

**Code Compliance Operations Follow-Up Audit  
October 2012**

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# Code Compliance Operations Follow-Up Audit Table of Contents

	<u>Page</u>
Executive Summary .....	1
Audit Scope and Methodology .....	2
Status of Prior Audit Recommendations.....	3

# Code Compliance Operations Follow-Up Audit



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Project #12-10

October 12, 2012

## *Executive Summary*

*Eleven of twelve prior  
audit recommendations  
fully implemented*

### *Fully Implemented*

*Approximately \$65,000  
in revenue collected from  
inspecting and billing  
additional properties*

*Hotel Occupancy Tax  
form revised*

*Weed and grass  
abatement process  
improved*

*Property liens tracked  
within AMANDA*

*Uncollectible aged  
abatements written off*

*Weed and grass credit  
balances validated*

### *Partially Implemented*

*Property Inspection Cost  
Analysis*

The City Auditor's Office has completed a follow-up audit to the Code Compliance Operations Audit released in August 2011. The audit was conducted in accordance with generally accepted government auditing standards, except for peer review. 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The audit objective was to determine the implementation status of prior audit recommendations. The initial audit report included twelve recommendations for which management concurred with ten and partially concurred with two. Follow-up audit results indicate that management has fully implemented eleven of the twelve prior audit recommendations, and has partially implemented the remaining one.

Management inspected and billed dwelling complexes and extended stay motels that were on the Tarrant County tax roll but not the Code Compliance inspection/billing list. Approximately \$65,000 in additional, recurring revenue was collected. Also, the Hotel Occupancy Tax form was revised to help ensure that facilities are properly included in the inspection/billing process.

Weed and grass account balances were verified, and costs associated with mowing City property, (not associated with high weeds and grass) is no longer being paid from funds that are set aside for weed and grass abatements. Data fields within AMANDA have been added to help track liens, and aged receivables that are deemed uncollectible have been written off. Additionally, the lien process has been shortened by 15 days.

While management has not completed a cost analysis for the annual property inspection process, procedures to allow for a cost analysis of the annual inspection process were added to the FY2013 Business Plan.

### ***Audit Scope and Methodology***

The audit was conducted in accordance with generally accepted government auditing standards, except for peer review. The following methodology was used in completing the audit.

- Reviewed initial report and management's responses
- Reviewed records within AMANDA and Lawson
- Discussed reporting and process changes with staff

## ***Status of Prior Audit Recommendations***

### ***Recommendation:***

The Deputy City Manager over the Code Compliance Division should require that staff research the 16 multi-family and extended-stay facilities identified and determine whether the facilities should be included in the annual property inspection process and billed accordingly.

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

*Concur: Code Compliance staff will review the 16 multi-family and extended-stay facilities identified and determine whether they should be included in the annual property inspection process. Any property that is not in AMANDA will be added and billed September 1, 2011 with the current properties.*

*Target Date: September 30, 2011*

*Responsibility: Mike Bass, Assistant Director of Code Compliance Services*

### ***Implementation Status:***

Fully Implemented. Staff within the Code Compliance Services Division researched the eight extended stay and eight multi-family properties identified in the initial audit. It was determined that all eight extended stay properties and seven of the multi-family properties should be included in the City's Annual Property Inspection (API) program. One multi-family residence was found to be owner-occupied.

The City Auditor's Office conducted a review of API records in AMANDA for the above-mentioned properties, noting that the properties had been added to AMANDA and inspected by staff. As of 09/19/12, \$64,958.34 had been paid by property owners for the additional inspections. It appears that one property was not billed after the inspection. However, staff explained that the property was added to AMANDA after the billing was sent out and that steps would be taken to ensure that the property owner is billed the \$150 inspection fee.

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### ***Recommendation:***

The Deputy City Manager over the Code Compliance Division should ensure that a process is developed to periodically verify that all applicable facilities are included in the inspection/billing process (i.e., review the quarterly Report of Hotel and Motel Occupancy Tax forms for permanent residency exemptions).

