

# OFFICE OF THE CITY AUDITOR

## AUDIT OF THE IMPLEMENTATION OF THE MULTI-TENANT ENFORCEMENT PROGRAM



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March 31, 2006

# Memorandum



**CITY OF DALLAS**

March 31, 2006

Honorable Mayor and Members of the City Council  
City of Dallas

We have conducted an audit of the Implementation of the Multi-tenant Enforcement Program administered by the Code Compliance Services for the period October 1, 2003 through December 31, 2005. We conducted this audit under the authority of Chapter IX, Section 3 of the Dallas City Charter and in accordance with the Annual Audit Plan approved by the City Council.

Our audit showed the Multi-tenant program was not effectively implemented because of problems with the application process. As a result, 60% of the estimated 2,887 Multi-tenant properties were registered with the City as of September 2005, (12 months after the program was implemented in October 1, 2004). This low voluntary compliance hinders the City in achieving the program goals.

We appreciate the cooperation of City staff during our audit.

*Paul T. Garner*

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Assistant City Auditor

c: Mary K. Suhm, City Manager

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**AUDIT OF THE IMPLEMENTATION OF THE  
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## **INTRODUCTION**

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### **Authorization**

We conducted a performance audit of the implementation of the Multi-tenant Enforcement Program administered by Code Compliance Services (CCS). We conducted this audit under the authority of Chapter IX, Section 3 of the Dallas City Charter and in accordance with the Annual Audit Plan approved by the City Council.

### **Scope and Methodology**

We performed our audit in accordance with generally accepted government auditing standards and included tests of the records and other audit procedures that we considered necessary in the circumstances. Our audit covered October 1, 2003, through December 31, 2005, although we examined certain events and transactions occurring before and after that period.

Our overall audit objective was to determine whether the Multi-tenant Program was effectively implemented. Specifically we determined whether registrations were timely mailed and sent to the correct addresses.

To develop an understanding of relevant control structures we:

- Reviewed departmental related reports, policies, and procedures.
- Interviewed management and operational personnel.
- Reviewed the initial plans and the accomplishments.
- Reviewed applicable ordinances and agreements.

### **Overall Conclusion**

As a result of our inquiries and analyses, we conclude the Multi-tenant program was not effectively implemented because of problems with the application process. As a result, 60% of the estimated 2,887 Multi-tenant properties were registered with the City as September 2005 (12 months after the program was implemented in October 1, 2004). This low voluntary compliance hinders the City in achieving the program goals

The Opportunities for Improvement section of this report addresses the application process impediments in more detail.

### **Background**

On January 20, 2004, CCS staff proposed Multifamily Program changes to enhance and improve the enforcement of City Codes. The new program was titled Multi-tenant and was designed to gradually replace the Multifamily program through a new registration process.

## **INTRODUCTION**

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The Multi-tenant program modified previous requirements, procedures, and fees for the registration, inspection, and reinspection of properties. The program increased the number of properties required to be registered by including rented condominiums (3 or more), extended stay hotels/motels, and boarding homes, as well as group homes.

On March 3, 2004, The City Council adopted the new Multi-tenant program Ordinance 25522 and CCS began planning a meeting to inform the public and to kick off the new Multi-tenant program. In May 2004, the first meeting was held to explain the program. CCS planned to implement the new registration and fee collection system in September 2004, and distribute registration applications to multi-tenant units allowing 30 days for submitting completed applications. The Multi-tenant program was to become effective October 1, 2004.

## **OPPORTUNITIES FOR IMPROVEMENT**

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We identified certain policies, procedures, and practices that can be improved. Our audit was not designed or intended to be a detailed study of every relevant system, procedure, and transaction. Accordingly, the opportunities for improvement presented in this report may not be comprehensive of the areas where improvements may be needed.

### **Problems with the application process resulted in low voluntary compliance.**

The following issues impeded the effective implementation of the Multi-tenant program:

- A. **Application packets were mailed late.** Since the Special Collection (SC) unit of Dallas Water Utilities did not begin mailing application packages until September 16, 2004, respondents had less than two weeks to complete and return the applications. SC needed mailing labels to send out the applications at the appointed time. SC did not communicate this need to CCS until fifteen days after the planned mailing date. CCS intended for SC to use an Excel spreadsheet containing mailing information to produce the mailing labels. This spreadsheet was sent to SC on July 21, 2004. However, SC on September 15, 2004, stated that they could not find the data needed on the Excel spreadsheet to produce mailing labels. To facilitate processing CCS used the spreadsheet to produce the mailing labels and subsequently sent the labels to SC for the September 16th mailing. CCS changed the deadline for submission to a case by case basis due to the late mailing and the complaint by individual businesses that they had not received their application packets.
- B. **Application packets were sent to 293 incorrect owner addresses, and were returned to SC.** CCS compiled their address listing from the data base used in the previous program (Multifamily). CCS supplemented this listing by using telephone directories and various association address listings. In spite of these efforts, incorrect addresses were used.
- C. **Applications were only available by calling CCS.** At the time of the planned program start, a program application form, along with program criteria, was not made available by CCS on the City's web site.
- D. **Applications were received at two locations.** Different versions of the program application forms were distributed; one having the return address specified as the SC location (1500 Marilla Street), and the other a CCS location located at 320 East Jefferson Boulevard. Applications are received at both locations even though only the SC location can process payments and was to be the data entry point. Applications and payments received at the CCS location were forwarded to the SC location, but we found no

## **OPPORTUNITIES FOR IMPROVEMENT**

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documentation to note the receipt and transfer dates to SC before mid June 2005.

