



## **Internal Audit**

**Community Development Department  
Development Services Division  
January 2016**

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## Table Of Contents

<b>I. INTRODUCTION.....</b>	<b>1</b>
<b>II. AUDIT SCOPE .....</b>	<b>2</b>
<b>III. BENCHMARKING .....</b>	<b>3</b>
<b>IV. CONCLUSION .....</b>	<b>4</b>
<b>V. DETAILED OBSERVATIONS.....</b>	<b>5</b>
Section 1 – Mission and Vision.....	5
1. A clear mission, vision and flexible strategic plan can give the Department direction and purpose towards the fulfilment of operational goals that support Council initiatives.....	5
Section 2 – Regulatory Compliance and Operational Efficiency.....	6
2. Opportunities exist to revise business practices to ensure compliance with ARS provisions.....	7
3. Turnaround time goals should be customer-service focused and brought in line with other valley cities where appropriate.....	10
4. An enhanced modification request process can increase efficiency.....	11
5. Recording of the Covenant documents should be the responsibility of the City.....	12
6. Tracking and monitoring actual plan review times would assist management. ....	12
7. Additional training would expand employees’ knowledge of their level of personal liability for job-related decisions.....	13
8. Opportunities to develop a more trusting relationship between staff and management should be pursued.....	14
9. Policies and procedures should be updated to reflect the latest practices and technology.....	15
Section 3 – Revenues and Cash Handling.....	16
10. Establishing internal controls, including the development of policies and procedures for cash management, will reduce the inherent risk associated with cash handling. ....	17
11. Compliance with the Payment Card Industry Security Standards (PCI) will enhance security over cardholder data.....	23
12. Silo financial systems should be reconciled against the City’s primary PeopleSoft system to ensure the accuracy of financial reporting and protection of city assets from potential misappropriation.....	23
13. All Building Permit, Plan Review, and Fire Inspection fees should be approved by City Council and appear on the Schedule of Fees and Charges in the City Code. ....	24
14. Opportunities exist to further enhance the Division’s procedures in place to effectively manage and monitor the Residential Building Fee Rebate Program.....	26
Section 4 – Information Technology Systems.....	27
15. Development and application of effective change-management processes are essential for successful project implementation. ....	28
16. Compliance with ITD Access Management Policies and Procedures will strengthen current access controls. ....	32
17. Periodic physical inventories will enhance and strengthen physical control over the Division’s computer assets. ....	33

18.	Effective procedures are needed to ensure applicable technology systems are included in citywide backup procedures to ensure the continuity of operations. ....	35
19.	Accela Automation should be revised to offer better alternatives than using “personal Building Permit numbers.” .....	36
Section 5 – Customer Service.....		37
20.	A customer survey revealed overall positive results. ....	38
21.	An employee survey revealed opportunities to improve the relationship between management and staff and ultimately to enhance the overall quality of customer service. ....	39
Section 6 – Benchmarking.....		41
22.	Benchmarking results should be analyzed by DS management and used to identify areas of opportunity for improvement.....	41



## I. INTRODUCTION

Development Services (DS) is a division of the Community Development Department that reviews plans and specifications of all proposed construction, issues building, fire and engineering permits, and performs on-site building inspections. According to the description in the annual budget, the division:

- is responsible for helping all project partners succeed while protecting the public health and safety;
- promotes sustainable building practices and energy conservation techniques; and,
- ensures the long-term usefulness and safety of all existing and new buildings, thereby maintaining the value of Tempe's built environment.

### Organization/Staffing

The division reports to the Deputy Community Development Director. DS is comprised of three work groups:

1. Customer Counter & Permit Issuance,
2. Plan Review, and
3. Inspections.

DS is budgeted for 37 full-time and 7.66 part-time positions for FY2015-16.

### IT Systems

During FY 2014-15, DS went through a major system transition from Accela Permit Plus to Accela Automation. Implementation of Accela Automation continued into FY2015-16. The Accela Permit Plus application was initially implemented in 1998 through a complete bid process. Permit Plus provided support across City departments for land development in zoning, permitting, licensing, code enforcement, plan reviews, inspections, and fee collections. Over time, the technology reached the end of its effective life. Enhancements for the system were no longer available and it was scheduled to be phased out of production by the vendor and replaced with Accela Automation. The transition also coincided with the Information Technology Departments' (ITD) deployment of virtual workstations and a new operating system, under which the obsolete Permit Plus technology would not operate.



