

**FOLLOW-UP OF
MANAGEMENT AUDIT
PERMIT AND INSPECTION PROCESSES
PLANNING DEPARTMENT
REPORT NO. 10-05-105F**



**City of Albuquerque
Office of Internal Audit and Investigations**



City of Albuquerque
Office of Internal Audit and Investigations
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Accountability in Government Oversight Committee
City of Albuquerque
Albuquerque, New Mexico

Follow-Up: Permits and Inspection Processes
Planning Department
10-05-105F

FINAL

INTRODUCTION

The Office of Internal Audit and Investigations (OIAI) performed a follow-up of Audit No. 05-105, Permits and Inspection Processes, issued February 28, 2007. The purpose of our follow-up is to report on the progress made by the Planning Department (Planning) management in addressing our findings and recommendations.

The Planning Building and Safety Division (Building & Safety) administers the building permit process for both residential and commercial construction. The purpose of this process is to ensure the protection of life and property. The process begins with the submittal of construction documents which are reviewed for compliance with applicable building codes and standards. Approved projects are issued a building permit allowing construction to begin. Building & Safety also conducts field inspections to monitor compliance. The inspection process culminates with the issuance of a Certificate of Occupancy.

In Fiscal Years (FY) 08 and 09, Planning Building & Safety performed the following service activities:

Service Activity Performed	FY08	FY09
Plans reviewed	4,008	2,981
Building permits/inspections	34,469	20,698
Electrical permits/inspections	36,832	21,868
Plumbing permits/inspections	59,957	29,911

The decrease in service activities performed is due to a decline in construction activity in Albuquerque during FY09.

SCOPE, OBJECTIVES, AND METHODOLOGY

Our follow-up procedures consist of interviews of City personnel and review and verification of applicable documentation to assess the status of our audit recommendations. Our follow-up is substantially less in scope than an audit. Our objective is to ensure management has taken meaningful and effective corrective action in regards to our findings and recommendations.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that 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 provides a reasonable basis for our findings and conclusions based on our audit objectives.

The scope of the follow-up did not include an examination of all the functions and activities related to the Planning permit and inspection processes. We limited our scope to actions taken to address our audit recommendations from the date of our final report, February 28, 2007 through September 30, 2009.

RECOMMENDATION NO. 1

City of Albuquerque (City) Ordinance §14-1-1 ROA 1994: Uniform Administrative Code and Technical Codes (UACTC) – Intent, required that the City recover 100% of the full cost, including indirect charges, from fees derived from Building and Safety code enforcement activities. It further required that Building & Safety code enforcement income was reviewed at yearly intervals and recommendations were made to the City Council regarding the need to increase or decrease fees according to the result of the review.

Planning management was not aware that the ordinance required the department to determine indirect charges associated with Building & Safety code enforcement activities, and did not:

- Calculate indirect charges associated with Building & Safety code enforcement activities, or
- Determine if fees derived from these activities covered 100% of the full cost, including indirect charges.

OIAI recommended that Planning ensure fees collected cover 100% of the cost of Building & Safety activities, including indirect charges.

Planning responded that:

- It would work closely with the Office of Management and Budget (OMB) during the FY08 budget cycle to ensure that the City recovered 100% of the full cost, including indirect charges, from fees derived from building and safety code enforcement activities.
- Subsequent to the audit, Planning performed a more detailed analysis of the costs associated with the One Stop Shop and City-wide code enforcement programs.

ACTION TAKEN

The audit recommendation has not been implemented.

Planning provided data showing that in FY08 Planning was able to recover costs of Building & Safety activities, including indirect charges due to the level of construction activity in Albuquerque. During FY09 there was a decrease in fees derived from Building and Safety code enforcement activities due to a decline in construction activity. Fees collected in FY09 did not cover 100% of the costs of Building & Safety activities, including indirect charges:

Category	FY08	FY09
Fees Collected	\$ 7,611,931	\$ 4,605,226
Cost of activities, including indirect charges	\$ 4,757,779	\$ 4,891,715
Costs not recovered	N/A	\$ 286,489

Planning management could not provide:

- Documentation showing that they had worked with OMB during the budget cycle to ensure 100% recovery of the cost of Building & Safety activities.
- The detailed analysis of the costs associated with the One Stop Shop and City-wide enforcement programs, which they stated was performed after the initial audit.

