

# Memorandum



**CITY OF DALLAS**  
(Report No. A10-001)

**DATE:** October 2, 2009

**TO:** Honorable Mayor and Members of the City Council

**SUBJECT:** Final Report – Follow-Up of Audit Recommendations, Department of Code Compliance Multi-Occupancy Structure Program (MOST), Fiscal Years (FY) 2006 and 2007

The Department of Code Compliance and the City Controller's Office have responded to recommendations resulting from the "Audit of the Implementation of the Multi-Tenant Enforcement Program", dated March 31, 2006 and the "Audit of Code Enforcement for Multi-Tenant Properties", dated October 26, 2007. Attachment A provides detailed information for the recommendations included in this audit<sup>1</sup> report.

## Summary of Follow-up Audit Results

Fiscal Year Audit Report Issued	Number of Report Recommendations	Recommendations Implemented	Recommendations Partially Implemented	Recommendations Not Implemented
2006	5	3	1	1
2007	4	2	0	2
<b>TOTALS</b>	<b>9</b>	<b>5</b>	<b>1</b>	<b>3</b>

The Department of Code Compliance MOST Division is responsible for registering and inspecting multi-occupancy structures and enforcing compliance with City Code regulations by their owners. The task of registering multi-occupancy structures is shared between the City Controller's Office Special Collections Division (SCD) and MOST. Information about registration requirements, including a downloadable application form, is posted on the Code Compliance website. In addition, Pay1, the City's billing system, generates and mails a pre-printed registration application 60

<sup>1</sup> This audit was conducted under the authority of the City Charter, Chapter IX, Section 3 and in accordance with generally accepted government auditing standards. The audit objective was to verify that management has taken corrective action(s), the corrective action(s) are achieving the desired results, or management has assumed the risk of not taking corrective action(s). This performance audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We interviewed MOST, SCD, and City Attorney's Office personnel, reviewed City Code and departmental policies and procedures, and analyzed departmental records.

days before the expiration date. SCD receives applications, processes fee payments, and forwards applications to MOST. Registration certificates are issued after MOST verifies and updates multi-tenant property information.

The Department of Code Compliance (CCS) has implemented some of the audit recommendations and has participated in the implementation of the Pay1 billing system to introduce recommended changes to the registration process. However, our follow-up audit revealed that the CCS reliance on Pay 1 has not resulted in improvements to the effectiveness of the registration process and the following problems still persist:

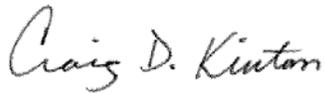
- MOST did not have a complete and accurate list of properties subject to registration and inspection and did not perform any procedure to continuously verify and update such a list. In July 2009, CCS introduced workaround procedures to create and continuously update a list of multi-occupancy structures.
- MOST did not have a procedure to track registration status of multi-occupancy properties and continued to issue certificates of registration to all applicants without checking for outstanding inspection fees. In July 2009, CCS introduced new procedures and received additional Pay1 training to verify delinquency status of registration applicants prior to issuing registration certificates and to track and enforce registration requirements.
- MOST has not revoked any certificates issued to applicants delinquent in their payments to the City, and has stopped enforcing registration requirement through citations. The number of citations for failure to register issued by MOST inspectors has drastically declined from over 1,300 in FY 2007 to only five in FY 2009 (no citations were issued in FY 2008). Newly introduced procedures will allow CCS to initiate revocation of certificates issued to applicants who are delinquent in their payments to the city.
- While a recommended correction in the language of city code section 27-4 raised the fine amount charged for failure to register from \$10 to \$2,000, no changes have been made to City Code Chapter 27 to establish minimum fines for all other City Code violations by owners of multi-occupancy structures. In September 2009, CCS contacted the City Attorney's Office to initiate recommended changes to Chapter 27 of the City Code.

Management has accepted the risks associated with partially implementing one recommendation and not implementing three recommendations. The City Auditor's Office will not conduct any further follow-up on these recommendations, but will consider the risks in determining future audit coverage as part of the annual audit plan.

We appreciate the cooperation of CCS, the City Controller's Office, and the City Attorney's Office personnel. This report was discussed with department management, but a written response was not requested.

If you have any questions or need additional information, please contact me at 214-670-3222 or Gary Lewis, Assistant City Auditor, at 214-670-5347.

