Department of Environmental Resources

Building Permit Fee Collection Process

June 2013

David H. Van Dyke
County Auditor

TABLE OF CONTENTS

June 2013

The County Council and County Executive
of Prince George's County, Maryland

**DEPARTMENT OF ENVIRONMENTAL RESOURCES
BUILDING PERMIT FEE COLLECTION PROCESS**

We have conducted a follow-up performance audit of the Department of Environmental

Resources Building Permit Fee Collection Process in accordance with the requirements of

Article III, Section 313, of the Charter for Prince George's County, Maryland. Our report is

submitted herewith.

We have discussed the contents of this report with appropriate personnel of the

Department of Environmental Resources, and wish to express our sincere gratitude to them for

the cooperation and assistance extended to us during the course of this engagement.

David H. Van Dyke, CPA
County Auditor
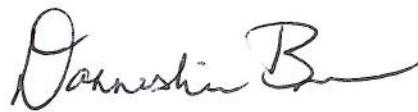
Danneshia Brown
Staff Auditor

Results In Brief

The Permits and Review Division (PRD) in the Department of Environmental Resources (DER) is responsible for reviewing applications for building permits and issuing approved permits for residential and commercial construction. The revenue collected for building permit fees fluctuates from year-to-year as the amount of construction in the County varies. Over the last five fiscal years, building permit revenues have dwindled. Revenue collected by DER from the application and issuance of building permits decreased from approximately $13.5 million in FY 2007 to approximately $6.8 million in FY 2011. The decline in revenue over the years is attributed to the negative impact of economic activity locally and nationally. Specifically, the decrease in revenue relates to a decline in construction activity within the County.

Effective internal controls over the application, processing, fee collection, and issuance of building permits are important to ensure that the interests of the County are protected and that building permit services are provided in an efficient manner. Breakdowns in key internal control activities can leave the County vulnerable to fraudulent, abusive, or questionable permitting activity.

The following major findings are addressed in our report:

Current Observations:
- Based on observation of the building and permitting process, one percent of fees were improperly manually recorded on customer receipts.
- No documentation of access authorization to the permit application software could be located or documented by DER upon request. The lack of documentation of access authorization is a recurring audit issue.
- Employee access to the E-Permits system could not be easily verified upon request, nor adequately maintained.
- Seven percent of the sample of permits reviewed were not computed in accordance with the County fee schedule and current building codes, a minor improvement from the prior audit citation of eight percent.
- One percent of the sample of permit files reviewed was erroneously classified in the permit system. There was an improvement of six percent when compared to the last audit.

- The lack of adequate file storage was a consistent area of concern for the supervisors. Based on our observations, it was difficult to determine how the hard copy filing system for open and closed files were organized.
- A staff shortage was mentioned on several occasions by the PRD supervisors as an on-going concern. Based on our observations, additional staff could reduce the office's workload and/or increase efficiency throughout the permitting process.

Status of Prior Audit Findings (October 2007):

- Documented policies and procedures have been developed or updated for the majority of functions in the building permitting process. The one exception, IT documentation, is addressed in the Systems Security section of our report.
- Employee access to the permit system has been segregated for all key aspects of the building permitting process.
- Adequate records were available to support all testing samples of the building permit transaction selected for review.
- Permit fee revenue recorded in the permit system agreed with the revenue recorded in the County's financial system.
- Daily reconciliations between the permit system and the County's Treasury are being performed.
- Recommendations Not Implemented from Prior Audit Findings:

  - The automation of fee amounts and fee types has not yet been implemented.
  - No written procedures for authorizing access to information resources and documenting such authorizations have been implemented.

Internal control activities are an important part of an agency's planning, implementation, and review functions. They are essential for effective and efficient operations and proper accountability of County resources. For this reason, several recommendations for improving internal controls are made throughout this report.

We further realize that the proposed creation/reorganization of the new Department of Permitting, Inspections and Enforcement (DPIE) may address some of the findings discussed in this Audit Report. However, the Audit Report is reflective of a snapshot of

agency activity at a point in time, and should be useful when organizing the new Department of Permitting, Inspections and Enforcement, as well as strengthening and enhancing controls over the permitting process.

Background of Permitting Process

The mission of the Permits and Review Division (PRD) is to protect the natural and built environment of the County through the review and approval of permits and plans for residential and commercial construction.