Planning management prepared a cost recovery analysis for FY10 which projected the following:

Category	FY10
Projected Fees	\$ 8,129,000
Projected Costs, including indirect charges	\$ 8,869,000
Projected Costs not to be recovered	\$ 740,000

Planning management said they will not be able to offset this revenue shortfall, and that it will increase due to O-09-72 which amends City Ordinance § 14-19-4-3 ROA 1994: Impact Fees – Imposition. This amendment which was enacted September 18, 2009 provides for a temporary 100% reduction of impact fees for Green Path Developments and a 50% reduction for all Other Developments.

RECOMMENDATION

Planning should:

- Comply with City Ordinance § 14-1-1 ROA 1994: UACTC and ensure fees collected cover 100% of the cost of Building & Safety code enforcement activities, including indirect charges.
- Perform and document a yearly analysis, in conjunction with its annual budget process, that includes:
 - Reviewing Building and Safety code enforcement income at yearly intervals.
 - Recommending to City Council the need to increase or decrease fees according to the result of this review.

RESPONSE FROM PLANNING

“Specify Agreement or reasons for disagreement: The purpose of UACTC is to recover the costs from the services provided by Building and Safety to ensure that the fees are fairly assessed. It is not the intent of UACTC to recuperate budget costs. Neither Planning nor Building and Safety are enterprise operations. The fees are not meant to pay for the operations of Planning as those fees are deposited in the General Fund.

“Planning cannot cover 100% of the cost of Building and Safety activities without increasing fees. In busy years, the existing fees will cover costs. In lean years, such as this past year, they cannot. Due to the current economic climate it is not feasible at this time to request an increase in fees.

“Plans for implementing solutions to identified problems: As part of the budget preparation the Planning Department is performing an analysis of expenses vs. revenues. Additionally, perhaps the Ordinance can be amended to reflect the reality of the economic situation.

“The amount of the fees can be adjusted annually by building cost or construction cost indices (BCI or CCI) as published by the Engineering News Record (ENR).

The Mayor can recommend to the City Council based on these indices whether the fees should be increased or decreased.

“Timetable with the date of the anticipated completion dates for the proposed solutions: The analysis of expense vs. revenues is being done now and will be documented. The above approach complies with the intent of the UACTC.”

RECOMMENDATION NO. 2

Planning had a total of \$283,414 in accounts receivable consisting of 342 accounts as of June 1, 2006:

- \$48,470 of this total (17%) was 31 days or older, of which \$19,639 (7%) was older than 120 days.
- 34 of 342 accounts (10%) had credit balances, which meant that the City could have had a potential liability of \$5,312.

Planning fiscal personnel did not perform any of the following functions, as required by Administrative Instruction (AI) No. 2-2: Credit, Collections and Accounts Receivable Policy:

- Reconcile their accounts receivable on a monthly basis.
- Review and monitor the accounts receivable aging reports on a monthly basis.
- Collect past due accounts receivable.
- Research credit balances, amounts potentially owed to customers.

OIAI recommended that Planning comply with the requirements of AI No. 2-2.

Planning responded that it:

- Agreed more effort should be directed toward departmental compliance with AI No. 2-2.
- Believed an active effort to collect past due accounts receivable was not required because of their business processes. When accounts were identified as delinquent, Planning would not issue any additional permits until the delinquency was cleared.
- Would immediately begin to review and monitor the aging reports and reconcile the accounts receivable on a monthly basis.

ACTION TAKEN

The audit recommendation has been partially implemented.

Planning had accounts receivable totaling \$44,375 consisting of 368 customer accounts as of September 23, 2009, a decrease of \$239,039 (84%) when compared to the June 2006 total of \$283,414. Planning management stated that the decrease is due to switching trade permit transactions from accounts receivable to the Automated Clearing House (ACH) process in April 2009. A trade permit is an authorization for a contractor to perform electrical, mechanical, or plumbing work. According to Planning management, when contractors get trade permits they pay for them by having their checking accounts directly debited through the ACH process. Planning continues to have new receivables generated relating to boiler and elevator inspections.