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

*Concur: Code Compliance staff will work with the appropriate departments to develop a process for verifying properties to be included in the annual property inspection program on an on-going basis.*

*Target Date: December 30, 2011*

*Responsibility: James Triplett, Field Operations Manager/Code Compliance*

***Implementation Status:***

Fully Implemented. The City Auditor's Office observed that a notification email is received from the Community Development and Planning Department when a new certificate of occupancy is issued. Once the notification for an existing property is received, they are added to the API program.

Staff within the Code Compliance Services Division, in coordination with the Treasury Division, also reviews the Hotel and Motel Occupancy Tax Report for permanent residency exemptions on a quarterly basis.

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***Recommendation:***

The Deputy City Manager over the Code Compliance Division should request that the Financial and Management Resources Department (FMR) revise the Report of Hotel and Motel Occupancy Tax form to include the number of rooms being utilized for permanent residency. Quarterly reports received within FMR should be made available to the Code Compliance Division.

***Management's Response:***

*Concur: The Treasury Manager has agreed to add a field to the quarterly reports that identifies the number of rooms being used for permanent residency to determine eligibility for the program. Code Compliance will work with the Treasury Manager to ensure that Treasury's form includes all necessary information from the exemption form to determine eligibility or exemption and will access updated quarterly reports to verify information.*

*Target Date: January 20, 2012*

*Responsibility: Tracy Dean, Sr. Management Analyst, Code Compliance Services*

***Implementation Status:***

Fully Implemented. The City Auditor's Office reviewed the updated Hotel and Motel Occupancy Tax Report, noting that it now includes the number of rooms occupied by permanent residents. Staff indicated that Finance will meet with the Code Compliance Division on a quarterly basis to discuss extended stay information included on HOT forms submitted by multi-family facilities.

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***Recommendation:***

The Deputy City Manager over Code Compliance should coordinate with the City Attorney's Office to consider and effect possible changes to the weed and grass abatement process. Such changes may include the filing of liens by Code Compliance personnel, filing liens at time of abatement and monitoring ownership changes over time.

**Management's Response:***Partially Concur:*

A) *Management does not agree that liens should be filed at time of abatement; however, Code Compliance staff will develop a process where a lien will be filed on owners with properties receiving multiple violation notices. Staff will review the current notifications to ensure that the verbiage accurately notifies property owners that upon the second offense, a lien will be placed on the property.*

*Target Date: October 1, 2011*

*Responsibility: Michael Thomas, Field Operations Manager, Code Compliance Services*

B) *Management does not agree that Code Compliance or Financial and Management Resources personnel should file liens independent of the City Attorney's Office. Currently, the City Attorney's Office estimates that they spend ten hours per week working on lien-related items, including research, review, filing, answering citizen questions and issuing release of lien documents. Financial and Management Resources staff responsible for the Code Compliance billing do not have the capacity for the additional duties that would be added as part of the lien filing process. Additionally, the current process maintains the highest level of accuracy possible and protects the City from potential legal consequences by having the liens reviewed by the City Attorney's Office.*

*Management agrees that the process should be shortened to enable [the] City to recover as much abatement revenue as possible. To effect this, management will review the process flow for abatement billing and lien filing and remove steps that duplicate effort or are unnecessary.*

*Target Date: October 1, 2011*

*Responsibility: Mike Bass, Assistant Director of Code Compliance Services  
Barbara Whitehorn, Controller, Financial and Management Resources*

**Implementation Status:**

Fully Implemented. The Code Compliance Services Division, in conjunction with the City Attorney's Office and the Financial and Management Resources Department, updated the billing and lien process. Citizens are still billed each month, and are given 30 days to pay the invoice. However, rather than granting an additional 15 days to pay the invoice and the City an additional 15 days to file the lien, the lien process (which may take up to 30 days) begins 30 days from invoice date. The time frame from invoice date to when the lien is filed is now 60 days.

