



GARLAND

INTERNAL AUDIT

**Building Inspection – Management
Controls Over Collection of Fees
Audit Follow-up**

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Authorization

We have conducted a follow-up audit of Building Inspection – Management Controls Over Collection of Fees audit. This audit was conducted under the authority of Article VII, Section 5 of the Garland City Charter and in accordance with the Annual Audit Plan approved by the Garland City Council.

Objective

This is a follow-up of the “Building Inspection – Management Controls Over Collection of Fees” report issued on March 24, 2014. Our objective was to determine if previous audit recommendations were implemented.

The objective of the original audit was to assess management controls over the billing and collection of fees in the Building Inspections Department.

Scope and Methodology

We conducted this audit follow-up in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient and 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.

In order to determine if previous recommendations were implemented, IA:

- Obtained and reviewed City Ordinance 6641, approved by the City Council on September 3, 2013, to review Building Inspections Fees.
- Performed inquiries and reviewed documentation to determine if current processes regarding management review of the Permit Supervisor activities were adequate.
- Developed Crystal Reports from the PermitsPlus system to perform a gap analysis on permit numbers.
- Sampled permits to compare fees charged in PermitsPlus with that listed in the Ordinance to determine if fees were accurate (See Exhibit A).
- Reviewed user listing to ensure deactivation due to termination and appropriate user access to the system.
- Performed inquiries to determine if the PermitsPlus application was added to the Annual User Entitlement Review.
- Performed a surprise visit to the Fire Marshall’s office to ensure checks are appropriately endorsed upon receipt.
- Reviewed voided permits by the Fire Marshall’s office to determine if notes were added to the system.

The scope of the audit follow-up was for the time period April 1, 2014 through October 31, 2014.

To assess the reliability of the data elements needed to answer the engagement objective, we (1) performed inquiries with management, (2) reviewed related documentation, (3) performed electronic testing of the required data elements, and (4) reviewed user access to the PermitsPlus system. As a result of our testing, we determined that the data was sufficiently reliable for the purposes of this report.

Audit Follow-up

This follow-up audit was not intended to be a detailed study of every relevant system, procedure and transaction. Accordingly, the Follow-up section presented in this report may not be all-inclusive of areas where improvement might be needed.

The following results for each finding are as follows:

Finding #1
Condition (The way it is)
<p>The Building Inspections department collects payments for permits issued using the PermitsPlus system. Payments are received via cash, check or credit card.</p> <p>In our review of internal controls surrounding the collection of fees for permits issued by the Building Inspections department, we found that the department lacked segregation of duties regarding the Permits Supervisor's responsibilities. The Permits Supervisor's responsibilities include the following:</p> <ul style="list-style-type: none">• Perform cash balancing and depositing.• Enter deposit information into the Finance system.• Act as backup relief cashier on behalf of the permit technicians.• Administration of the PermitsPlus system.• Sets up new users and issues their passwords in the system.
Recommendation
<p>Management should consider:</p> <ol style="list-style-type: none">1. Conducting a review of activities (including cash handling & Permit Plus) performed by the Permit Supervisor at least on a monthly basis. Any irregularities identified shall be researched and documented.2. Shifting user setup and password management responsibilities to the IT department.
Management Response
<p>We concur, management will look at a plan to better oversee a check and balance system over the Permit Supervisor.</p>
Action Plan
<p>Taking the fees collected detail listing at the end of the month and checking them verses the actual income collected for that month. Also, we want to shift the user set up for passwords over to IT.</p>
Implementation Date
3-3-2014

Auditor's Comment

Internal Audit (IA) discussed with management to consider conducting the following actions as well:

- Review the PermitsPlus Daily Transactions report against the Daily Balance report and daily bank deposit to ensure the totals match.
- Review receipt numbers in the PermitsPlus Daily Transactions report to ensure they are sequential and no gaps exist.
- Review the PermitsPlus Daily Transactions report and verify employee login credentials are not being used inappropriately.

Follow-up

1. IA inquired with Management who verbally indicated that a review is conducted. However, there was no audit trail to determine if the following steps are performed:

- Review the PermitsPlus Daily Transactions report against the Daily Balance Report and daily bank deposit to ensure the total matches.
- Review permit numbers in the PermitsPlus Daily Transaction Report to ensure numbers are sequential and no gaps exist.
- Review of the PermitsPlus Daily Transaction Report to verify employee login credentials are used appropriately.

Additionally, a comparison of the Monthly Income Recap report to the Building Inspection Daily Balance Report revealed a difference of \$3,300 in the month of September.

2. IA's inquiry revealed that the user setup and password management responsibilities had been shifted to IT. However, the Permits Supervisor continued to have administrative access to PermitsPlus system to alter permit pricing. According to IT, a new system will possibly be initiated beginning in April 2015 and the duties may be segregated at that time. IT agreed to generate a monthly report of all changes to permit pricing for management to review. Building Inspection Management concurred and indicated that will review the report on a monthly basis.

Implementation

1. Not Implemented
2. Partially Implemented

Finding #2

Condition (The way it is)

IA compared the Building Inspection fees published online by the department, with the fees listed in the Ordinances and the fees charged in the system. The following conditions were revealed:

- A. IA found that 15 fees differed between City Ordinance 6485 and the department's published fees, both effective October 1, 2011. IA determined that Fees charged in PermitsPlus were the fees listed in the Department's published fee listing. While conducting this audit a new City Ordinance 6641 (effective October 1, 2013) was issued to correct these errors.
- B. Our comparison of City Ordinance 6641 and the new Building Inspection Fee Schedule, both effective October 1, 2013 revealed 4 additional discrepancies (See Exhibit A). Upon IA's notification, the department indicated that going forward they would only charge the fees listed in the City Ordinance 6641.
- C. The following three fees charged by the department are not included in either the City Ordinance or the fees published by the department:
 - 1. Minor Commercial Repairs - \$75
 - 2. Major Commercial Repairs - \$175
 - 3. Commercial Foundation Repairs - \$55

Our review of permits issued in PermitsPlus revealed assessment of these fees on several occasions.