The \$44,375 accounts receivable balance included the following:

- \$26,632 (60%) was 31 days or older of which \$19,741 (44%) was older than 120 days.
- 121 credit items totaling \$15,620, which could be a potential liability to the City.

Planning management informed OIAI that they do not reconcile accounts receivable, review aging accounts, or research credit balances.

Planning management also stated that as part of their process, they send past due receivable accounts to the Department of Finance and Accounting Services (DFAS) – Accounting Division (Accounting) – Accounts Receivable Section (AR), which are then forwarded to a collection agency which contracts with the City. In 2007, Planning sent approximately \$16,500 in past due accounts receivables to DFAS – Accounting – AR. These accounts receivables were part of the 2007 write-off and were 90 days past due at that time.

According to DFAS – Accounting – AR, this was the last time that past due accounts receivable accounts for Planning were sent to collections.

RECOMMENDATION

Planning should comply with the requirements of AI No. 2-2 by:

- Reconciling accounts receivable,
- Reviewing and monitoring aging accounts and
- Researching credit balances.

AI No. 2-2 was revised on December 28, 2009, and does not change these responsibilities.

RESPONSE FROM PLANNING

“Specify Agreement or reasons for disagreement: Planning does not disagree. However, Planning does not have adequate resources. The Planning Department’s Fiscal/Budget Analyst position, the person who would perform this work, was cut in the FY08 budget. The Planning Department lost 24 positions in FY08 – resulting in a 14% reduction in personnel in one year.

“However, to this end, we no longer have receivable accounts because we use the KIVA system for ACH or cash only.

“Plans for implementing solutions to identified problems: With the implementation of this component of the KIVA system, we no longer have receivable accounts because we use the system for ACH or cash only. We no longer have aging, collections or receivable accounts. We no longer accept payments in advance so there are no credit balances.

“As for previous accounts receivable, monitoring aging accounts and researching old credit balances, we will try to do better with existing resources.

“Timetable with the date of the anticipated completion dates for the proposed solutions: The premise of this requirement assumes we have adequate resources to perform the task, which we do not. Therefore, with regard to fiscal personnel, we will be requesting a restoration of our Fiscal Analyst position in the FY11 budget. Timeline for completion of this solution is August 2012.”

RECOMMENDATION NO. 3

The DFAS – Treasury Division (Treasury) received, recorded and deposited monies paid by Planning’s customers. DFAS - Treasury’s Cash Management Policies and Procedures Manual required that departments ensure money received was appropriately recorded to the correct account and activity numbers. Planning did not have a reconciliation process in place to ensure that all of the revenues paid by its customers were recorded to the City’s general ledger and to the correct account and activity numbers.

Planning management stated that they had worked with DFAS - Treasury to reconcile Building & Safety’s monthly accounts receivable reports to the City’s general ledger. They were unsuccessful because Planning did not have adequate financial software systems in place.

This was a repeat finding from Audit Report No. 01-102, Revenue Procedures and Controls, Planning. The audit determined that daily fees charged for plan reviews, inspections and permits were not consistently reconciled to the City's general ledger.

OIAI recommended that Planning should:

- Develop a process to ensure that actual revenue billed to customers is reconciled regularly to payments recorded in the City's general ledger system.
- Determine if the KIVA system provides a subsidiary ledger of fees charged to customers, which could be used to reconcile to the City's general ledger.
- Ensure that its fiscal personnel are adequately trained on the accounting and reconciling of revenues.

Planning responded that it agreed with the recommendations, and stated that:

- While KIVA was primarily a permitting system, it was possible to generate reports that could be useful in the reconciliation process.
- Planning fiscal staff would work with DFAS - Treasury to develop an acceptable reconciliation process by the end of FY07.

ACTION TAKEN

The audit recommendations have not been implemented.

Planning's customers pay for services in the following ways:

ACH

The customer's bank accounts is charged when the transaction take place. A Planning employee makes an entry to record the transaction to DFAS – Treasury's cash receipt ledger and the City's general ledger system. The Planning employee also enters the transaction to the KIVA system.

