



HARFORD COUNTY, MARYLAND

Office of the County Auditor

AUDIT OF MOBILE HOME PARK REVENUE

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 FY2020.

What We Found

We noted that controls are adequate to ensure Mobile Home Park revenue is collected.

Report Number: 2020-A-12

Date Issued: 01/06/2020

Council Members and County Executive Glassman:

In accordance with Section 213 of the Harford County Charter, we have performed an audit of Mobile Home Park Revenue. 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 controls are adequate to ensure revenue is collected but can be improved by ensuring that all supporting documentation is provided by property owners.

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

Sincerely,

Chrystal Brooks
County Auditor

cc: Mr. Robbie Sandlass, Treasurer
Mr. Paul Lawder, Director, Inspections, Licenses and Permits



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REVIEW RESULTS

We have audited Mobile Home Tax Revenue for the period of 07/01/2017 through 10/31/2019. Our opinion, based on the evidence obtained, is Mobile Home Park revenue is fully collected. Procedures can be improved to ensure that property owners have submitted all required supporting documentation for reduced payments. 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
Parks operate without licenses	<ul style="list-style-type: none"> • Annual inspections are performed in conjunction with license renewals • Penalties are charged when renewal applications are not submitted timely 	<p style="color: green;">Satisfactory</p> <p style="color: green;">Satisfactory</p>
License fees are not fully collected	<ul style="list-style-type: none"> • License renewal invoices are generated based on the park’s lot capacity 	<p style="color: green;">Satisfactory</p>
Excise taxes are not collected fully and timely	<ul style="list-style-type: none"> • Invoices are sent to all park owners quarterly and are based upon the known number of lots • Park owners must submit confirmation of any unrented lots for which taxes are not paid • Late fees are assessed after payment due dates 	<p style="color: green;">Satisfactory</p> <p style="color: orange;">Needs Improvement</p> <p style="color: green;">Satisfactory</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: 2020-A-12.01 Missing Support for Excise Taxes

Property Owners do not always provide support or confirm the unpaid excise taxes.

Analysis: Mobile home park owners are invoiced quarterly for the capacity of lots on their property. The invoice is sent with a declaration form to be signed by the owner, confirming that the taxes paid are correct. If there were unrented lots, the owner must submit a list of vacant lots to support the reduced payment. In our sample, for the 27 parks, in 5 quarters, we found 16 reduced payments that needed additional support. Specifically:

- 6 included a declaration signature page, but did not provide a list of lots to support the reduced payment;
- 5 (for one owner) listed the excluded lots, but did not provide the declaration signature page;
- 5 payments were missing both the lot list and park owner's declaration;
- 3 payments did not agree to the lot lists provided resulting in \$10 overpaid by one owner and \$60 underpaid by another owner.

Without supporting documentation, the County cannot confirm that the excise tax payments are complete.

Recommendation: When excise tax payments are processed, we recommend Treasury notify the owner of any missing support documentation. When related abatements are recorded, Treasury should confirm supporting documents were provided.

Management Response: The Treasury department scans all submitted documentation from mobile parks with the initial payment records. After the payments are processed, the AR clerk who bills the mobile excise tax is responsible for review of the payments, and follow-up for any missing or incomplete documentation. The related abatements will not be recorded until Treasury confirms all supporting documentation was provided. We have revised the abatement procedures to require both the declaration page and list of vacant lots be included with the supporting documentation for any related abatements. These abatements are submitted by the AR Clerk, and reviewed and approved by the AR Accountant.

BACKGROUND, OBJECTIVES, SCOPE AND METHODOLOGY

Harford County Code requires mobile home parks to be licensed by the County each year. There are currently 27 parks within the County; three of those are within the City of Aberdeen. License fees are \$60 for each group (or partial group) of 10 lots. In addition to paying annual license fees, park owners are required to collect an Excise Tax of \$10 per month per lot from tenants. Taxes are due to the County quarterly. The 27 parks represent nearly 2,000 rental lots; annual revenue from these two sources is approximately \$225,000.

The objective of the audit was to confirm that Mobile Home Excise Tax and License Fee revenue is collected fully. The scope was limited to the licensing and tax collection for which the County government is responsible. Licensing performed by a municipality was considered outside of the scope of this audit. The criteria for this audit was County Code §157-24 and §173-5 through 173-11, and relevant County policies and procedures.

The audit focused on activity during the period of 07/01/2017 through 10/31/2019. Our audit procedures included interviewing personnel, observation and transaction testing. Specifically, we confirmed that renewals were completed and paid timely. For a sample of billing quarters, we recalculated taxes due, confirmed the completeness and timeliness of payments and reviewed the property owners' confirmations of vacant lots. Additionally, we searched for unlicensed mobile home parks.

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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