The Permits and Review Division provides technical support to review and approve plans for construction and is responsible for the issuance of building and electrical permits. County law requires an owner or authorized agent to obtain a permit to erect, construct, enlarge, alter, move, improve, connect, demolish, use and/or occupy, or raze any building. The Permits and Review Division assists with determining the type of permit needed, and works with the development community to ensure successful completion of construction projects in accordance with applicable building codes.

Building permit activity is regulated by the International Building Code – Section 108 and the following sections of the Prince George's County Code:

- Subtitle 4, Division 1
- Subtitle 4, Division 5, Section 4-345
- Subtitle 4, Division 5, Section 4-352
- Subtitle 9, Division 1
- Subtitle 11, Divisions 1 - 4

The Permits and Review Division is managed by an Associate Director who reports to the Deputy Director for Environmental Operations. As of August 12, 2011, the Permits and Review Division was comprised of two sections– Permits Administration and Engineering Management.

Figure I depicts the organizational structure of the Permits and Review Division on July 26, 2012.

Since our last audit in 2007, there have been three reorganizations within the Permits and Review Division. In late 2007, the Site

Review Unit was moved to the Department of Public Works & Transportation, and other units were consolidated and redefined. An additional reorganization took place in 2011 to enhance efficiency, workflow and accountability. The latest reorganization, which involved creating the new Department of Permitting, Inspections and Enforcement, was announced in July, 2012, and is in the process of being implemented.

Figure I: Permits and Review Division (PRD)
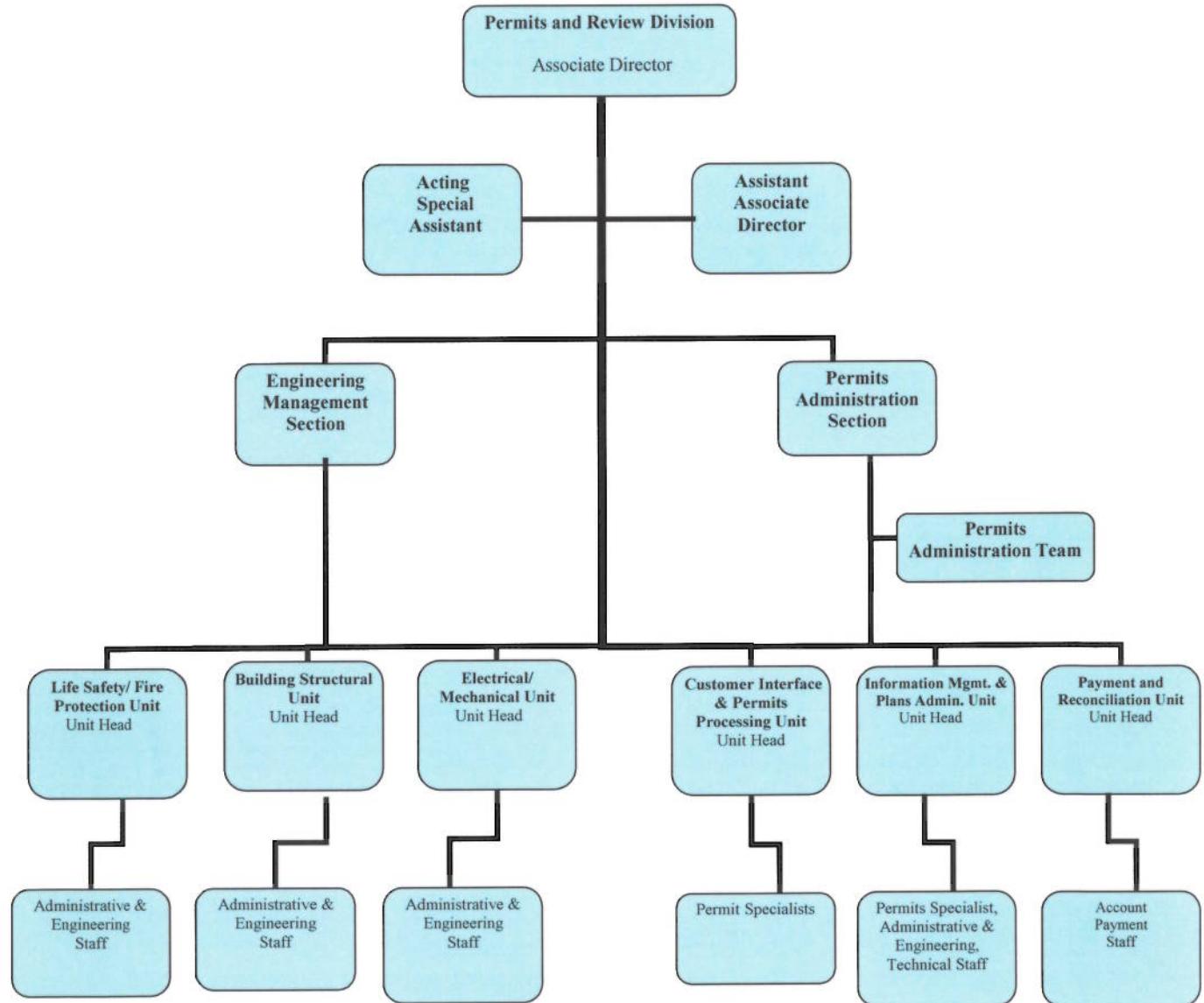
The Permits Administration Section operates and manages the County Permits Office, including providing residential and commercial customers with the information needed to submit permit applications and plans, distributing permit applications and plans to agencies responsible for review, and issuance of permits for approved applications and plans. Other services provided by this Section include:

- Providing permit application and processing status;

- Storing, maintaining, and archiving permit applications and plans;

- Preparing and distributing brochures and other public information on permits; and

- Collecting revenue (fees)

The Engineering Management Section reviews all building plans (residential and commercial) to ensure compliance with all applicable Building Codes. These plans include structural, architectural, mechanical, energy, electrical, fire protection systems, fire alarms, sprinkler drawings/calculations, and handicapped disciplines.

In order to obtain a building permit, applicants are required to submit the appropriate permit application along with structural and site plans for review. The appropriate filing fee, established in accordance with the County Code and determined by the nature of the project, must also be submitted and is applied toward the total permit fee.

Depending on the type of the permit requested, structural and site plans may be reviewed by DER's Permits Administration Section, and other County agencies if necessary, at the time of application (walk-through). If applications cannot be walked-through the review process, plans are distributed by the Permits Administration Section to the appropriate agencies for review. DER engineers review plans and determine the appropriate permit fee, based on the established fee structure. Fees are entered into the permit system by the structural engineers and required approvals are entered by the approving agencies.

Approved applications are transmitted to the Permits Administration Section and the balance of the permit fee is collected from the applicant. Permit fees must be paid in full prior

to issuance of the permit. After all approvals are obtained and full payment is received, the permit is issued.

Objective, Scope, & Methodology

The purpose of this audit was to (1) assess the adequacy and performance of designed control activities surrounding the collection of permit fees or the permit fee process, (2) determine adherence to policies and procedures, and (3) identify factors inhibiting satisfactory performance and recommend corrective action. In addition, this audit served as a follow-up to the prior audit of the Building Permitting Process that was issued in October 2007.

To conduct this audit, we obtained reports documenting all of the building permit activity for fiscal year 2011 from the Permits and Review Division, and selected a judgmental sample of 100 permits to examine. Our sample included 40 commercial, 45 residential, and 15 electrical and use & occupancy permits. We also interviewed permit office personnel and reviewed operating procedures and other documents related to the building permitting process.

Management's Responsibility for Internal Control

Internal control is a process, affected by people at every level of the organization, and designed to provide reasonable assurance that the following objectives are being achieved[1]:

- Effectiveness and efficiency of operations,

- Reliability of financial reporting, and

- Compliance with applicable laws and regulations.

Management is responsible for establishing and maintaining an environment that sets a positive and supportive attitude towards internal control. When the importance of internal control is communicated to employees, particularly through management's

---

[1] Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission, Copyright 2004

own actions and beliefs, the process is more likely to function effectively.

A strong internal control environment is essential in minimizing operational risks and improving accountability; further assisting an agency in achieving its mission. Although there was a decrease in the number of dollars generated from construction activity from FY 2007 to FY 2010, recent permit activity indicates that construction activity began to increase in FY 2011.

