18-03 Building Permitting Process Audit Follow-up

Status of Corrective Actions of Management Responses As of February 2019 Original Report Issuance - August 2018
Follow-up result: Four of the nine rescommendations are not yet implemented. Additional follow-up is scheduled. (Items #4, 5, 6, & 8)

City Auditor's Office
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Finding (condensed)	**Recommendations**	**Management Response**	**Follow-up Status**
1 **The Valuation Table is Not Updated on Pace with Industry Standards**			
The City of Reno has not adopted an updated building valuation table from the International Code Council (ICC) for many years. As a result of the use of the outdated valuation table, the City's revenues in this area are not on pace with industry best practices.	We recommend the City's adopted building valuation table be updated to the most recent ICC valuation table and revised each year during the budget process with an effective date of July 1 annually.	On May 23, 2017 the City Council approved the most current version of the ICC valuation table for implementation January 1, 2019 per the BEFAC request from the May 8, 2018 BEFAC meeting. The BEFAC conceptually agrees with updating the Valuation every July with the most current Valuation table on an ongoing basis. Starting in April/May each year prior to budget adoption, the Building Division will suggest to BEFAC, Finance, and Council to regularly adopt the most current International Code Council valuation table effective every July 1.	Completed - Updated valuation table on 1/1/19 and implemented in Accela as adopted by Council. Building & Safety Manager validated via the screen shot of valuation fee schedule in Accela. Recurring tasks have been set up as an annual reminder to update the validation table.
2 **Building Valuation is Not Recalculated Consistently**			
Building valuation data is not recalculated or consistently verified during the permit application process. Without verifying the building valuation consistently for all applicants, fees charged by the City may not be assessed equitably for all City customers.	We recommend building valuations be recalculated during the building permit submission process and this be a standard operating procedure rather than relying on a subjective decision to flag the recalculation process	Permit Technicians will utilize the automated calculator built into Accela to calculate valuation fees during the building permit submission process. Supervisors will be responsible for measuring, monitoring and ensuring compliance with this process. Also, once the application is completed at the front counter, Plan Review staff and Charge Out Technicians will recheck the valuations established by Permitting staff. September 2018. Formal training will be provided to applicable staff by the end of August 2018.	Completed - The new valuation table is working in Accela and development permit technicians are calculating fees during application submission. Additionally, plan review staff and charge out technicians recheck the valuations established by permitting staff.
3 **City Revenues Not Collected in Full**			
The building permit fees listed in the *Adopted Fees and Charges* were not collected in full. Of the 38 permits tested, six were not recalculated at any time during the permitting process which led to an understated fee assessment in regards to the adopted fee schedule.	We recommend valuations be recalculated during the intake process for each building permit application and fees be collected in agreement with the adopted fee schedule.	A new required procedure will be written to use the automated calculator in Accela to calculate valuation fees during the building permit submission process will ensure the fees are collected in full. A new required procedure will be written and implemented by September 2018. With the new process of recalculating in Accela during the application process and adding two additional rechecks, both by Plan Review Staff and Charge Out Staff, the process should see no further breakdowns. An up to date policy will be put into place to govern the process as well.	Completed - Procedure entitled "Procedures to Correct Building Permit Audit Finding Number 3" has been approved and staff is operating under those guidelines.
4 **Reconciliations are Not Performed**			
Reconciliations are not being performed for building permit revenues. Without systematic reconciliations, it is unknowable if a system reporting, cash collection, and cash deposits are complete and secured.	We recommend the Community Development Department perform reconciliations at least monthly as documented in their departmental policies.	Community Development is working with Finance to develop a desk manual/instructions for a building permit revenue reconciliation process. Community Development staff will perform the reconciliation at least monthly. The departmental Cashiering Policy will be updated with the adjusted process details. The reconciliation process and policy update are planned to be completed by October 2018.	This item is in progress. Building, Finance and IT staff are collaborating on a process and associated documentation will be created pending that process. Expected date of complete is end of June 2019. Audit Comment to Follow-up: Additional follow-up on this item is scheduled for 6-months from follow-up issuance date.
	In addition, we recommend the reconciliations be maintained in accordance with document retention schedules.	The reconciliations will be maintained in accordance with document retention schedules. Planned completion by October 2018.	This item is in progress. Building, Finance and IT staff are collaborating on a process and associated documentation will be created pending that process. Expected date of complete is end of June 2019.

