specifically for "contributions". Therefore, going forward these unique funds can be identified separately from "Grants".</p>	<p>During our audit of Grants in FY2017, we noted that processes are in place to ensure that grants are awarded through standard processes. We noted that contributions are awarded through non-competitive processes separate from grants. This issue will be closed.</p>

Orig. Due Date	Revised Due Date	Completion Date	Recommendation	Management Response	Status Comments
2013 Payroll Controls					
Closed					
2012-A-04.03 Certification of Employee Timekeeping					
<i>There is no County policy in place requiring employee or supervisor certification of employee time worked.</i>					
3/31/2014	7/1/2016	7/5/2017	We recommend the County consider requiring time entry to be certified by the employee and a supervisor with direct knowledge of the employee's time worked. We further recommend the County require explanatory documentation when someone other than a knowledgeable supervisor approves an employee's time entry.	We agree with the recommendation. Prior to this audit, the Administration recognized a need to improve the time and attendance system and to move away from the common practice of exception-based timekeeping. Again, prior to the audit commencing, the Administration had already taken steps to procure a new time and attendance system. The system, TimeLink, was approved by the Board of Estimates, and the contractor has been brought on board to analyze all of the work rules and policies and adjust their system to accommodate our employee base and our work rules. The improvements suggested in this finding were already identified by the Administration and will be implemented with the new system. Having said that, under our current exception-based system, we note that when a supervisor approves leave that in turn is certifying that the employee was on leave. These approved leave slips are then provided to the timekeeper who should enter the leave slips into the current system. If the timekeeper does not have a leave slip then the timekeeper should assume that the employee was at work based on the fact that the supervisor did not provide any leave slips. We also note that the workforce is divided in such a way that it is reasonable to expect that a supervisor will know when one of his/her subordinates is not working in order to require a leave slip.	The implementation of KRONOS has begun. Management expects that process to be complete within the next year.
2012-A-04.04 Time Entry System					
<i>The time entry system can be improved to prevent data entry errors.</i>					
3/31/2014	7/1/2016	7/5/2017	We recommend management ensure manual controls are in place to supplement the system's missing validations. We additionally recommend that management include this additional functionality in the requirements for the new time entry system.	We believe this finding is the result of continuing confusion over the functionality of the two systems used by Human Resources and Payroll: the time entry system and the Cyborg system which is a Human Resources Information System. As explained prior to the audit, the Payroll Department does have manual controls in place to supplement the system's missing validations. Currently, Payroll reviews every employee's timesheet by location after they have been approved to check for any unusual issues. They contact the department for additional information if necessary. Payroll has requested that security be changed so that those employees who should have "view only" access cannot change any time entry documents. Additionally, the last person to make a change to a time entry record (i.e., the timekeeper) cannot approve the employee's	The implementation of KRONOS has begun. Management expects that process to be complete within the next year.

Orig. Due Date	Revised Due Date	Completion Date	Recommendation	Management Response	Status Comments
				<p>time. A timekeeper can enter more than 24 hours in a day because of the County's work rules and policies. In the event of a super holiday or an emergency closure, an employee may have 8 hours worked plus a second shift plus straight overtime and time and one-half. These may add up to more than 24 hours in a day. An example was the hurricane closure on October 29, 30 and 31, 2012....</p> <p>With our current systems, time entry handles the number of hours and the Cyborg system applies the pay rate. The Cyborg system is exception based and will record each employee for a standard work schedule per pay period unless there is adjusting documents such as approved leave slips and overtime hours entered through the time entry system. When the new time and attendance system is implemented, we will discontinue using an exception based system.</p>	
2013 Procurement Practices					
Open					
<i>2012-A-02.02 Availability of Information</i>					
<i>Information related to Procurements and Purchases is not readily accessible for reference or analysis.</i>					
9/30/2013	12/31/2017		<p>We recommend the County improve its databases to facilitate the cross-referencing of information. For example, the Procurement Database should include vendor numbers for contract awardees and purchases in ADPICS should reference a contract number. We additionally recommend that management develop procedures to search for and identify purchases that circumvent the procurement process.</p>	<p>Management acknowledges Auditor's comments and has met with ICT to develop a database that will combine all information and integrate into one database.</p> <p>We selected 147 vendors with purchases exceeding \$25,000 and found that 20 vendors did not have contracts that could be provided by the Department of Procurement.)</p> <p>Purchase orders were used in place of contracts in 20 instances, further, 1 was a developer agreement and 2 were grants; these 3 agreements are outside the Procurement scope of authority.</p>	<p>The County is continuing the process of procuring an ERP system. Such a system should help address the limited reporting availability.</p>

Orig. Due Date	Revised Due Date	Completion Date	Recommendation	Management Response	Status Comments
2012-A-02.05 Public Advertising					
Public Notice of Procurement Opportunities is not published in a local newspaper.					
12/31/2013	12/31/2016		We recommend County officials consider legislation to better align the Procurement Code with the current procurement advertisement trends. We additionally recommend that the Procurement Department consider posting Board of Estimates agendas and minutes on its website to improve transparency. We further recommend that the Department of Procurement consider making bid documents available to anonymous parties on the County's website and/or direct information seekers to eMarylandMarketplace.	Management concurs with these recommendations.	Management has begun advertising annually in a local newspaper. The advertisement does not address the County Code requirements to provide a description of the items to be purchased and specify a time and place for bid openings. Management has advised that updates to the Procurement Code are being considered.
2012-A-02.07 Ethics Disclosures					
Ethics policies should cover additional employees.					
6/30/2013			We recommend the County's officials consider legislation requiring annual financial disclosures for all personnel involved in the procurement process.	Management disagrees with this recommendation. As described by the Harford County Code, the Director is responsible to perform the duties as directed by the County Executive or by legislative act of the Council, and consequently is bonded to protect the County.	Per discussion with the Director of Procurement, they will continue to follow up with the Legal Department regarding best practices for confirming improper relationships. Various updates to the Procurement Code are currently being considered.
Closed					
2012-A-02.06 Improper Use of Direct Vouchers					
Direct Vouchers do not require Procurement Approval below \$25,000.					
12/31/2013		7/6/2017	We recommend management create and/or review the approval paths for each document type and initiating department to ensure that they are complete and relevant.	Management acknowledges these findings. Procurement will meet with ADPICS administrators to review approval paths. In addition a plan to conduct training sessions in partnership with Treasury to review procedures will help to alleviate certain concerns.	Our FY2017 audit showed that proper document types were used.