We noted the following strengths in relation to the controls we reviewed for the building permit fee collection process:

- A new, real-time computer system that processed permit applications had been installed and utilized since our last audit, in 2007.

- The permit application software utilizes a preset workflow based on permit type to indicate the approvals required for issuance of the permit.

- System controls are in place to prevent the issuance of permits that have not received all required approvals and payment.

- Physical controls are in place to ensure that the County's assets are properly safeguarded. The processing of funds received is performed in a secure area and access is restricted to authorized personnel only.

- Funds collected are protected by the use of cash registers and receipts are picked up daily by Dunbar Security Service to ensure that collections are promptly and securely deposited.

Although noticeable improvements have been made to the permitting process since the last audit, we also observed several reportable items that require management's attention.

The following sections detail the reportable items noted during our review.

Permit Fees Not Computed Pursuant to Standards

Permit fee standards, which can be complex, are communicated to all Permit Review Division staff responsible for determining the cost of obtaining various building permits. The specific functional inspectors (i.e. Fire Department, Department of Public Works & Transportation, Maryland-National Capital Park and Planning Commission, and Washington Suburban Sanitary Commission) use international buildings codes to determine structural/ site plan fees, while the E-Permit specialists use a standardized residential and commercial fee chart to calculate the standard fee that all customers are charged.

However, our test procedures revealed some instances where fees were not computed in accordance with the County's fee schedule contained within the Prince George's County Code or the International Building Code.

We determined that seven percent of the 100 permits reviewed were not computed in accordance with the County fee schedule contained within the Prince George's County Code and International Building Code.

- The fees charged for three cases were calculated incorrectly. In two cases, the fee amount reviewed was mathematically miscalculated. In another case, the fee amount reviewed was calculated using the incorrect Case/Type.

- In three cases, additional fees included on the fee chart were not charged. In two cases, the Park & Planning fee was not charged. In one case, the Grading fee was not charged.

- In one case, a minor fee of $0.35 was charged; however, there is no related fee in that amount listed on the fee chart.

Permits and Review Division Management identified the following standards as the basis for calculating building permit fees:

1. Bulletin 2005-4: Building Permit Fees for Single Family Dwellings, Townhouses, Apartments, and Condominiums (Effective 3/30/05)

2. Standard Residential and Commercial Fee Schedule (miscellaneous fees for routine walk-in applications) (Effective 2009)

Over time, errors and inconsistencies in the application of fee computation standards could result in material losses of revenue to the County. Alternatively, similar errors and inconsistencies may result in the County continuously overcharging customers, consequently leading to an increase in customer dissatisfaction and complaints.

Discrepancies in building permit fee computations also increase the likelihood of reporting inaccurate financial information to the County.

Lack of knowledge of revisions to the fee charts may have contributed to the miscalculation identified during our audit. The chart was not updated to reflect accurate fees.

1a) We recommend that the Permit Processing Unit Head institute quarterly staff training to reinforce new procedures and review changes in the fee structure.

1b) We also recommend that the Permit Supervisor update the fee schedule to provide reasonable assurance that the fee computations are accurate, complete, consistent, and calculated according to standards.

1c) In addition, **we recommend** that the Director of Environmental Resources consider automating the fee calculation process, where practical, including the integration of a fee table into the permit software for standard fees that do not require complex computations.

Misclassification of Permit Fees

To verify whether building permit revenue is accurately recorded, we reviewed the fee information screen in the E-Permit System for our sample of permits to determine the allocation of permit fees paid. Our review of the data recorded in the permit application software identified one of the 100 permit files was erroneously classified in the permit system resulting in a subsequent misclassification in the County's financial system.

The total amount of the misclassification identified is $75, which is minimal, however, classification errors in the E-Permit system affect the County's financial data, and errors that remain undetected may result in inaccurate records, information, and reports. We do note that this is a significant improvement over the number of errors and dollar amount reported in our last audit.

For an agency to run and control its operations it must have relevant and reliable information. The GAO is of the opinion that:

> *"Transactions should be promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from the initiation and authorization through its final classification in summary records. In addition, control activities help to ensure that all transactions are completely and accurately recorded."* (GAO/AIMD-00-21.3.1)

Permit fee classification errors may have resulted from utilization of an outdated fee chart. On several occasions, different fee charts were utilized by different staff members.

