

# Preliminary Evaluation of Licensing and Regulation of Security Systems Agencies and Technicians

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<b>Recommendations:</b>	<b>Require follow-up report by October 1, 2014</b> <b>Defer decision on whether to conduct full evaluation pending receipt of follow-up report</b>
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**Date Established:** 1994

**Most Recent Prior Evaluation:** Preliminary evaluation, 2001

Extended termination date by 12 years to July 1, 2016 (enacted by Chapter 439 of 2004); requested follow-up report on implementation of recommendations (submitted)

**Composition:** Staffed within the Licensing Division of the Maryland State Police

**Staff:** Three (part-time administrator, part-time administrative assistant, part-time trooper)

**Authorizing Statute:** Title 18, Business Occupations and Professions Article

**Evaluation Completed by:** Kate E. Henry, Department of Legislative Services, 2013

## Overview of Regulatory Activity

The General Assembly started to regulate security systems services in the mid-1990s in response to the case of the so-called “crossbow rapist” in the Washington Metropolitan area, who posed as a security systems consultant to gain information about and access to his victims. This regulatory activity has been evaluated only once (in 2001), and only a handful of relatively minor statutory changes have affected the program since that sunset review (see **Appendix 1**). The Maryland State Police (MSP) administers the program.

More specifically, Chapter 362 of 1994 established licensing of security systems agencies, and Chapter 520 of 1997 established registration of technicians. In order to perform security system services, an individual registered as a security systems technician must work for a licensed security systems agency. Each applicant for a license or a registration must undergo a criminal history records check, be age 18 or older, and be of good moral character. An applicant for an agency license must also carry a fidelity bond or maintain general liability insurance for at least \$50,000. The Secretary of State Police has the ability to deny, suspend, or revoke a license or registration or reprimand or fine a licensee or registrant if an individual fraudulently obtains or uses a license; pleads guilty or is convicted of a felony; or engages in or advertises as providing security system services while not licensed. According to MSP, there are no records of complaints filed against security systems technicians or agencies in the past five years. Instead, the Licensing Division simply investigated concerns informally. Before its current director took office early in calendar 2013, the division did not maintain records of complaints filed. Nevertheless, the division has now created an Administrative Investigation Unit to handle complaints. In addition, MSP reports that, in each of the past five years, it has disapproved between 81 and 184 applications for licenses and/or registrations.

According to MSP, there is significant turnover among security systems technicians because agencies often hire college students as technicians for summer jobs, and most do not renew their registrations. Therefore, the number of renewals each year often is smaller than new registrations. As of June 30, 2013, MSP advises that there were 741 security systems agencies licensed in Maryland and 6,924 security systems technicians registered (see **Appendix 2** for the number of applications processed each year).

Statute establishes an agency initial licensing fee of \$150.00; that amount specifically *includes* the cost of the Maryland and national criminal history records check and fingerprinting. The renewal fee for an agency is also established in statute at \$100.00, *plus* criminal history records fees (and any applicable late fees). In March 2012, the Federal Bureau of Investigation’s fee for a national records check decreased by \$2.75, from \$19.25 to \$16.50, which lowered the total initial licensing fee collected by MSP to \$147.25. However, that caused the initial licensing fee to be out of compliance with the statutory requirement for a flat \$150.00. In response to questions posed by this evaluation, MSP raised the fee in September 2013 to bring it back to the mandated level of \$150.00.

Registration fees for individual technicians are set administratively by MSP, in accordance with the statutory requirement that the *application* fee be at least \$15.00; the total fees charged for registration must also include the actual cost of State and national background

checks. Likewise, the renewal registration fee must be at least \$15.00, plus criminal history records fees (and applicable late fees). **Appendix 3** shows the fees for both security systems agencies and technicians.

The regulation of security systems agencies and technicians is budgeted with general funds within the Licensing Division of MSP. However, MSP does not track the expenditures related to this regulatory activity since the Licensing Division is also responsible for licensing other groups, including handgun owners and private investigators. Given the part-time staffing dedicated to regulation of security systems agencies and technicians, the Department of Legislative Services (DLS) believes that revenues attributed to this regulatory activity may be sufficient to cover the related costs but cannot definitively establish that they do so (see **Appendix 4**). Despite extension of both the licensing and registration term from two to three years in fiscal 2003, the fees charged for each term were not adjusted to reflect the additional year of licensure or registration. An adjustment was made, however, to the agency renewal license fee structure so that the \$100.00 application fee no longer included the costs for background checks.