Sincerely,



Craig D. Kinton  
City Auditor

Attachment A

C: Mary K. Suhm, City Manager  
Dave Cook, Chief Financial Officer  
Thomas P. Perkins, City Attorney  
Forest Turner, Assistant City Manager  
Joey Zapata, Interim Director of Code Compliance

**ATTACHMENT A**

<b>Audit Report</b>	<b>Audit Recommendations</b>	<b>Audit Follow-Up Results</b>
<p><b>Audit of the Implementation of the Multi-Tenant Enforcement Program (March 31, 2006)</b></p>	<p>Coordinate with Special Collections management to facilitate program compliance by augmenting the methods used to identify addresses. Possible methods may include using the City's GIS information and personally contacting Multi-Tenant Management.</p>	<p><b>Not Implemented.</b> At the time of the follow-up audit, CCS did not have an accurate list of properties subject to registration and inspection. In July 2009, MOST initiated a new list of multi-occupancy properties known to Code Enforcement and has developed procedures to continuously verify and update such a list.</p>
	<p>Coordinate with Special Collections management to facilitate program compliance by using a variety of methods that include the City's website to notify all the multi-tenant complexes of the program requirements (Posting the registration application on the City's website so that entities can download the application electronically and subsequently submit).</p>	<p><b>Implemented.</b> Information about registration requirements including a downloadable application form is posted on the Code Compliance website. In addition, Pay1 generates and mails a pre-printed application form 60 days before the registration expiration date.</p>
	<p>Coordinate with Special Collections management to facilitate program compliance by determining the City office site where applications can best be delivered and processed. If two sites are to be used, procedures must be standardized for document and payment information transfers.</p>	<p><b>Implemented.</b> The procedure for document processing and transfer has been standardized. Controller's Office Special Collections Division (SCD) receives registration applications, processes fee payments, and forwards processed applications to MOST.</p>

Audit Report	Audit Recommendations	Audit Follow-Up Results
	<p>Coordinate with Special Collections management to facilitate program compliance by utilizing Code Compliance Services staff to aid in the entry of application data into the system. Determine the feasibility of Code Compliance Services staff continuing data entry in the future.</p>	<p><b>Implemented.</b> MOST coordinates data entry with SCD management. SCD processes payments of registration and inspection fees and MOST processes applications.</p>
	<p>Coordinate with Special Collections management to facilitate program compliance by creating a basic quick start guide that references the MTRS (Multi-Tenant Registration System) user guide. Basic data base operations such as queries are used throughout this system and are required in order to generate the program reports.</p>	<p><b>Partially Implemented.</b> MTRS has been replaced with a Pay1 application. MOST staff and SCD staff have been trained in entering and retrieving data in Pay1. However, until additional training was provided in July 2009, MOST staff had been unable to navigate the Pay1 application to verify delinquency status of property owners applying for registration certificates. MOST staff is unable to query Pay1 database to generate summary reports.</p>
<p><b>Audit of Code Enforcement for Multi-Tenant Properties (October 26, 2007)</b></p>	<p>Work in cooperation with the City Attorney to correct City Code Section 27-4 (b) (2) (C) to reflect the text approved by the City Council in Ordinance 25522.</p>	<p><b>Implemented.</b> The text in City Code Section 27-4 has been corrected as recommended by the audit, raising the fine for failure to register to \$2,000.</p>
	<p>Work in cooperation with the City Attorney to determine whether minimum fines should be established for other City Code Section 27 violations.</p>	<p><b>Not Implemented.</b> No changes have been made to City Code Chapter 27 to establish minimum fines. In September 2009, CCS contacted the City Attorney's Office to initiate recommended changes to Chapter 27 of the City Code.</p>

Audit Report	Audit Recommendations	Audit Follow-Up Results
	Establish procedures to enforce the collection of outstanding amounts from delinquent property owners.	<b>Implemented.</b> Pay1 has been set up to automatically refer accounts that are 45 days overdue to an outside collections agency (contract with agency is pending). Delinquent accounts greater than \$1,000 are referred to the City Attorney's Office.
	Enforce City Code and deny multi-tenant certificates of registration to applicants with outstanding fees assessed for prior inspection violations.	<b>Not Implemented.</b> Code Compliance has continued to issue certificates of registration to applicants with outstanding fees and has not revoked any certificates issued in violation of City Code. Additional training was provided to MOST staff in July 2009 to enable them to verify delinquency status of applicants prior to issuing certificates of registration.

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