Orig. Due Date	Revised Due Date	Completion Date	Recommendation	Management Response	Status Comments
2014 Accounts Payable Controls					
Closed					
<i>2013-A-04.01 Vendor Additions and Changes</i>					
<i>Vendor additions and changes may not be reviewed.</i>					
1/31/2014	7/1/2016	6/1/2017	We recommend vendor maintenance functions be performed by staff not involved in processing payments to reduce the risk of fraudulent or incorrect changes. We further recommend an automated report that will summarize the vendor changes that have been made so that all changes are captured for independent review. Finally, we recommend that vendors' system status be changed after a period of inactivity and that management purge the vendor rolls when a new system is implemented to help prevent payments to incorrect vendors.	<p>We concur with the recommendations and are taking the following actions. The current report used to summarize changes to ACH bank account information will be modified and expanded by the Information, Communication and Technology Department (ICT) to include any addition of vendors to the vendor file and any changes to the vendor name, tax identification number, and remittance address. ICT has started the process and confirmed with test results that the modifications can be added to this report. Accounts Payable (A/P) staff will continue to make additions and changes to the vendor master file. The Financial Systems Management section of Treasury will review and verify that changes are justified and supported with documentation.</p> <p>The vendor system status will be changed after a period of inactivity and we will have the A/P staff review and code duplicate vendors in the vendor master file as "inactive" or "flagged for deletion". Due to the size of the vendor file, this process will be an ongoing effort.</p>	In our FY2017 audit, we noted that the vendor file can still be reduced. However, vendor changes and additions were reviewed and supported.
2014 HCPS Budget Analysis					
Open					
<i>2014-L-03.01 Zero-based Budgeting</i>					
<i>The base budget being used may not be a relevant predictor of future costs.</i>					
			We strongly recommend that the schools prepare a zero-based budget to demonstrate the specific programs, services and staffing levels that are needed.	We asked school officials if there was an ideal or target level of staffing, services, programs, etc. and were advised that determining that information would be impractical given the expected resource limitations.	After review of the FY2018 budget, this recommendation remains valid.
Closed					
<i>2014-L-03.02 Department Consolidations</i>					
<i>For HCPS functions that are similar to County functions, there may be some benefit to consolidation of resources.</i>					
		5/15/2017	We recommend HCPS and the County Administration evaluate the feasibility and potential cost savings of consolidating some administrative functions and related information systems.	As a budget recommendation, no management response is required.	After review of the FY2018 budget, this matter has been addressed.

Orig. Due Date	Revised Due Date	Completion Date	Recommendation	Management Response	Status Comments
2014 Property Management Controls					
Open					
2014-A-09.01 Real Estate Inventory Listing Completeness					
<i>Without a comprehensive Real Estate Inventory Listing, the County may not be able to effectively manage its real estate assets.</i>					
12/31/2014	8/28/2015		The County should ensure the Facilities Master Plan has methods and procedures for maintaining a comprehensive inventory of real estate assets effectively and efficiently.	The County agrees with the recommendation and is currently working to ensure the Facilities Master Plan has methods and procedures for maintaining a comprehensive inventory of real estate assets effectively and efficiently. The Facilities Master Plan should be completed by October, 2014. The resulting database will be operational by December 2014 and will be managed by the Department of Planning and Zoning.	We will follow-up on this finding in a FY2018 audit.
2014-A-09.04 Payments from Tenants					
<i>Lease payments from tenants are not monitored to ensure they are correct and timely.</i>					
9/30/2014	10/15/2015		The County should establish procedures to reconcile payments received to the lease agreements on a monthly basis while maintaining adequate segregation of duties among those that authorize the lease, receive the lease payments, and conduct the reconciliation. Demand letters should be sent for any missing payments on a monthly basis (potentially adding penalties and interest) so that management fulfills its stewardship duties over its leased assets and cash collections. The County should consider sending reminder or billing notices prior to the due date to tenants with leases paid on an annual basis.	The County agrees with the recommendation and our current procedures do have adequate segregation of duties. Our current procedures have Treasury collecting and depositing rental payments and forwarding a spreadsheet of lease payments received for the month and the date of receipt to Procurement. Upon receiving the spreadsheet, Procurement will reconcile the payments to the lease agreements. Any missing payments or payments not made in accordance with the lease will be reviewed and a phone call or a letter will be sent to the tenant. Property Management will consider sending notices in future. As stated previously, the Board of Estimates and the Director of Procurement in signing the lease is the authorization of all leases in the County.	We will follow-up on this finding in a FY2018 audit.

Orig. Due Date	Revised Due Date	Completion Date	Recommendation	Management Response	Status Comments
2015 Ethics Disclosures and Related Processes					
Open					
2015-A-03.03 Confirmation of Completeness of Vendor and Employee Lists Action Plan					
Vendor and Filer lists are not verified for completeness in the Disclosure system.					
8/30/2016			To ensure the completeness of the vendor and employee lists, we recommend a review of the data entered before the system becomes available to users. In addition, to facilitate the administration of this process, management consider including members of other boards who are required to file in the Financial Disclosure Filing System and using the system to track any paper forms that are filed. .	Management disagrees with the findings and recommendations based on the following reasons. The initial list of individuals required to file statements is generated by the Department of Human Resources. The list created by the Department of Human Resources is then reviewed by the Department of Law to ensure that all individuals required to file disclosure statements are included. Adding another level of review is unnecessary.As for the list of vendors, there is a sufficient review. The initial vendor list is generated by The Department of Treasury and includes all payees receiving \$5000 or more from the County. The list of vendors from the Department of Treasury is then supplemented with a list of vendors receiving more than \$5000 under the pcard system; this listed is provided by the Department of Procurement. In keeping with the model standards established by the State Ethics Commission, we have excluded governmental entities. As for not-for-profit entities, those are included in the list of vendors. In total there are approximately 1360 vendors submitted, the percentage of vendors missed amounts to approximately one percent and in Management's opinion such a low percentage is negligible.	We will reconsider this matter during our 2018 audit of this process.
Closed					
2015-A-03.02 Board Procedures for Complaints and Requests Action Plan					
The Board of Ethics does not have written procedures for reviewing complaints and requests for opinions.					
9/30/2016		1/17/2017	We recommend the Board develop procedures and policies for advisory opinion requests and complaints as required by the Harford County Ethics Code.	Management agrees that the Board needs to adopt policies and procedures for advisory opinions requests and complaints. However, management notes that the authority of the Auditor under Resolution 29-14 was to conduct a performance audit on the ethics disclosure procedures and related process and Management points out that the scope did not include advisory opinions or complaints (although the Auditor requested and was given access to all advisory opinions issued and complaints that resulted in findings of a violation).	As of April 2016, no new policies have yet been put in place. We will follow up in 2017. Rules and Procedures for the Board of Ethics was introduced to the County Council on 1/17/17, via Resolution 17-001.

