

Performance Audit Report

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**Board of License Commissioners  
for Prince George's County**

February 2022

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**DEPARTMENT OF LEGISLATIVE SERVICES**  
**MARYLAND GENERAL ASSEMBLY**

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DEPARTMENT OF LEGISLATIVE SERVICES  
OFFICE OF LEGISLATIVE AUDITS  
MARYLAND GENERAL ASSEMBLY

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February 8, 2022

Senator Clarence K. Lam, M.D., Senate Chair, Joint Audit and Evaluation Committee  
Delegate Carol L. Krimm, House Chair, Joint Audit and Evaluation Committee  
Members of Joint Audit and Evaluation Committee  
Annapolis, Maryland

Ladies and Gentlemen:

We have conducted a performance audit to evaluate the effectiveness and efficiency of the management practices of the Board of License Commissioners for Prince George's County (BOLC) as required by the State Government Article, Section 2-1220 of the Annotated Code of Maryland. The law requires our audit to focus on BOLC operations relating to licensing, inspections, disciplinary procedures, and management oversight, which broadly represent the four audit objectives established. BOLC issued 632 active alcoholic beverage licenses and 123 entertainment permits as of November 2020 and collected \$1.5 million during fiscal year 2020, primarily derived from license fees.

This is our second audit of the BOLC and we have noticed that BOLC made improvement from our prior audit by adequately addressing 10 of the 17 prior report findings. For example, BOLC established procedures to conduct quarterly inspections of licensed establishments and monitored follow-up inspections on establishments that were temporarily closed. Additionally, BOLC's written policies and procedures governing its operations were formally adopted by the Board. Nevertheless, our current audit disclosed instances in which BOLC did not comply with State law or policy, and did not establish adequate internal controls and record keeping procedures over certain aspects of its operations in each of the four areas reviewed.

Licensing

BOLC did not ensure that applications were properly completed and evidence was lacking that all required documents were obtained and conditions met prior to the

issuance of licenses and permits as required, including completed criminal background checks and verifications of no unpaid State and county taxes. Additionally, BOLC had not established adequate record keeping procedures and internal controls over license fees and other office collections.

### Inspections

Inspection reports were not properly completed or subject to an independent documented supervisory review. Our review of the results of 55 inspections performed during January 1, 2019 through October 28, 2020 disclosed that 5 inspection reports were signed by the inspectors rather than the owner or manager of the licensed business as required and 38 inspection reports did not have documented independent supervisory review.

### Disciplinary Procedures

BOLC had not established adequate procedures and internal controls over its disciplinary process and the maintenance of related records. Specifically, independent supervisory review of violation fine records, collection, and follow-up collection efforts were not documented. In addition, fines receivable records were not reliable since they were not always updated with fine amount, late fee, violation date, the status of the receivable, current outstanding balances, follow-up notices, and the related payment receipt number to ensure that amount due was paid. Furthermore, BOLC did not always assess required late fees on delinquent fines and failed to issue summons timely for licensees to appear at a delinquency hearing.

### Management Oversight

BOLC's established management practices were not comprehensive and did not ensure adequate controls over access to critical electronic files and systems. Specifically, the Board had not established policies and procedures governing safeguarding electronic files with personal identifiable information and monitoring of users access capabilities. For example, 24 users had unnecessary access to BOLC's unsecured electronic files, 16 users had unnecessary access to close complaint referrals, and 9 employees had the ability to process licensing transaction without any automated independent review and approval.

Our audit scope, objectives, and methodology are explained on page 7. BOLC's response to this audit is included as an appendix to this report. We reviewed the response and noted general agreement to our findings and related recommendations. Subsequent to the response receipt, but prior to the issuance of the final report, we contacted BOLC staff and obtained verbal clarification that satisfactorily resolved all outstanding questions and issues. Consequently, we have concluded that the written responses and verbal clarification together

indicate that the BOLC corrective actions identified are sufficient to address all audit issues.

We wish to acknowledge the cooperation extended to us during the audit by the Board and the staff of the BOLC. We also wish to acknowledge the Board's willingness to address the audit issues and implement appropriate corrective actions.

Respectfully submitted,

A handwritten signature in black ink that reads "Gregory A. Hook". The signature is written in a cursive style with a large, stylized 'G' and 'H'.

Gregory A. Hook, CPA  
Legislative Auditor



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# **Audit Scope, Objectives, and Methodology**

## **Audit Scope**

The State Government Article, Section 2-1220(g) of the Annotated Code of Maryland requires the Office of Legislative Audits, at least once every three years, to conduct a performance audit of the Board of License Commissioners for Prince George's County (BOLC) to evaluate the effectiveness and efficiency of the management practices of BOLC and the economy with which BOLC uses resources. The law also states the audit shall focus on operations relating to liquor inspections, licensing, disciplinary procedures, and management oversight.

Our audit was performed in accordance with generally accepted government auditing standards. Those standards require 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 for our findings and conclusions met those standards.

## **Objectives and Methodology**

Our audit included the following objectives:

1. Evaluate the adequacy of procedures for alcoholic beverage licensing and the maintenance of related records, and determine if the licensing process complied with State law and Board requirements.
2. Evaluate the adequacy of BOLC policies and procedures for conducting inspections of alcoholic beverage licensees and maintaining related records, and determine whether inspections were properly performed in accordance with governing laws, policies, and procedures.
3. Evaluate the disciplinary process and determine if BOLC complied with applicable State law, enforced applicable Board rules and regulations governing licensees, and maintained accurate disciplinary records.
4. Evaluate management processes to determine if proper oversight exists over BOLC operations.

To accomplish our objectives, we reviewed applicable State laws, and the policies and procedures established by the Board and BOLC administrative personnel governing the licensing process and related records. We also reviewed pertinent sections of the *BOLC Standard Operating Procedures* that govern BOLC administrative functions; the *Rules and Regulations of the Board of License Commissioners for Prince George's County*, an internal document that governs

the conduct of licensee business operations; and applicable Prince George's County policies.

Additionally, we interviewed BOLC staff to determine the processes used to issue licenses, conduct inspections, administer disciplinary proceedings, and maintain related records. Due to the mandatory teleworking resulting from the COVID-19 pandemic health crisis, we did not observe the licensing and inspection processes. We were able to virtually observe the disciplinary hearing processes.

We obtained data files of active BOLC licensees for the 2019-2020 and 2020-2021 license years, and liquor inspections performed and licensee violations for fiscal years 2019 to 2021. These files were obtained from the BOLC licensing (License Manager System) and inspection databases, maintained by the Prince George's County Office of Information Technology. We used the data files to perform various tests of the licensing, inspection, and disciplinary procedures, and performed various tests of the relevant data and determined that these data files were sufficiently reliable for the purposes they were used for during the audit. We also reviewed the scanned licensee paper files and the minutes for Board hearings that evidenced the decisions and actions taken by the Board. Furthermore, we obtained records of complaints received by BOLC, as well as complaints registered through the Prince George's County 311 Community Relations Service Request System (311 System), to evaluate the BOLC process for complaint-initiated inspections.

