CITY OF SAN ANTONIO

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July 6, 2011

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Councilman, District 10

Mayor and Council Members:

SUBJECT: Audit Report of Development Services Department Zoning Fees

We are pleased to send you the audit report of the Development Services Department Zoning Fees. This audit began in December 2010 and concluded with an exit meeting with department management in April 2011. Management's verbatim response is included in Appendix B of the report. The Development Services Department should be commended for its cooperation and assistance during this audit.

The Office of the City Auditor is available to discuss this report with you individually at your convenience.

Respectfully submitted,

Kevin W. Barthold, CPA, CIA, CISA
Acting City Auditor
City of San Antonio

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CITY OF SAN ANTONIO

OFFICE OF THE CITY AUDITOR

Audit of the Development Services Department
Zoning Fees

Project No. AU11-003

July 6, 2011

Executive Summary

As part of our annual Audit Plan approved by City Council, we conducted an audit of the payments and collections related to zoning services managed by the Development Services Department (DSD). The audit objectives, conclusions, and recommendations follow:

Is support documentation for DSD zoning recommendations consistent with Policies and Procedures?

Yes. Support documentation for zoning recommendations made by DSD is consistent with Policies and Procedures. In all cases, required documentation was on file, and DSD zoning recommendations were properly supported.

Are correct fees charged and collected for zoning services provided by the City?

Yes. In most cases, correct fees were charged and collected for zoning services provided by the DSD. However, DSD waived rezoning fees for City initiated zoning requests, which was inconsistent with the Department's fee waiver policy. In addition, certain zoning fees were not included in the rezoning application and, thus, were not disclosed to the applicants in accordance with Administrative Directive 8.1, *Cash Handling.*

We recommend the Director of DSD:

- Begin charging and collecting for rezoning requests for City initiated projects.
- Post the expedited zoning case fees and the refunding fee policy in the rezoning application.

DSD Management's verbatim response is in Appendix B on page 5.

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Background

Development Services Department (DSD) is responsible for orderly development of the City of San Antonio. The Department accomplishes this through regulation of land and building development. The Department is responsible for City development by managing the zoning requests of land owners under the Unified Development Code, Article III - Zoning. For fiscal year 2010, the Department recognized approximately $312,350 in zoning-related revenue. Specifically, $261,600 came from rezoning applications and $50,750 came from zoning verification letters.

City Council sets the zoning fees, which are based on various acreage thresholds, to offset the cost of processing zoning requests. Additional fees that apply for zoning changes include expediting cases, conditional use, and specific use authorization. The aforementioned fees can be waived if the rezoning request is directed by City Council or if the property location is within the Inner City Reinvestment Infill[1] area.

To proceed with a rezoning request, an applicant must submit a completed application, along with its applicable supporting documentation, and the required fees. An assigned planner then studies the request, visits the site, mails notifications to surrounding neighbors, and makes a recommendation on the proposed change to the Zoning Commission.

The Zoning Commission is an 11-member board that listens to input from City staff, the applicant, and other interested parties. This commission makes its own recommendation, which along with the staff recommendation is forwarded to City Council. The final decision to approve or reject a zoning change rests with City Council. If the Council chooses to approve a rezoning request, the changes are subsequently updated through City Ordinances.

Audit Scope and Methodology

The audit scope included DSD's zoning revenue and operations for fiscal year 2010.

We interviewed personnel from DSD fiscal and zoning operations. We also observed processes and reviewed relevant documentation, such as City Ordinances, Uniform Development Code, San Antonio Municipal Code, City

[1] The Inner City Reinvestment Infill Policy is intended to stimulate private investment in areas that are currently served by public infrastructure and transit but underserved by residential and commercial real estate markets.

Administrative Directive 8.1, *Cash Handling*, and written DSD Policies and Procedures to obtain an understanding of the zoning operations.

Using statistical attribute sampling methodology, we evaluated 102 case files from a population of 164 to ensure DSD maintained appropriate documentation to support a rezoning recommendation. After testing the 102 sample items, we identified an issue with DSD waiving zoning fees for all City initiated cases. Therefore, we subsequently expanded our test work to include testing of all City initiated casefiles.

We also compared DSD's rezoning application fee schedule to ordinances to ensure the fees billed to customers were accurate.

We reviewed computer-processed data in the Municipal Accounts Receivable and Receipts (MARR) system to determine whether rezoning fees billed were accurate and recorded in the City's accounting system. We performed direct tests on the data rather than evaluate the system's general and application controls. We do not believe that the absence of testing general and application controls had an effect on the results of our audit.