Orig. Due Date	Revised Due Date	Completion Date	Recommendation	Management Response	Status Comments
2015 Financial Statement Audits for FY2014					
Open					
<i>2014-F-01.02 Timelines of Financial Reporting</i>					
<i>Financial Statements from some affiliated agencies were not submitted timely.</i>					
6/30/2015	12/31/2015		We recommend the administration consider modifying the VFC agreement to allow the second quarter payments to be withheld until financial reports have been provided.	We agree with the auditor’s findings and will work with the fire companies to address this matter.	For FY2016, we noted that two reports were not issued by the companies’ auditors by the October 28 due date and 11 were not received by the County Auditor prior to the due date.
2015 HCPS Budget Analysis					
Open					
<i>2015-L-03.01 Technology Cost Classification</i>					
<i>Computer refresh costs are included in the capital, rather than operating, budget.</i>					
6/30/2015			School and County officials should consider including technology refresh costs in the operating budget, rather than in the capital budget	We also fully support your recommendation that “School and County officials should consider including technology refresh costs in the operating budget, rather than the capital budget”.	After review of the FY2018, this recommendation remains valid.
2015 HCPS Financial Management Practices					
Open					
<i>2015-S-01.01 Timely Recording of Collections</i>					
<i>Collections received at the Finance Office were not recorded or deposited timely.</i>					
7/1/2015			We recommend that HCPS a. record collections immediately upon receipt (repeat), b. restrictively endorse all checks immediately upon receipt (repeat), c. document the chain of custody when transferring collections to other departments, d. perform independent verifications of collections from initial receipt to deposit (repeat), and e. deposit collections in a timely manner.	HCPS received 98 percent of cash receipts in FY14 electronically via ACH credit or wire transfer. Included in the remaining two percent of cash receipts were state Medicaid payment checks that have now been converted to ACH credits. we are now receiving all medical assistance payments electronically, resulting in a decrease of collections received as checks to 1% of all cash receipts. a. Agree. b. Agree. d. Agree. e. Agree.	New procedures were established which include a Cash Receipts Log to be completed by external departments. HCPS’s internal auditor will review this recommendation in a subsequent review.

Orig. Due Date	Revised Due Date	Completion Date	Recommendation	Management Response	Status Comments
2015-S-01.02 Access to Financial Systems					
HCPS did not adequately restrict users' capabilities on its automated procurement and accounts payable system.					
11/30/2014			We recommend that HCPS strengthen its controls over the automated procurement and accounts payable system and processes. Specifically, we recommend that HCPS a. restrict user access capabilities to eliminate the ability of users to perform incompatible duties (repeat), and b. establish independent approval requirements for all critical purchasing and accounts payable transactions (repeat).	a. Agree. HCPS has restricted user access capabilities to eliminate the ability of users to perform incompatible duties on its procurement and accounts payable systems to the extent possible without impairing operations. Current HCPS staffing levels prevent complete elimination of the ability of users to perform incompatible duties. However, HCPS recognizes the potential for errors and irregularities in the absence of segregation of duties and will implement compensating controls to detect any such potential errors or irregularities. Beginning this fiscal year, HCPS will perform an independent review of user access capabilities on a periodic basis. b. Agree. The elimination of incompatible duties as identified during this audit now provides for an independent approval of purchasing transactions. The Supervisor of Purchasing, who is independent as of November 2014, will continue to review the list of purchase orders created on a monthly basis.	Management is aware of and has addressed the concerns expressed in the Legislative Audit Report through limiting access in the software without compromising their ability to function effectively. While an independent review process is in place for Accounts Payable, a comparable control is not yet in place for Purchasing transactions.
2015-S-01.03 Payments for Special Education Services					
HCPS did not adequately monitor payments made for special education services.					
6/30/2015			We recommend that HCPS obtain independent supporting documentation for invoices (repeat).	Agree. HCPS will establish procedures to obtain independent supporting documentation for invoices from special education service providers by June 30, 2015.	HCPS will establish procedures to obtain independent supporting documentation for invoices from special education service providers.
Closed					
2015-S-01.07 Disaster Recovery and Data Backups					
HCPS' information technology controls over disaster recovery planning and backup of critical data were not sufficient.					
6/30/2015		5/11/2017	We recommend that HCPS a. develop and implement a comprehensive disaster DRP that is in accordance with the State of Maryland Information Technology (IT) Disaster Recovery Guidelines (repeat); b. periodically test the DRP, document the testing, and retain the documentation for verification purposes (repeat); and c. backup files of critical data at an off-site, secure, environmentally- controlled location.	a. Agree, with modifications. b. Agree, with modifications. c. Agree. Please note that HCPS is upgrading its ERP and associated with this project will be a lifecycle platform replacement. The production and test servers will be separated between two computer rooms, at two geographically diverse locations. The new platform configuration should be operational by June 2015. The intent of this configuration is to support a measure of business continuity. Off-site data from the backup vendor could be restored onto the test platform and business operations resumed within two business days.	To meet the demand for overall throughput, HCPS has invested in a new firewall.