Generally, transactions were selected for testing based on auditor judgment, which primarily considers risk, the timing or dollar amount of the transaction, or the significance of the transaction to the area of operation reviewed. As a matter of course, we do not normally use sampling in our tests, so unless otherwise specifically indicated, neither statistical nor non-statistical audit sampling was used to select the transactions tested. Therefore, unless sampling is specifically indicated in a finding, the results from any tests conducted or disclosed by us cannot be used to project those results to the entire population from which the test items were selected. The reliability of data used in this report for background or informational purposes was not assessed. In addition to the conditions included in this report, other findings were communicated to BOLC that were not deemed significant and, consequently, did not warrant inclusion in this report.

## **Fieldwork and Agency Response**

We conducted our fieldwork from October 2020 to July 2021. During this period, BOLC's operations were impacted by the COVID-19 pandemic health crisis. Specifically, the Governor's Executive Order, effective March 12, 2020, permitted State and local government licensees to extend license and permit renewals for license years 2019-2020 and 2020-2021 until 30 days after the pandemic state of emergency was rescinded. Consequently, license revenue was reduced from \$2.1 million in fiscal year 2019 to \$1.5 million in fiscal year 2020, a decrease of \$635,000, with a continued reduction from customary revenue levels expected until the COVID-19 pandemic health crisis is over.

Further, during the period from March 16, 2020 through June 1, 2020, all restaurants and bars in Prince George's County were closed (except for food and beverages carry-out, drive-through, or delivery), which resulted in BOLC performing focused inspections to ensure that establishments complied with the executive order. Additionally, Prince George's County issued an Executive Order, effective March 16, 2020, that suspended all in-person meetings and hearings and closed all county facilities to the public. This resulted in BOLC's Board, which is a unit of the County government, holding meetings virtually and employees teleworking. Although the BOLC's facilities were closed to the public during our fieldwork, this did not significantly impact our ability to conduct the audit.

BOLC's response to our findings and recommendations is included as an appendix to this audit report. As prescribed in the State Government Article, Section 2-1224 of the Annotated Code of Maryland, we will advise BOLC regarding the results of our review of its response.

## **Background Information**

### **Agency Responsibilities**

The Board of License Commissioners for Prince George's County (BOLC) is an agency of the County. BOLC operations are governed by Title 26 of the Alcoholic Beverages Article of the Annotated Code of Maryland. BOLC is responsible for processing applications for and renewals of licenses to sell beer, wine, and liquor; conducting periodic inspections of businesses licensed to sell alcoholic beverages; collecting all license fees and fines; and fining licensees, or suspending, or revoking their licenses, for violations of alcoholic beverage laws. BOLC also issues licenses for special venues (a casino, convention center, or stadium), as well as permits and other privileges<sup>1</sup> for alcoholic beverage sales during special events (such as beer and wine festivals) and when providing entertainment (such as music, dancing, or adult). According to BOLC records, which we verified through testing, there were 632 active alcoholic beverage licenses<sup>2</sup> and 422 permits and other privileges as of November 19, 2020.

All revenues from licenses issued, fines, and late fees collected are paid to BOLC and deposited in a County bank account, and all BOLC expenditures are paid by the County. Furthermore, BOLC is included in the County's annual budget and its financial activity is included in the County's Comprehensive Annual Financial Report. BOLC's budget for fiscal year 2021 was approximately \$1.8 million with provision for 9 full-time and 17 part-time employees. According to County records, BOLC fiscal year 2020 revenues totaled \$1.5 million and expenditures totaled \$1.4 million. In accordance with State law, BOLC revenues in excess of its expenditures and salaries are to be used by the County Executive and County Council for the general purposes of the County.

BOLC is governed by a five-person Board, appointed by the County Executive of Prince George's County, subject to confirmation by the Maryland Senate. As of

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<sup>1</sup> Entertainment permits are valid for one year and renew in November of each year. Similar to licenses, noted above, permit holders had the option to defer permit renewal until 30 days after the state of emergency declaration was rescinded. Other privileges are renewed with the license as they are added privileges on the license such as Sunday off-sale service.

<sup>2</sup> Licenses are valid for one year and renew in April, May, or June of each year depending on the type of license. Due to the Governor's Executive Order related to the COVID-19 pandemic health crisis, State and local government licensees had the option to defer the license renewal for license years 2020-2021 and 2021-2022 until 30 days after the state of emergency declaration was rescinded. Therefore, we obtained a data file from the BOLC licensing database of all active licensees for the 2019-2020 and 2020-2021 license years to determine the number of active licenses as of November 19, 2020.

November 2020, BOLC had 9 full-time staff – which included 1 executive staff position, 3 supervising inspectors, and 5 support staff – as well as 12 part-time inspectors.

### **Status of Findings From Preceding Audit Report**

Our audit included a review to determine the status of the 17 findings contained in our preceding audit report dated March 29, 2019. As disclosed in Figure 1, we determined that BOLC satisfactorily addressed 10 of these findings. The remaining 7 findings are repeated in this report, 2 of which were combined and presented as one finding in this report.

**Figure 1**  
**Status of Preceding Findings**

<b>Preceding Finding</b>	<b>Finding Description</b>	<b>Implementation Status</b>
Finding 1	Licensing procedures and controls were inadequate, as there was a lack of separation of application processing, approval, and recording functions. In addition, an independent supervisory review of these functions was not performed.	Not Repeated
Finding 2	BOLC did not ensure that all required documents were obtained prior to the issuance of licenses and permits as required.	<b>Repeated</b> (Current Finding 1)
Finding 3	BOLC did not adequately document criminal background checks of license applicants and had not established a process to receive updates of subsequent changes to licensee criminal records, as required by law.	<b>Repeated</b> (Current Finding 2)
Finding 4	BOLC did not always verify that license applicants had no undisputed taxes due to the State or Prince George's County prior to issuing licenses as required by State law.	<b>Repeated</b> (Current Finding 2)
Finding 5	BOLC had not established adequate record keeping procedures and internal controls over license fees and other office collections.	<b>Repeated</b> (Current Finding 3)
Finding 6	Not all licensees were subject to periodic inspection, as required by State law.	Not Repeated
Finding 7	Inspection reports were not comprehensive, properly completed, or subject to an independent documented supervisory review.	<b>Repeated</b> (Current Finding 4)
Finding 8	No procedures had been established to ensure all completed inspection reports were properly recorded in the BOLC inspection database and all scheduled inspections were performed.	Not Repeated
Finding 9	Adequate procedures had not been established for the follow-up of inspections aborted because the licensee's business was closed at the time of the inspector's visit.	Not Repeated
Finding 10	Licensee complaints received both directly by BOLC and through the County's 311 System were not always timely investigated and resolved or subject to supervisory review. Further, employee access to complaint records was not controlled.	Not Repeated
Finding 11	The Board delegated its discretionary functions, in certain cases, to its staff in conflict with State law. The Board did not review and approve administrative staff decisions to refer violations for a hearing or make offers of compromise and the disposition of all reported violations was not verified.	Not Repeated
Finding 12	Formal accounts receivable records had not been established for fines assessed by the Board and related late fees due were sometimes not collected.	<b>Repeated</b> (Current Finding 5)
Finding 13	The Board did not adequately explain the basis for its decisions regarding the continued active status of two licensees who had pleaded guilty to criminal charges.	Not Repeated
Finding 14	Written policies and procedures governing BOLC operations were not sufficiently comprehensive and had not been formally adopted by the Board.	Not Repeated
Finding 15	The Board had not adopted formal measures to evaluate inspector performance and determine annual workload requirements.	Not Repeated
Finding 16	User access to critical BOLC data files was not adequately monitored and restricted to BOLC employees whose job duties required such access, and user transaction reports were not available to review for propriety.	<b>Repeated</b> (Current Finding 6)
Finding 17	BOLC had not established procedures to monitor employee compliance with statutory independence restrictions concerning secondary employment, business investments, and political activities.	Not Repeated

## Findings and Recommendations

### Objective 1 – Licensing

#### Objective and Methodology

Our objective for the Board of License Commissioners for Prince George’s County (BOLC) licensing function was to evaluate the adequacy of procedures for alcoholic beverage licensing and the maintenance of related records, and to determine, based on the evaluation and transaction testing, if the licensing process complied with State law and Board requirements. To accomplish our objective, we reviewed applicable State laws, the *BOLC Standard Operating Procedures*, and the *Rules and Regulations of the Board of License Commissioners for Prince George’s County*.