Recommendation

Management should ensure that:

- A. & B. Fees charged and published by the Building Inspections department match the fees approved in the Ordinance by the City Council.
- C. Fees charged in PermitsPlus are included in both the City Ordinance and the fees published by the Building Inspections department.

Management Response

We concur;

A&B. Management should make sure that the fees established in the ordinance are the correct fees being charged in Permits Plus.

C. Management is no longer charging these fees. A Fee analysis is currently being performed. Once complete, fees will be updated in the Ordinance.

Action Plan

IT has already made the changes in the system to reflect what ordinance has established.

Implementation Date

2-5-2014

Follow-up

A. & B. A random sample of 20 fees in the PermitsPlus database was compared to the fees in the Ordinance. The fees established in the Ordinance are the fees being charged in Permits Plus. A separate fee schedule is no longer published by the Building department.

C. An inquiry with Management disclosed they decided not to assess these fees going forward. A Fee Analysis was begun but was not completed because of this decision.

IA searched the PermitsPlus system from April 1, 2014 through October 31, 2014 and found that the three fees are no longer charged.

Implementation

A. & B. Implemented

C. Implemented

Finding #3

Condition (The way it is)

In our review of 62 active users in PermitsPlus, we found the following:

- A. The Fire Marshall's Office has 9 users that share a login ID and password to process permits through PermitsPlus.
- B. We noted that one of the 9 has a unique user name and password; however it was not used since November 2005.
- C. 11 active employees had not utilized the system prior to 2011 and 3 terminated employees continued to have access to the system. Out of the 11 active employees, our inquiry with management revealed that 9 no longer needed access to the PermitsPlus system.

Recommendation

Management should consider:

- A. Transitioning user and password administration to the Helpdesk and ensure that the 8 users have separate user IDs and unique passwords.
- B. Requesting a reset of the user's ID and password and require its use on a regular basis.
- C. Add the PermitsPlus application to the Annual User Entitlement Review and ensure that terminated employees and users no longer need access are deactivated.

Note: Upon notification of the 9 users who no longer needed access to the system and the 3 terminated employees to the Permits Supervisor, those users were immediately deactivated.

Management Response

We concur with the request to transfer user ID's access to the Helpdesk of IT. In addition, we will ensure the PermitsPlus application is added to the Annual User Entitlement Review.

Action Plan

Transitioning user and password administration to the Helpdesk and ensure that users have separate user IDs and unique passwords. Building Inspections will request that IT add PermitsPlus to the Annual User Entitlement Review.

Implementation Date

Have to check with the IT department on a date

Follow-up

- A. IA's inquiry with the ITS Application Manager and review of a screen print from PermitsPlus revealed the generic user name and password shared by the 9 users had been deactivated in PermitsPlus. An additional review of active users in the PermitsPlus system verified that these users were setup with a unique user name and password.
- B. IA reviewed active users in PermitsPlus and verified that the user identified previously is currently using a unique login ID for the system.
- C. IA's inquiry with IT revealed that the PermitsPlus application was not added to the City's 2014 Annual User Entitlement Review. However, they indicated it will be added next year.

IA compared active users listed in PermitsPlus system to employees listed in ePersonality and ensured that all current users are active employees.

Implementation

- A. Implemented
- B. Implemented
- C. Partially Implemented

Finding #4

Condition (The way it is)

IA reviewed the permit process at the Fire Marshal's Office and found the following:

- A. Checks collected for permits are not endorsed upon receipt. They are endorsed when the deposits are processed on a weekly basis.
- B. Permits are voided for various reasons. In our review of voided permits, we found 5 permits which were voided in the system. Of the 5 voided permits, 2 showed that funds were collected, and then later voided. There were no notes in the PermitsPlus system to indicate why the permits were voided. Our inquiry with the department revealed that funds would not be refunded if work had already been performed.

Recommendation

Management should consider:

- A. Ensuring checks are endorsed immediately upon receipt.
- B. Input notes into the system to indicate why permits are voided and refunded.

Management Response

Concur.

Action Plan

- A. We have purchased an endorsement stamp and checks are now endorsed immediately.
- B. Notes are now added to the notes section to indicate why a permit or check is voided or a refund issued.

Implementation Date

- A. January 30, 2014
- B. November 2013

Follow-up

- A. A surprise review of checks in the safe disclosed they were endorsed upon receipt.
- B. IA reviewed 21 voided permits listed in PermitsPlus created by the Fire Department and determined that notes were not input in the system to indicate why the void occurred.

Implementation

A. Implemented

B. Not Implemented

Exhibit A – Sampling Methodology

IA chose to review a judgmental sample of 20 permits since April 1, 2014 to determine if permit charges listed in PermitsPlus matched permit prices in Ordinance 6641. The judgmental sample was chosen to select permit types that were noted as incorrectly charged from the previous audit. Since this is a system generated charge, IA believed that a sample of 20 was sufficient to obtain a comfort level that charges were accurately listed. No exceptions were identified during our review and the results were projected to the intended population.