

**Stormwater Utility Fees Follow-Up Audit
June 2015**

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City Auditor's Office

June 18, 2015

Honorable Mayor and Members of the City Council:

I am pleased to present the Stormwater Utility Fees Follow-Up Audit report. The audit objective was to determine the implementation status of prior audit recommendations.

Audit follow-up results indicate that management has fully implemented two of the four prior audit recommendations and partially implemented the remaining two recommendations.

We would like to thank the Stormwater Utilities Administrative personnel for their cooperation during the audit and their implementation of our prior audit recommendations.

Lori Brooks

Lori Brooks, CPA, CIA, CGAP, CRMA
City Auditor

c: Trey Yelverton, City Manager
Theron Bowman, Deputy City Manager
Jim Parajon, Deputy City Manager
Gilbert Perales, Deputy City Manager
Keith Melton, Director of Public Works & Transportation

Stormwater Utility Fees Follow-Up Audit Report

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Executive Summary

***Two of four prior audit
recommendations were
fully implemented***

Fully Implemented

*Identifying and updating
changes to impervious area
calculations*

*Identifying delinquent
stormwater only accounts*

Partially Implemented

*Council approval of
Comprehensive Stormwater
Management and
Watershed Plans*

*Development of standard
operating procedures*

The City Auditor's Office has completed a follow-up audit of the Stormwater Utility Fees Audit released in September 2014. The 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 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.

Management concurred with all four recommendations in the original audit report. The results of Audit follow-up review and testing indicate that management has fully implemented two of the four prior audit recommendations and partially implemented the remaining two recommendations.

Stormwater Utility management has fully implemented the following:

- Establish a mechanism for use in identifying and updating changes to impervious area calculations
- Establish a mechanism to identify delinquent *stormwater only* accounts to be reported with monthly Utility Department delinquent accounts

Management partially implemented the following, related to previous recommendations:

- Obtain City Council approval of a formal Comprehensive Stormwater Management Plan and individual Watershed Plans
- Develop standard operating procedures for the collection of the City's stormwater fees, including procedures for delinquent accounts

For additional details, please see the recommendation matrix beginning on page three of this report.

Audit Scope and Methodology

The following methodology was used in completing the audit.

- Reviewed the Spring 2015 Comprehensive Stormwater Management Plan and Watershed Flood Protection Plans
- Reviewed the process used to identify and update changes to impervious area calculations
- Reviewed the standard operating procedures relating to stormwater operations
- Reviewed the process by which delinquent *stormwater only* accounts are identified and sent for collection

Status of Prior Audit Recommendations

AUDIT RECOMMENDATION	CONCUR / DO NOT CONCUR	MANAGEMENT'S RESPONSE	RESPONSIBLE PARTY	DUE DATE	IMPLEMENTATION STATUS
<p>1. The City Auditor's Office recommends that the Director of Public Works seek Council approval of a formal Comprehensive Stormwater Management Plan and individual Watershed Plans, which clearly identify the service level to be maintained, along with related risks and costs, to ensure stormwater fees are appropriately aligned with an established service level, goals and objectives.</p>	<p>Concur</p>	<p>The Department of Public Works and Transportation supports the recommendation for a formal approval of the Comprehensive Stormwater Management Plan and the individual Watershed Plans.</p>	<p>Department of Public Work and Transportation</p>	<p>June 30, 2015</p>	<p>Partially Implemented.</p> <p>A Spring 2015 Comprehensive Stormwater Management Plan has been completed, along with four of the Watershed Flood Protection Plans. In addition, during the Council Retreat in March 2015, the City Council was updated on the progress of stormwater projects. The Comprehensive Stormwater Management Plan is scheduled to be formally presented to the City Council in October 2015. The Watershed Plans for the eight active waterways in the City of Arlington will be formally approved by the City Council when new Flood Insurance Rate Maps are formally adopted.</p>
<p>2. The City Auditor's Office recommends that the Director of Public Works, in collaboration with both the Information Technology and Community Development and Planning departments, establish a mechanism for use in identifying and updating changes to impervious area calculations.</p>	<p>Concur</p>	<p>The Department of Public Works and Transportation welcomes the recommendation for collaboration with the Information Technology and Community Development and Planning departments in identifying impervious area changes due to development activities and providing this important information to the Department of Public Works and Transportation, allowing for a more efficient process for updating changes to impervious area calculations.</p>	<p>The Department of Public Works and Transportation will facilitate a discussion between the IT and CD&P departments to identify a process for identifying the impervious area calculations based upon permit information and report the information when a</p>	<p>March 31, 2015</p>	<p>Implemented.</p> <p>The Public Works and Transportation Department (PW&T) has established a process to identify and update changes to impervious area calculations.</p> <p>On a monthly basis, PW&T generates a report from the AMANDA software system, which contains Building Inspection permits "finalized" by CD&P. The list includes</p>