Additionally, we interviewed BOLC staff to determine the processes used to screen applicants; collect fees; issue, renew, or transfer licenses; and maintain related records. We obtained a data file from the County-maintained BOLC licensing database, the License Manager System (LMS), of all active BOLC licensees for the 2019-2020 and 2020-2021 license years as of November 19, 2020. Based on our analysis of the licensee data files and similar prior audit files we performed various tests of the licensing process including issuance of new licenses, license renewals, license transfers, and collection of related cash receipts during our audit period. We performed various tests of the relevant data and determined that the data was sufficiently reliable for the purposes of our audit.

Due to the Governor’s Executive Order related to the COVID-19 pandemic health crisis, State and local government licensees had the option to defer the license renewal for license year 2020-2021 and 2021-2022 until 30 days after the state of emergency declaration was rescinded. Additionally, the State’s Office of the Comptroller suspended tax holds<sup>3</sup> for alcohol license renewals due to the pandemic. Accordingly, we reviewed BOLC’s process for monitoring deferred renewals.

#### Background

BOLC processes applications for new licenses, license renewals and modifications, and transfers of existing licenses to sell beer, wine, and liquor in Prince George’s County. There are four different classes of licenses and each class is valid for one year.

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<sup>3</sup> State law requires BOLC to verify with the Comptroller of Maryland and the County that all undisputed taxes have been paid, prior to issuing or renewing a license.

- \* **Class A licenses** are issued to liquor stores and expire on April 30.
- \* **Class B licenses** are issued to restaurants and expire on May 31.
- \* **Class C and D licenses** are issued to private membership clubs (such as veterans' organizations) and to taverns and convenience stores, respectively, and both expire on June 30.

BOLC also issues licenses for special venues (casino, convention center, or stadium), as well as permits for alcoholic beverage sales during special events (such as beer and wine festivals) and when providing entertainment (such as music, dancing, or adult). According to BOLC records, there were 632 active alcoholic beverage licenses as of November 19, 2020. Additionally, 422 permits and other privileges were issued for various activities (such as, tasting licenses).

Annual fees for alcoholic beverage licenses issued are established in State law and vary depending on the type of establishment and what beverages are sold. Figure 2 includes the types of licenses issued by BOLC along with the related license fees. Additional permits and other privileges with fees issued by BOLC can be found in Figure 3. According to BOLC records, revenues from licenses, permits, and fines totaled approximately \$1.5 million in fiscal year 2020.



**Figure 2**  
**Annual License Fees and Active Licenses as of November 19, 2020**

License Type	Annual License Fee	Total Active Licenses
Class A Beer and Wine	\$500	1
Class A Beer, Wine, and Liquor	\$910	140
Class B Beer	\$365	4
Class B Beer and Wine	\$365	27
Class B Beer and Wine (Baseball Stadium)	\$2,420	1
Class B Beer, Wine, and Liquor	\$2,305	127
Class B Beer, Wine, and Liquor (Arts & Entertainment)	\$3,600	7
Class B Beer, Wine, and Liquor (Caterer)	\$4,480	7
Class B Beer, Wine, and Liquor (Convention Center)	\$22,000	1
Class B Beer, Wine, and Liquor (Development District)	\$3,025	10
Class B Beer, Wine, and Liquor (Education Conference Facility)	\$5,175	1
Class B Beer, Wine, and Liquor (Educational Conference Facility/Dining Service)	\$8,275	1
Class B Beer, Wine, and Liquor (Entertainment Concessionaire)	\$5,000	2
Class B Beer, Wine, and Liquor (Entertainment Facility)	\$22,000	1
Class B Beer, Wine, and Liquor (Equestrian Center Restaurant)	\$2,420	1
Class B Beer, Wine, and Liquor (Golf Course)	\$500	3
Class B Beer, Wine, and Liquor (Hotel)	\$5,000	26
Class B Beer, Wine, and Liquor (Luxury-Type Restaurant)	\$3,875	116
Class B Beer, Wine, and Liquor (Plus)	\$3,270	25
Class B Beer, Wine, and Liquor (Racetrack)	\$60 per day used	1
Class B Beer, Wine, and Liquor (Stadium)	\$21,780	1
Class B Beer, Wine, and Liquor (Theme Park)	\$4,290	1
Class B Liquor (Microbrewery)	\$1,090	1
Class C Beer and Wine	\$245	1
Class C Beer, Wine and Liquor (Concessionaire)	\$1,815	6
Class C Beer, Wine and Liquor (Fraternal/Sororal/Service Organization)	\$910	14
Class C Beer, Wine and Liquor (Veterans' Organization or Club)	\$910	18
Class D Beer	\$500	16
Class D Beer and Wine	\$500	72
<b>Total Licenses</b>		<b>632</b>

Source: Annotated Code of Maryland, *Rules and Regulations of the Board of License Commissioners for Prince George's County*, and BOLC's License Manager System

**License Type Classes:** A-Package Goods; B-Restaurant; C-Private Membership Club; D-Tavern and Convenience Stores

**Figure 3**  
**Active Permits and Privileges and Related Fees**  
**as of November 19, 2020**

Permits and Other Privileges	Annual Fee	Number of Active Permits
Special Entertainment Permit	\$1,500	112
Family Entertainment Permit	\$250	11
Beer Tasting License*	\$120	2
Beer and Wine Tasting License*	\$120	25
Beer, Wine, and Liquor Tasting License*	\$220	136
Delivery Permit	\$250 one-time advertising fee	19
Distillery On-Premise Consumption Permit	\$500	1
Draft Beer Container Permit	\$500	13
Sunday Off-Sale Permit - Class A Beer, Wine, and Liquor Only	\$2,590	88
Sunday Off-Sale Permit - Class B Beer, Wine, and Liquor with an Off-Sale Privilege Only	\$1,080	15
<b>Total Permits and Other Privileges</b>		<b>422</b>

Source: Annotated Code of Maryland, *Rules and Regulations of the Board of License Commissioners for Prince George's County*, and BOLC's License Manager System

**Note:** Delivery permit has a one-time advertisement fee of \$250 which was waived during the pandemic.

\* License is an add-on permit to provide additional privileges to existing license holders.

