

MANAGEMENT AUDIT REPORT
OF
PLANNING DEPARTMENT
REVENUE PRODECURES AND CONTROLS
REPORT NO. 01-102



CITY OF ALBUQUERQUE
OFFICE OF INTERNAL AUDIT



City of Albuquerque
P.O. BOX 1293 ALBUQUERQUE, NEW MEXICO 87103
Office of Internal Audit

Martin J. Chavez, Mayor

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Internal Audit Committee
City of Albuquerque
Albuquerque, New Mexico

Audit: Planning Department
Revenue Procedures and Controls
01-102

FINAL

INTRODUCTION

The Office of Internal Audit performed an audit of the Planning Department – Revenue Procedures and Controls. This was one of the scheduled audits for Fiscal Year (FY) 2001. In FY 2000 the Department had \$6,076,390 in revenues. The Building and Safety Division (Division) generated 90% or \$5,443,137 of these revenues. In FY00 the Division issued over 6,050 building permits with a construction value of \$591,500,000. This audit examined the revenues generated by the Building and Safety Division.

In FY00 the Division had revenue as follows:

Building Permits	\$2,000,667
Reroofing Permits	60,715
Plumbing/Mechanical Permits	1,142,542
Electrical Permits	829,028
Plan Checking	<u>1,410,185</u>
TOTAL	<u>\$5,443,137</u>

In its goal statement for FY01 the Division estimated the number of plan reviews to be 6,682; actual

year to date plan reviews through January 2001, showed 5,614. The number of plan reviews is driven by the level of new construction in the City limits and is not within the control of the Division. The Division employs approximately 60 employees, of which 33 are plan checkers or inspectors.

SCOPE

This study, and its conclusions, are based on a review of the internal control structure and an examination of various transactions and reports. Our fieldwork was completed on August 2, 2001. This report is based on our examination of the auditee's activities through the completion date of our fieldwork and does not reflect events or accounting transactions subsequent to that date.

Our audit did not include an examination of all the functions, transactions and activities related to the Revenue Procedures and Control. Our audit test work was limited to the following areas:

1. Determine the Planning Department's revenue sources such as, permits, inspections and fees.
2. Review the controls for revenue determination for permits, inspections and fees and billing and collection.
3. Review Planning's performance measures as they relate to permits, inspections and fees.
4. Check compliance with City, State and Federal requirements

FINDINGS

The following findings concern areas that we believe could be improved by the implementation of the related recommendations.

1. CONTROLS OVER REVENUES FOR THE DIVISION ARE ADEQUATE.

The Building and Safety Division has been in existence since 1978 as established by Ordinance. It currently generates revenues of over \$5,000,000 annually. Its functions include plan checking of all new construction, remodeling of buildings and structures, swimming pools, and foundations.

The Plan Review Section receives the application and plans for any new construction, remodeling of buildings and structures, swimming pools, and foundations. The Section does

not receive any money. The Section calculates the application fee and a bill is printed and given to the customer. The customer pays the money to the Treasury Division and the customer gives the stamped receipt to the Section. The Section then takes the application and the plans for review and approval. The information for plans is maintained on a software application developed and maintained by the Information Systems Division of the Department of Finance and Administrative Services. This application has been in use since the mid-1980s.

After the plans have been approved the construction begins. At various times during the construction the Division must inspect the building for compliance with City building ordinances. This cost is included in the building application fee. For work other than new construction, the Division charges for each inspection it performs. This work is done by its building and safety inspectors. The Division collects no money. The charge for each inspection is based on an Ordinance fee schedule for the type of inspection performed. A builder requests the inspection and a charge is calculated and is paid at the Treasury Division or the builder is billed monthly. To be billed monthly a builder must have a payment bond with an insurance company. The Division also makes periodic inspections of elevators and boilers.

Based on our audit procedures performed, it appears that the Division has adequate internal controls over its calculating and receiving of revenues.

RECOMMENDATION

None.

EXECUTIVE RESPONSE FROM PLANNING DEPARTMENT

“The Department will continue to insure that the revenue producing activities are well managed and fiscally responsible.”

2. THE PLANNING DEPARTMENT SHOULD REVIEW ITS CURRENT FEES AND DETERMINE IF THE FEES SHOULD BE INCREASED.

The Consumer Price Index increased 22.7% during the period from 1993 to 2001. The last increases in permit fees for plan check reviews and building permits were in FY 1993. The cost of providing these services has gone up incrementally. Based on FY00 revenues of \$5,443,137 a fee increase of 20% would yield over \$1,000,000 annually in additional revenue for the City. This would include building permit fees, electrical permit fees,

mechanical permit fees, boiler inspections, plumbing permit fees and dumbwaiter, escalator and moving walk permit fees.