Payment in Person

The customer pays for services in person at the DFAS – Treasury Annex. DFAS – Treasury personnel deposits the payment and posts the transaction to the cash receipts ledger and the City's general ledger system. A Planning employee enters the transaction to the KIVA system.

Accounts Receivable

Accounts receivable are generated for some services provided by Planning. DFAS – Treasury sends an invoice to the customer. The customer mails the payment to DFAS – Treasury. DFAS – Treasury deposits the payment received and posts the transaction to the cash receipts ledger and the City’s general ledger system. A Planning employee enters the transactions to the KIVA system.

On a daily basis, DFAS – Treasury reconciles the cash receipts ledger to the City bank account. According to Planning management:

- No one in Planning reconciles revenues billed to customers to payments recorded in the general ledger system.
- The KIVA system will not produce a subsidiary ledger of revenues billed to customers.
- Planning does not have written procedures for the accounting and reconciling of revenues.
- DFAS – Treasury is responsible for training fiscal personnel.

The Government Finance Officers Association (GFOA) recommends that organizations implement adequate internal control procedures to protect public funds and perform reconciliations to the general ledger and other supporting accounting ledgers in a timely manner.

RECOMMENDATION

Planning should:

- Develop a subsidiary ledger of revenues billed to customers.
- Reconcile the subsidiary ledger to payments recorded in the City’s general ledger system periodically.
- Develop written procedures for the accounting and reconciling of revenues.
- Ensure that its fiscal personnel are adequately trained on the accounting and reconciling of revenues, as this is the department’s responsibility.

RESPONSE FROM PLANNING

“Specify Agreement or reasons for disagreement: We agree that reconciling would be a best practice. Planning would need a report from ERP to summarize the

amount of funds received within a certain time frame. If that report were generated, Planning could then generate a report from KIVA to reconcile. Without that report, coded correctly by Treasury, Planning has no mechanism by which to reconcile.

“In other words, we would like to reconcile revenues to the general ledger system and we can produce a report from KIVA which shows the revenue side, but the disconnect is with a mechanism to view the general ledger in any meaningful way.

“Planning agrees that written procedures for this process should be developed.

“Planning has no fiscal staff to train in this area. Our Fiscal Analyst position was cut and we rely on contract work to get our basic needs in this area met.

“Plans for implementing solutions to identified problems: No mechanism to implement these recommendations at this time. If we acquire a method of obtaining the reports needed to reconcile, we will develop written procedures for the process.

“Timetable with the date of the anticipated completion dates for the proposed solutions: Unable to provide timeline for reconciling until we know if we have access to the needed reports or another solution is found. With regard to the fiscal personnel, we will be requesting a restoration of our Fiscal Analyst position. Timeline for completion of this solution is August 2012.”

RECOMMENDATION NO. 4

City Ordinance §14-19-1 ROA 1994: Impact Fees was enacted on December 10, 2004. The purpose of the ordinance was to assess fees on new construction to help cover the additional costs of City services provided. The ordinance required that any person who initiates a new development pay an impact fee, and assigned Planning the responsibility to be the Impact Fees Administrator. Planning was also responsible for developing regulations to implement the ordinance, and prepared the *Development Process Manual*, which included formulas to be used for the calculation of the amount of Impact Fees to be collected.

Planning had not implemented an internal review process to ensure proper assessment of Impact Fees. OIAI reviewed 11 Impact Fee permit calculations that Planning charged to its customers, and determined the following:

- Calculation of Roadway Impact Fees - Planning only charged 70% of the fees that the regulations indicated should be charged for two of these 11 fee calculations (18%). The amount of the undercharge totaled \$18,447.
- Erroneous Assessment of Impact Fees - OIAI noted that Planning erroneously collected \$13,532 of Impact Fees for three building permits. The ordinance established vested rights for certain properties. The three properties had vested rights, which meant that they were exempt from the collection of impact fees.
- Calculation of Drainage Facilities Impact Fees - The calculation regulations were based upon rates of discharge for watersheds of 40 acres or more. Planning personnel informed OIAI that the size of the building location for these 11 calculations did not meet the criteria stated in its regulations. Instead, they developed an alternative method to calculate the Drainage Facilities Impact Fees. The alternative method used to determine Drainage Facilities Impact Fees in these 11 calculations might not have been consistent with the intent and purpose of the ordinance.