	Finding (condensed)	Recommendations	Management Response	Follow-up Status
5	**Data Quality Concern and Verification of report Data is Not Possible**			
	The data used by the Building Division for reporting and decision-making may include errors as the data collection process is highly manual. Thus, the report used in the decision-making process may contain errors and decisions may be based on erroneous data.	We recommend the division staff work with software consultants to determine if software adjustments and/or system generated reports can be used to produce the necessary data without manual adjustments currently needed to build monthly summary reports.	We agree, the blue and white "CD Activity report" should be retired, and there should be an automated dashboard that anyone can access at any time, displaying data. The division will work with software consultants to create a report that includes data that is organized and categorized by the industry standard as identified by Building & Safety Manager. Once the process becomes automated the numbers and tracking methods will be substantially more accurate. The division began working with software consultants in July 2018 with a completion goal of the end of fiscal year 2018/19.	The report has been retired. CD staff is working with IT to develop an automated dashboard, which is a citywide effort. Because this is a long-term initiative, CD staff has created an interim report to communicate information on a monthly basis. The data points in the report have been adjusted so that no manual adjustment to the data is needed outside of the Accela platform. The data on the interim report is verified through a supervisor or designated staff person by separately running the Accela report and comparing it to the interim report. Additional work is needed to document this process (estimated completion date is end of June 2019). The estimated completion date for the automated dashboard is December 2020. Audit Comment to Follow-up: Additional follow-up on this item is scheduled for 6-months from follow-up issuance date.
		In addition, we recommend documentation be maintained for the adjustments made when developing monthly summary reports to allow for supervisory verification of data.	Any corrections will be discussed and approved by the Supervisor and made to the system, rather than a manual report. All corrected data in the system will be documented in the Notes section, indicating the date of the change as well as a description as to the differences in the data collection process. Planned completion date of September 2018.	Completed - Procedure on Accela data management completed and in place.
6	**Lack of Succession Planning for Reporting Process**			
	Departmental procedures are not documented for the reporting process; a key employee is the only employee that creates the reports. Establishing written procedures detailing important departmental procedures is the first step to clarify processes and employee expectations when carrying out their day-to-day functions concerning report generation. Departmental procedures that are not documented may be conducted incorrectly or inappropriately when a key employee is no longer able to perform the procedures.	We recommend a procedures manual be created and a secondary employee be trained to prepare reports for consistency and departmental succession planning.	Management will inform staff that the "CD Activity report" will be discontinued and no longer distributed. By August 2018, management will inform staff that the blue and white CD Activity report will be discontinued. Management will ensure that all positions have a desk manual on how to perform each task within each job, and how to pull the new report to be built by Truepoint.	The CD Activity report has been discontinued. Documentation of this procedure in a desk manual is still needed; Estimated completion date is end of June 2019. Audit Comment to Follow-up Additional follow-up on this item is scheduled for 6-months from follow-up issuance date.
7	**Unauthorized Employee Approved Payments**			
	A sample of 12 payments to consultants was reviewed for compliance with documented City policies. Four of the vendor invoices tested were approved by an employee unauthorized to approve expenditures. Noncompliance with documented preventative internal controls over expenditures such as appropriate supervisory approval places the City's funds at greater risk of misappropriation.	We recommend payment authorizations be approved by employees with purchase approval documentation on file. In addition, we recommend the review process conducted by Finance be thorough and an appropriate signature approval be requested from the department when necessary.	For the employee identified in the audit, we have submitted an Authorization Signature form to allow expenditure approval. Authorizations will be approved by employees with purchase approval documentation on file. Planned completion by September 2018	Completed - Purchase approval documentation on file.
8	**Valid Contract Not Available**			
	The contract for the vendor providing professional services related to software modifications expired June 1, 2010; a new contract went into effect September 13, 2017. Thus, the City was not in a contract agreement with the vendor for more than seven years.	We recommend departmental management implement a process to ensure contracts are valid for key professional service vendors	Management will implement a process to ensure contracts are valid for key professional service vendors. The process will be documented as a departmental policy. Planned completion by September 2018.	The contracts process validation is still being developed, with expected completion end of June 2019. Audit Comment to Follow-up Additional follow-up on this item is scheduled for 6-months from follow-up issuance date.
9	**Thresholds for Contract Approval Requirements are Unclear**			
	During the audit scope, a contract was brought to City Council for a key professional service vendor. Building Division management was provided differing opinions from Finance and City Attorney staff regarding the need to seek City Council approval for said contract.	We recommend the City Manager's Office determine the intent of the approval policy and the requirements for expenditures of this type going forward. In addition, we recommend the citywide purchasing policy be updated to clarify requirements for this purchase type.	The City Manager's Office will determine the intent of the approval policy and requirements for expenditures of this type going forward. If needed, the citywide purchasing policy will be updated. Planned completion date is July 2018. A meeting will be held with the Finance Department, the City Attorney's Office, and the City Manager's Office to come to consensus on the City County approval of contracts.	Completed - Purchasing Policy memorandum issued in January 2019.