Orig. Due Date	Revised Due Date	Completion Date	Recommendation	Management Response	Status Comments
2015-S-01.08 Third Party Data Security					
HCPS lacked assurance that adequate information technology security and operational controls existed over its production data backups stored with a cloud service provider					
6/30/2015		5/11/2017	We recommend that HCPS a. ensure that cloud service provider contracts include provisions that address the aforementioned security and operational risks, including requiring service providers regularly obtain SOC 2 Type 2 reviews pertaining to the service provider's information technology security and operational controls; and b. obtain and review copies of these SOC 2 Type 2 reports from service providers and ensure that the related independent reviews adequately address all critical security and operational concerns and that the service provider implements all critical report recommendations.	a. Agree. HCPS is working with the cloud service provider to ensure that the contract includes the provisions that address the security and operational risks identified by OLA. b. Agree. HCPS has obtained and reviewed the most recent SOC 2 Type 2 review from the service provider for the period January 1 - December 31, 2013. HCPS will continue to obtain and review SOC 2 Type 2 reports from service providers.	The Cloud Service Provider's RFP was updated on June 25, 2015 to include the critical information technology controls identified by OLA.
2015-S-01.09 Intrusion Detection System Configurations					
The HCPS intrusion detection prevention system was not properly protecting the network.					
6/30/2015		5/11/2017	We recommend that HCPS perform a documented review and assessment of its network security risks from encrypted network traffic to its critical devices and identify how such traffic should be subject to IDPS. Based on this review and assessment, we recommend that HCPS implement IDPS coverage as necessary.	Agree. HCPS will take the suggestions under advisement. The current firewalls supports the suggested functionality, however, further investigation is required to determine if the firewalls can handle the added processing without impacting network performance.	To meet the demand for overall throughput, HCPS has invested in a new firewall.
2015-S-01.10 Energy Management Program					
HCPS' energy management program was not sufficiently comprehensive.					
6/30/2015		5/11/2017	a. develop a comprehensive energy management program that includes specific goals and strategies, such as school incentive programs; b. routinely monitor and analyze the utility usage data to determine if HCPS facilities are meeting or exceeding goals; and c. maintain documentation of energy monitoring activities, including site visits, and track the recommendations made and actions taken as the basis for reporting to management.	a. Agree. HCPS has developed specific energy consumption goals as part of its energy performance contract that now encompasses 39 schools through the third phase of the project.b. Agree. HCPS will develop a periodic reporting system to analyze the utility usage data and determine if our facilities are meeting or exceeding utility usage goals. c. Agree. HCPS will document its periodic analysis of the utility usage data and any corresponding recommendations made or actions taken. HCPS will also document any site visits made for the purpose of evaluating utility usage and any corresponding recommendations made or actions taken.	HCPS uses an outside contractor to analyze and monitor utility usage. HCPS receives periodic reports documenting the contractors' recommendations. HCPS's Management Assistant Supervisor works with the different facilities to set goals to improve current conditions.

Orig. Due Date	Revised Due Date	Completion Date	Recommendation	Management Response	Status Comments
2015-S-01.11 Transportation Goals					
HCPS did not have formal targets and goals for revising bus routes or use automated routing software to improve route efficiency.					
8/30/2015		5/11/2017	<p>We recommend that HCPS</p> <p>a. develop formal and comprehensive policies and procedures for its bus routes that include guidance regarding bus capacity, student ride times and any other factors in order to assist in developing bus routes; and</p> <p>b. use automated routing software to help ensure the efficient utilization of buses.</p>	<p>a. Agree. HCPS will review existing student transportation policies and procedures for possible changes, including guidance regarding bus capacities, student ride times and other identified factors that affect bus routing decisions. We anticipate this review will be completed by December 31, 2015.</p> <p>b. Agree. HCPS had already planned to procure automated routing software prior to the OLA recommendation and issued an RFP in May 2014 while the auditors were on site. Proposals were evaluated by a selection committee and on September 8, 2014, an Informational Report was presented to the Board regarding the procurement, installation and implementation of automated transportation routing software from the Transfinder Corporation. HCPS began implementation of the transportation routing software in October 2014 and plans to begin using the software for the 2015-16 school year.</p>	<p>HCPS contracted with a company to provide the most efficient bus routes through automated routing software. HCPS has realized a savings in FY2016.</p>
2015-S-01.12 Contracted Bus Rates					
Certain payments to bus contractors were not based on market conditions or actual costs.					
6/30/2015		5/11/2017	<p>We recommend that HCPS establish payment amounts to bus contractors in a manner that ensures all costs are reasonable and necessary. Specifically, we recommend that HCPS</p> <p>a. use market investment rates as the basis for establishing contractor rates for the annual PVA (repeat),</p> <p>b. present the components of the PVA calculation including the ROI to the Board of Education (repeat),</p> <p>c. use actual bus operating costs as a basis for establishing contractor rates for per mile maintenance costs, and</p> <p>d. exclude the full value of federal fuel excise taxes from contractor payments.</p>	<p>a. Agree, in part.</p> <p>b. Agree.</p> <p>c. Disagree. HCPS maintains that using its actual maintenance costs as a basis for contractor rates for per mile maintenance costs is not appropriate because HCPS benefits from volume discounts and lower labor rates than what is charged by commercial vehicle repair facilities. HCPS will review the per mile maintenance costs as part of the overall evaluation of the contractor table of rates mentioned above and document justification of this assertion.</p> <p>d. Disagree. However, HCPS will consider excluding the full value of federal fuel excise taxes from contractor payments as part of the annual review of the table of rates. We would note that HCPS is one of the only counties using bus contractors that deducts any portion of the federal fuel excise tax from contractor payments. In order to negotiate a constant table of rates (with the exception of the PVA), HCPS agreed not to increase the deduction for federal fuel excise tax from \$0.143 to \$0.244 from the monthly average diesel fuel price.</p>	<p>HCPS management uses 30 different bus contractors. HCPS has renegotiated the rates for any new buses purchased in FY2017 and beyond. Any existing buses will be grandfathered in the old rates.</p>