OIAI recommended that Planning:

- Correct the billings relating to the Roadway impact fee calculations, and collect the additional 30%.
- Revise its regulations to include formulas for calculating Drainage Facilities Impact Fees that are consistent with the intent and purpose of City Ordinance §14-19-1 ROA 1994: Impact Fees.
- Implement an internal review process to ensure that impact fees for construction projects are correctly charged to customers.

Planning responded that it agreed with the recommendations, and stated that it:

- Was not optimistic about their ability to collect for the under billing at that time, but overcharged impact fees were refunded to the contractor in April 2006.
- Developed an alternative method to the analysis for large watershed drainage runoff calculations, consistent with the intent and purpose of the ordinance.
- Put a process in place in which impact fee charges would be initially calculated by Planning staff and then reviewed and approved by the Impact Fee Administrator.

ACTION TAKEN

The audit recommendations have been partially implemented.

According to Planning management:

- The building permits which were undercharged by 30% had completed construction and were closed, and there was no opportunity to collect the additional impact fees. City Ordinance §14-19-1 ROA 1994: Impact Fees, does address over billing, but does not address how to handle the collection of under billing of impact fees.
- There is a proposed impact fee revision for drainage calculations which is awaiting approval from the Development Process Committee (DPC). The DPC consists of nine individuals from the public and private sectors and was established to review and direct changes in the *Development Process Manual*. Planning management stated that the impact fee revision should be approved by the end of FY10. The proposed revision simplifies the calculation for individual permits on existing lots, and differentiates from the more complex cases where an outside engineer prepares a drainage report which calculates the drainage impact, such as shopping centers and subdivisions.

The Impact Fees for a permit are calculated by Planning staff, and then reviewed/approved by the Impact Fees Administrator. Planning has not developed written procedures for this process. There were 798 permits for construction projects that were charged impact fees for the period of July 2008 through August 2009. OIAI selected a sample of six permits, recalculated the impact fees, and determined the following:

- Five permits (83%) had impact fees that were correctly calculated
- One permit (17%) had impact fees that were not correctly calculated and the customer was overcharged by approximately \$4,700. Planning personnel said that the overcharge was due to using the wrong square footage in the initial calculation. This was not detected by Planning's review process.

RECOMMENDATION

Planning should:

- Improve its internal review process to ensure that Impact Fees for construction projects are correctly charged to customers.
- Develop written procedures for the Impact Fee review process.
- Propose a revision to City Ordinance §14-19-1 ROA 1994: Impact Fees, that addresses under billing of impact fees.

RESPONSE FROM PLANNING

“Specify Agreement or reasons for disagreement: Planning agrees that the internal review process should be improved. We believe that developing written procedures for the impact fee procedures will assist in improving the internal review process. And we have been working with City Council to revise the Ordinance to reflect the reality of collecting impact fees.

“Plans for implementing solutions to identified problems: Work with City Council to amend the Ordinance to reflect the reality of impact fee billing and collection. Develop written procedures for the Impact Fee review process.

“Timetable with the date of the anticipated completion dates for the proposed solutions: A reasonable timeline for revising the ordinance and developing written procedures is one year. We will work to have this accomplished by February 2011.”

RECOMMENDATION NO. 5

Planning Building & Safety inspectors examined new construction projects to ensure that the project met the requirements specified in building codes as referenced in City Ordinance §14-1-1 ROA 1994: Technical Codes Adopted. Building codes provided detailed information of required construction standards. Inspectors were required to issue a yellow tag to contractors when building code requirements were not met. Construction was not allowed to continue until the problem was corrected and applicable building code requirements were met. The contractor could then request a re-inspection from Planning Building & Safety.

Planning Building & Safety’s written *Uniform Administrative Code* provided guidance to inspectors of when it might be appropriate to charge a customer for a re-inspection. However, the written procedures specified that charging for re-inspections was at the discretion of the inspector. OIAI reviewed the disposition of a sample of 40 yellow tags issued by Planning’s inspectors, and determined that in:

- 32 instances (80%), the inspector could have charged the contractor a re-inspection fee, since the second inspection determined the problem had not been corrected. This resulted in the inspector having to do a third inspection.
- Four instances (10%), there was no indication in Planning’s records whether the contractor had corrected the building code non-compliance and requested a re-inspection.