### New, Renewal, and Transfer Licenses

Applicants (new licenses, license renewals, or license transfers) submit a completed application form along with certain required documents (such as a driver's license for identification) and an application fee. The applications are processed and added to the next scheduled public Board hearing agenda to be discussed and voted on. If approved by the Board, applicants must submit certain additional documents (such as a certificate of liability insurance and proof of personal property tax payment) and pay the applicable license fee before BOLC prints and issues the license.

BOLC e-mails all current licensees a renewal notice in January each year, but the expiration dates vary by class of license. License transfers occur when there is a change in ownership, location, or more than 50 percent of the stock or membership interest in the business. A new license must be processed whenever there is a change in a licensee's corporate officers. The licensing records are maintained by BOLC in the LMS, which is located on the Prince George's County government's network.

## Conclusion

BOLC did not always follow established procedures for reviewing and verifying documents required for licensing and renewal of licenses. BOLC also did not retain documentation supporting criminal background checks on licensees and a verification that licensees and business did not owe outstanding State or county taxes. Additionally, BOLC did not immediately restrictively endorse checks and ensure adequate segregation of duties over collections and recordkeeping.

## Findings

### Finding 1

**BOLC did not ensure that all documents required by State law or BOLC policy were obtained prior to the issuance of licenses and permits.**

### Analysis

BOLC did not ensure that all required documents were obtained prior to the issuance of licenses and permits. Our review of 45 applications (9 new, 1 conversion, 5 transfer, 4 substitution of corporate officers, 16 renewals, 8 entertainment permits, and 2 Sunday sales permits) disclosed that each lacked certain information or documentation required by State law or BOLC policy.

- Twenty-four applications did not have one or more documents in the license holder's file, as required by State law. For example, for the files reviewed, BOLC could not provide us with lease agreements or deeds, photo identification, interior design layout, use and occupancy permit, or worker's compensation insurance.
- BOLC did not require applicants to submit security plans for all eight entertainment permits tested, as required by State law. For two of these permits, BOLC also could not provide documentation that the County police department reviewed the applicant's security plan, as required by State law. Additionally, three of the permits (including the two permits mentioned above) were granted temporary approval by the Board in December 2019 with the stipulation that a correct use and occupancy permit will be submitted to BOLC within 90 days. However, as of May 2021 BOLC had not obtained the use and occupancy permit from these applicants.
- BOLC did not verify that 13 applications were complete and that accurate responses were provided to questions regarding the applicants' previous violations. For example, for four of the applications tested, a required current

consent statement allowing BOLC access to the premises<sup>4</sup> was not provided with the application. Additionally, BOLC did not verify the accuracy of the applicant's response regarding previous violations of alcoholic beverage laws or rules and regulation with its violations records. Specifically, based upon our review of the Board's hearing minutes, we found that 2 of the 13 applicants had prior violations, but the applicants responded that they did not have violations. There was no documentation that BOLC followed up on these discrepancies.

- BOLC did not have a documented supervisory review of 11 applications and permits (including 1 application for the substitution of corporate officers, 2 Sunday sales, and 8 entertainment permits). BOLC advised us that it did not require supervisory review for applications related to entertainment permits and Sunday sales. In our opinion, all licensing transactions should be subjected to supervisory review and approval to ensure that transactions are properly completed and supported by required documentation (see the previous bullets for examples of improperly completed transactions).

In accordance with State law, applications are to include documentation related to certain requirements such as an applicant's residency and citizenship, and a license renewal application shall be accompanied by a consent statement signed by the owner of the license premises allowing BOLC staff access to the premises in the same manner as for an original application. Further, BOLC's policies stipulate the information and form of documentation that applicants are required to submit in order for the Board to approve the issuance of a license. Similar conditions were commented upon in our preceding report.

### **Recommendation 1**

#### **We recommend that BOLC**

- a. ensure all license applications are properly completed and all required documentation is received before the applications are processed, in accordance with governing statutes and BOLC rules and regulations (repeat); and**
- b. revise its policies to require documented independent supervisory review for all licensing activities, including applications for the substitution of corporate officers and entertainment permits.**

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<sup>4</sup> State law does allow a license holder to renew the license without obtaining a consent statement if the license holder has a lease on the entire building for at least the term of the renewed license and the building owner had previously filed a consent statement with the original or another renewal application. However, since BOLC does not maintain a copy of the licensee's lease agreement on file, we could not determine whether the lease term extended for the entire renewal period allowing for an exemption from the consent statement.

**Finding 2**

**BOLC did not always have adequate documentation of criminal background checks of license applicants and could not support that it verified applicants did not have taxes due to the State or Prince George's County prior to issuing licenses.**

**Analysis**

BOLC did not always have adequate documentation of criminal background checks of license applicants and could not support that it verified applicants did not have taxes due to the State or Prince George's County prior to issuing licenses, as required by law. Based on materiality and risk, we judgmentally selected from BOLC records, 45 applications (29 non-renewal and 16 renewals), approved from October 2017 to October 2020 for testing.

- BOLC did not have adequate documentation of background checks for 5 of the 33 applicants that required a background check. State law and BOLC policy require applicants for a new license, transfer, or substitution of corporate officers to undergo a criminal background check through the Maryland Criminal Justice Information System (CJIS) and have the results e-mailed directly to the BOLC. The Board may deny or revoke a license for a felony conviction of a license holder.
- BOLC could not document that 31 of the applicants were verified as not having undisputed taxes due to the State or Prince George's County prior to issuance, as required by State law. For example, 29 applications lacked documentation of County tax verification, 22 of which also lacked documentation from the Comptroller of Maryland for State tax verification<sup>5</sup>. According to State law, the Board may not issue, transfer, or renew a license unless the Board is provided verification from the Comptroller and the County that the new license applicant or license transferor has paid all undisputed taxes or provided for payment of the taxes.

Similar conditions were commented upon in our preceding report.

**Recommendation 2**

**We recommend that BOLC**

- adequately document criminal background checks of license applicants, by retaining criminal records received from CJIS (repeat); and**

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<sup>5</sup> This includes all new licenses which were not affected by the Comptroller of Maryland's tax verification suspension and any renewals tested prior to the COVID-19 pandemic health crisis.

- b. maintain adequate documentation of verifications of undisputed State and County taxes due for license applicants (repeat).**

**Finding 3**

**BOLC had not established adequate record keeping procedures and internal controls over license fees and other office collections.**

**Analysis**

BOLC had not established adequate record keeping procedures and internal controls over license fees and other office collections. According to the County's records, collections deposited by BOLC during fiscal year 2020 totaled approximately \$1.5 million, which primarily consisted of license fees.

- Collections (checks and money orders) were not always immediately recorded and restrictively endorsed upon receipt. Specifically, we noted 14 checks on hand as of April 8, 2021, totaling approximately \$24,000 that were not recorded or restrictively endorsed. Although some of the supporting documentation had been date stamped up to a month prior to our review, due to lack of immediate recordation upon receipt we could not determine how long the checks remained undeposited. BOLC management advised us that generally checks were not recorded and endorsed until the supervisory review indicated that the applications were sufficiently complete.
- Collections were not deposited daily, as required. Our test of nine collections, totaling \$125,300 deposited between February 2019 and March 2020, identified delays ranging from three to nine business days for each collection.
- Collection, recordkeeping, deposit, and licensing duties were not adequately segregated. Specifically, three employees handling collections also had access or the responsibility to modify approved violation records, fine receivable records, and could print and issue licenses. As a result, the related collections could be misappropriated without detection.