We judgmentally selected 10 case files from the authorized City ordinance listing and vouched the requested rezoning to the payment made in the MARR system.

Additionally, we reviewed all expedited cases to ensure accurate billing and collection, and we reviewed all refunds of zoning fees for fiscal year 2010 to determine whether they were processed according to DSD's refund policy.

Finally, we reviewed all verification letters billed for fiscal year 2010 and traced them to the MARR system to ensure payments were collected and accurately recorded.

We conducted this audit from December 2010 to April 2011 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 audit results and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our audit results and conclusions based on our audit objectives. Our audit included tests of management controls that we considered necessary under the circumstances.

Audit Results and Recommendations

A. Fee Waiver of Rezoning Requests

DSD waives unpaid rezoning fees for City initiated rezoning cases. Specifically, in fiscal year 2010, DSD waived fees for 20 case files that were deemed City initiated rezoning requests. Although DSD collected $312,350 in zoning-related revenue during fiscal year 2010, it forfeited approximately $172,000 (or an additional 55%) from these waivers.

While categorized as a special revenue fund for financial reporting purposes, DSD operations mirror that of an enterprise fund insofar as it is expected to generate enough revenue to cover its expenditures; however, because of waiving fees and expending services, DSD's fund balance is negatively impacted. Instead, similar to an enterprise fund, where the intent is that the costs of providing services on a continuing basis be financed or recovered through user charges, DSD should begin collecting fees for City initiated rezoning requests.

Recommendation:
We recommend the Director of DSD begin charging and collecting for rezoning requests for City initiated projects.

B. Public Advisement of Fees

DSD does not include all rezoning fees in a clear and visible site at the point of sale. Specifically, expedited zoning case fees and the refund fee schedule are not included in the *General Information and Application Instructions* of the rezoning application as are all other rezoning fees.

Per Administrative Directive 8.1, *Cash Handling*, "fees and rates shall be posted in a clear and visible site for the public's advisement." Instead, DSD posts its expediting charges and refund policy on its website or as available upon an applicant's request. Expedited zoning case fees can be viewed as part of the *2011 Schedule of Fees*, and the refund fee schedule can be viewed in the *Zoning/Board of Adjustment Case Withdrawal Refunds* Information Bulletin. Posting expedited fees in a more readily available zoning application at the point of sale would alleviate the risk that a customer overpays to have an application expedited. We noted three expedited cases where the applicant overpaid for expedited fees at an aggregate cost of $900.

Recommendation:
We recommend the Director of DSD post the expedited zoning case fees and the refunding fee policy on the rezoning application.

Appendix A – Staff Acknowledgement

Andre DeLeon, CPA, Audit Manager
Danny Zuniga, CPA, CIA, Auditor-in-Charge
Rebecca Moulder, CIA, Auditor

Appendix B – Management Response

CITY OF SAN ANTONIO
SAN ANTONIO TEXAS 78283-3966

June 27, 2011

Kevin Barthold, CPA
Acting City Auditor
San Antonio, Texas

RE: Management's Corrective Action Plan for the Audit of Development Services Department Zoning Fees

Development Services has reviewed the audit report and has developed the Corrective Action Plans below corresponding to report recommendations.

Recommendation					
#	Description	Audit Report Page	Accept, Partially Accept, Decline	Responsible Person's Name/Title	Completion Date
A	**Fee Waiver of Rezoning Requests**				
A	Recommendation: We recommend the Director of DSD begin charging and collecting for rezoning requests for City initiated projects.	3	Accept	Roderick Sanchez, Director	10/1/2011
	Action plan: Development Services Department will submit requests to the Office of Management and Budget regarding charging and collecting fees related to rezoning requests for City initiated cases, including both comprehensive large-area cases and historic preservation cases. Implementation of this action is dependent upon the General Fund receiving adequate funding and/or specific City Council action authorizing the waiving of rezoning fees.				
B	**Public Advisement of Fees**				
B	Recommendation: We recommend the Director of DSD post the expedited zoning case fees and the refunding fee policy on the rezoning application.	3	Accept	Roderick Sanchez, Director	08/01/2011
	Action plan: Development Services Department will revise the rezoning application to provide additional information regarding expedited zoning case fees and refunding policy.				

Appendix B – Management Response Continued

We are committed to addressing the recommendations in the audit report and the plan of actions presented above.

Sincerely,

June 23, 2011

Roderick Sanchez
Director
Development Services Department

June 27, 2011

T.C. Broadnax
Assistant City Manager
City Manager's Office

Date

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