



Final Audit Follow-Up


Period Ending March 31, 2020
Report #2003 | July 24, 2020

Audit of Growth Management Revenues



Summary from Original Report #1710 (Issued May 11, 2017): The audit was conducted primarily for the purpose of determining the adequacy of the processes and controls relating to the assessment and collection of various permit and other fees by the Growth Management Department. The audit also included a determination as to the extent revenues generated through Growth Management fees recovered the costs of the Growth Management function.

The audit determined adequate controls are in place to provide reasonable assurance that Growth Management permit and other fees are properly assessed, collected, safeguarded, recorded, and deposited into the City's bank account. The audit tests confirmed that, for the most part, those controls were operating properly and effectively. Regarding the fee revenues and related controls, several opportunities for improvement were identified for which recommendations were made. As part of the audit, we also determined Growth Management should establish a formal policy that provides the portion of costs that is intended to be recovered by permit and other fees. In establishing that policy, fairness to and affordability by customers (developers, contractors, and property owners), as well as the need for appropriate operation reserves, should be considered. Upon development of such a policy, rate studies should be conducted (as needed) to ensure fees are adequate to meet the policy targets and goals.

Summary of Action Plan: In response to the audit recommendations described above, management established 12 action plan steps. Nine of the 12 action plan steps were previously completed or otherwise resolved in follow-up reports #1802, #1903 and #2001. The remaining three steps were due for completion by March 31, 2020, and are being addressed as part of this follow-up audit. This report is the fourth and final follow-up on audit report #1710. The status of the three remaining action plan steps is discussed in the table below. ¹

Action Plan Steps	Status as of March 31, 2020
<p>Objective A: Ensure adequate controls are established to provide reasonable assurance that Growth Management fees are properly assessed, collected, safeguarded, recorded, and deposited into the City's bank account.</p>	
<p>A.8 The Growth Management Fee Schedule will be reviewed and revised to make the calculation of permit fees more transparent and understandable to customers.</p> <p><i>(Management's initial estimated completion date: 9/30/2017)</i></p>	<p>Needs Attention - Management reported the fee schedule will be revised to make the calculation of permit fees more transparent after completion of the rate study provided for in action plan step B.2 below. Management estimates the fee schedule revision will be completed by September 2020.</p> 

¹ The numbering sequence of the action plan steps is based on the steps provided by management in the original audit and only those steps which were outstanding at March 31, 2020 are included.

Action Plan Steps	Status as of March 31, 2020
A.8 (Continued from previous page)	Due to the length of time the action plan step has remained incomplete, 30 months since the original completion date set by management and 34 months since the issuance of the original audit, progress on this step will no longer be monitored.
Objective B: Ensure fees recover the appropriate portion of costs of the Growth Management function.	
<p>B.2 After the formal policy is established pursuant to step B1, rate studies will be conducted periodically to ensure current fees are adequate to meet the policy goals/targets. In the event the rate studies show the current fees are not adequate or efficient, appropriate adjustments will be made to those fees.</p> <p><i>(Management's initial estimated completion date: 9/30/2017)</i></p>	<p><u>Needs Attention</u> - Management reported staff is working with the Office of Resource Management to complete a rate study. Additionally, the City Commission approved a fee resolution which allowed advertising costs to be passed through to customers rather than recovered through fees, thereby increasing the efficiency and transparency of permit fees. Management anticipates the rate study and any fee adjustments will be completed by September 2020.</p> <p>Due to the length of time the action plan step has remained incomplete, 30 months since the original completion date set by management and 34 months since the issuance of the original audit, progress on this step will no longer be monitored.</p> 
<p>B.3 Future analyses to determine the extent costs are recovered by fees will ensure that all appropriate costs are identified and analyzed for each function, including applicable administrative and indirect costs.</p> <p><i>(Management's initial estimated completion date: 9/30/2017)</i></p>	<p><u>Needs Attention</u> - Management reported staff was working with the Office of Resource Management to complete a rate study that will address cost recovery. Management plans to have a process in place to ensure future fee analyses (rate studies) will include the identification and analysis of all appropriate costs by September 30, 2020.</p> <p>Due to the length of time the action plan step has remained incomplete, 30 months since the original completion date set by management and 34 months since the issuance of the original audit, progress on this step will no longer be monitored.</p> 

CONCLUSION

As stated above, in the original audit report #1710, management established 12 action plan steps to address the audit recommendations. Nine of the 12 action plan steps were previously completed or otherwise resolved in follow-up reports #1802, #1903 and #2001. The remaining three steps were due for completion by March 31, 2020. Based on the follow-up procedures performed for this engagement, we found all three of the remaining steps (A.8, B.2, and B.3) need additional attention from management to ensure the completion of the step or otherwise address the underlying risks. Due to the time elapsed since the original audit was conducted, 34 months, we will no longer monitor management's efforts to complete the action plan steps.

We appreciate the assistance and cooperation provided by Growth Management Department's management and staff during the follow-up audit. All responses and documents requested were provided in a timely manner without limitations or interference.

APPOINTED OFFICIAL'S RESPONSE

We have reviewed the City Auditor's Final Follow-Up Report on the Growth Management Revenues Audit and are pleased to see that nine of the twelve action plan steps identified in the audit report have been completed. We have taken note of the current status of the remaining three action plan items and will continue to work on addressing these recommendations. Staff is working with Resource Management on a rate study that will ensure that permit fees are adequate to meet policy goals and that the calculation of these fees is more transparent and understandable to customers. The study will also address the issue of cost recovery. These actions will address the remaining three audit items. We would like to thank the City Auditor's staff for their time and effort on this audit and follow-up.

STATEMENT OF ACCORDANCE

The Office of the City Auditor's mission is to provide the City Commission an independent, objective, and comprehensive auditing program of City operations; to advance accountability through the provision of assurance and advisory services; and to actively work with Appointed Officials in identifying risks, evaluating controls, and making recommendations that promote economical, efficient, and effective delivery of City services.

We conducted this audit follow-up in accordance with the International Standards for the Professional Practice of Internal Auditing and Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit follow-up to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objectives. We believe the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

Please address inquiries regarding this report to the Office of the City Auditor at (850) 891-8397.

<http://www.talgov.com/transparency/auditor.aspx>

Engagement conducted by:
Jane Sukuro, CPA, Senior Auditor
Angela Welch, CPA, CIG, CFE, CFF, CICA, Deputy City Auditor
Dennis Sutton, CPA, CIA, City Auditor