Orig. Due Date	Revised Due Date	Completion Date	Recommendation	Management Response	Status Comments
2015-S-01.13 Food Service Collections					
<i>Collections were not properly recorded nor adequately safeguarded until deposit.</i>					
1/29/2015		5/11/2017	We recommend that HCPS a. record the date of initial receipt for collections received at the food service central office and ensure that collections are promptly deposited (repeat), and b. ensure all collections are adequately secured prior to subsequent processing and deposit (repeat).	a. Agree. Collections at the food service central office are recorded upon receipt. The log of collections has been revised to include a field for the date received. b. Agree. Undeposited food service collections (primarily checks) are now stored in a locked drawer.	Collections at the food service office are recorded by receipt. The collection log now includes a date field. undeposited food service collections are locked in a drawer until deposit.
2015-S-01.15 Healthcare Stop-Loss Policy					
<i>HCPS did not competitively bid the health care contract for stop-loss coverage or obtain approval from the Board of Education for the new contract.</i>					
6/30/2016		5/22/2017	We recommend that HCPS a. work with its healthcare consortium members to select healthcare services vendors for stop-loss coverage through competitive procurement processes, and b. obtain Board approval for contracts that exceed \$100,000, as required (repeat).	a. Agree. The quotes for stop-loss coverage were considered by the consortium as part of the overall evaluation of medical insurance proposals. b. Agree. The Harford County Board of Education approved the Health Consortium bid decision on January 13, 2014 (which took effect on July 1, 2014). When it was presented to the Board, the stop-loss coverage was included as part of the contracted price for medical insurance. Going forward, beginning with the next Board approval required for healthcare, HCPS will present the stop-loss insurance contract pricing separately from the medical insurance contract pricing.	Corrective action has been completed.
2015 Network Security Monitoring Controls					
Open					
2015-A-01.03 Technology Inventory Action Plan					
<i>Computer inventory appears excessive.</i>					
12/31/2016	12/31/2016		We recommend management review inventory that is not currently in use to determine whether some items may be surplus.	Management is unable to determine how the Auditor derived the numbers associated with the inventory of equipment in order to give a specific response. However, Management maintains only enough inventory to enable the County to replace equipment timely and to be able to supply workstations for deployment in case of emergency. Management does agree that a County-wide comprehensive policy concerning when and what inventory should be surplus needs to be developed.	We will review inventory in an audit during FY2018.

Orig. Due Date	Revised Due Date	Completion Date	Recommendation	Management Response	Status Comments
2015 Purchase Card Controls					
Open					
2015-A-05.01 Insufficient Support for Purchase Card Transactions Action Plan					
<i>Documentation for purchase card transactions was not sufficient to support the necessity, appropriateness, and approval of purchases.</i>					
10/31/2015			We recommend management require cardholders to provide sufficient documentation to support the propriety of all transactions, including proper approval for out-of-state travel. We also recommend all cardholders and approving officials receive refresher training regarding the purchase card program, so they will be aware of the documentation and approval requirements for purchase card use. Finally, we recommend that consequences for inappropriate purchase card use be enforced systematically.	We are in agreement that sufficient documentation be provided, including attachment to the logs of out-of-state travel approval. In the short term, notification will be sent out to every individual cardholder, making them aware of their issues from this audit. For the long term, Marcus Williams and I will be holding mandatory PCard Refresher Training, targeted for October 2015. Procurement will be taking a more proactive role with holding all cardholders accountable for their actions and implementing consequences identified in Section IV. Of the Corporate Purchasing Card Program Policy and Procedures Manual.	We noted similar issues in five later audit reports. This finding will remain open, while later related issues will be closed. Ref. Findings: 2014-A-14.03, 2014-A-16.01, 2015-A-05.01, 2015-A-10.01 2016-A-02.01 In FY15 there were 248 exceptions regarding insufficient support for purchase card controls. After auditing the purchase card controls in FY16, we noted that there were 170 exceptions. In FY17 there were 171 exceptions noted regarding insufficient support for purchase card controls. Due to the current Audit findings, the issue will continue to remain open.
2015-A-05.02 Split Purchase Action Plan					
<i>Purchases were split which circumvented the single transaction spending limit of \$2,500 and/or avoided more stringent procurement requirements.</i>					
10/31/2015			We again recommend management reiterate to cardholders and approvers that splitting transactions is not allowed and that purchases over \$2,500 may not be made using a purchase card.	This requirement will be reiterated again. Procurement was made aware ahead of time regarding the need for splitting one transaction, and approval was given; it was determined at that time that it was more efficient to split rather than changing a limit and having to change back.	In the FY2017 auditing period, we continued to find a few split transactions. The issue will remain open.
2015-A-05.04 Non Timely Cardholder Log Review and Approval Action Plan					
<i>Monthly cardholder logs are not always prepared or approved in a timely manner to ensure purchases are appropriate and approved.</i>					
10/31/2015			We again recommend management enforce existing procedures related to review and approval of cardholders' transactions and logs, and enforce related consequences for cardholders and approvers who do not comply with the purchase card guidelines.	A review of the current hierarchy will be completed by 9/15/15 to validate all approving officials are correct and current. The procedures will be addressed and reinforced with all attending the Refresher Training in October.	We noted that in FY15, there were 15 exceptions regarding untimely Cardholder Log Review and Approval. However, in FY16, we noted 41 exceptions regarding untimely Cardholder Log Review and Approval. In FY17, we noted 28 exceptions regarding untimely Cardholder Log Review and Approval. Due to current findings, this Issue will remain open. This issue was also reported as finding #2016-A-02.03.

Orig. Due Date	Revised Due Date	Completion Date	Recommendation	Management Response	Status Comments
Closed					
2015-A-05.03 Use of card by non-County employee Action Plan					
<i>A cardholder allowed a non-county employee to use their purchase card for board related expenses.</i>					
10/31/2015		6/30/2017	We recommend management reiterate to cardholders and approvers the lending of the county purchase cards is prohibited and that management enforces the policy.	This cardholder will be contacted immediately and warned. Everyone will be reminded of this requirement during Refresher Training in October.	No similar issues were noted in the FY2017 testing and this issue was addressed in the 2016 Procurement Training.
2016 Contract Management					
Open					
2015-A-04.01 Vendors paid over \$25,000 with No Contract					
<i>Purchases were made without formal competitive bidding and contracts in place despite providing goods and/or services in excess of \$25,000.</i>					
6/30/2016			We recommend the County establish a contract monitoring system (or process) to confirm that purchases of goods and services are made in accordance with the Harford County Code. Specifically, we recommend that the Department of Procurement and purchasing departments: Consolidate purchases and competitively procure frequently used goods and services; Track total vendor spending to determine if contracts should be put in place.	Current systems make it a cumbersome task to monitor this information. With the help of Treasury, we were able to pull data from Adpics/Famis and analyzed that information along with purchasing card spend to obtain an overall spend by vendor. We are validating the spend information by vendor, and our goal is to bid those at \$25K and over. Our newly developed ECMS (Enterprise Contract Management System) went live May 2015. Aaron Hall, Procurement Agent II in charge of this system, projects that all contractual information will be entered into this database by end of fiscal year (6/30/16). This system will help with contract management, but does not address the payment/financial side of business with vendors.	Based on a current analysis, there are still a number of vendors with high spending that should have contracts in place.
2015-A-04.03 Xerox Billing Rates Action Plan					
<i>Monthly billing rates for copiers include unallowed charges.</i>					
6/30/2016			We recommend management review the pricing for each machine currently being leased from Xerox to confirm the rates that should be invoiced and request a refund on any interest that has been paid for cancelled leases. We further recommend the purchase order form include all details relevant to the lease terms and the balance of cancelled leases be paid in full, not refinanced.	We are currently looking at options to address this recommendation.	Procurement continues to work with Xerox to develop a more transparent process for managing current leases and initiating new ones.

