



MIAMI BEACH

BUDGET AND PERFORMANCE IMPROVEMENT
Internal Audit Division

INTERNAL AUDIT REPORT

TO: Jorge M. Gonzalez, City Manager
VIA: Kathie G. Brooks, Budget and Performance Improvement Director
FROM: James J. Sutter, Internal Auditor

DATE: March 6, 2012
AUDIT: Concurrency Mitigation Fees
PERIOD: October 1, 2008 to September 30, 2010

This audit report is the result of a regularly scheduled audit of the Concurrency Mitigation Fees collected and administered by the City.

INTRODUCTION

The Concurrency Management System was created in 1998 in order to comply with the Florida Growth Management Act of 1985, which requires that public facilities and services needed to support development be available concurrent with the impacts of developments. The administrative process for monitoring development and changes in land use to ensure that adequate facilities and services are in place or will be in place, is overseen and directed by the Concurrency Management Division within the City's Planning Department.

Concurrency is a State-mandated system, to ensure that all development that increases the demand for public facilities in the City can be served by adequate public facilities in accordance with the levels of service which are established in the City's comprehensive plan. Applications for development orders (building permits, certificates of occupancy and new licenses or certificate of use) must be reviewed by the City to determine their demand for public facilities, based upon the density and intensity of each proposed use. Credit is given for level of existing development being replaced, and the net impact of the proposed new development is calculated.

Concurrency applies to several aspects of infrastructure, including potable water, sanitary sewer, solid waste and storm water management facilities, parks and recreational facilities, and roads and transit facilities (Transportation). The City charges impact fees on new projects for water and sewer, sanitation, and storm water. For transportation and parks and recreation, the City imposes a concurrency (mitigation) fee for each.

Transportation concurrency mitigation fees are calculated for each project using industry standards trip generator formulas, which assess various types of uses and predict vehicular traffic based upon the density and intensity of the project. Credit is given for proximity to transit routes, pedestrian pass-by traffic, and for mixed and shared uses. When a project is determined to generate additional vehicle trips, and thus impact the roadway network, a mitigation fee is charged, which is based upon the number of additional vehicle trips generated.

Parks and recreation concurrency mitigation fees are based upon number of persons added to the project. The minimum level of service standard for each facility type shall be based on a minimum number of units per population, permanent and seasonal by specific facility types.

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These fees are assessed prior to the issuance of a building permit, or the approval of a new business license. The mitigation fees for transportation are pooled into separate accounts for North Beach, Middle Beach and South Beach. The funds are spent on transportation related improvement projects contained within the City's Municipal Mobility Plan (MMP) created in 1999, such as roadway capacity, corridor enhancements and alternative transportation projects. In addition, concurrency funds are used to provide funding for the South Beach Local Shuttle Service. Mitigation fees for parks and recreation are used for improvements to City parks and are in one citywide pool.

The applicant for a development project submits a Concurrency Determination Questionnaire, which contains all the relevant information about the project. Concurrency staff utilizes the computerized Concurrency Management System (CMS) to review and analyze the submitted data. This result in a determination as to whether or not the proposed project would create a demand to exceed the City's level of service standards, and if so, how much it will cost to construct the necessary public service or facility improvements, to mitigate the negative impact.

Under Resolution No. 2000-23874, the Mayor and City Commission of the City of Miami Beach approved and adopted administrative fees to be charged for the issuances of Individual Concurrency Statements ranging from \$125 to \$335 in cost. The revenues are to be used for the operation of the concurrency department for processing (calculating and invoicing) the fees, and the maintenance and bi-annual update of the Concurrency Management System and Municipal Mobility Plan.

Concurrency management and administrative fees recorded in the City's Eden general ledger for the audit period were as follows:

Revenues	FY 08/09	FY 09/10	Total
South Beach	\$ 784,760.91	\$ 506,651.60	\$ 1,291,412.51
Middle Beach	249,732.40	361,166.78	610,899.18
North Beach	31,563.49	94,010.08	125,573.57
Parks & Recreation	3,762.50	104,798.95	108,561.45
Administrative fees	20,305.00	16,040.00	36,345.00
Total	\$1,090,124.30	\$1,082,667.41	\$ 2,172,791.71

PURPOSE

The purpose of this audit is to determine whether events, transactions, adjustments, and processing procedures relating to Concurrency Management Fees are established, authorized, accounted for, economically and efficiently processed, accurately and promptly recorded, reported, and followed up in accordance with the various ordinances and with departmental policies and procedures.