The County procedures, which were not changed during the COVID-19 pandemic health crisis, require adequate internal controls be established that safeguard revenue and segregate duties where possible. Although our review did not disclose any license application or issuance fees that were not ultimately deposited, the aforementioned control deficiencies could allow the manipulation of records and misappropriation of collections without timely detection. Similar conditions related to recordation, untimely deposit, and segregation of duties were commented upon in our preceding audit report.

**Recommendation 3**

**We recommend that BOLC establish adequate internal controls over office collections in accordance with County standards. Specifically, we recommend that BOLC**

- a. record collections (repeat) and restrictively endorse checks immediately upon receipt;**
- b. deposit collections daily in accordance with County policy (repeat); and**
- c. separate the collection, recordkeeping, deposit, and licensing duties (repeat).**

**We advised BOLC how to achieve the necessary separation of duties using existing personnel.**

## **Objective 2 – Inspections**

### **Objective and Methodology**

Our objective for the inspection process was to evaluate the adequacy of Board policies and procedures for conducting inspections of alcoholic beverage licensees and maintaining related records, and to determine whether inspections selected for review and testing were performed in accordance with governing laws, policies, and procedures.

To accomplish our objective, we reviewed applicable State laws, and the policies and procedures established by the Board and BOLC administrative personnel governing the inspection process and related records. We interviewed BOLC staff to determine the processes used to schedule, conduct, record, and monitor inspections.

We obtained a data file from the inspection database maintained on the Prince George's County network, of liquor inspections performed during fiscal years 2018 through 2020, which we deemed reliable for our purposes. We judgmentally selected 55 licensees to determine if inspections were properly documented and supported with an inspection report. We also obtained electronic spreadsheets used by BOLC to schedule certain types of inspections for all licensees, and matched them to the LMS to determine whether all active licenses were actually inspected. Finally, we tested inspections related to complaints received by BOLC, as well as complaints registered through the Prince George's County 311 Community Relations Service Request System (311 System), to evaluate BOLC's process for complaint-initiated inspections.

Due to the COVID-19 pandemic health crisis, BOLC suspended quarterly routine inspections from March 16, 2020 through May 2020 and quarterly entertainment inspections from March 16, 2020 through June 2020. Instead, during this period BOLC only performed one of its four regular types of inspections - focused inspections, which were to ensure establishments complied with the pandemic executive orders. BOLC resumed quarterly routine inspections in June 2020 and entertainment inspections in July 2020 after the County authorized establishments to open with limited capacity.



## Background

State law requires BOLC to conduct periodic inspections of businesses licensed to sell alcoholic beverages (licensees), including those who have also been issued permits to provide entertainment in Prince George's County. The law does not specify the frequency of the inspections that are to be conducted. BOLC conducts four types of inspections, routine, focused, compliance, and entertainment (added in fiscal year 2019). During fiscal year 2020, BOLC inspectors conducted 5,229 inspections (See Figure 4).

**Figure 4**  
**Inspections Conducted**  
**Fiscal Year 2020**

Type	Number
Routine	3,074
Focused	1,513
Compliance	164
Entertainment	478
<b>Total</b>	<b>5,229</b>

Source: BOLC Records

- **Routine inspections** are standard in scope, and cover operating requirements established for licensees in various Board policies, including having a current license properly displayed, having applicable permits, not serving minors, and not serving after hours. Routine inspections are assigned to all inspectors to be completed monthly according to established routes in designated areas, with the goal of inspecting all licensees at least quarterly.
- **Focused inspections** are narrow in scope and address a specific requirement, complaint, or common problem with licensees and are used for training purposes. These inspections are assigned to inspectors as needed such as to verify whether licensees complied with the County's pandemic executive orders.
- **Compliance inspections** are conducted to identify licensees that allow minors (under age 21) to illegally purchase alcoholic beverages. The inspection is performed using at least two inspectors and a minor operative, who attempts to purchase an alcoholic beverage at the selected licensed establishment. There is no set number of inspections to be conducted as they are scheduled on an intermittent basis depending on the availability of minor operatives or in response to a complaint.
- **Entertainment inspections** are standard in scope, and cover the basic operating requirements in various Board policies for licensees with entertainment permits, including having applicable permits, not posing a threat to the peace and safety of the community, not allowing minors on the establishment's premise, and not serving after hours. Entertainment inspections are assigned to all inspectors to be completed monthly according

to established routes in designated areas, with the goal of inspecting all licensees at least quarterly.

Certain of the aforementioned inspections include following-up on complaints, which are received at the BOLC via telephone, e-mail, or in-person, and through the County's 311 System. According to BOLC and County records, BOLC received 30 complaints in fiscal year 2020 – 13 at BOLC and 17 from the 311 System.

For each inspection, BOLC inspectors prepare an Inspector's Report, which is used to document the areas reviewed as well as any violations and corrective actions needed. In April 2018, BOLC began using the inspection database to prepare electronic inspection reports (previously in paper form).

The rules for inspections were promulgated by Board policy under the authority of State law, which also established rules of conduct to govern licensee business operations. The inspection policies stipulate that all license holders must cooperate with representatives of the BOLC whenever these persons are on the licensed premises on official business. In addition, the *BOLC Standard Operating Procedures*, established general written guidelines for liquor inspectors. As of November 2020, BOLC employed 3 supervising inspectors (chief inspector and 2 deputy chief inspectors) and 12 part-time inspectors.

## **Conclusion**

Based on our review, inspections were not always properly completed and were not always subject to an independent supervisory review.

## **Finding**

### **Finding 4**

**Inspection reports were not always properly completed or subject to an independent documented supervisory review.**

### **Analysis**

Inspection reports were not always properly completed or subject to an independent documented supervisory review. According to BOLC policy, each inspection report must be completed fully, including the signature of the licensee or their designee before submission. A supervising inspector will complete an independent review of all inspection reports to ensure they were completed properly. We judgmentally selected for testing 55 inspections (including 20 routine, 10 focused, 10 compliance, and 15 entertainment) performed during the period of January 1, 2019 through October 28, 2020.

- Five inspections performed between July 2020 through October 2020 (three routine, one entertainment, and one focused) were signed by the inspector rather than the owner or manager of the licensed business. BOLC management had temporarily allowed inspectors to sign on behalf of the owner between mid-March through mid-June 2020 due to the COVID-19 pandemic health crisis, but BOLC management advised us that this policy was reversed effective mid-June 2020, and all five inspections were subsequent to the aforementioned period.
- Thirty-eight inspections (3 routine, 10 focused, 10 compliance, and 15 entertainment) did not have a documented independent supervisory review, as required by BOLC policy. BOLC management advised us that contrary to the written requirements in the BOLC policy, as a practice, supervisors only review routine inspections.

Similar conditions were commented upon in our preceding audit report.

#### **Recommendation 4**

**We recommend that BOLC ensure all inspection reports are**

- a. signed by the owner or manager of the licensed business to provide assurance that the inspection was actually performed (repeat); and**
- b. subject to an independent documented supervisory review according to written BOLC policy, to ensure proper completion of the inspection (repeat).**

## **Objective 3 – Disciplinary Procedures**

### **Objective and Methodology**

Our objective for the BOLC disciplinary procedures section was to evaluate the disciplinary process, BOLC's compliance with applicable State law, its enforcement of applicable Board rules and regulations governing licensees, and its maintenance of disciplinary records.