2a) We recommend that the Director of Environmental Resources consistently update the permit fee charts immediately following legislative approval to reflect changes, as opposed to issuing verbal instructions to revise the charts and instruct staff to use the most recent permit fee chart to assess fees. Updating the charts will aid in providing reasonable assurance that permit fees are classified accurately, consistently, and according to standards.

2b) We recommend that the Director of Environmental Resources require segregation of duties among permit processing staff. This requirement should apply to monthly reviews of revised permit schedules and permit fee classification. All errors detected during the monthly review process should be corrected promptly.

2c) We further recommend that the Director of Environmental Resources consider integrating a fee table in the permit system to automatically classify and record standard permit fees.

Improper Manual Recording of Fees

During the audit, we observed the permitting process at the Department of Environmental Resources. We noted occasions in which fees written on the manual receipts for the customers were improperly recorded.

Depending on the type of permit requested, the customer visits various units within the Permit and Review Division for their application to be reviewed. Fee amounts are manually written on receipts to be taken to the cashier at the end of the Walkthrough/ Application process.

With regards to recording fees properly, the GAO's FISCAM s states that:

> The overall objectives of business process application level controls are to provide reasonable assurance about the completeness, accuracy, validity and confidentiality of transactions and data during application processing. Each specific business process control technique is designed to achieve one or more of these objectives. The effectiveness of business process controls depends on whether all of these overall objectives are achieved.

> Accuracy controls should provide reasonable assurance that transactions are properly recorded, with the correct amount/data, and on a timely basis (in the proper period); key data elements input for transactions are accurate; and data elements are processed accurately by applications that produce reliable results; and output is accurate.

Improper recording of fees manually results in a discrepancy in fee income, as well as an inconvenience to the customer, as the customer will be re-directed by the cashier to the appropriate review unit for correction.

Nonetheless, an over or under payment of the fee which could lead to additional profit or loss to the County's Permits and Review Division, should not occur if the correct fee had been entered in the system.

3a) We recommend that the Permits and Review Division management standardize a process to review the manual recording of fees, and emphasize the importance of accurately completing the manual receipt at the close of the review process.

3b) We strongly recommend that the Department of Environmental Resources upgrade the E-Permits system to automatically generate customer receipts versus having to prepare manual receipts.

System Security - Inadequate Documentation of System Authorization

We requested E-Permits System Access Request forms for a sample of 15 DER employees and noted that adequate documentation of access authorization to the permit application software was not maintained by DER's Information Management & Plans Administration Unit.

Upon further inquiry, it was revealed that written policies for Access Requests were nonexistent. Inadequate documentation of system authorization within the Permits Administration Section is a recurring audit issue.

With regards to documentation of access authorization, the GAO's FISCAM states that:

> "*Listings of authorized users and their specific access needs and any modifications should be approved by an appropriate senior manager and directly communicated in writing by the resource owner to the security management function. A formal process for transmitting these authorizations, including the use of standardized access request forms, should be established to reduce the risk of mishandling, alterations, and misunderstandings. The security manager should review authorizations for new or modified access privileges and discuss any questionable authorizations with the authorizing official. Approved authorizations should be maintained on file.*"

Inadequate system security policies and procedures increase the risk of mishandling, alterations, and misunderstandings of access requests, thus diminishing the reliability of electronic data and increasing the risk of destruction or inappropriate disclosure of data.

The system security policies and procedures currently in place at DER's Permits and Review Division do not require the completion of standard request forms for all access requests, nor the retention and maintenance of system access authorization forms.

4a) We recommend that the Director of Environmental Resources establish written policies and standardize procedures for authorizing access to the E-Permits system as well as documenting and maintaining records of all authorizations. Ideally, procedures should include management approval requirements, adequate documentation of access authorization for all requests (particularly the use of standard forms with management approval), maintenance requirements of access authorization forms, and the secure transfer of access requests to system security managers.

4b) We also recommend that the Director of Environmental Resources require the Permits and Review Division to review system access reports monthly to make certain that personnel granted access are appropriate and to ensure that inappropriate access is promptly removed or modified accordingly.