- Four instances (10%), where only some of the re-inspection fees were charged. In one of these instances, a property was re-inspected on five separate occasions, with only one re-inspection fee charged.

OIAI recommended that Planning:

- Develop guidelines to ensure that inspectors are consistent when charging for re-inspection fees.
- Follow up when contractors are issued yellow tags, and the contractor never calls for a re-inspection.

Planning responded that it agreed with the recommendations, and stated that it:

- Issued a written policy regarding re-inspection fees in January 2007 to all inspectors. This policy required Section supervisors to review all correction notices and determine if a re-inspection fee should be charged.
- Revised § 113.5.8 Re-Inspections, of the Planning Building & Safety *Uniform Administrative Code*, to include guidance for re-inspections, including the charges for re-inspections.
- Would develop a protocol by the end of FY07 to ensure proper follow-up after a contractor was issued a yellow tag.

ACTION TAKEN

The audit recommendations have been partially implemented.

Planning has developed and implemented new guidelines to ensure that inspectors are consistent when charging for re-inspection fees.

Planning informed OIAI that on a quarterly basis, inspectors are required to go through their log books of building inspections performed and verify that all yellow tags issued have been cleared. If any yellow tags have not been cleared, building inspectors are required to follow-up with the contractors and resolve outstanding issues.

During FY09, Planning Building & Safety had 203 permits in which yellow tags were issued. OIAI reviewed a sample of 10 of these permits and identified:

- Five permits (50%) where not all re-inspection fees charged had been paid. Two of these permits (40%) also had re-inspections performed prior to the required pre-

payment of the re-inspection fee. Planning's re-inspection fee policy requires fees to be paid prior to additional inspection work being performed.

- Five permits (50%) that did not have any exceptions.

RECOMMENDATION

Planning should ensure that:

- All re-inspection fees are paid.
- Re-inspections are not performed until required fees have been paid.

RESPONSE FROM PLANNING

"Specify Agreement or reasons for disagreement: We agree that re-inspection fees should be paid and re-inspections should not be performed until the required fees have been paid. We disagree that this has not been fully implemented. Fully implemented should not mean that there is no room for flexibility. The inspector has the discretion to determine when a re-inspection fee is appropriate. Planning stated in our last response to the audit that it has issued a written policy regarding this issue. In terms of fee payment, this has been fully implemented. If the applicant is an ACH customer then ACH automatically takes payment of the funds automatically. If the method of payment is cash, there is a 3-day window to pay before the permit is closed and the party will have to return to the building to pay fees before any additional inspection can be scheduled.

"Plans for implementing solutions to identified problems: Fully implemented.

"Timetable with the date of the anticipated completion dates for the proposed solutions: Fully implemented."

RECOMMENDATION NO. 6

The City utilized performance based budgeting where inputs such as appropriations required certain outputs. The intent of performance based budgeting was to have the budget tie to the performance plan, which was approved annually in conjunction with the City's operating budget. A complete performance management system included performance standards against which actual performance was reported, monitored, and compared. Planning reported the following goals and actual data:

Performance Measures	FY05 Goal	FY05 Actual	FY06 Goal
Turnaround time on residential plan reviews	11 days	14 days	12 days
Turnaround time on commercial plan reviews	3 weeks	4 ½ weeks	4 weeks

Planning management told OIAI that the department was not able to immediately fill several vacancies in the plan reviewer and engineer positions in FY05. These vacancies resulted in slower service to customers than Planning anticipated when the performance goals were developed. Management also indicated that Planning reviewed its performance goals each year when it prepared its budget and performance measures for the next year.

For FY07, the City implemented a process to consolidate and reduce the number of performance goals for departments. As a result, Planning deleted these customer service goals and substituted a Measure of Merit which stated that the FY07 goal was to review 7,550 plans. This Measure of Merit did not monitor the timeliness of customer service.

OIAI recommended that Planning develop Measures of Merit for its FY08 goals which presented information regarding the timeliness of service provided to its customers.