## **Policy Issues for Consideration**

The process of compiling data for this report drew attention to an often overlooked section within the Licensing Division of MSP. The division has not been maintaining reliable automated records with respect to initial licenses and registrations issued versus those renewed, complaints received, or expenditures. Many data requests made by DLS were not answered or yielded partial or unreliable data. For example, when DLS requested the number of licenses and registrations issued, three sets of data were provided, and the numbers did not reconcile.

Additional attention needs to be given to this regulatory activity within MSP. Accurate records regarding both initial and renewal licenses and registrations issued, denials, and both the number and outcomes of complaints need to be maintained and entered into an updated system. Currently, paper copies are the only source of information, and the computer tracking system is outdated and unable to be repaired.

Moreover, in the absence of reliable expenditure data, it is not possible to determine whether licensing revenue attributable to regulating the industry covers MSP's costs to do so. As a general funded regulatory activity, MSP is not required to recoup its costs through fee revenue. Even so, the General Assembly has generally had a policy of fee revenues being sufficient to cover regulatory costs. In the case of security systems agencies, statute specifies the fee to be charged. For security systems technicians, statute specifies that applicants must pay an application fee of at least \$15 – or a higher amount based on actual processing costs – as well as the cost of criminal history records checks. Absent reliable expenditure data, MSP cannot determine whether the application fee for technicians should be increased. Likewise, there is no basis on which to determine whether a statutory change to the licensing fee or initial fee structure for security systems agencies should be recommended.

## **Conclusions and Recommendations**

No incident similar to the crossbow rapist has occurred since program implementation, and MSP has been able to protect the public through its denial of licenses and registrations. However, due to the data issues noted, DLS is not prepared to make a recommendation with respect to further evaluation at this time. Instead, DLS recommends that the Legislative Policy Committee defer a decision regarding further evaluation, pending receipt of a follow-up report. **DLS, therefore, recommends that MSP submit a follow-up report to the Senate Education, Health, and Environmental Affairs Committee; the House Economic Matters Committee; and DLS by October 1, 2014, on:**

- **steps being taken to update and automate the database of licensed and registered security systems agencies and technicians;**
- **additional information on how complaints are being processed, the actual number of complaints received in 2013 and 2014, and the disposition of those complaints;**
- **the number and reasons for denial of licenses as well as registrations for the past five years, including any hearings and the outcomes; and**
- **establishment and implementation of a time code for employees working on security systems licensing and registration in order for expenditures to be tracked.**

**Appendix 1.**  
**Major Legislative Changes**  
**Since the 2001 Preliminary Sunset Evaluation**

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<b><u>Year</u></b>	<b><u>Chapter</u></b>	<b><u>Change</u></b>
2002	134	Extends the termination date for authorization to license and register security systems agencies and technicians from September 30, 2004, to July 1, 2016.  Requires DLS to conduct a sunset review of the regulatory activity by July 1, 2015
2002	517	Alters the length of license and registration validation from two years to three years.
2002	262	Alters the format of a licensing certificate for an individual first licensed in another state.  Amends the composition of the five-member advisory panel that the Secretary may appoint for a hearing before taking a final action against an applicant or registrant by reducing from three to two the number of consumer representatives and adding a person who has engaged the services of a security systems agency.
2011	65	Substitutes “registrant” for “registrate” within all documents.

Source: Laws of Maryland

**Appendix 2.**  
**Licensing and Registration Activity for Agencies and Technicians**  
**Fiscal 2009-2013**

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<u>License/Registration</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Agency					
New Applications	83	91	86	101	89
Renewals	130	325	91	135	319
Technician					
New Applications	1,660	1,673	1,613	1,675	2,067
Renewals	679	968	638	762	770

Note: The numbers above reflect applications processed, not necessarily applications approved.

