



HARFORD COUNTY, MARYLAND

Office of the County Auditor

AUDIT OF BUILDING PERMIT INSPECTIONS BILLING AND COLLECTION 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 FY2021.

What We Found

Procedures are effective to ensure the quality of inspections performed.

Review of municipal permit fees can be improved.

System access to the permitting and inspection system should be reviewed periodically.

Report Number: 2021-A-09

Date Issued: 04/12/2021

Council Members and County Executive Glassman:

In accordance with Section 213 of the Harford County Charter, we have performed an audit of building permit inspections billing and collection 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 that the processes in place are generally adequate to ensure proper function of the County's permitting and inspections system. However, controls can be improved to ensure system access is disabled for separated or transferred employees and all County documentation standards are met.

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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REVIEW RESULTS

We have audited Harford County's controls over Building Permits and Inspections billing and collection for the period of 07/01/2019 through 12/31/2020. The scope of our audit was limited to the inspections and permitting processes of the Department of Inspections, Licenses and Permits (DILP) as it pertains to building related permits (i.e., Mechanical, Electrical, Plumbing, Fuel/Gas Utility).

Our opinion, based on the evidence obtained, is that the current processes in place are adequate to ensure required inspections are performed timely and, generally, necessary corrective actions are taken and related fees are collected. However, controls can be improved to ensure user accounts of the permitting and inspection system are disabled for separated or transferred employees and all County documentation standards are met. The audit approach focused on testing the key controls that address management's objectives for the process. Conclusions drawn are below.

Risk	Expected Control	Conclusion
Public safety could be endangered by inadequate inspections or enforcement of regulations.	<ul style="list-style-type: none"> • Required inspections are performed, deficiencies are documented for correction, and violations are sufficiently enforced • Inspectors are licensed and/or certified in their areas of expertise • Inspectors are required to disclose any inappropriate relationships. • Use and Occupancy Certificate cannot be issued until every required inspection has been passed and all required permits approved 	<p>Satisfactory</p> <p>Satisfactory</p> <p>Satisfactory</p> <p>Satisfactory</p>
Code violations are not identified, reviewed or enforced	<ul style="list-style-type: none"> • Complaints and Code Cases may be linked to properties, owners or contractors so that violation fees must be paid prior to issuing a permit 	<p>Satisfactory</p>
Permits fees are billed and collected correctly	<ul style="list-style-type: none"> • Payment amounts are automatically calculated in the system and agree to the County Code • Payment must be entered into the system before a permit can be generated. • A review of uncollected fees is routinely performed and documented • User access to the permitting system is appropriate. 	<p>Satisfactory</p> <p>Satisfactory</p> <p>Needs Improvement</p> <p>Needs Improvement</p>

Areas for improvement are described in the Findings and Corrective Actions section of this report. Management has been provided an opportunity to respond to this report; the response provided follows the Findings and Corrective Actions.

FINDINGS AND CORRECTIVE ACTIONS

Finding Number: 2021-A-09.01 Municipal Permit Reconciliation Not Documented

Municipal Permit Payment Reconciliation was not documented.

Analysis: The County's three municipalities have Memoranda of Understanding with the Harford County Department of Inspections, Licenses, and Permits (DILP). Under the agreements, the County provides plan review and building inspection services for the municipalities. The municipalities accept applications and issue permits based on their local requirements. On a monthly basis, each municipality submits a payment to DILP for all fees related to their permit applications, along with an itemized list for reconciliation by the County.

Each month, the County's permitting system automatically generates a report listing unpaid fees from each municipality. DILP uses that report to reconcile the municipal payment file. If a payment is not received for an "Issued" permit, DILP staff will contact the municipality and request payment or an explanation for non-payment. According to DILP, generally unpaid fees are paid the following month or the municipality will update the permit status in the system.