Planning management responded that it agreed with the recommendations, and stated that they would work with the OMB to develop more meaningful performance measures for FY08.

ACTION TAKEN

The audit recommendation has been fully implemented.

Planning included the following FY08 and FY09 performance measures which monitor the timeliness of customer service:

- Average turnaround time for residential plan reviews
- Average turnaround time for commercial plan reviews

ADDITIONAL FINDINGS NOTED DURING THE FOLLOW-UP

The following findings were noted during our test work and were not part of the original audit. The following findings concern areas that we believe could be improved by the implementation of the related recommendations.

1. PLANNING SHOULD ENSURE SEPARATE INDIVIDUALS PERFORM THE DUTIES OF THE ACH PROCESS.

Planning implemented an ACH process in April 2009 for trade permit transactions. OIAI determined that the same Planning employee:

- Initiates the ACH transactions from the customer's bank account,
- Reviews the completed ACH transactions and
- Posts the ACH transactions to the general ledger.

No one in Planning reconciles the ACH transactions to the general ledger. Planning management said that their shortage of fiscal staff prevents them from addressing some fiscal issues.

The GFOA recommends separating the duties of authorizing, maintaining custody, and recording of transactions. GFOA also recommends reconciling transactions to the general ledger in a timely manner.

A lack of separation of duties can result in incorrect accounting and opportunities for a misuse of City assets.

RECOMMENDATION

Planning should ensure:

- Separate individuals perform the duties of the ACH process.
- ACH transactions are regularly reconciled to the general ledger.

RESPONSE FROM PLANNING

"Specify Agreement or reasons for disagreement: Planning Department agrees that spreading out the work of the ACH process and having another individual trained in the process is necessary.

"Plans for implementing solutions to identified problems: Currently clerical staff perform permit intake which represents a separation of duties to some extent. For the more technical portion of the tasks, a person would need system level access and in the Planning Department only one employee has this access. There are no other personnel with the education, background or training to do this function.

“One solution would be for ISD to identify resources to share this responsibility. Another solution is to provide another I-10 position to the Planning Department to function in this capacity. It would be especially useful in succession planning, as now we have no one identified to perform these tasks if the employee were to leave.

“It does seem unbalanced to recommend that a department perform functions for which it has no resources. Some of these recommendations are unable to be performed with existing resources. The recommendations should be based in reality or provide other proposals for resources to accomplish the tasks. It is not productive to have circular conversations about implementing recommendations and not having resources to do so.

“Timetable with the date of the anticipated completion dates for the proposed solutions: Planning will request a technical position to perform these tasks in our next budget. Timeline for completion of this solution is August 2012.”

2. PLANNING SHOULD ENSURE THAT MORE THAN ONE EMPLOYEE IS TRAINED TO ADMINISTER THE KIVA SYSTEM.

OIAI determined that only one employee is trained to administer the KIVA system. A system administrator is responsible for operating and maintaining a computer system and/or network. Planning management said that they are short of staff and there is no one available to backup the KIVA system administrator.

The IT Governance Institute’s Control Objectives for Information and related Technology - Dependence Upon Individuals, recommends that organizations provide relevant and appropriate training to reduce dependence on key resources (e.g., cross-training and training of backups).

If the KIVA system administrator was unable to perform his/her duties or terminated employment with the City, Planning’s ability to serve its customers could be reduced.

RECOMMENDATION

Planning should ensure that more than one employee is trained to administer the KIVA system.

RESPONSE FROM PLANNING

“Specify Agreement or reasons for disagreement: Planning Department agrees that more than one person should be trained to administer the KIVA system.

“Plans for implementing solutions to identified problems: Planning will attempt to identify resources to accomplish this. However, implementing this with an employee without the proper education and training could prove to be problematic. We currently do not have such an employee that has the proper training and education. Another possibility would be to have KIVA support Planning in any backup work that may arise. KIVA is produced by Accela, Inc., Accela is located in Salt Lake City, Utah, and could be retained for back-up administration.

“Timetable with the date of the anticipated completion dates for the proposed solutions: We will request a technical position to perform these tasks in our next budget or request funding for a contract with Accela to provide system administrator functions. Timeline for completion of this solution is August 2012.”

