



HARFORD COUNTY, MARYLAND

Office of the County Auditor

AUDIT OF BUILDING INSPECTIONS AND PERMITS BILLING AND COLLECTION CONTROLS

Report Number:
2025-A-04

Report Date:
11/13/2024

Council Members and County Executive Cassilly:

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

The objective of this audit was to confirm that adequate procedures exist to facilitate complete and timely payment for permits and inspection services and that permits are issued only after proper approval steps. The scope of this review was limited to building related permits and inspections handled by the Department of Inspections, Licensing, and Permits (DILP). The results of the audit and our findings are detailed in this report.

We would like to thank the members of management for their cooperation during the audit; they have been provided an opportunity to respond to this report; the response provided follows the Conclusions.

Sincerely,

Chrystal Brooks
County Auditor

CONCLUSIONS

Our opinion, based on the evidence obtained, is controls were adequate to ensure that payments for permits and inspection services were correct and complete and permits were only issued after all approval steps were met. This assessment is based on the strengths and weaknesses identified for the operational objectives below.

| Business Process Objective | Assessmentⁱ |
|---|-------------------------------|
| Ensure that permit and inspection fees are calculated correctly and collected in full | Effective |
| Ensure permits are only issued after all approval steps are met | Effective |
| Ensure municipalities submit payments correctly and timely | Effective |

MANAGEMENT RESPONSE

Management thanks the Office of the County Auditor and the Department of Inspections, Licenses and Permits for completion of this audit and the Effective Assessments.

BACKGROUND, OBJECTIVES, SCOPE AND METHODOLOGY

The Department of Inspections, Licenses and Permits (DILP) is responsible for ensuring compliance with all Harford County codes related to building structures. They also issue permits and licenses, conduct inspections and register trade professionals. During the audit period, approximately 28,400 were applied for, of which 6,243 were issued. Revenue of approximately \$1.5 million in permit fees was collected in FY2024.

The audit approach focused on testing the key controls that address management's objectives. Previously, in audit report 2021-A-09, we noted two findings – one related to municipal permit reconciliations not being documented and another because access to the Energov system was not appropriately restricted. Both findings were re-evaluated and closed prior to the beginning of this audit. Our audit procedures included interviewing personnel, observation and testing as described in the table below.

| Process / Control Objective | Scope of Review |
|--|--|
| Permit and Inspection Fee Collection | |
| Fees are calculated correctly based on established fee schedules and information provided | <ul style="list-style-type: none"> • Test a sample of permits to confirm fees were calculated correctly and properly supported |
| Changes from standard fees are documented properly | <ul style="list-style-type: none"> • Review a sample of permits with unusual fees to confirm fees were correct and supported by notes in Energov if changed |
| Permit Approval and Issuance | |
| Permits are only issued once all review steps in Energov are satisfied and fees paid in full | <ul style="list-style-type: none"> • Test a sample of permits to confirm all steps in Energov were completed and fees collected in full prior to issuance |
| | <ul style="list-style-type: none"> • Review a sample of open invoices to confirm permits were not issued prior to being paid in full |
| Receipt of Payments from Municipalities | |
| Municipalities submit payments timely and in full | <ul style="list-style-type: none"> • Confirm Municipalities submit payment regularly and those payments are reviewed by staff for completeness • Confirm County staff reviewed and reconciled the municipal payments to County records |

Harford County management is responsible for establishing and maintaining effective internal controls. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records, effectiveness and efficiency of operations including safeguarding of assets and compliance with applicable laws, rules and regulations are achieved. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

| Report Distribution: | Audit Team: | |
|---|---|---|
| Mr. Richard Truitt, Director of Inspections, Licenses and Permits | Chrystal Brooks CPA, CIA, CGAP, CISA, CGFM, CRMA County Auditor | Sarah Self, CIA, CGAP Senior Auditor |

ⁱ Definitions

Effective: The design and effectiveness of the internal control environment address key risks. The business unit complies with external laws and regulations, and internal policies, procedures and guidelines. Business processes are managed effectively resulting in achievement of expected outcomes.

Generally Effective: The design and/or effectiveness of the internal control environment generally address key risks; however, the number and severity of findings relative to the size and scope of the business unit being audited indicate that some minor areas of weakness in the control environment need to be addressed. Isolated instances of non-compliance with external laws and regulations, and internal policies, procedures and guidelines may exist. Business processes may not be managed effectively in all areas resulting in reduced achievement of expected outcomes.

Not Effective: The design and/or effectiveness of the internal control environment does not address key risks. Non-compliance or historical patterns of non-compliance with key regulatory requirements and internal policies, procedures and guidelines exist which expose the audited entity to financial, reputational, and operational risks. Business processes are not managed effectively and expected outcomes are not achieved.