



HARFORD COUNTY, MARYLAND

Office of the County Auditor

AUDIT OF INSPECTIONS PROCEDURAL STANDARDS AND 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 FY2016.

What We Found

- Procedures are effective to ensure the quality of inspections performed.
- Documentation of some inspections can be improved.

What We Recommend

Additional training on the use of the PCAM and Energov systems could help maximize their utility to the County.

Report Number: 2016-A-06

Date Issued: 06/13/2016

Council Members and County Executive Glassman:

In accordance with Section 213 of the Harford County Charter, we have performed an audit of Inspections Procedural Standards, and related Billing and Collection Controls. This project involved numerous employees from multiple departments and we would like to thank the members of management for their cooperation during the audit.

The audit found that inspection procedures are sufficient and effectively meet the various departments' public safety and quality objectives. We also noted that the systems in place are generally adequate to ensure proper function of the County's Inspections and Billing systems. However, controls can be improved to ensure all County documentation standards are met and that all revenues due to the County are invoiced and collected correctly.

More detailed results of the audit, our findings, and recommendations for improvement are included in the attached report. The audit team is available to respond to any questions you have regarding this report.

Sincerely,

Chrystal Brooks, CPA

Chrystal Brooks
County Auditor

cc: Mr. Paul Lawder, Director of Inspections, Licenses, and Permits
Ms. Susan Kelly, Health Officer
Mr. Jeffrey Stratmeyer, Acting Director of Public Works
Mr. Leonard Parrish, Director of Housing and Comm. Dev.



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REVIEW RESULTS

We have audited Harford County's controls over Inspections Procedural Standards and related Billing and Collection Controls for the period of 1/1/2014 through 12/31/2015. Various County departments are responsible for performing inspections to ensure the safety of building construction, roads, bridges, storm drains, water and sewer lines, and other County-owned facilities, Rental Housing, Private Septic and Well systems, Public Swimming Pools, and Food Service Facilities. In addition, the county issues licenses and permits as warranted and collects the associated revenues.

Our opinion, based on the evidence obtained, is that the current systems in place are adequate to ensure required inspections are performed timely, and to ensure that any necessary corrective actions are taken and related fees are collected. However, controls can be improved to ensure all violations are adequately enforced. In addition, Energov users should receive additional training in how to fully utilize the program. 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.	Required inspections are performed as needed, with any corrective actions needed being undertaken, and all violations sufficiently enforced.	Satisfactory
Inspections are improperly passed despite not meeting the relevant standards.	Inspectors are required to be licensed and educated in their field of work so that they can ensure the proper standards have been met.	Satisfactory
Permits are issued without payment.	Energov is configured to require payment be entered into the system before a permit can be generated.	Satisfactory
Project and plan reviews are not billed appropriately.	Inspectors maintain daily inspection reports which support the hours billed to each project or plan review.	Needs Improvement

Risk	Expected Control	Conclusion
Inspectors have inappropriate relationships with the entities being reviewed.	Inspectors are required to self-disclose any inappropriate relationships.	Satisfactory

Areas for improvement are described in the Findings and Recommendations section of this report. We discussed our findings with management. Management has been provided an opportunity to respond to this report; the response provided is included in the Findings and Corrective Actions.

FINDINGS AND CORRECTIVE ACTIONS

Finding Number: 2016-A-06.01 DPW Inspection Reports

Daily inspection reports were not always available to support time invoiced to developers.

Analysis: The Bureau of Construction Management manages and constructs capital projects, and is responsible for stormwater management and sediment control (County Code, § 214-1 through § 214-49). The Bureau also supervises developer construction of infrastructure that will be turned over to the County. As an example, a street intersection being built in a new development would be monitored by Construction Management.

We reviewed capital and developer project files to verify daily inspection reports were completed in order to demonstrate thorough oversight and review by the Bureau of Construction Management. Additionally, we reviewed timesheets to verify daily inspection reports were completed and supported the hours billed for each. Of the 26 capital projects files and 54 timesheets reviewed, we noted four (4) exceptions all related to timesheet review. Three of the exceptions were billed to incorrect project codes due to inspector billing error. The fourth exception was a daily report that could not be found.

We also compared payroll and PCAM data to determine reasonableness between the total hours billed and the number of hours worked. There were a number of issues, most of which appear to be data entry errors. Refresher training for PCAM timekeepers and a regular review of the PCA exception report would help address these errors.

Management Response: We concur with the finding that four (4) exceptions were identified related to timesheet review and supporting daily inspection reports. Three (3) of the four (4) were due to transposed numbers when hand entering the 5-digit billing

codes on individual employee timesheets. Corrective action has been taken to rescind incorrect charges and bill the responsible developer. The remaining exception resulted from loss of the hardcopy file and improper backup to electronic files. In this instance we were not able to produce the supporting inspection report for that particular date. These exceptions were due to our reliance on manual processes. In January 2014, as a pilot program with a few selected projects, we began using a computer application to directly enter inspector daily reports (IDRs) electronically to the Harford County computer network/server. We have expanded this program to all projects. This automated process eliminates the potential for a single point of failure in order to minimize the possibility of incorrect billing codes. Further, it will prevent loss of documentation since the server files are continually backed up by the County. With regard to the finding that the payroll and PCAM data were inconsistent, DPW Bureau of Construction Inspections has requested the PCAM exception report (PCA205) so we can review and make corrections as issues arise.

Expected Completion Date: 06/03/2016

BACKGROUND INFORMATION

PROGRAM DESCRIPTION AND KEY STATISTICS

Harford County is responsible for ensuring the County's infrastructure is safe and not in violation of any required standards. The County maintains public safety by regularly inspecting structures such as roads and bridges, as well as construction projects. In addition, the County issues permits and licenses for a variety of items including building, plumbing, and electrical permits. The County collects revenue in exchange for the issuance of these permits/licenses.

REVIEW OBJECTIVE, SCOPE AND METHODOLOGY

The objective of this audit was to determine if the procedures and standards for inspections are consistent across the County's departments. Additionally, we sought to confirm that the procedures facilitate complete and timely payment for inspection services. The scope of this review was limited to ensuring procedures are adequate to provide for quality inspections and timely and complete payment for those inspections.

The audit focused on activity during the period of 1/1/2014 through 12/31/2015. Our audit procedures included interviewing personnel, observation and testing. Specifically, we reviewed documentation for inspections performed by various County departments including Department of Inspections, Licenses and Permits, Housing Agency, Health Department and Department of Public Works.

We performed a review of revenue and controls to confirm that the revenue collected appeared reasonable for the number of permits applied for and issued. To do this, we observed the payments processed in Energov, as well as the time entry system used for tabulating hours billed to capital projects and developers. We reviewed the inspection checklists configured in Energov to ensure they were set up correctly and that permit and license fees were properly calculated. For our detailed transaction testing, we primarily focused on activity since the new permitting system, Energov, was implemented in November, 2015.

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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