**E. Instructions for issuing Certificates of Registration and generating reports were not clear to staff.**

- Multi-tenant participants are required to receive and display the CR as proof of a successful program registration. In order for the City to issue the CR, certain necessary information is required to be submitted with the application. Although there were several meetings between the two departments, SC was unclear about the necessary application data needed from applicants before issuing a CR. SC was hesitant to issue the certificates based on their understanding, and would not issue a CR to entities that submitted an incomplete application, even though CCS considered some of the missing information not necessary for issuance. This confusion increased the period of time between application receipt and issuance of a participant's CR. At January 25, 2005, (nearly five months from the programs initiation) there were no CRs issued.
- Reports from the new system would summarize the multi-tenant entities that had already registered and thus facilitate CCS identification of non compliant entities. SC staff had not learned this database system's report generating methods. The material furnished with the new system was directed to a target learner with some knowledge of database system operations, (i.e. using queries to generate required report data). Subsequently SC received instructions from the vendor to generate reports from the system. SC staff work with a variety of different systems, but the multi-tenant application was not understood well enough to work with some features, and so the initial reporting was delayed after the new system went into use in November 2004.

The program implementation problems resulted in 60% of the multi-tenant participants voluntarily complying with the new program requirements in FY 04-05. This will also consequently impact the estimated revenue to offset program enforcement costs.

**We recommend** that the Director of Code Compliance Services coordinate with Special Collections management to facilitate program compliance by:

1. Augmenting the methods used to identify addresses. Possible methods may include using the City's GIS information and personally contacting Multi-tenant Management.
2. 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

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application on the City's website so that entities can download the application electronically and subsequently submit).

3. 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.
4. Utilizing CCS staff to aid in the entry of application data into the system. Determine the feasibility of CCS staff continuing data entry in the future.
5. 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.

### **Management's Response:**

Chapter 27 of the Dallas City Code requires us to send out and collect registration applications and issue citation, should a complex fail to register. As directed by the ordinance, our gauge for success in the number of applications received and the number of citations issued for failing to register.

Our records indicate we received 1,733 registrations applications in FY 04-05 and issued 393 citations to owners who failed to register. Compared to the total of 2,887 complexes, we received registration applications for 60% and pursued enforcement against an additional 13.6% resulting in 73.6% compliance with Chapter 27 as it relates to enforcement of registration applications during the inaugural year of this program.

Given 73.6% overall compliance with Chapter 27, we contend that the first year implementation of this program, which was dramatically changed, was successful.

### **Management's Response to the recommendations:**

1. Code Compliance Services is developing a data base to track addresses, ownership changes, new properties built and demolition of properties. The definition for multi-tenant properties was changed to include leased condos of 3 or more units, boarding houses, etc. Given the additional complexes, we utilized DCAD records and other resources to locate all possible complexes. We also relied primarily on DCAD for ownership information for these new complexes. Unfortunately, our experience has proven that DCAD records are not updated timely, which results in errors in current ownership and mailing addresses. Our records show that 293 or 10% were returned for current ownership or address issues. Staff then pursued hand delivery of the registration applications to the apartment complexes. We further contend that



## **OPPORTUNITIES FOR IMPROVEMENT**

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since all registration applications were delivered, either via mail or hand delivery within the FY 04-05 fiscal year, the mailing address issue, representing just 10% of all applications, did not substantially impact voluntary compliance.

2. Management agrees. Pertinent information related to the Multi-tenant program is on the City website. The Apartment Association of Greater Dallas provides Multi-tenant program information to its members. Additionally program information is communicated through the media and at crime watch meetings.
3. Management agrees and will determine in 120 days the City office site where applications can best be delivered and processed.
4. Management agrees to continue the use of CCS staff and will determine in 120 days the feasibility of CCS staff continuing data entry in the future.
5. Management agrees and will develop a step by step user guide for the Multi-Tenant Registration System (MTRS) and further train Code Compliance multi-tenant staff to operate the MTRS data base within the next 180 days.

### **Auditor's Comment:**

Despite efforts to encourage voluntary compliance, a significant portion (40%) of the multi-tenant complexes has not registered despite increased staffing to implement and enforce this program.