Source: Department of Legislative Services, Maryland State Police

### Appendix 3. Security Systems Agencies and Technicians Licensing and Registration Fees

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	Before March 2012				Current Fees			
	<u>Application</u>	<u>CJIS</u>	<u>FBI</u>	<u>Total</u>	<u>Application</u>	<u>CJIS</u>	<u>FBI</u>	<u>Total</u>
Technician Application	\$15.00	\$18.00	\$19.25	\$52.25	\$15.00	\$18.00	\$16.50	\$49.50
Technician Renewal	15.00	0.00	19.25	34.25	15.00	18.00	16.50	49.50
Agency Application	112.75	18.00	19.25	150.00	<b>115.50</b>	18.00	16.50	150.00
Agency Renewal	100.00	18.00	19.25	137.25	100.00	18.00	16.50	134.50

CJIS: Criminal Justice Information System

FBI: Federal Bureau of Investigation

The amount in **BOLD** was raised September 15, 2013, to comply with statute

Source: Maryland State Police

**Appendix 4.**  
**Financial History of the Licensing and Regulation of**  
**Security Systems Agencies and Technicians**  
**Fiscal 2009-2013**

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	<u><b>FY 2009</b></u>	<u><b>FY 2010</b></u>	<u><b>FY 2011</b></u>	<u><b>FY 2012</b></u>	<u><b>FY 2013</b></u>
Revenues from Application Fees	\$57,801	\$69,162	\$51,790	\$56,012	\$81,701

Source: Maryland State Police



## **Appendix 5.**

### **Written Comments of the Department of State Police**

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The department reviewed a draft of this preliminary evaluation and provided these written comments.





MARTIN O'MALLEY  
GOVERNOR

ANTHONY G. BROWN  
LT. GOVERNOR

STATE OF MARYLAND  
**MARYLAND STATE POLICE**

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COLONEL  
MARCUS L. BROWN  
SUPERINTENDENT

December 3, 2013

Michael C. Rubenstein  
Principal Policy Analyst  
Department of Legislative Services  
90 State Circle  
Annapolis, MD 21401

Dear Mr. Rubenstein,

I have reviewed the November 12, 2013 draft copy of the Preliminary Evaluation of Licensing and Regulation of Security Systems Agencies and Technicians report completed by Ms. Kate Henry. As requested, I offer the below comments in response to the recommendations made by your office.

The Department agrees with the statement of facts presented by Ms. Henry. For many years, Licensing Division has relied upon Lotus Notes to account for the internal tracking of its work flow. This data base is both out dated and largely unsupported by the Department given that the computer language is obsolete. Therefore, many of the reports and standard record keeping protocols are unable to be produced. The Division has year after year identified this deficiency yet a lack of funding has required the continued use of Lotus as the primary case and investigation tracking tool.

Beginning in January, 2014 the MSP Licensing Division will be utilizing a tracking and performance ledger that has been designed in the Google environment and has been built to account for and track each licensed and registered security systems agency and technician as well as the manpower commitment attributed to the processing and regulation of the issued licenses. While not an automation, this electronic ledger will allow the MSP to analyze work flow in real time and provide an aggregate accounting of internal resources required in their processing.

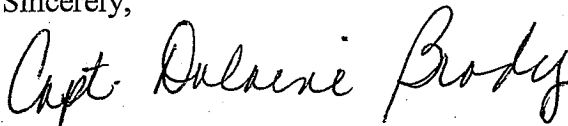
As for complaints and administrative hearings, since assuming Command of the Licensing Division in April, 2013 any complaints received by the Division are first reviewed by unit supervisors for violation confirmation and if applicable, forwarded to the Division's newly formed Administrative Investigation Unit. This Unit consists of sworn and civilian investigators whose primary mission is to conduct background investigations of pending applicants as well as allegations of regulatory violations committed by any individual or entity licensed by the Maryland State Police.

Michael C. Rubenstein  
Maryland State Police – Security Systems Review  
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Lastly, consistent with MSP Licensing Division's standard operating procedures I have ensured that the Command Staff maintain the Commander's Appeal Log for accountability, tracking and case status. Subsequently this log ensures the mandated 15-day timetable, documents the informal review process, and if required tracks the outcome and mandated transfer of the entire denial and or disapproval case file to the Department's Administrative Hearing Office for official appeal processing to the State's Office of Administrative Hearings.

In closing, the MSP Licensing Division will be prepared to submit a follow-up report to the Senate Education, Health, and Environmental Affairs Committee; the House Economic Matters Committee; and DLS by October 1, 2014. At that time we shall report on the progress made in these areas as well as provide information requested by Ms. Henry during her review of the Security Systems Agencies and Technicians.

Sincerely,



Captain Dalaine Brady  
Commander  
Licensing Division

cc: Col Marcus L. Brown, Superintendent  
Lt. Col. William Pallozzi, Chief, Support Services Bureau  
Major Ken Hasenei, Asst Bureau Chief,  
Mr. Tom Williams, Director, Planning and Research Division