Orig. Due Date	Revised Due Date	Completion Date	Recommendation	Management Response	Status Comments
2016 Economic Development Programs					
Closed					
2016-A-04.01 Training Grant Support					
<i>Workforce Training grants are not fully supported and appear to exceed the program guidelines.</i>					
6/10/2016		7/25/2017	We recommend, at least on a sample basis, that OED confirm that executive-certified payroll information is supported by actual payroll records. We further recommend that each grant's Board approval be documented to confirm the propriety of the grant.	Agreed. As a general note, most, if not all of the deficiencies referred to by the Auditor occurred prior to FY '16, during the tenure of a prior administration. However, the current administration is actively working to strengthen the process for future Workforce Training Grants. Also, for FY '17, an annual, randomly-selected grant recipient review of payroll documentation will be integrated into an on-site business retention call to ensure compliance and verify payroll information.....Oversights for documentation of EDAB Committee approval, capped award and issuance amount have been developed and will be implemented with future grant rounds.	Economic Development has reviewed and implemented several significant changes to the Training Grants program. Some of these changes include a newly enhanced application form to better track the training being provided and instituting a policy of wage "spot checks". In addition, minutes are being taken at all Board meetings and adding a score sheet for Board members to complete and sign for all grants applications considered. We will leave the finding open and revisit next year.
2016-A-04.02 Multiple Credits Action Plan					
<i>Some properties have been approved for and/or are receiving more than one Enterprise Zone credit.</i>					
12/31/2016		7/3/2017	We recommend Enterprise Zone credits only be applied at the rates defined within each credit's authorizing legislation.	Disagreed. According to the State Department of Assessments and Taxation, it has been the policy and practice statewide to provide multiple credits without subsequent resolutions. However, the Department of Treasury and the Department of Law are working with the Department of Economic Development to receive County Council approval on each credit for properties that are issued multiple credits due to phased-in construction.	Management took steps to confirm second approvals in FY2017. Since data originates from the state, we will close this issue.
2016-A-04.03 Improper Loan Fund Payments Action Plan					
<i>Designated Loan Funds were spent on Contributions</i>					
7/1/2016		7/3/2017	We recommend any future contributions be recorded from Economic Development's operating account.	Agreed. It is the understanding of Management that the concern raised by the Auditor is an issue regarding internal control for recording purposes and that there were no findings of deficiencies regarding the administration of the loans. The concern raised by the Auditor has been addressed. Eff. FY '17, PTAP expenses have been reallocated to OED's operating account and will no longer impact EDOF provisions.	Our review of FY2017 transactions showed that all payments were related to administration of the loan fund.

Orig. Due Date	Revised Due Date	Completion Date	Recommendation	Management Response	Status Comments
2016 HCPS Budget Analysis					
Open					
<i>2016-L-03.01 Urgency of Technology Needs Action Plan</i>					
<i>HCPS is not prepared for standardized testing mandates that become effective in 2018.</i>					
6/30/2016			We recommend funding for technology be prioritized in FY2017 to facilitate compliance with State PARCC testing mandates that become effective in 2018.		Based on our review of the FY2018 budget, this matter remains open.
2016 Inspections Procedural Standards and Billing and Collection Controls					
Open					
<i>2016-A-06.01 DPW Inspection Reports Action Plan</i>					
<i>Daily inspection reports were not always available to support time invoiced to developers.</i>					
6/3/2016			We recommend the Department of Public Works (DPW) implement effective policies and procedures pertaining to time billing and inspection documentation and that those procedures include processes where time billing directly relates to time indicated on inspection documentation.	We concur with the finding that four (4) exceptions were identified related to timesheet review and supporting daily inspection reports. Three (3) of the four (4) were due to transposed numbers when hand entering the 5-digit billing codes on individual employee timesheets. Corrective action has been taken to rescind incorrect charges and bill the responsible developer. The remaining exception resulted from loss of the hardcopy file and improper backup to electronic files. In this instance we were not able to produce the supporting inspection report for that particular date. These exceptions were due to our reliance on manual processes. In January 2014, as a pilot program with a few selected projects, we began using a computer application to directly enter inspector daily reports (IDRs) electronically to the Harford County computer network/server. We have expanded this program to all projects. This automated process eliminates the potential for a single point of failure in order to minimize the possibility of incorrect billing codes. Further, it will prevent loss of documentation since the server files are continually backed up by the County. With regard to the finding that the payroll and PCAM data were inconsistent, DPW Bureau of Construction Inspections has requested the PCAM exception report (PCA205) so we can review and make corrections as issues arise.	We were not able to determine the status of this issue because requested documentation was not provided.

Orig. Due Date	Revised Due Date	Completion Date	Recommendation	Management Response	Status Comments
2016 Petty Cash Audits					
Closed					
<i>2016-A-13.01 Physical Security Action Plan</i>					
<i>Jury Commissioner Petty Cash can be better secured.</i>					
7/1/2016		7/12/2016	We recommend Jury Commissions store petty cash in a concealed and secure safe.	After reviewing the findings of the audit with Judge Eaves, we have decided to purchase a secure safe which will be bolted inside the locked cabinet where the money box is currently kept. The safe shall have a combination lock and only the Jury Commissioner and two others will have knowledge of the combination.	We observed that the money box was secured in a newly installed safe.
<i>2016-A-14.01 Missing Approvals Action Plan</i>					
<i>Some Water and Sewer transactions were missing approvals.</i>					
6/24/2016		7/6/2017	We recommend the petty cash custodian only provide reimbursements when a properly completed request form has been provided.	During the timeframe covered by this audit, W&S Maintenance processed 2,189 meal ticket vouchers. Although all transactions had receipts, nine were incomplete. Despite the fact that less than one half of a percent of meal ticket vouchers were missing a required approval, in response to this audit the Standard Operating Procedure for Meal Ticket Distribution has been modified to include wording that clarifies that administrative staff MUST verify supervisor's signature when processing meal vouchers and MUST have employee's sign the 'Received By' acknowledgement at the time of distribution of meal voucher funds. This revision of the SOP was shared with all employees on June 8, 2016 and will be reviewed again at the mandatory staff meeting on June 24, 2016.	We sampled 4 replenishments out of 20 in the current year; all supporting documentation was maintained. No Exceptions Noted.
2016 Purchase Card Controls					
Open					
<i>2016-A-02.01 Cardholder Spending Limits</i>					
<i>Cardholder spending limits have not been reviewed for appropriateness.</i>					
11/22/2016			We recommend management review and adjust, as necessary, cardholder credit limits on an annual basis to ensure that the County's exposure to misappropriation is appropriately limited.	The Pcard Coordinator is reviewing and adjusting these limits as we feel necessary to mitigate risk to the County. She will notify those cardholders and their Directors to inform them of this requirement where applicable. However, we do not want to affect limits in a way that would cause instances where using the credit card would not be possible due to declines at the point of sale; this would defeat the purpose of the program. Limits will continue to be monitored.	We were advised that limits were reviewed in the past year; however, supporting documents were not provided for our review.

