



City of Albuquerque

Office of Internal Audit

FOLLOW-UP OF THE AIR QUALITY PERMIT REVENUE PROCESS

Report #21-17-101F

Date: April 28, 2021

INTRODUCTION

The Office of Internal Audit (OIA) issued Audit No. 17-101, Quality Permit Revenue Process – Environmental Health on October 17, 2017. OIA has completed a follow-up to determine the corrective actions that the Department of Environmental Health (EHD) has taken in response to the report. The report contains one recommendation, which has been implemented and is now closed.

BACKGROUND

OIA completed a performance audit of Quality Permit Revenue Process for fiscal year 2017. The purpose of the audit was to determine whether EHD internal controls are effective for ensuring the accuracy, timeliness, and appropriateness of the air quality permit fee revenue process, as well as the accuracy and security of air quality permits. Air quality permits are issued for emergency generators and gasoline service stations, major sources of hazardous air pollutants, and fugitive dust control. Additionally, specialized air permits exist for internal combustion engines and diesel engines. *Title V of the Clean Air Act* requires inspection of major contributors of air pollution and requires the entities being inspected bear compliance costs. The Air Quality Fund 242 is an umbrella account for the *Title V Clean Air Act* and revenues for Fund 242 are derived from these costs such as station permit fees, inspector certification fees, certified paper sales, operator permit fees, asbestos notifications, and fugitive dust permits.

The audit found that while EHD has certain informal standard operating procedures that provide general guidelines for the collection, processing, and verification of air quality permit fee revenue, EHD has not established formal policies and procedures for all revenue processes within the Air Quality Program.

OBJECTIVE

The objective of this follow-up was to determine whether EHD has taken the corrective action recommended in OIA's October 17, 2017 audit report. Consistent with Government

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Auditing Standards, Section 9.08, promulgated by the U.S. Government Accountability Office, the purpose of audit reports includes facilitating a follow-up to determine whether appropriate corrective actions have been taken. This field follow-up is a non-audit service. Government Auditing Standards do not cover non-audit services, which are defined as professional services other than audits or attestation engagements. Therefore, EHD is responsible for the substantive outcomes of the work performed during this follow-up and is responsible to be in a position, in fact and appearance, to make an informed judgment on the results of the non-audit service. OIA limited our scope to actions taken to address our audit recommendation from the final audit report dated October 17, 2017 through the submission of actions on April 9, 2021.

METHODOLOGY

To achieve the objective, OIA:

- Obtained documentary evidence from EHD.
- Inquired with EHD management to understand and verify the status and nature of the corrective actions taken.
- Verified the status of the recommendations that EHD had reported as implemented.

RESULTS

The report contained one recommendation, which has been implemented and is now closed. See ATTACHMENT 1.

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ATTACHMENT - 1

Recommendation	Responsible Agency	Department Response	OIA Conclusion	OIA Use Only Status Determinatio
<p><u>Recommendation 1:</u></p> <p>Environmental Health Department (EHD) should establish and formalize detailed policies and procedures for the various revenue process within the Air Quality Program to include:</p> <ul style="list-style-type: none"> • Processing all air quality permit payments within 24 hours • Verifying all payments were successfully processed through the City's point of sale system; • Ensuring that the individual responsible for verifying the receipt of air quality permit fees receives the daily payment log; • Improving internal controls over the mail process by: <ul style="list-style-type: none"> ○ Maintaining a log of payments received in the mail, and ○ Establishing formal separation of duties to identify who is responsible for each task. 	Environmental Health Department	<ul style="list-style-type: none"> • Staff has been trained to ensure all payments are deposited within 24 hours. See attached Cash Handling SOP • EHD's Accountant I reconciles payments daily using PeopleSoft (PS) queries to match Envision Connect (EHD's permitting software) payments to the General Ledger. See example email of reconciled payments. • Please see attached Front Office SOP and Daily Payment Log • Please see attached Front Office SOP • Please see attached Daily Payment Log • Please see attached Cash Handling SOP and Front Office SOP 	<p>Effective July 1, 2019, EHD established operations policy and procedures titled <i>Cash Handling Procedures</i>. OIA verified the policy addressed each of the bullet points noted in the original audit report. Additionally, EHD front office staff and cash custodians are required to attend a Cash Handling training every three (3) years per Administrative Instruction NO:2.6 <i>Employee Cash Handling Training Program</i>.</p> <p>OIA verified that EHD has established a daily deposit form, titled <i>Daily Payment Log</i>, that is used to document in-person and mailed permit payments. The <i>Daily Payment Log</i> includes the following required information: name, notes, invoice number, check number, and payment amount. OIA verified that the <i>Daily Payment Log</i> requires dual verification for improved internal controls. The preparer and verifier signatures are documented on each form.</p> <p>Per the <i>Cash Handling Procedures</i>, the Fiscal Staff of EHD verifies that the payment receipts are kept on-file and the payments are processed and accounted for in the iPayment system. All deposits are then submitted within one business day to the Treasury Division.</p>	<input type="checkbox"/> Open <input checked="" type="checkbox"/> Closed <input type="checkbox"/> Contested