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**Recommendation:**

The Deputy City Manager over Code Compliance should seek assistance from the AMANDA vendor to include data fields that will track lien existence, date of lien and lien release status in the current AMANDA application.

**Management's Response:**

*Concur: Code Compliance staff who work with the vendor and IT are able to add the necessary fields. It will be necessary to ensure that staff has the capability to track multiple liens on single properties through AMANDA and that a notification process is in place for staff to file the lien when multiple notifications have occurred on a property. Staff will work with the City's Controller to determine the process and necessary fields to track liens.*

*Target Date: December 30, 2011*

*Responsibility: Jeff Tate, Sr. Code Compliance Officer/Code Compliance*

**Implementation Status:**

Fully Implemented. The City Auditor's Office reviewed lien information within the AMANDA system noting, that new fields had been added including "Bill Status", "Date Sent to CAO", "Lien Number" and "Date Bill Paid".

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**Recommendation:**

The Deputy City Manager over Code Compliance should initiate a review of aged abatement receivables, in order to determine if they are collectible. Accounts deemed uncollectible should be written off as bad debt.

**Management's Response:**

*Concur: Financial and Management Resources staff have analyzed aged abatement receivables and determined the amounts that can be written off the books. The City's Controller has reviewed the deferred revenue accounts and established that the uncollectible amounts can be resolved through a reduction of the receivables and deferred revenue accounts. Financial and Management Resources will continue to defer a calculated percentage of abatement revenue on an annual basis to allow for uncollectable accounts. The percentage to be deferred will be determined by an analysis of the historic collection rates.*

*Target Date: Complete*

*Responsibility: Barbara Whitehorn, Controller, Financial & Management Resources*

**Implementation Status:**

Fully Implemented. Several accounts within the Code Compliance Services Division were written off, including Weed and Grass, Pool Inspections, Multi-family and Extended Stay Inspections. Weed and Grass was reduced by approximately \$46,000.

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**Recommendation:**

The Deputy City Manager over Code Compliance should research the calls resulting in "no violation found" in relation to response times and determine whether any operational changes are necessary.

***Management's Response:***

*Concur: Code Compliance staff will research and determine if there are any operational changes necessary.*

*Target Date: October 1, 2011*

*Responsibility: Jeff Tate, Sr. Code Compliance Officer  
Michael Thomas, Field Operations Manager/Code Compliance Services*

***Implementation Status:***

Fully Implemented. Staff within the Code Compliance Services Division began tracking "no violation found" calls beginning the first quarter of FY 2012. Calls are then compiled into a report that is provided to the Assistant Director for review. Code Compliance management concluded that high weeds and grass present a public safety risk, in that fire could more easily spread to near or adjoining structures. Due to this risk, management determined that no operational changes are necessary. Management will, however, continue to monitor "no violation found" calls and make changes as they see fit.

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***Recommendation:***

The Community Development and Planning Director should request necessary funding from the appropriate sources to maintain properties acquired with grant funding in accordance with requirements included in City ordinances.

***Management's Response:***

*Partially Concur: Code Compliance Services and Parks and Recreation have determined that \$4,000 annually is needed to maintain these properties. Budget will be transferred from [the] Code Compliance weed and grass abatement expenditure account to the appropriate Parks account to cover expenses for FY 2012.*

*Target Date: October 1, 2011*

*Responsibility: Tracy Dean, Sr. Management Analyst, Code Compliance Services*

***Implementation Status:***

Fully Implemented. The City Auditor's Office noted a \$4,000 budget transfer from Code Compliance to Parks and Recreation (for FY 2012) for the purpose of maintaining City-owned property purchased with grant funds.

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***Recommendation:***

The Deputy City Manager over Code Compliance should require that staff research the mainframe conversion data, AMANDA and Lawson weed and grass billing records in order to validate the existing credit balance accounts.