To accomplish this objective, we interviewed BOLC employees and reviewed *BOLC Standard Operating Procedures*, and the *Rules and Regulations of the Board of License Commissioners for Prince George's County* to determine the types of disciplinary proceedings that existed and the process for each. We also observed two virtual public Board hearings.

BOLC used three methods for tracking fines assessed and the collection of violation fines: (1) the BOLC License Manager System (LMS) is used to record violations taken to the board, hearing dates, fines assessed, and payment status, (2) a spreadsheet, implemented in March 2020, is used to record the offer letter sent including fine amount, payment plan, late fee, and payment status, and (3) a folder containing paper copies of the unpaid fine letters, which serves as the detailed records. We performed testing of violations recorded on LMS from March 2018 through December 2020; the spreadsheet; and the folder to evaluate (for the specific activity tested) whether the disciplinary process was properly administered and documented. We also reviewed the licensee paper files and the minutes for Board hearings that evidenced the decisions and actions taken for the violations tested.

Due to the COVID-19 pandemic health crisis, the Board hearings were held in a virtual manner effective March 2020. In addition, BOLC allowed payment plans for fines assessed and established the secondary receivable spreadsheet to track all fines assessed, paid, and on the payment plan.

### **Background**

Most disciplinary action is generated from periodic inspections of the businesses licensed to sell alcoholic beverages. Disciplinary action also results from County and municipality police referrals, Board order violations, and reports from the Comptroller of Maryland. BOLC inspectors, County police, and the Comptroller of Maryland identify instances of potential licensee noncompliance with laws and BOLC rules and regulations. The Board is responsible for adjudicating cases to determine if violations have actually occurred and for setting the related penalties. According to BOLC's records as of December 2020, it adjudicated all 102 violations issued in fiscal year 2019 and 56 issued in fiscal year 2020.

State law provides that a local licensing board may revoke or suspend a license at its discretion for any reason to promote the peace or safety of the community in which the premises are located. The law further provides that a board may adopt regulations regarding the conduct of business by license holders. Additionally, the law states that a board shall revoke or suspend a license under certain specific circumstances (such as making any material false statement in any application for a license or permit). The law also allows that, for a first offense, instead of or in addition to suspending or revoking the license, a board may impose a fine not exceeding \$1,500 (unless the offense is furnishing for or allowing underage consumption in which case the minimum fine is \$1,500). For a second offense in the same 24-month period, a fine not exceeding \$6,000, or for a third offense a fine of \$7,500, may be imposed.

While State law provides the Board may initiate revocation or suspension procedures, it also provides that a license holder against whom proceedings are brought shall be entitled to a hearing. The Board meets twice a month in public hearing sessions to adjudicate cases resulting from violations and once a month to grant new licenses and license transfers. The hearings are quasi-judicial and include testimony from inspectors, police, licensees, and their legal representatives.

BOLC's Director and Chief Inspector are responsible for screening reported violations received to determine those that warrant being placed on the Board's monthly administrative hearing schedule. The Board determines during the administrative hearing whether a violation warrants having a public hearing with the licensee. Licensees may be required to attend a public Board hearing, allowed to pay a fine without a public hearing, or allow their license to be suspended or revoked in lieu of paying the fine.

During a Board hearing, the Board determines the guilt or innocence of the licensee based upon the evidence presented. Licensees may be represented by counsel, and the Board will hear testimony and obtain other information (such as any violation of the licensee during the preceding two years) prior to making a decision and determining whether a penalty is appropriate. Licensees are provided the Board's rulings verbally at the hearing and in writing if the ruling results in a penalty (fine, suspension, or revocation) via an Offer Letter Notice. The Notice includes the law or rule violated, the amount of the penalty, and the amount of time the licensee has to pay the fine (usually up to 21 days). The Board's decision is documented in the meeting minutes and a copy of the Offer Letter Notice is included in the licensee files to document the Board's action. Licensees may appeal the decisions of the Board to the Circuit Court. The licensee is summoned to appear before the Board for a delinquency hearing if

they are 7 days late in paying the fine by the required 21 days allowed (28 days since fine assessed).

## **Conclusion**

BOLC did not maintain adequate receivable records, assess late fees, and have an independent supervisory review to monitor the assessment and collection of violation fines.

## **Finding**

### **Finding 5**

**BOLC did not maintain adequate records, did not adequately review the assessment and collection process, and did not always assess late fees or take other required action on delinquent accounts.**

### **Analysis**

BOLC did not maintain adequate records, did not adequately review the assessment and collection process, and did not always assess late fees or take other required action on delinquent accounts. According to the LMS, BOLC issued violation fines totaling approximately \$77,600 during fiscal year 2020.

- BOLC's automated records were not reliable since they were not always updated with information needed to monitor receivables, such as the fine amount, any applicable late fee, violation date, and the status of the receivable. Additionally, the records did not track the current outstanding balances, issuance of follow-up notices, and the related payment receipt number to ensure that amount due was paid. For example, for one violation, the LMS reflected no amount due when the separately maintained spreadsheet indicated an outstanding late fee of \$500.
- BOLC did not always assess required late fees on delinquent fines and failed to issue summons timely for the licensee to appear at a delinquency hearing. Our test of the resolution of 16 violations heard between February 2019 and November 2020, identified 7 violations with fines totaling \$27,500 that had not been paid within 21 days and a summons for a delinquency hearing had not been issued as required. Additionally, for three of these violations, BOLC had not assessed the required \$500 late fee timely. For example, one licensee did not pay their \$1,500 fine due in September 2020, and BOLC did not assess a late fee or issue a summons for a delinquency hearing until five months later.

- BOLC's supervisory review of violation fines recordation, collection, and follow-up recordkeeping processes were not documented. BOLC policy requires a supervisor to ensure that violations and fines are properly recorded and payments had been received, including late fees. Although BOLC management advised that the reviews were conducted, there was no documentation to support these assertions.

Similar conditions were commented upon in our preceding audit report.

#### **Recommendation 5**

**We recommend that BOLC**

- a. maintain adequate account receivable records (repeat);**
- b. monitor fines assessed by performing documented follow-up, ensuring that proper late fees are assessed and collected (repeat), and notifying the Board of delinquencies as required; and**
- c. perform documented independent supervisory review of violation fines recordation, collection, and follow-up recordkeeping processes (repeat).**

## Objective 4 – Management Oversight

### Objective and Methodology

Our objective was to determine if adequate oversight exists over BOLC operations. To accomplish this objective, we reviewed Board policies, interviewed BOLC employees, and reviewed BOLC's procedures with respect to payroll, employee performance evaluations, employee work load requirements, user access to critical data files, financial disclosures, and employee compliance with statutory independence restrictions. We also tested payroll processing, employee productivity, user access to critical data files, and employee independence. Our review was restricted to BOLC oversight of its operations and compliance with certain County policies. Our review did not include an assessment of the appropriateness or suitability (to achieve the stated purpose) of the County governance practices or policies.

### Conclusion

We determined that BOLC was not monitoring user access to their systems and critical data files on its network, or its employees' access to County systems.

