



HARFORD COUNTY, MARYLAND

Office of the County Auditor

AUDIT OF LICENSE ISSUANCE AND BILLING CONTROLS

Report Number:
2023-A-17

Report Date:
4/4/2023

Council Members and County Executive Cassilly:

In accordance with Section 213 of the Harford County Charter, we have performed an audit of Harford County's License Issuance and Billing Controls for the period of 7/1/2021 through 1/31/2023. This audit was conducted as part of the County Auditor's risk-based Annual Audit Plan approved by the County Council for FY2023.

The objective of the audit was to confirm that controls are adequate to ensure applicants have met all license requirements and license fees are paid correctly before issuance. The scope was limited to the business licenses and trade registrations issued by the Department of Inspections, Licenses and Permits. The results of the audit, our findings and recommendations for improvement are detailed in this report.

We would like to thank the members of management for their cooperation during the audit. Although none was required, they have been provided an opportunity to respond to this report; no response was provided.

Sincerely,

A handwritten signature in black ink that reads "Chrystal Brooks, CPA".

Chrystal Brooks
County Auditor

CONCLUSIONS

Our opinion, based on the evidence obtained, is controls are adequate to ensure licenses are issued appropriately and correct payments are received in a timely manner. This assessment is based on the strengths and weaknesses identified for the operational objectives below.

Business Process Objective	Assessmentⁱ
Licenses and registrations are only issued to qualified applicants	Effective
Licensing fees are collected completely and timely	Effective

BACKGROUND, OBJECTIVES, SCOPE, AND METHODOLOGY

Throughout the Harford County Code there are requirements for many types of professional, business, and other types of licenses and registrations. The Code specifies qualifications for each license type and classification and that some 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 and registrations.

Licenses are primarily issued by the Department of Inspections, Licenses and Permits (DILP). Applicants can submit their applications online or in person at the County Administration building. Payment must be electronically or in person at the Treasury window before the license is issued. There were approximately 5,200 licenses and registrations issued during the 19-month review period. A majority (approximately 64%) of those were dog licenses; the remaining were business and professional licenses.

The audit approach focused on testing the key controls that address management’s objectives. Our audit procedures included interviewing personnel, observation and testing as described in the table below.

Process / Control Objective	Scope of Review
Application Review and Approval	
Energov requires key information be entered for each application	<ul style="list-style-type: none"> • Confirm proper input controls exist
DILP staff review application for adequate support including existing licenses, training, and insurance	<ul style="list-style-type: none"> • Confirm applications were completed and all required supporting documentation was provided and reviewed for a sample of licenses issued in Energov • Review license or reciprocal license status with the Maryland Department of Labor
Energov automatically calculates license expiration dates	<ul style="list-style-type: none"> • Confirm a sample of expiration dates are reasonable • Confirm license renewals were made timely

Process / Control Objective	Scope of Review
Complete Fee Collections	
Payment amounts are automatically calculated by Energov and agree to the County Code	<ul style="list-style-type: none"> • Confirm invoiced rates were accurate and agreed to the County Code
Energov prevents the issuance of a license without payment	<ul style="list-style-type: none"> • Confirm payments were made prior to license issuance • Confirm voided and deleted charges had explanations

Areas for improvement are described in the Issues and Corrective Actions section of this report. We have reviewed the issues reported in a prior audit and considered their impact on this audit; each of the issues previously identified in prior audit reports were closed before we began this project.

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:

Mr. Rich Truitt, Director of the Department of Inspections, Licenses and Permits
Mr. Rob McCord, Director of Administration

Audit Team:

Chrystal Brooks
CPA, CIA, CGAP, CISA, CGFM, CRMA
County Auditor

Brad DeLauder
CPA, CIA
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.