***Management's Response:***

*Concur: Financial and Management Resources will conduct research to validate the 112 accounts (\$13,200) and determine the appropriate process for removing any errors from the books.*

*Target Date: June 30, 2012*

*Responsibility: Barbara Whitehorn, Controller, Financial and Management Resources*

***Implementation Status:***

Fully Implemented. The Financial and Management Resources Department researched the 112 accounts noted in the original audit by validating addresses and looking for offsets. Letters requesting confirmation were then sent to customers.

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***Recommendation:***

The Deputy City Manager over Code Compliance should initiate refunds to property owners on overpaid weed and grass abatement accounts, after proper validation.

***Management's Response:***

*Concur: After proper validation of the existing credit balance accounts, Financial and Management Resources' staff will initiate refunds to the property owners if it is determined that their accounts were overpaid.*

*Target Date: June 30, 2012*

*Responsibility: Barbara Whitehorn, Controller, Financial and Management Resources*

***Implementation Status:***

Fully Implemented. Letters detailing the credit balances and requesting confirmation were sent to each customer with a credit balance. The following actions had been taken as of 09/19/12:

- Six (6) refunds were issued totaling \$1,295.60
- Twenty-seven (27) account balances, totaling, \$3,913.98, were escheated
- Two (2) account balances, totaling less than \$500, were applied to outstanding balances
- \$51.36 was booked to City revenue for six (6) accounts
- Twenty-nine (29) accounts, totaling \$8,426.71, are waiting for confirmations

According to Financial Services staff, the City escheats amounts in excess of \$100 to the state annually, on or before November 1<sup>st</sup>. Amounts under \$30 are written off to the General Fund and amounts between \$30 and \$100 remain with the City and are reported on the City's unclaimed property list.

The City Auditor's Office reviewed a sample of accounts and noted that copies of letters, transactions and other correspondence were on file.

**Recommendation:**

The Deputy City Manager over Code Compliance should consider the use of a third party collection agency for the collection of aging abatement debts (non-lien) and should consider the sale of lien debt when allowed.

**Management's Response:**

*Concur: Code Compliance may consider proposing a bid for a third party collection agency to pursue the collection of aging non-lien abatement debt. The use of the bidding process may determine the competitive amount that should be paid and determine the interests of collection agencies to pursue this debt. After bids have been submitted, Code Compliance may develop a process to forward aging debt to the third party collection contractor. In regard to the sale of lien debt, enabling legislation should be adopted by the State authorizing a city to sell lien debt prior to the City considering this recommendation. While legislation has been proposed for the past several sessions, the Legislature due to various concerns has not enacted any law.*

*Target Date: September 30, 2012*

*Responsibility: Tracy Dean, Sr. Management Analyst, Code Compliance Services*

**Implementation Status:**

Fully Implemented. Staff within the Code Compliance Services Division, in conjunction with the City Attorney's Office, calculated the amount of non-lienable account balances between FY2007 and FY2011. The City Attorney's Office determined that the amount (\$29,548.50) was too low to consider using a third party contractor. As such, no changes were made to the process. However, management will consider the sale of lien debt if and when enabled by law.

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**Recommendation:**

The Deputy City Manager over the Code Compliance Division should require that staff perform a regular cost analysis for the annual property inspection process.

**Management's Response:**

*Concur: Cost allocations from the 2003 Program Inventory were located after fieldwork was completed and provided to the City Auditor. The annual multifamily property inspection process is currently under review by Code Compliance Services management as part of the FY2012 Business Plan. A cost analysis will be included in the review and periodically updated thereafter.*

*Target Date: September 30, 2012*

*Responsibility: Mike Bass, Assistant Director of Code Compliance Services*

**Implementation Status:**

Partially Implemented. During FY2012, a pilot program was launched with a third party contractor to conduct annual multi-family property inspections. The Code Compliance Services Division has since recommended that a third party contractor not be used.

A new multi-family inspection project has been added to the FY 2013 Business Plan, which involves the separation of staff focused on multi-family inspections. The Code Compliance Services Division plans to separately track expenses and staff's time so that a true cost analysis can be performed in the future.