### Finding

#### **Finding 6**

**BOLC did not adequately monitor user access to the License Manager System (LMS), the County's 311 System, and to critical data files on BOLC's network resulting in employees with improper or unnecessary access.**

#### **Analysis**

BOLC did not adequately monitor user access to LMS, the County's 311 System, and to critical data files on BOLC's network (maintained by the Prince George's County government). Although the network was maintained by the County, BOLC was responsible for authorizing user access and our review disclosed that BOLC did not perform periodic user access reviews, did not establish a process to ensure user access was restricted commensurate with each employee's duties, and did not have access removed timely when it was no longer needed. As a result, we noted that access to certain BOLC and County systems was not adequately restricted and certain employees had improper or unnecessary access. As of February 2021, 9 BOLC employees had access to LMS and 30 users had access to critical data files on BOLC's network, and as of April 2021, 22 BOLC users had access to the County's 311 System.



- All nine BOLC employees with access to LMS had the ability to process critical transactions without any automated independent review and approval, and without a record to track the transactions processed. BOLC advised that the LMS did not have the ability to set user access restrictions, did not save transaction history, and did not have the capability to generate user transaction reports of critical changes for independent supervisory review. In response to our inquiries, BOLC implemented view only access for four of these employees. BOLC further advised that it is planning to pursue a new system with the ability to restrict access and generate transaction history reports, which is necessary to permit an after-the-fact independent supervisory review of the propriety of transactions processed.
- As of February 2021, 24 of the BOLC users with access to BOLC's network had unnecessary access to critical BOLC files, such as violation fines receivable records or personal identifiable information on the application. These users included 23 current employees (5 commissioners, 3 full-time inspectors, 3 administrative employees, 11 part-time inspectors, and BOLC legal counsel) and 1 former employee who resigned in May 2020.
- As of April 2021, 16 BOLC users (7 inspectors, 1 administrative employee, and 8 former employees – ranging from 10 months to 3 years from their last day of employment) had access capabilities to the County's 311 System that were unnecessary for their job duties. These users had the ability to record comments regarding follow-up actions taken to address the complaint and change the status of the complaint (open versus closed). We were advised by BOLC that these function should be performed by management instead of the aforementioned employees.

According to the County's *Access Control Standard*, user IDs that are unused for 45 days should be disabled and deleted within 90 days, access to sensitive information should be restricted, and managers of organizational units are responsible for approving and implementing procedures to ensure consistency with the County's policy. Although not required by County policies, best practices in the State of Maryland *Information Security Policy* requires audit trails be maintained for user activity and processes and periodic access reviews be performed at least semi-annually. Similar conditions regarding the lack of a documented supervisory review of critical systems and maintaining documentation of system changes were commented upon in our preceding report.

#### **Recommendation 6**

**We recommend that BOLC ensure compliance with County IT policies, and that the BOLC in conjunction with the County, should consider establishing**

**additional access controls over critical systems and data files. Specifically, the following actions should be taken or considered, as appropriate,**

- a. perform documented periodic access review of all critical systems and timely remove access when an employee leaves or no longer requires it (including those identified above);**
- b. establish a formal documented process, subject to supervisory review, to ensure user access is adequately restricted commensurate with each employee's duties (repeat); and**
- c. implement system changes to capture a user's transaction history and generate a report for independent documented review (repeat).**



Angela D. Alsobrooks  
County Executive

## APPENDIX

# PRINCE GEORGE'S COUNTY GOVERNMENT BOARD OF LICENSE COMMISSIONERS



Terence Sheppard  
Director

February 1, 2022

Gregory A. Hook, CPA  
Legislative Auditor  
Department of Legislative Services  
Office of Legislative Audits  
351 West Camden Street  
Suite 400  
Baltimore, Maryland 21201

Dear Mr. Hook:

The Prince George's County Board of License Commissioners (BOLC) would like to thank the Office of Legislative Audits for conducting the performance audit as required by the State Government Article, Section 2-1220 of the Annotated Code of Maryland. The findings provided essential insight into the operations of the agency. The BOLC is committed to addressing all aspects of the audit and furthermore, is making significant strides to become more accountable, transparent, and effective.

The BOLC is proud that the agency was able to clear eleven (11) of the seventeen (17) previous findings and thirty-five (35) of the fifty (50) action items. This constitutes a tremendous improvement on the part of the BOLC. This improvement was clearly recognized by the auditors. We look forward to finding viable solutions to the outstanding findings.

Sincerely,

Daphne Turpin Forbes  
Chair

Terence Sheppard  
Director

# Board of License Commissioners for Prince George's County

## Agency Response Form

### Finding 1

**BOLC did not ensure that all documents required by State law or BOLC policy were obtained prior to the issuance of licenses and permits.**

**We recommend that BOLC**

- a. ensure all license applications are properly completed and all required documentation is received before the applications are processed, in accordance with governing statutes and BOLC rules and regulations (repeat); and**
- b. revise its policies to require documented independent supervisory review for all licensing activities, including applications for the substitution of corporate officers and entertainment permits.**

Agency Response			
<b>Analysis</b>			
<b>Please provide additional comments as deemed necessary.</b>			
<b>Recommendation 1a</b>	Agree	<b>Estimated Completion Date:</b>	03/01/22
<b>Please provide details of corrective action or explain disagreement.</b>	The Board of License Commissioners (BOLC) has implemented a three (3) level review and approval process. Procedures were developed to segregate the duties of the licensing process. The applications are reviewed by two (2) members of the administrative staff. Both members will sign the application after ensuring that ALL required documents and information has been received. A supervisor will conduct a final review and sign after ensuring that the application is complete and accurate. A check list will be developed which will delineate the documentation required to effectuate the license for the different type of business entities.		
<b>Recommendation 1b</b>	Agree	<b>Estimated Completion Date:</b>	03/01/22
<b>Please provide details of corrective action or explain disagreement.</b>	The BOLC agrees to revise its policies to require documented independent supervisory review for all licensing activities, including applications for the substitution of corporate officers and entertainment permits.		

# Board of License Commissioners for Prince George's County

## Agency Response Form

### Finding 2

**BOLC did not always have adequate documentation of criminal background checks of license applicants and could not support that it verified applicants did not have taxes due to the State or Prince George's County prior to issuing licenses.**

**We recommend that BOLC**

- a. adequately document criminal background checks of license applicants, by retaining criminal records received from CJIS (repeat); and**
- b. maintain adequate documentation of verifications of undisputed State and County taxes due for license applicants (repeat).**

Agency Response			
<b>Analysis</b>			
<b>Please provide additional comments as deemed necessary.</b>	The Board does not require background checks for renewals. Some of the test items which the auditors took note of fell into this category. Background checks completed during the original application process were destroyed based on the previous interpretation of the law.		
<b>Recommendation 2a</b>	Agree	<b>Estimated Completion Date:</b>	12/01/21
<b>Please provide details of corrective action or explain disagreement.</b>	The BOLC agrees that there are some deficiencies in obtaining background checks for SCO's. A policy was developed which includes key controls and procedures for tracking CJIS Information. The Chief Liquor Inspector will maintain a password protected log and copies of CJIS reports submitted to the BOLC.		
<b>Recommendation 2b</b>	Agree	<b>Estimated Completion Date:</b>	01/01/22
<b>Please provide details of corrective action or explain disagreement.</b>	The BOLC will forward all tax request verifications to the State's Comptroller's Office and the County's Treasury Division. Documentation will be maintained in a separate, password protected folder in the agency's internal database for tracking. These agencies will only notify the BOLC of licensees that currently have outstanding taxes.		