3. PLANNING SHOULD RECORD IMPACT FEES TO THE KIVA SYSTEM.

OIAI determined that impact fees collected are not recorded in the KIVA system or any other accounting system, and are also not reconciled to the general ledger. According to Planning management the KIVA system cannot calculate impact fees, and their shortage of fiscal personnel prevents them from addressing some of the fiscal issues. Planning management also stated that the impact fee due could be manually entered into the KIVA system.

According to Planning management, the current process for impact fees is as follows:

- Building plans (plans) are submitted by the customer to Planning for approval.
- Planning personnel manually calculate the impact fees on a summary sheet and then review the plans.
- The customer pays the permit and impact fees at the DFAS-Treasury One-Stop-Shop and receives a receipt.
- The customer shows the receipt to Planning personnel and receives the approved set of plans.

GFOA recommends that all receipts and receivables should be recorded in accordance with generally accepted accounting principles. GFOA also recommends reconciling to the general ledger and other supporting ledgers in a timely manner.

If impact fees are not recorded and not reconciled to the City general ledger, they might not be accounted for correctly, and could be diverted or misused.

RECOMMENDATION

Planning should record impact fees to the KIVA system, and regularly reconcile them to the City's general ledger.

RESPONSE FROM PLANNING

"Specify Agreement or reasons for disagreement: Planning Department agrees that impact fees should be recorded to the KIVA system. And we agree that they should somehow be reconciled to the general ledger."

"Plans for implementing solutions to identified problems: Planning is currently recording impact fees to KIVA."

"We would like to reconcile revenues to the general ledger system and we can produce a report from KIVA which shows the revenue side, but the disconnect is with a mechanism to view the general ledger in any meaningful way."

"Timetable with the date of the anticipated completion dates for the proposed solutions: Impact fees are already being recorded in KIVA. We cannot give a timeline for reconciling to the general ledger until we know if we can have access to the needed reports."

4. PLANNING SHOULD ENSURE SUPPORTING DOCUMENTATION AGREES WITH THE ACTUAL FIGURES REPORTED IN THE ANNUAL PERFORMANCE PLAN.

The supporting documentation did not agree with the actual figures reported for one of the performance measures reported by Planning for FY09.

Performance Measures	FY09 Goal	FY09 Reported*	FY09 Actual**
Turnaround time on commercial plan reviews	6 weeks	5 weeks	6.6 weeks

* Actual figures as reported by Planning in the Approved FY10 Budget Performance Plan

** Based on supporting documentation provided by Planning to OIAI

City Ordinance § 2-11-2 ROA 1994: City Government Budget – Definitions, states that performance measurement is a systematic approach to quantify and analyze activities. These measures help to determine the amount of service delivered, work performed and the impact of the department on the community and customer. The performance measures provide information regarding Planning’s efficiency and effectiveness.

According to Planning personnel, they did not have a complete understanding of the KIVA system process that records durations for commercial plan turnaround times.

If the supporting documentation does not agree with the actual figures reported for performance measures, it might be difficult to determine the efficiency and effectiveness of service delivered by Planning to its customers.

RECOMMENDATION

Planning should ensure that the supporting documentation agrees with the actual figures reported in the annual performance plan.

RESPONSE FROM PLANNING

“Specify agreement or reasons for disagreement: Planning Department agrees that the supporting documentation should agree with the actual figures reported in the performance plan.

“Plans for implementing solutions to identified problems: Planning has revamped the KIVA system so that it can now track accurate time. The processes for recording turnaround time have been improved and should result in more accurate reporting. Every reasonable attempt is being made to report accurate data.

**“Timetable with the date of the anticipated completion dates for the proposed solutions:
Done.”**

CONCLUSION

One of the six recommendations in the initial audit report has been fully implemented. Three recommendations have been partially implemented. Two recommendations have not been implemented. Four additional findings were noted during this follow-up. Planning should further strengthen controls in regards to performing the ACH process, administering the KIVA system, and recording impact fees.

We appreciate the assistance and cooperation of Planning personnel during the follow-up.

Principal Auditor

REVIEWED:

Audit Manager

Internal Auditor

APPROVED:

APPROVED FOR PUBLICATION:

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