OVERALL OPINION

Our review of Planning Department and Finance Department records revealed that Concurrency Management fees, with regards to the revenues and expenditures in general were adequately documented, correctly computed, and properly assessed in compliance with the City Code and departmental policies and procedures. However, there are other areas that we believe need improvement:

- Policies and Procedure need to be updated to delineate the day to day operations of the division.
- The concurrency management division needs to establish a filing system where each project has the following information attached (i.e. concurrency questionnaire, Miscellaneous Cash Receipts and the Concurrency Calculation Sheet). The files can be kept by the different geographical areas such as South Beach, Middle Beach and North Beach.
- Reconciliation of the General Ledger accounts needs to take place on a monthly basis.
- Separate running balance for concurrency fees are not maintained for each category North Beach, Middle Beach, South Beach and Parks in order to track how much funds are available for any future projects.
- New operating procedures for the concurrency process have not been fully implemented.

SCOPE

1. Confirm that the division has established operating policies and procedures for the proper administration and processing of the concurrency management fee.
2. Confirm that Concurrency Fee billed and collected were adequately documented, correctly computed, and properly assessed.
3. Confirm that all Concurrency Fee revenues were timely received, deposited and correctly recorded by the Finance Department.
4. Confirm that expenditures from Concurrency Fee accounts were made for authorized purposes, were pre-approved by the City Commission, and were correctly recorded in the general ledger.

FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

1. Finding: *Lack of formally documented policies and procedure.*
The Planning Department utilizes numerous authoritative sources (such as City Ordinances, Resolutions, City Commission letter) in order to accurately calculate the Concurrency Fees, however it was noted that there are no Policies and Procedures as a guide for day-to-day operations.

Recommendation

Detailed policies and procedures covering the day-to-day operations should be created in order to serve as a guide to the use of the authoritative source mention above. This will serve as a guide for any new person into the department as well as a good source for current staff to refer to.

Management Response

The Department agrees with the finding and accepts the recommendation. Staff will begin the preparation of new and updated written policies and procedures guides.

2. Finding: *Records not properly kept.*
The Planning Department does not keep the Concurrency Records for each applicant in separate files or summarized in a spreadsheet. Out of the fifty-six (56) files selected, five (5) did not have the Miscellaneous Cash Receipts stamp by the cashier attached to the documents; even though the Planning Department was able to provide the MCR number and we were able to trace to the correct general ledger account. In addition, twenty-four (24) Concurrency questionnaires were not available at the time of the audit.

Recommendation

The Planning Department should establish a filing system where all the proper documentation for each project is kept together. (i.e. the files could be divided by the different areas such as South Beach, Middle Beach, and North Beach). If possible, consideration should be given to automate this process by imaging records utilizing the Building Department's records management / imaging system. It is also recommended that when a project is cancelled, and the concurrency fee needs to be returned, an explanation as to why the fee is being returned should be documented in the file. Files that are abandoned or pending should be followed up on a monthly basis to ensure that all files are closed at one point. It is also recommended that even though it is done in some cases and not in others that the building permit number is written in the concurrency fee calculation sheet.

Management Response

The Department agrees with the finding and accepts the recommendation. The Department is currently participating in the finalizing of the contract with Accela to implement the next generation permitting software system, Accela Automation, which is robust enough to incorporate concurrency mitigation fee calculation and billing. While it is hoped that this is the long term solution to the issue raised above, in the shorter term, staff will begin implementing the recommendation to improve existing the filing system for concurrency payments.

3. Finding: *Reconciliation of Miscellaneous Cash Receipts (MCR) to General Ledger accounts*

The Planning Department does not reconcile the different General Ledgers accounts. Miscellaneous Cash receipt (MCR) #24053 was written as voided, however we were able to trace the MCR to the General Ledger account that was written on the MCR. If a process of reconciliation of MCR to General Ledger was in place, then the voided MCR would have been discovered in a timely manner.

Recommendation

The Planning Department needs to reconcile on a monthly basis the different General Ledger accounts. By doing this any discrepancies would be found on a timely basis. In addition, if there is any paper work missing, it will be easier to trace and include in the file that it belongs.

Management Response

The Department agrees with the finding and accepts the recommendation. Staff is being directed to reconcile the General Ledger accounts on a monthly basis.