Orig. Due Date	Revised Due Date	Completion Date	Recommendation	Management Response	Status Comments
Closed - Superseded					
2016-A-02.02 Unallowed or Unsupported Purchases Action Plan					
<i>Some purchases were made that do not follow the County's purchase card guidelines.</i>					
11/22/2016			We recommend management require cardholders to provide sufficient documentation to support the propriety of all transactions. We also recommend all cardholders and approving officials receive refresher training regarding the purchase card program, so they are aware of the documentation and approval requirements for purchase card use. Finally, we recommend that consequences for inappropriate purchase card use be enforced systematically.	The Department of Procurement, along with Treasury, will continue to train cardholders and approvers on the do's and don'ts of the procurement card program. We will continue to hold annual pcard training sessions, and are exploring an option to hold on-line training through SharePoint, where cardholders and approvers will have to take a test in order to continue to have card privileges. The Pcard Coordinator will also develop a tool to track offenses per cardholder, and will proactively review monthly reports to monitor usage.	This issue repeats a prior audit finding. The current status will be maintained in Issue 2015-A-05.01.
2016-A-02.03 Nontimely Cardholder Log Review and Approval					
<i>Cardholder logs were not always prepared and/or reviewed in a timely manner.</i>					
11/22/2016			We continue to recommend management enforce existing procedures related to review and approval of cardholder's transactions and logs, and enforce related consequences for cardholders and approvers who do not comply with the purchase card guidelines.	The Procurement Department, in conjunction with Treasury, will continue to train and reinforce the procedures under the procurement card program.	This issue repeats a prior audit finding. The current status will be maintained in Issue 2015-A-05.04.
Closed					
2016-A-02.04 Insufficient Support for Card Issuance					
<i>Documentation was insufficient to verify that all purchase cards were properly issued in accordance with the County's policies.</i>					
11/22/2016		7/13/2017	We recommend that all required approvals be obtained and documented prior to the issuance of any cards. To improve cardholder accountability, we further recommend that management require each employee to attend training with the PCard Coordinator prior to card issuance and that evidence of this training be documented and maintained with the Cardholder's signed agreement.	The Pcard Coordinator will ensure that these steps are followed.	We selected a sample of cardholders and confirmed that new card issuance procedures were followed.

Orig. Due Date	Revised Due Date	Completion Date	Recommendation	Management Response	Status Comments
2016 Recruitment and Hiring Practices					
Open					
2016-A-03.01 Advertising Process Action Plan					
<i>New positions were not always advertised; particularly when designated as "temporary".</i>					
3/26/2016			We recommend management propose changes to the County Code creating a designation for Executive branch appointed employees and/or defining the maximum length of temporary employment. We further recommend temporary status only be assigned as designated in the County Code and Charter and all classified positions be advertised as required.	Management disagrees and it is Management's position that the definition of "temporary appointment" in Section 38-30 of the Harford County Code pertains only to a specific appointment made during the temporary absence of a classified employee and not to the entire class of temporary employees. Regarding the finding that three temporary classifications were not in the Pay and Classification Plan, Management agrees and those positions, while having different working titles, will be assigned an appropriate classification within the Plan by March 26, 2016.	We will follow up on this issue in our FY2018 audit.
2016-A-03.04 Background Check Process Action Plan					
<i>Reference checks are performed inconsistently or provide insufficient information.</i>					
3/25/2016			We recommend the on-boarding reviews include documentation of all required items listed in the job posting, including proof of education and licenses, as applicable. We further recommend Human Resources periodically confirm that required licenses and certifications are maintained for County Charter defined Exempt employees.	Management disagrees and as the Auditor has indicated, confirmations from prior employers and educational institutions have a historically low response rate. As explained to the Auditor during the audit interview, the Department of Human Resources makes multiple attempts in writing to independently confirm with prior employers and educational institutions all information provided by candidates and maintains all information received. The Department of Human Resources will remain diligent in its efforts to obtain relevant information with regard to prior employers and educational institutions. With regard to licenses and certifications, if the vacancy announcement requires the possession of a license/certification prior to employment, the candidate must provide proof of the license/certification at time of application to the Department of Human Resources in order to be considered for the position. If the candidate is required to obtain a license/certification within a specific time period after being hired, the supervising department would verify that such license/certification was obtained. As the Auditor indicated, all required licenses and certifications are current for County Exempt employees; however, Management agrees to designate the Director of Administration as the individual responsible for verifying the licenses and certifications for County Exempt employees.	Management has advised that the Director of Administration will ensure required licenses/certifications for Directors are in place annually. We were unable to confirm that this review has been done since the audit was completed.