System Security - Lack of System Security (Personnel Access)

Our audit determined that four DER personnel retained unauthorized access to the E-Permits system after leaving the agency.

We compared the authorized user employee access report to the current agency organization chart and determined that four employees who had left the agency had not had their Information Technology authorization rescinded.

The four employees had been employed in DER's Permit and Review Division and had retained access to the E-Permits system after their departure from the agency. There was no evidence that these employees utilized their system access after their departure.

With regards to system access, the GAO's FISCAM states that:

> *Security administration procedures should provide tactical guidance on the day-to-day operations of creating, assigning, monitoring, updating, and revoking end-user access to the application. End- users should be assigned authorizations sufficient, but not excessive, to perform their duties in the application: Access should be limited to individuals with a valid business purpose (least privilege). The users should be granted the level of access by virtue of the position they hold within the organization.*

After bringing the system access issue to the attention of the Permits and Review Supervisor on March 6, 2012, she immediately disabled E-Permits system access for the four employees. However, this points to weaknesses regarding the system security of the agency's computer system since the Information Management & Plans Administration Unit personnel were not aware that the four terminated employees retained system access.

When an employee leaves the Permits and Review Division, there is no communication with the Information Management & Plans Administration Unit within the Department of Environment Resources informing them of the employee's departure and the subsequent need for their access to be rescinded.

To address improper access authorization to the E-Permits system, **we recommend** the following:

5a) A standard procedure should be established between DER's Human Resources Division and the Information Management & Plans Administration Unit to eliminate access immediately upon an employee leaving the agency.

5b) Management should periodically review system access reports to ensure that inappropriate access, including access for employees that have left the agency or the County, is removed or modified accordingly.

1.   **Current Observations**

No documentation of access authorization to the permit
application software could be located or documented by
DER upon request. The lack of documentation of access
authorization is a recurring audit issue.

Response
E-permits identifies who enters/deletes fees. Permits and
Review Division (PRD) has made a request through the
Information Technology Section (I.T.) to limit who has
access to add/delete fees.

2.   **Current Observations**

Employee access to the E-Permits system could not be easily
verified upon request, nor adequately maintained.

Response
PRD will request that I.T. clean up the list of users in
the system by deleting names that should not be included;
former employees, etc.

3.   **Current Observations**

Seven percent of the sample of permits reviewed was not
computed in accordance with the County fee schedule and
current building codes, a minor improvement from the prior
audit citation of eight percent.

Response
Epermits has a calculator that staff will begin to use for
tenant improvements and renovation projects. The
calculator relies on inputs from staff such as the
construction cost. The calculator will not work for new
buildings since the calculation method is more detailed and
complex.

4. **Current Observations**

   The lack of adequate file storage was a consistent area of concern for the supervisors. Based on our observations, it was difficult to determine how the hard copy filing system for open and closed tiles were organized.

   Response
   The filing system is suffering from poor technology, inadequate staffing and the process by LID and PSD to keep files after they close the Use and Occupancy Permits (U&O). The previous permitting software would automatically close/expire/abandon cases. Also, the records management use to be handled by an entire section, now it has been reduced to a handful of staff.

5. **Status of Prior Audit Findings**

   Documented policies and procedures have been developed or updated for the majority of functions in the building permitting process. The one exception, I.T. documentation, is addressed in the Systems Security section of our report.

   Response
   SOP's are in place for most of the permitting functions; however, staff is revisiting them for updates.

6. **Status of Prior Audit Findings**

   The automation of fee amounts and fee types has not yet been implemented.

   Response
   This requires changes to E-permits.

7. **Management's Responsibility for Internal Control**

   Physical controls are in place to ensure that the County's assets are properly safeguarded. The processing

Audit Response
February 5, 2013
Page Three

of funds received is performed in a secure area and access
is restricted to authorized personnel only.

Response
PRD do not agree - there is no physical security, the booth
is constructed in a manner where it can easily be broken
into. There is no security on the floor. At the end of
the day, money that was not collected during the Dunbar
pick-up is left in a safe. The safe is not secured to the
floor and can be removed.