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4. Finding: *Lack of running balances of concurrency funds for each separate TCMA*
The concurrency mitigation fees are pooled into separate Transportation Concurrency Management Areas (TCMA) accounts for North Beach, Middle Beach, and South Beach categories. The funds are to be spent on transportation related improvement projects contained within the City's Municipal Mobility Plan (MMP). Currently as fees are collected, they are deposited into separate general ledger revenue accounts on the City's Eden general ledger within the TCMA Mitigation Plan Endowment Fund (Fund #158). Included in this Fund are deposits for concurrency fees for Parks. Expenditures are tracked by project on the City's Eden general ledger by a department number assigned for each project. At the end of each fiscal year, revenues and expenditures for these categories are closed out through the control accounts leaving a combined total in the equity section of the fund's statement. There is no separation of balances for each TCMA area maintained. To arrive at this, one would have to extract all of the revenues and projects by each fiscal year to arrive at an available balance. Unrestricted balances (net assets) available in total for all categories the past two fiscal years amounts to as follows:

Fiscal Year ended	Amount
9/30/2009	\$8,326,083
9/30/2010	\$8,921,387

As a result, the amounts available in each area are not as easily determined as they might be, and there is the risk that monies might be appropriated for future projects without certitude that they are actually available.

Recommendation

A separate running balance should be maintained for each category North Beach, Middle Beach, South Beach and Parks to track how much funds are available for any future projects. This should include each appropriation and/or expenditures to determine unspent funds for each area.

Management Response

Planning Department staff notes that the Public Works Department has in the past been the Department responsible for expenditures from these funds, and that Department should be able to provide balances.

Public Works Department has responded that they will complete an accounting for the balances for these funds by each category by the end of April 2012.

5. Finding: *Implementation of new procedures*
In a Letter to Commission #114-2008, new operating procedures were outlined and proposed for the Building Department and Planning Department. New operating procedures for the concurrency process within the Planning Department included the following:
- a. *Implement a two person system with a staff planner who handles the plan review and customer interface and have a concurrency planner that handles solely concurrency calculations without direct interaction with the customer.*
 - b. *Adjust the procedure for payment of fees by separating the payment of fees from the concurrency planner and moving this responsibility to a separate staff member.*
 - c. *Relocate concurrency management system (CMS) computer function to a different department.*

Procedures were reviewed with department personnel to arrive at the following status of implementation:

- a. This procedure has been partially implemented. Planners have been trained to use a simplified excel spreadsheet which calculates the mitigation fees for most of the projects. For more complex projects, the Planning Director calculates the mitigation fees separately.
- b. This procedure has been implemented. The payment is handled separate by clerical staff personnel who prepared an MCR. The client takes payment to the City centralized cashier and then is instructed to return the validated receipt copy to the Planning clerical staff. In addition, utilization of Eden's invoicing system by Planning Department personnel is being considered.
- c. This has not been implemented and is still under consideration. Initially it was considered that Public Works would assume the concurrency management system computer, however, personnel in that area are not available to take over this function.

Recommendation

Planning Department should continue to implement new procedures as outlined above to enhance the internal processes within the department. Invoicing for fees should be done through the City's financial software (EDEN) system.

Management Response

The Department agrees with the finding and accepts the recommendation. Many of the recommended improvements have already been implemented. Staff will acquire the required training from the Finance Department in order to process payments within the EDEN system, rather than using paper MCR's. This will require a slight change in the EDEN invoicing procedures currently in place by the Finance Department, so that customers can pay directly at the cashier's window rather than having to wait for an invoice to be processed first by the Finance Department. Finance staff has indicated the ability and willingness to arrange for this.

EXIT CONFERENCE

An exit meeting was held to discuss the audit report and to solicit management responses noted above. Participants included Richard Lorber, Acting Planning Director, James Sutter, Internal Auditor and Laura Franco-Rubines, Assistant Internal Auditor. Management responses were received thereafter and incorporated in the report. All were in agreement with the contents of this report.

JJS:LR:lr

(Audit performed by Laura Franco-Rubines, Assistant Internal Auditor)

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cc: Jorge Gomez, Assistant City Manager
Richard Lorber, Acting Planning Director
Susana Alonso, Senior Planner
Fred Beckman, Public Works Director
Patricia Walker, Chief Financial Officer