# Board of License Commissioners for Prince George's County

## Agency Response Form

### Finding 3

**BOLC had not established adequate record keeping procedures and internal controls over license fees and other office collections.**

We recommend that BOLC establish adequate internal controls over office collections in accordance with County standards. Specifically, we recommend that BOLC

- a. record collections (repeat) and restrictively endorse checks immediately upon receipt;
- b. deposit collections daily in accordance with County policy (repeat); and
- c. separate the collection, recordkeeping, deposit, and licensing duties (repeat).

We advised BOLC how to achieve the necessary separation of duties using existing personnel.

Agency Response			
<b>Analysis</b>			
<b>Please provide additional comments as deemed necessary.</b>	During the COVID-19 pandemic, in order to maintain a safe and healthy environment, employees were required to telework. The county has now resumed near normal operations, the BOLC will adhere to its standard operating procedures.		
<b>Recommendation 3a</b>	Agree	<b>Estimated Completion Date:</b>	12/01/21
<b>Please provide details of corrective action or explain disagreement.</b>	Revenue is immediately recorded by the staff member receiving the payment into a spreadsheet maintained solely by that staff member.		
<b>Recommendation 3b</b>	Agree	<b>Estimated Completion Date:</b>	12/01/21
<b>Please provide details of corrective action or explain disagreement.</b>	The Board of License Commissioners incorporated a teller scan digital check system to deposit the revenue. Deposits are made daily when possible; when the deposit is not completed the same day, the funds will be maintained in a locked safe.		
<b>Recommendation 3c</b>	Agree	<b>Estimated Completion Date:</b>	12/01/21
<b>Please provide details of corrective action or explain disagreement.</b>	The Administrative Manager will assume the responsibility of maintaining the violations spreadsheet to separate the collection, recordkeeping, deposit, and licensing duties of the administrative staff. The BOLC's staffing level does not allow for complete separation of duties.		

**Board of License Commissioners  
for Prince George's County**

**Agency Response Form**

**Finding 4**

**Inspection reports were not always properly completed or subject to an independent documented supervisory review.**

**We recommend that BOLC ensure all inspection reports are**

- a. signed by the owner or manager of the licensed business to provide assurance that the inspection was actually performed (repeat); and**
- b. subject to an independent documented supervisory review according to written BOLC policy, to ensure proper completion of the inspection (repeat).**

<b>Agency Response</b>			
<b>Analysis</b>			
<b>Please provide additional comments as deemed necessary.</b>			
<b>Recommendation 4a</b>	<b>Agree</b>	<b>Estimated Completion Date:</b>	<b>03/01/22</b>
<b>Please provide details of corrective action or explain disagreement.</b>	Effective September 24, 2021, the Director made it optional for Inspectors to sign on behalf of the Licensee/Manager for all inspections due to continued COVID-19 concerns. This option has been discontinued and signature of licensee or designee is now required.		
<b>Recommendation 4b</b>	<b>Agree</b>	<b>Estimated Completion Date:</b>	<b>04/01/22</b>
<b>Please provide details of corrective action or explain disagreement.</b>	The current Board of License Commissioners SOP 2.403 (Scheduling Inspection Assignments and Reporting) will be revised, referring to the use of a color-coded database, to verify that inspections were completed at all establishments each quarter.		

**Board of License Commissioners  
for Prince George's County**

**Agency Response Form**

**Finding 5**

**BOLC did not maintain adequate records, did not adequately review the assessment and collection process, and did not always assess late fees or take other required action on delinquent accounts.**

**We recommend that BOLC**

- a. maintain adequate account receivable records (repeat);**
- b. monitor fines assessed by performing documented follow-up, ensuring that proper late fees are assessed and collected (repeat), and notifying the Board of delinquencies as required; and**
- c. perform documented independent supervisory review of violation fines recordation, collection, and follow-up recordkeeping processes (repeat).**

<b>Agency Response</b>			
<b>Analysis</b>			
<b>Please provide additional comments as deemed necessary.</b>			
<b>Recommendation 5a</b>	Agree	<b>Estimated Completion Date:</b>	02/01/22
<b>Please provide details of corrective action or explain disagreement.</b>	Each administrative staff maintains their individual monthly reconciliation log. As receipts are written, they are added to the log. The Administrative Manager performs a reconciliation of receipts as deposits are made. The full reconciliation is performed at the end of the month.		
<b>Recommendation 5b</b>	Agree	<b>Estimated Completion Date:</b>	03/01/22
<b>Please provide details of corrective action or explain disagreement.</b>	A formal follow up process will be formulated. The BOLC will send reminder notices for violation payments. The BOLC will consult with the Office of Information to inquire if the current License Management System has the capability to provide reminder notifications and/or add due date field. Late fees accrued were not always assessed. The Administrative Manager will be responsible for maintaining the violation spreadsheet and data entry into the License Manager System so that late payments can be brought to the Board's attention.		
<b>Recommendation 5c</b>	Agree	<b>Estimated Completion Date:</b>	03/01/22
<b>Please provide details of corrective action or explain disagreement.</b>	The Director or his/her designee will perform a documented independent supervisory review of violation fines recordation, collection, and follow-up recordkeeping on a monthly basis.		



**Board of License Commissioners  
for Prince George's County**

**Agency Response Form**

**Finding 6**

**BOLC did not adequately monitor user access to the License Manager System (LMS), the County's 311 System, and to critical data files on BOLC's network resulting in employees with improper or unnecessary access.**

We recommend that BOLC ensure compliance with County IT policies, and that the BOLC in conjunction with the County, should consider establishing additional access controls over critical systems and data files. Specifically, the following actions should be taken or considered, as appropriate,

- a. perform documented periodic access review of all critical systems and timely remove access when an employee leaves or no longer requires it (including those identified above);
- b. establish a formal documented process, subject to supervisory review, to ensure user access is adequately restricted commensurate with each employee's duties (repeat); and
- c. implement system changes to capture a user's transaction history and generate a report for independent documented review (repeat).

Agency Response			
<b>Analysis</b>			
<b>Please provide additional comments as deemed necessary.</b>			
<b>Recommendation 6a</b>	Agree	<b>Estimated Completion Date:</b>	02/01/22
<b>Please provide details of corrective action or explain disagreement.</b>	The BOLC will implement the practice of contacting the Office of Information Technology (OIT), in January of each year, to perform documented access review of all critical systems and timely remove access when an employee leaves or no longer requires access.		
<b>Recommendation 6b</b>	Agree	<b>Estimated Completion Date:</b>	03/01/22
<b>Please provide details of corrective action or explain disagreement.</b>	The BOLC will establish a formal documented process, subject to supervisory and IT Coordinator review, to ensure user access is adequately restricted commensurate with each employee's duties.		
<b>Recommendation 6c</b>	Agree	<b>Estimated Completion Date:</b>	07/01/22
<b>Please provide details of corrective action or explain disagreement.</b>	The BOLC is consulting with OIT toward the purchase and/or development of a system that will capture a user's transaction history and generate a report for independent documented review.		

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