Chapter 14, Article 1: Uniform Administrative Code and Technical Codes states in 14-1-1 Intent “It shall be the responsibility of the Mayor to review the code enforcement income at yearly intervals and to recommend to the Council the need to increase or decrease code enforcement fees according to the result of this review.” The Division has not sought an increase since FY1993.

RECOMMENDATION:

The Planning Department should review the current fees and determine if it would be appropriate to increase the fees it charges for its services to the public.

EXECUTIVE RESPONSE FROM PD

“The Department, in discussion with the Administration, is analyzing the current building fee structure. A decision will be made in FY02 if to increase the fees.”

3. THE PLANNING DEPARTMENT SHOULD SURVEY ITS USERS TO DETERMINE IF THE DIVISION SHOULD ESTABLISH ADDITIONAL OR DIFFERENT GOALS AND OBJECTIVES.

The purpose of the Building and Safety Division is to, “Provide a thorough and expedient plan review process that assures all building plans meet adopted Building Codes and inspect all building construction activity city-wide.” It’s projected output measures for FY00 were:

	<u>Projected</u>	<u>Actual</u>
Number of Plan Reviews	6,682	6,051
Number of building permits and inspections	50,414	46,853
Number of Electrical permits and inspections	40,199	37,256
Number of plumbing inspection permits and inspections	64,818	63,214

Its projected Quality Measures were:

	<u>Projected</u>	<u>Actual</u>
Turnaround time on building inspection requests	4 hours	4 hours

The Division's output is dictated by public need for these services and cannot be influenced by anything the Division may or may not do. The comparison of projected and actual output measures shows that the Division did not meet its projected output measures for FY'00. The quality measure of 4 hours turnaround time on inspections has been maintained for the last three years. The Division has met this goal.

The Division may want to survey its users, the Contractors using its services, and ask for an appraisal of the quality of the services provided. Input from its "customers" may give the Division an idea of what it can do to improve services. The general findings included in this report are some recommendations on how to improve the Division's present delivery of services. However, there may be some element or issue missing from the scope of services currently provided that might be identified by a survey of the Division's end users.

RECOMMENDATION

The Planning Department should survey its users to determine if the division should establish additional or different goals and objectives. The survey should ask for an appraisal of the quality of the services provided.

EXECUTIVE RESPONSE FROM PLANNING DEPARTMENT

"The Department currently surveys the Building & Safety Division, Plans Review Section customers regarding our level of service. In line with the FY03 Budget, the Department will expand the customer survey cards to solicit input on refining the Department's Building & Safety goals and objectives."

4. THE PLANNING DEPARTMENT SHOULD RECONCILE THE REVENUES PER THE BPS TO THE CASH RECEIPTS AND ACCOUNT RECEIVABLE CHARGES.

Daily fees charged for plan reviews, inspections and permits are not reconciled on a consistent basis. The Building Permits System (BPS) calculates the fees charged for the various services. A form, either a permit form or a building permit form, is then printed out. The customer takes the form to Treasury and pays the fees calculated and brings the proof of

payment back to the appropriate unit where the information is entered into the system to schedule the inspection or approve the building plans.

When a contractor has a permit bond the contractor has permit books issued to them. The

contractor then calls in requests for inspections. When the inspection is scheduled the information is entered into the BPS and an account receivable (A/R) for that transaction is set up. The information from the A/R is updated to the City's A/R system twice a week. However, reconciliation procedures are not currently in place to ensure that all A/R transactions are properly recorded. The integrity of the data going into and generated by the BPS is not assured. There is a possibility of over or under collection of fees. This step is an important control procedure for the proper collection of fees.

RECOMMENDATION:

Planning Department management should take steps to ensure that actual cash received and accounts receivable are reconciled on a weekly basis to cash receipts and accounts receivable charges as recorded.

EXECUTIVE RESPONSE FROM PLANNING DEPARTMENT

“The Department revenues have steadily increased over the past 7 years in line with our permitting and inspection activity. Revenues appear to be proportionate to building activity. The Department’s will continue to monitor revenues to building activity. Should any discrepancy in fees/building activity occur we will work with Treasury to reconcile and errors.”

AUDITORS’ COMMENT

A reconciliation process is necessary to ensure that Division revenues have been properly posted to the City accounting system. Errors will not be detected unless a reconciliation is performed.

5. THE PLANNING DEPARTMENT SHOULD INVESTIGATE THE INCREASED USE OF TECHNOLOGY TO INCREASE EFFICIENCY.

The Division is not currently using some of the technology available that could increase the efficiency of its staff. The Governmental Efficiency and Results Task Force (GEAR) report dated January 20, 1999 recommends, in part, focusing on efficiency and effectiveness. It states on page 25, “Efficiency focuses increasing output at existing cost or maintaining current output (service levels) while reducing costs.” The following areas could benefit from the increased use of technology:

- A. Currently, inspectors come into the downtown office every morning to turn in the results of their past days inspections and to pick up their assignments for that morning. Receiving their inspection assignments via e-mail at home would save them a trip into the office. E-mailing their previous day's results is also possible with the use of a laptop computer.