8. **Permit Fees Not Computed Pursuant to Standards**

Permit fee standards, which can be complex, are
communicated to all PRD staff responsible for determining
the cost of obtaining various building permits. The
specific functional inspectors (i.e. Fire Department,
Department of Public Works and Transportation, Maryland-
National Capital Park and Planning Commission, and
Washington Suburban Sanitary Commission) use international
buildings codes to determine structural/site plan fees,
while the E-Permit specialists use a standardized
residential and commercial fee chart, to calculate the
standard fee that all customers are charged.

Response
Permit fee standards, which can be complex, are
communicated to all PRD staff responsible for determining
the cost of obtaining various building permits. The
structural engineers use international buildings codes to
determine permit fees, while the E-Permit specialists use a
standardized residential and commercial fee chart, based on
County legislation, to calculate the standard fee that all
customers are charged.

9. **Permit Fees Not Computed Pursuant to Standards**

The fees charged for three cases were calculated
incorrectly. In two cases, the fee amount reviewed was

mathematically miscalculated. In another case, the fee amount reviewed was calculated using the incorrect Case/Type.

Response

We believe this should be "incorrect use group/construction type" instead of "Case/Type". To improve in this area, we will begin to utilize the calculator function in E-permits for tenant improvements and renovation projects. For new construction, we need E-permits to have the appropriate data and calculators added. The formula inputs currently are pulled for a chart. All this data should be entered into E-permits and have the ability to accept updates every six months.

10. **Permit Fees Not Computed Pursuant to Standards**

In three cases, additional fees included on the fee chart were not charged. In two cases, the Park and Planning fee was not charged. In one case, the Grading fee was not charged.

Response

PRD has resolved this issue. PRD can, according to legislation, charge a $55 administrative fee for grading. All other grading fees are assessed and entered by The Department of Public Work and Transportation (DPW&T) staff.

11. **Permit Fees Not Computed Pursuant to Standards**

In one case, a minor fee of $0.35 was charged; however, there is no related fee in that amount listed on the fee chart.

Response

We believe this was a fee charged for making one copy. Staff had been charging $.35 for one 8 ½ by 11 sheet.

12. **Permit Fees Not Computed Pursuant to Standards**

Lack of knowledge of revisions to the fee charts may have contributed to the miscalculation identified during our audit. The chart was not updated to reflect accurate fees.

Response
This chart has been updated and is used as a training tool for staff.

13. **Permit Fees Not Computed Pursuant to Standards**

1a)   We recommend that the Permit Processing Unit Head institute quarterly staff training to reinforce new procedures and review changes in the fee structure.

Response
Quarterly training was implemented in 2011 and weekly training was implemented in 2012.

14. **Permit Fees Not Computed Pursuant to Standards**

1b)   We also recommend that the Permit Supervisor update the fee schedule to provide reasonable assurance that the fee computations are accurate, complete, consistent, and calculated according to standards.

Response
This has been done and the chart is used as a training tool. It is also available to the public on the internet.

15. **Permit Fees Not Computed Pursuant to Standards**

1c)   In addition, we recommend that the Director of the Department of Environmental Resources (DER) consider automating the fee calculation process, where practical, including the integration of a fee table into the permit software for standard fees that do not require complex computations.

Response
This would be a good candidate for a "quick win" when DPIE opens.

16. **Misclassification of Permit Fees**

2a) We recommend that the Director of DER consistently update the permit fee charts immediately following legislative approval to reflect changes, as opposed to issuing verbal instructions to revise the charts and instruct staff to use the most recent permit fee chart to assess fees. Updating the charts will aid in providing reasonable assurance that permit fees are classified accurately, consistently, and according to standards.

Response
The charts have been updated and also added to the PRD website.

17. **Permit Fees Not Computed Pursuant to Standards**

2b) We recommend that the Director of DER require segregation of duties among permit processing staff This requirement should apply to monthly reviews of revised permit schedules and permit fee classification. All errors detected during the monthly review process should be corrected promptly.

Response
PRD used to have an auditor on staff to assist with these functions. He was laid off in 2009 and the position was abolished.

18. **Improper Manual Recording of Fees**

During the audit, we observed the permitting process at DER. We noted occasions in which fees written on the manual receipts for the customers were improperly recorded.

Response
PRD no longer allows the public, i.e., permit runners, to complete the receipts.

Staff has been trained on how to complete the receipts properly.