AUDIT RECOMMENDATION	CONCUR / DO NOT CONCUR	MANAGEMENT'S RESPONSE	RESPONSIBLE PARTY	DUE DATE	IMPLEMENTATION STATUS
			permit is finalized.		completed permits for commercial and residential properties. The report and supporting documentation is reviewed to determine if commercial properties have added or deleted impervious area. Adjustments to the impervious area calculation would be made, if necessary. New residential properties are reviewed to ensure that the standard \$4.75/month stormwater fee is being billed. This new process began in April 2015.
3. The City Auditor's Office recommends that the Director of Public Works ensure that standard operating procedures for the collection of the City's stormwater fee are established, including procedures for delinquent accounts.	Concur	The Department of Public Works and Transportation will work to establish standard operating procedures for the collection of the City's stormwater fees and for pursuing collection of delinquent accounts. The Department of Public Works and Transportation will work to cross-train additional staff of these standard operating procedures.	Department of Public Works and Transportation	January 31, 2015	Partially Implemented. Stormwater management is currently in the process of writing standard operating procedures for the initial collection (billing) of stormwater fees. In addition, stormwater personnel have had discussions with Water Utilities and with the City Attorney's Office regarding the collection of delinquent stormwater accounts. A new process is in place (see #4 below) and procedures are being written and revised as they go through the process. Once the process is vetted and all departments are in agreement, the operating procedures will be completed and officially approved.

AUDIT RECOMMENDATION	CONCUR / DO NOT CONCUR	MANAGEMENT'S RESPONSE	RESPONSIBLE PARTY	DUE DATE	IMPLEMENTATION STATUS
<p>4. The City Auditor's Office recommends that the Director of Public Works, in collaboration with Water Utilities Department and City Attorney's Office, establish a mechanism to identify delinquent stormwater only accounts to be reported with monthly Utilities Department delinquent accounts.</p>	<p>Concur</p>	<p>The Department of Public Works and Transportation welcomes the recommendation for collaboration with Water Utilities Department and City Attorney's Office to establish a mechanism to identify delinquent stormwater only accounts monthly with delinquent water and sewer accounts and report to the City Attorney's Office for collection action. While this may result in a minor reduction in delinquent account collection, the absence of other actions of law for stormwater only account, such as the ability to place a lien on a property, severely limit the City's ability to collect these delinquent accounts.</p>	<p>The Department of Public Works and Transportation will facilitate a discussion between the Water Utilities to modify the ENQUESTA system to run monthly reports to identify delinquent stormwater accounts and report those accounts to the City Attorney's Office so they can initiate a collection process.</p>	<p>April 30, 2015</p>	<p>Implemented.</p> <p>The PW&T Department has worked with Water Utilities and the City Attorney's Office to establish a process to identify delinquent stormwater only accounts.</p> <p>On a monthly basis, Water Utilities provides a list of delinquent stormwater only accounts to the Stormwater Fund Administrator. The list of accounts is then reviewed and verified for accuracy and sent to the City Attorney's Office. Quarterly, the City Attorney's Office sends out delinquency notices to account holders. Payments received are handled through the Water Utilities office. This new process began in April 2015.</p>