Inspectors could receive inspection assignments via e-mail, use their laptops to conduct their inspections, send the results of their inspections via e-mail, and reduce the need to come into the downtown office every day. This could increase the efficiency of the inspectors and decrease costs to the Division.

- B. The front desk area of the Plan Review Unit accepts all submissions for new construction and coordinates the processing of the plan reviews. The computers in the area should be upgraded and have access to City information systems including e-mail and Internet access in order for employees to perform more efficiently.

Much of the follow up and tracking of the plan review progress is currently done manually. Currently, the contractor is notified by telephone when plans are approved and ready for pick up. Increased use of technology could provide a more efficient delivery of services by the Plan Review Unit.

- C. Most of the personal computers currently available to the Plan Checkers do not meet City PC standards. Only one PC has access to the Internet. Plan Checkers use the National Building Code in the course of their review of plans submitted by contractors. The National Building Code is what the City currently uses to verify building code as defined in the Uniform Administrative Code as adopted by Ordinance by the City Council in FY'99. The Division has this information available in written form, but it may not always be up to date. This information is available via the Internet and would be accessible faster and easier to the Plan Checkers via the Internet. This information is also available from a software service. Both of these options would increase efficiency and ensure that the Division was using the most recent version of the National Building Code.

- D. The boiler and elevator inspection records are maintained on manual card files. This is an inefficient and unreliable method of maintaining records. Boiler and elevator inspections are performed on either a bi-annual or annual cycle and are an integral part of the City safety program. Currently these records are maintained manually and are subject to cards being lost or misplaced or the reminder file (tickler file) not

being accurate. Automating these records would greatly reduce the possibility of these types of errors occurring. Additionally, by automating these records, Inspectors could generate reports listing the inspections due either weekly, monthly or daily, in order to schedule their inspections.

Division management was not aware of the efficiencies afforded by automation, and; therefore, has not made automation a priority. The use of laptop computers, upgrading current computers and on-line access to the National Building Code could increase efficiency and decrease long-term costs.

RECOMMENDATION

Planning Department management should assess the use of laptop computers for all of the inspectors for use in the performance of their jobs.

Planning Department management should assess the benefits of upgrading and adding PC's for the Plan Review Unit.

Planning Department management should assess benefits of upgrading and adding PC's and software for the Plan Checkers.

Planning Department management should automate the current record maintenance system for boiler and elevator inspections.

EXECUTIVE RESPONSE FROM PLANNING DEPARTMENT

“The Department is committed to using technology to improve our efficiency and effectiveness. However, we realize that funds are quite limited.”

“The Department will continue to investigate using hand held or lap top computers for inspectors as funds are available. We will also request upgrades for computers in all areas of the Building & Safety Division.”

6. THE PLANNING DEPARTMENT SHOULD CONTINUE TO ATTEMPT TO OBTAIN NEWER VEHICLES FOR INSPECTORS.

The Division has 7 vehicles with more than 108,000 miles and another 3 vehicles are considered unsafe and therefore unusable. Division management has been unable to obtain

newer vehicles. This results in increased maintenance costs and less efficient delivery of services by the Division inspectors. It can be critical if there are not enough vehicles to meet the demands of the daily inspection requests. In the past, vehicles have been borrowed from other divisions and/or sections within the Planning Department to ensure adequate coverage for its inspectors to complete their daily inspections as requested.

The City has cut funding from the vehicle replacement Fund in FY99, FY00 and FY01. Although the need is recognized, the funding has not been available for vehicle replacement.

RECOMMENDATION

Planning Department management should continue to attempt to obtain newer vehicles to perform its job in a more efficient manner.

EXECUTIVE RESPONSE FROM PLANNING DEPARTMENT

“The Department will continue to request new vehicles to replace our old high mileage vehicles.

“The Department continuously strives to be more effective and efficient in our day to day operations. We take these audit recommendations very seriously and will work hard to meet your recommendations.”

CONCLUSION

By implementing these recommendations, the Planning Department will more correctly and efficiently administer its responsibilities for revenue collection and control and increase overall efficiencies in the Building and Safety Division. We appreciate the assistance and cooperation of the Planning Department personnel during the audit.

REVIEWED and APPROVED:

Debra D. Yoshimura, CPA, CIA. CGAP
Internal Audit Officer

APPROVED FOR PUBLICATION:

Chairman, Audit Committee