



HARFORD COUNTY, MARYLAND

Office of the County Auditor

AUDIT OF LICENSE ISSUANCE AND BILLING CONTROLS

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 FY2017.

What We Found

We noted that supporting documentation for licenses is not always maintained.

Report Number: 2017-A-09

Date Issued: 02/16/2017

Council Members and County Executive Glassman:

In accordance with Section 213 of the Harford County Charter, we have performed an audit of Harford County's License Issuance and Billing Controls. The results of that audit, our findings and recommendations for improvement are detailed in the attached report. We would like to thank the members of management for their cooperation during the audit.

The audit found, generally, the Department of Inspections, Licenses and Permits (DILP) reviews and approves license applications in accordance with the County Code and applicable Rules and Regulations. However, we noted that the licensing system does not require staff to collect payments prior to license issuance. Also, users may incorrectly change the expiration date of a license. These processes may be improved by periodic management review of transactions and system data.

The audit team is available to respond to any questions you have regarding the attached report.

Sincerely,

Chrystal Brooks, CPA

Chrystal Brooks
County Auditor

cc: Mr. Paul Lawder, Director of Inspections, Licenses and Permits



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RESULTS SUMMARY

We have audited license issuance and billing controls for the period of 11/1/2015 through 11/30/2016. We sought to confirm that the licenses issued by Harford County's Department of Inspections, Licenses and Permits met all of the requirements for licensing and had proper fees collected.

Our opinion, based on the evidence obtained, is controls are adequate to ensure licenses are issued appropriately and correct payments are received timely. However, applicant qualifying documentation may not always be maintained. The audit approach focused on testing the key controls that address management's objectives for the process. Conclusions drawn are below. Areas for improvement are described in the Findings with Corrective Actions section of this report.

Risk	Expected Control	Conclusion
Contractors do not have required licenses	<ul style="list-style-type: none"> System controls confirm license status before a construction permit can be issued. 	Satisfactory
Licenses are issued to unqualified applicants	<ul style="list-style-type: none"> Reciprocal licenses are issued only when an applicant has a valid state or other jurisdiction license Applications are only accepted and approved with complete supporting documents Required external approvals are obtained 	Satisfactory
		Needs Improvement
		Satisfactory
Licensees are not properly insured	<ul style="list-style-type: none"> Certificates of Insurance or Bonds are submitted with license applications, when required 	Satisfactory
License fees are not fully collected	<ul style="list-style-type: none"> Payments must be received prior to license issuance Fees are calculated and invoiced in Energov and agree to the County Code 	Satisfactory
		Satisfactory

FINDINGS WITH CORRECTIVE ACTIONS

Finding Number: 2017-A-09.01 Licenses Missing Required Documentation

A number of license records did not have supporting documents maintained on file.

Analysis: Each type of license issued by the Department of Inspections, Licenses, and Permits (DILP) has specific qualifications detailed in the County Code or DILP Rules and Regulations. Each potential licensee should complete the relevant DILP application and provide documentation demonstrating that each of the license requirements have been met. These documents are to be maintained by DILP electronically in the Energov system as a best practice.

We selected a sample of issued licenses from each category of licenses to confirm that requirements for issuance were met and supporting documentation was maintained. Generally, applications did have supporting documentation maintained in Energov; however, we found that 3 of the professional licenses tested did not have the application document maintained. For two of these, prior licensing documents were maintained, but the current license support was not available. The current license support provides confirmation of the applicant's other-jurisdiction license status, continuing education, confirmation of clean criminal history and valid insurance coverage, depending on the program requirements. Since the application documentation was not maintained, we were unable to confirm that the licensing requirements were met for these three applications.

Auditor Note: Management was provided an opportunity to respond to this report; however, no response was provided.

BACKGROUND INFORMATION

PROGRAM DESCRIPTION AND KEY STATISTICS

Throughout the Harford County Code there are requirements for many types of licenses. Generally, these provisions serve to ensure public safety through registration and confirmation of specific qualifications. Each license has different requirements for approval and a number of trade permits can be approved based upon an existing license from the state or another jurisdiction. County Code § 157-24 specifies the rates for licenses.

Licenses are primarily issued by the Department of Inspections, Licenses and Permits (DILP). Potential licensees can submit their applications in person at the County Administration building. DILP employees can enter information into the licensing system,

Energov, while the applicant waits. Payment must be made at the Treasury window before the issued license is given to the applicant.

There were approximately 6,700 permits issued during the 13-month review period. Approximately 4,750 (71%) of those were dog licenses. The remaining issuances were business and professional licenses.

REVIEW OBJECTIVE, SCOPE AND METHODOLOGY

The objective of this audit was to confirm that controls are adequate to ensure that licenses are not issued without proper supporting information and proper payment. The scope of was limited to licenses that were issued by the Department of Inspections, Licenses and Permits. License and Permit applications for Food Service Facilities, Public Pools and Itinerant Dealers are accepted and approved by the Health Department. The Department of Public Works manages trash hauler licensing. Those processes have been addressed in other audits and were not included in the scope of this review.

The audit focused on activity during the period of 11/01/2015 through 11/30/2016. Our audit procedures included interviewing responsible personnel, observation and testing. Specifically, we reviewed the functionality of the Energov system. We performed data analysis to confirm that fees were invoiced correctly, expiration dates were calculated correctly and payments were made prior to license issuance. Finally, for a sample of licenses issued during the audit period, we reviewed supporting documentation to confirm that all of the license requirements were met before the license was issued.

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.

The audit 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.

Audit Team:

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County Auditor

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Staff Auditor