19. **Improper Manual Recording of Fees**

3a) We recommend that PRD management standardize a process to review' the manual recording of fees, and emphasize the importance of accurately completing the manual receipt at the close of the review process.

Response
Staff has been trained during a quarterly training session on how to fill the receipts out properly.

20. **Improper Manual Recording of Fees**

3b) We strongly recommend that DER upgrade the E-Permits system to automatically generate customer receipts versus having to prepare manual receipts.

Response
We strongly agree. This would also save the Division almost $2000 per year in operating expenses.

21. **System Security - Inadequate Documentation of System Authorization**

We requested E-Permits System Access Request forms for a sample of 15 DER employees and noted that adequate documentation of access authorization to the permit application software was not maintained by DER's Information Management and Plans Administration Unit. Upon further inquiry, it was revealed that written policies for Access Requests were nonexistent. Inadequate documentation of system authorization within the Permits Administration Section is a recurring audit issue.

Response
PRD will create a SOP and implement this at the Division level.

22. **Improper Manual Recording of Fees**

    The system security policies and procedures currently in
    place at DER's Permits and Review Division do not require
    the completion of standard request forms for all access
    requests, nor the retention and maintenance of system
    access authorization forms.

    Response
    PRD will implement this at the Division level.

23. **System Security - Inadequate Documentation of System
    Authorization**

    4a) We **recommend** that the Director of DER establish
    written policies and standardize procedures for authorizing
    access to the E-Permits system as well as documenting and
    maintaining records of all authorizations. Ideally,
    procedures should include management approval requirements,
    adequate documentation of access authorization for all
    requests (particularly the use of standard forms with
    management approval), maintenance requirements of access
    authorization forms, and the secure transfer of access
    requests to system security managers.

    Response
    PRD will implement this at the Division level.

24. **System Security - Inadequate Documentation of System
    Authorization**

    4b) We **also recommend** that Director of DER require PRD to
    review system access reports monthly to make certain that
    personnel granted access are appropriate and to ensure that
    inappropriate access is promptly removed or modified
    accordingly.

    Response
    PRD will implement this at the Division level.

25. **System Security – Lack of System Security (Personnel Access)**

    Our audit determined that four DER personnel retained unauthorized access to the E-Permits system after leaving the agency.

    We compared the authorized user employee access report to the current agency organization chart and determined that four employees who had left the agency had not had their I.T. authorization rescinded.

    Response
    PRD will implement this at the Division level.

26. **System Security – Lack of System Security (Personnel Access)**

    To address improper access authorization to the E-Permits system, **we recommend** the following:

    5a) A standard procedure should be established between DER's Human Resources Division and the Information Management & Plans Administration Unit to eliminate access immediately upon an employee leaving the agency.

    Response
    PRD will initiate this at the Division level.

27. **System Security – Lack of System Security (Personnel Access)**

    5b) Management should periodically review system access reports to ensure that inappropriate access, including access for employees that have left the agency or the County, is removed or modified accordingly.

    Response
    PRD will initiate this at the Division level.

Auditors' Comments on Agency Responses

The Office of Audits and Investigations (A&I) identified a perceived strength in the audit report related to physical controls with respect to collections, ensuring that County assets are being properly safeguarded. However, the Permits and Review Division (PRD) does not agree with this observation. We take exception to this response and our comment is as follows:

Audit Observation: "Physical controls are in place to ensure that the County's assets are properly safeguarded. The processing of funds received is performed in a secure area and access is restricted to authorized personnel only. Funds collected are protected by the use of cash registers and receipts are picked up daily by Dunbar Security Service to ensure that collections are promptly and securely deposited."

PRD Response (#7): "PRD do not agree - there is no physical security, the booth is constructed in a manner where it can easily be broken into. There is no security on the floor. At the end of the day, money that was not collected during the Dunbar pick-up is left in a safe. The safe is not secured to the floor and can be removed."

Audits and Investigations' Comment: It should be noted that the scope of our audit did not include a review of the overall physical security of the building. A&I's observation refers to the physical controls related to the collection of fees. During the audit, A&I observed the fee collections in a secure cashier's booth, which required authorized access to enter. Additionally, fee collections were properly secured in a locked safe at the close of business, and then transported in a timely manner by an armored vehicle. These internal controls were in place, minimizing operational risks, in our opinion, within the Permits and Review Division.