

Memorandum



CITY OF DALLAS

Audit # A07-004

DATE: January 5, 2007

TO: Honorable Mayor and Members of the City Council

SUBJECT: Follow-Up Report of the December 17, 2004 Audit of the Department of Development Services Management Controls

The original audit report contained fourteen recommendations. Management implemented eleven recommendations, did not implement one recommendation, and the implementation of two recommendations was undetermined.

The recommendation that the City Manager determine whether the Fire Inspectors should be classified as either civilian or uniform employees was not implemented. The Dallas Fire and Rescue (DFR) efficiency study will address the adequate use of personnel at all function levels in DFR and will give the City Manager's Office (CMO) and the City Council the analysis needed to responsibly make this public safety decision. The completion date for the efficiency study is scheduled for Spring 2007.

The status of recommendations relating to reorganizations or restructurings of departments or divisions and the establishment of management controls within the Department of Development Services (DDS) was not determined. According to management, there have been no major reorganizations or restructurings of departments and/or divisions subsequent to the release of the original audit report. Therefore, we were unable to determine whether management has implemented this recommendation. Due to the broad nature of the recommendation, we will consider a review of management controls established within DDS during the development of future audit plans.

Our objective was to determine whether DDS has implemented the audit's recommendations or taken other acceptable actions to remedy the control weaknesses identified in the original audit report.

We performed this audit according to applicable government auditing standards. The findings and recommendations from the prior report including implementation status and follow-up observations are as follows:

1. The means to attain that the strategic objectives of DDS are not complete.

We Recommended that the City Manager:

- A. Review all future reorganizations and restructures of departments and/or divisions to ensure that strategic objectives are established, management staff is in place to oversee efforts to achieve these goals, and adequate management controls have been instituted.
- B. Review the existing DDS organization and put in place those management controls that are necessary to ensure that the mission, goals, and objectives of the department are met.

Status of Implementation: **Undetermined**

According to City Management there have been no major reorganizations and restructures of departments and/or divisions subsequent to the issuance of the original report. A review of management controls in place in DDS will be considered during the development of future audit plans.

2. The permit and registration process is not adequate.

We Recommended that the Director of DDS develop and implement control mechanisms to ensure:

- A. Permit applicant's stated value of the proposed project is adequately supported or verified. Written policies and procedures have the applicable criteria regarding support or verification for the stated value. **(Implemented)**

We found that DDS has a policy and procedure for establishing value of work for a construction project if the value provided by the applicant appears too low. DDS uses a Building Valuation Data guide published by the International Code Council.

- B. Permit fee calculation accuracy is timely verified. **(Implemented)**

Presently, the Land Management System (LMS) calculates the applicable fees for the building inspection applicant. We manually calculated the fee on the permits and found no inaccuracies.

- C. Effectiveness of the trade registration process and customer service satisfaction. **(Implemented)**

We found that the LMS generates the certificate of registration for an applicant indicating the registration number and vital information on the applicant. DDS has initiated a customer service survey program designed to determine whether quality building services were provided to the applicant.

- D. Adequate reconciliation of the registrations processed. **(Implemented)**

We found that the LMS provides reports on transactions (service requests) including registrations that are reconciled to a daily payment (receipt) report produced by the Cashier For Window (CFW) system.

3. The control over some receipts, forms, and related authorization stamps is not adequate.

We Recommended that the Director of DDS develop and implement control mechanisms to ensure that:

- A. Three-part receipts are sequentially pre-numbered and properly controlled. **(Implemented)**

The three-part receipts are no longer being used. The LMS system in conjunction with the CFW system assigns a unique tracking number and unique receipt number to create an audit trail and facilitate reconciliation.

- B. Electrical registration license cards are sequentially pre-numbered. **(Implemented)**

The LMS system produces the electrical licenses and assigns a unique license number to serve as an audit trail.

- C. License cards and related authorization stamps are adequately controlled. **(Implemented)**

The registration section has destroyed the previous surplus of unused licenses and authorization stamps. The LMS system produces the electrical licenses and assigns a unique license number to serve as an audit trail.

- D. License cards issued are reconciled to the applicable payment receipts. **(Implemented)**

We found that the LMS provides reports on transactions (service requests) including license permits that are reconciled to a daily payment (receipt) report produced by the CFW system.

- E. Applicable employees are adequately trained to improve the level of employee awareness and understanding of internal controls. **(Implemented)**

We found that Building Inspection, a division of DDS, has implemented training programs to keep employees abreast of internal controls and changes in policy/procedures related to licenses, permits, and registrations.

4. Segregation of duties is not adequately followed in Building Inspection district offices.

We Recommended that the Director of DDS develop and implement control mechanisms to adequately and properly segregate the duties/responsibilities of the Office Assistants in the applicable district office(s). **(Implemented)**

We found the department relies upon at least three software applications to support its operations and to mitigate potential losses due to inadequate segregation of duties. The three applications are:

1. Land Management System (LMS)
2. Cashier for Windows (CFW)
3. Revenue Collector (RC) – provides transactional database information.

Customers initiate the process by completing an application for permits/registrations. Personnel in the registration/permit section input the information from the application into the LMS. The LMS creates a service request and calculates the fee amounts. The service request creates a computer-based audit trail. Cashiers may not create an LMS service request, but may use CFW to process customer payments for department-provided services once LMS has notified the CFW application that a customer service request has been made. The customer pays the cashier the applicable fees, the cashier enters the payment information into CFW and the CFW sends the payment information to LMS. The LMS electronically matches the payment information to the service request, notes the receipt number from CFW, and prints out the registration or permit. The customer receives the permit or registration.

The CFW application includes software-based triggers that cause an authorization dialog box to appear when a cashier tries to override standard processing of the cashiering function within CFW. This software processing prevents a cashier from taking customer funds into the cash drawer and then attempting to void out the transaction once the customer has left the cashier's window. The security sub-system of the CFW application enforces supervisor intervention to perform non-standard processing. The LMS provides reports on service requests including license permits and registrations that are reconciled to a daily payment (receipt) report produced by the CFW system.

5. Fire Inspector job functions are not required to be performed by a uniform employee.

We Recommended that the City Manager:

- A.** Appoint a committee to study the operational efficiency and determine the placement of the Fire Inspector function to achieve DDS goals. **(Implemented)**

A Fire-Rescue efficiency study was authorized to address this issue.

- B.** Determine whether the Fire Inspectors should be classified as either a civilian or a uniform employee. **(Not Implemented)**

DDS management responded that the DFR efficiency study will address the adequate use of personnel at all function levels in DFR and will give the CMO and City Council the analysis needed to responsibly make this public safety decision. We found the City Council Public Safety and Homeland Security Committee was briefed on the Fire-Rescue efficiency study on Monday, May 15, 2006. City Council authorized the contract award for the efficiency study on June 14, 2006. The completion date for the efficiency study is scheduled for Spring 2007.

We appreciate the cooperation of management during this follow-up. Should you have any questions, please contact me at 214-670-3223 or Jimmy Martin, Audit Manager, at 214-670-5095.

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City Auditor

C: Mary K. Suhm, City Manager
Theresa O'Donnell, Director, Department of Development Services