In order to ensure the timely and correct payment of permitting fees owed to the County from the municipalities, we sought to confirm DILP is reconciling outstanding fees owed to payments made. We randomly selected five (5) of the 18 months in the audit period and requested documentation of the payment reconciliations. Management provided the reports and payment files to demonstrate that a reconciliation process exists; however, DILP does not document the reconciliations.

To evaluate the effectiveness of the reconciliation, we tested unpaid fees on "Issued" permits from the Municipality Unpaid Fees Monthly Report to confirm they were addressed the following month. We found unpaid fees on "Issued" permits were paid timely by The Town of Bel Air and The City of Havre de Grace. However, some fees remained unpaid on "Issued" permits from The City of Aberdeen. We were advised that Aberdeen has a process of manually changing the status to "Issued" before some payments were made without actually issuing the permits. Without documentation of the reconciliation process or a clear understanding of Aberdeen's use of the permitting system,

it is unclear to what extent the unpaid permit fees are due to an inadequate reconciliation process or inappropriate processing procedures at the municipality.

Recommendation: We recommend DILP document notes for follow-up during its monthly reconciliation. We further recommend management work with The City of Aberdeen to accurately classify the status of permits in the system.

Management Response: County government will document notes with regards to the City of Aberdeen during monthly reconciliation, but we do not have authority as to how the City of Aberdeen processes their permits and payments.

Expected Completion Date: 7/1/2021

Finding Number: 2021-A-09.02 Energov Access

Access to the Energov system is not appropriately restricted.

Analysis: Permit applications are managed in the Energov system. Various county employees, primarily those in DILP and Treasury, are given system access to facilitate the workflow. We reviewed Energov user access to determine whether that access is appropriate. It appears that one (1) user has excessive access and four (4) people who are not current employees continue to have access.

The County's policies, and information technology best practices, require access to systems for separated employees be revoked in a timely. To maintain file integrity, accounts should be disabled, rather than deleted.

Recommendation: We recommend user accounts be disabled for separated or transferred employees.

Management Response: ICT and Human Resources were notified of the recommendation and will identify a better way for disabling access to county employees who have separated or transferred and no longer need access to ENERGOV.

Expected Completion Date: 7/1/2021

BACKGROUND, OBJECTIVES, SCOPE AND METHODOLOGY

Harford County is responsible for ensuring the safety of County's infrastructure and public and private structures and that the building and maintenance of each are in compliance with required standards. The County maintains public safety by regularly inspecting structures such as roads and bridges, as well as commercial and residential construction projects of all sizes. In addition, the County issues permits and licenses for a variety of items including building, plumbing, electrical, fuel/gas and utility permits. The County collects revenue in exchange for the issuance of these permits/licenses.

Inspections and permitting and related billing and collections are the responsibility of various departments. The Department of Inspections, Licenses and Permits (DILP) is responsible for building related permits and inspections.

The objective of this audit is to confirm that adequate procedures exist to ensure complete payment for building permits and that Certificates of Occupancy are finalized only after all required inspections are complete. The scope of this review is limited to building related permits managed by DILP - Building, Mechanical, Electrical, Plumbing, Fuel Gas and Utility.

The audit focused on activity during the period of 07/01/2019 through 12/31/2020. Our audit procedures included interviewing personnel, observation and testing. Specifically, we reviewed documentation for inspections and permitting performed by the Department of Inspections, Licenses and Permits. We performed a review of revenue and controls and observed the life cycle of various permits and inspections processed in the County's inspections and permitting system. We looked to determine if controls are effective, the amount collected was correct and the payment was properly recorded. Further we looked to confirm all Failed or Partial Pass inspections are appropriately documented and/or required follow-up inspections were performed, permits were not issued on any open invoices and that follow-up was performed on all code case violations and they were billed, if appropriate. Additionally, we looked to confirm DILP performs monthly reconciliations of permit fees owed by the County's municipalities and performs routine reviews of licenses of all inspectors on staff. Finally, we confirmed access to the permitting and inspection system is appropriately restricted.

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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