Orig. Due Date	Revised Due Date	Completion Date	Recommendation	Management Response	Status Comments
2017 Budget Analysis for FY2018					
Open					
<i>2017-L-02.01 Hotel Tax Distribution</i>					
<i>Hotel Tax Revenue is only partially awarded competitively.</i>					
			County Officials should consider if the ratio of competitive grants to non-competitive contributions represents the ideal use of Hotel Occupancy Tax revenue.	As a budget recommendation, no management response is required.	This issue will be reconsidered in the next budget analysis.
2017 Cable Franchise Fee Revenue					
Closed					
<i>2017-A-05B.01 Comcast Underpayment</i>					
<i>Comcast's franchise payments did not include some addresses.</i>					
4/12/2017		1/30/2017		Comcast is in receipt of the Harford County Auditor's draft report related to Comcast's franchise fee payments for 2014 and 2015. The auditor's findings appear to be accurate based on the collaborative review of addresses conducted by Comcast and the County. Comcast accepts the finding of \$13,083.38 as full settlement of the audit findings. Upon execution of a settlement agreement, Comcast will submit payment to the County of \$13,083.38 within forty five (45) days. A proposed settlement agreement is attached to this letter. Comcast will correct any miscoded accounts identified in the auditor's findings, that will not require customer notification, within sixty (60) days. Those accounts that require customer notification will be corrected within ninety (90) days. Comcast values its relationship with Harford County and we look forward to resolving this matter to the mutual satisfaction of the County and Comcast.	Repayment was received 1/30/2017.
2017 Environmental Services Billing and Collection Controls					
Open					
<i>2017-A-01.01 Hauler Applications</i>					
<i>Hauler applications are not submitted and approved in a timely manner.</i>					
2/28/2017				The Department of Public Works (DPW) and MES agree with the analysis of the audit team that hauler applications were not submitted and approved in a timely manner in some instances. To prevent such occurrences in the future, DPW and MES are developing written procedures for the hauler licensing process which will be completed and implemented by 28 February 2017.	We were not able to determine the status of this issue because requested documentation was not provided.

Orig. Due Date	Revised Due Date	Completion Date	Recommendation	Management Response	Status Comments
2017 Financial Statement Audits for FY2016					
Open					
2016-F-02.001 CDBG Administrative Costs Action Plan					
<i>The County's process for preparing its Federal financial reports does not currently include appropriate documentation to support its allocation of Federal and local funds. Additionally, amounts were reported for administration expenses in excess of the required threshold.</i>					
6/30/2017			We recommend the County develop a process that includes reconciling and documenting its reconciliation of any amounts entered in IDIS as well as reconcile the general ledger to any external reports.	The discrepancies between the HUD documents and the County's general ledger are attributed to each agency using a different method of expense allocation. HUD has historically operated on a first-in-first-out method, allocating expenses to oldest grants with funds available. The County was using specific identification to allocate expenses to funding years. Beginning with federal fiscal year 2015 (County fiscal year 2016), HUD transitioned to a grant based accounting method. Under this method HUD will make disbursements against specific user-defined grant years. With both agencies using the same method of allocation, reconciliation between agency reports and source documents will no longer be an issue. The County will continue to make necessary adjustments to the general ledger to bring amounts in agreement with all prior HUD documents. Additionally, County Treasury personnel will review and reconcile current HUD database and report amounts to the general ledger on a quarterly basis. The County reviewed the administration expenses associated with the earmarking requirements for the grant years subjected to the single audit examination, federal fiscal years 2011, 2012, 2013, 2014 and 2015. All years, except for 2011, were found to be under the required threshold established for the earmarking requirement. In 2011, County personnel inadvertently coded a project to administration expense in the IDIS system. Projects will continue to be entered into the IDIS system according to the approved action plan by one County employee. The data entry will be reviewed for accuracy by another County employee.	Management has advised that corrective action is complete. We will update the status of this issue after FY2017 Single Audit procedures are complete.
2016-F-02.002 Fixed Asset Inventory					
<i>The County's system utilized to track fixed assets purchases did not properly identify and track assets purchased between \$5,000 and \$15,000 under the Homeland Security Grant Program. Additionally, an inventory count was not conducted within the past two fiscal years.</i>					
6/30/2017			We recommend the County strengthen its controls around inventory tracking to ensure the elements required by Federal regulations are properly tracked and conduct an inventory count at least once every two years.	The County's capitalization policy is capturing assets purchased with federal funds in excess of \$15,000. Assets are recorded in the County's fixed asset system (FAACS) and records have been adjusted to capture the minimum data elements required by current federal regulations. The County will adjust its capitalization threshold for assets purchased with Federal funds to \$5,000 to ensure that any funds obtained from the sale of equipment purchased with Federal funds will be utilized as directed by the Federal awarding agency. County Grant	Management has advised that corrective action is complete. We will update the status of this issue after FY2017 Single Audit procedures are complete.

Orig. Due Date	Revised Due Date	Completion Date	Recommendation	Management Response	Status Comments
				Accountants will inform the Treasury Department when assets \$5,000 [or greater] are purchased with Federal funds and need to be recorded in FAACS. A bi-annual physical inventory will be taken and documented by all County Departments with assets purchased by federal funds [of] \$5,000 [or greater]. Physical inventory documentation will be verified by County Treasury personnel.	
2017 Grant Award and Monitoring Controls					
Open					
<i>2017-A-06.03 Monitoring Controls</i>					
<i>Grant Monitoring Procedures were not always performed.</i>					
6/30/2017			Economic Development does not have a mechanism in place to confirm that funds are spent at year end. Their review process might be simplified and made more effective by issuing quarterly disbursements and using the same grantee financial reporting form required by Community Services and Housing.	Disagree. The grants awarded by each County department are different in nature and require different monitoring procedures. To place overly burdensome requirements on minimally staffed non-profits would negatively impact their ability to provide necessary services to our citizens. However, Management agrees that it will review the monitoring procedures for each department/agency to determine if the process can be streamlined/simplified.	Due to the recent issuance of this report, we will follow-up in the next fiscal year.
2017 Hotel Occupancy Tax Revenue					
Open					
<i>2017-A-15.01 Audits of Hotel Operators Action Plan</i>					
<i>Audits of hotels' reported income are not conducted.</i>					
			The Treasurer's Office should take steps to initiate audits of Hotels as identified in the County Auditor's audit plan.	Auditor Note: Management was provided an opportunity to respond to this report; however, no response was provided.	Upon codifying formal procedures to have outside audits performed, Treasury indicated it tentatively plans to have outside audits performed in mid FY18.
2017 License Issuance and Billing Controls					
Open					
<i>2017-A-09.01 Licenses Missing Required Documentation</i>					
<i>A number of license records did not have supporting documents maintained on file.</i>					
			DILP should maintain supporting documentation for each license issued.	Management was provided an opportunity to respond to this report; however, no response was provided.	Due to the recent issuance of this report, we will follow-up in the next fiscal year.