## **II. AUDIT SCOPE**

### **Audit Initiation**

The audit of DS was performed as part of the Internal Audit Office's annual audit plan. DS was ranked relatively high in our overall citywide risk assessment.

### **Objectives**

The objectives of this audit were to determine whether:

1. There are adequate controls over information technology systems and adequate capacity utilization of resources to leverage technological opportunities.
2. The public's safety is protected through the division's compliance with applicable policies, laws, regulations, and interpretations.
3. Fees are approved, properly charged, and resulting revenue is adequately monitored and accounted for.
4. The level of customer service provided by staff meets or exceeds the needs of all client groups.
5. Opportunities exist to enhance operating efficiency and effectiveness.

### **Methodology**

The scope of most of the audit testing was FY2014-15 and FY2015-16 to date. We performed the following procedures during the course of our audit:

- Reviewed the migration from Accela Permit Plus to Accela Automation;
- Assessed the level of controls over access, use, and changes to the IT systems;
- Assessed the backup and recovery procedures in place for Permit Plus and Accela Automation;
- Inventoried system assets in DS;
- Reviewed fees for proper Council approval and determined if they were properly charged;
- Observed and reviewed the cash handling procedures and processes;
- Gathered and reviewed all applicable policies, procedures, laws, and regulations to determine compliance;
- Reviewed compliance with published turnaround times and compared turnaround time goals with other cities;
- Reviewed safeguards in place over permits and inspections to ensure the public's safety was protected;
- Reviewed management overrides and personal liability of employees carrying out work duties;
- Surveyed DS customers and employees; and,
- Benchmarked with other similar cities.

## Roles and Responsibilities

The Internal Audit Office strives to assist managers with the effective discharge of their responsibilities to achieve departmental goals and contribute to the City’s mission. Internal Audit promotes effective controls and furnishes management with an independent appraisal and recommendations related to the activities reviewed. Our role is vital to maintaining the public’s trust that the City’s resources are used effectively and efficiently.

Department management is ultimately responsible for, and must assume ownership of, their internal control system. Internal controls are used by managers to provide reasonable assurance that their objectives will be achieved. Internal control is also the primary mechanism for deterring and detecting fraud.

To summarize, Department management is responsible for establishing and maintaining adequate internal controls. Internal Audit must use due care in examining and evaluating the effectiveness of internal controls and to understand the related exposures and risks. Due care does not require a detailed audit of all transactions. Therefore, internal auditors cannot give absolute assurance that all noncompliance and fraud will be detected.

## Follow-Up

Internal Audit follows up on the status of all recommendations approximately six (6) to twelve (12) months after audit completion to assess the status of implementation efforts.

## III. BENCHMARKING

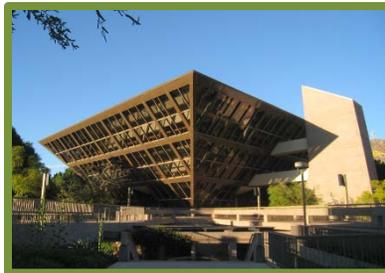
We performed a benchmarking study involving eight (8) other cities. Four (4) additional cities (two local and two out of State) were asked to participate, but declined. Four (4) local Phoenix-metropolitan area cities participated, along with Austin, TX, Madison, WI, Bellevue, WA, and Charlotte/Mecklenburg County, NC. The out-of-state cities were chosen after consultation with DS management with the goal of identifying cities with large universities and those cities known in the development community for following best practices. The benchmarked cities are as follows:

City	Population	Square Miles of Land
<b>Tempe</b>	<b>172,816</b>	<b>40</b>
Chandler	254,276	64
Gilbert	239,277	68
Glendale	237,517	60
Peoria	166,934	174
Austin, TX	912,791	298
Madison, WI	245,691	77
Bellevue, WA	136,426	32
Charlotte/Mecklenburg County, NC	809,958	298

Appendix I contains the details of the benchmarking study. A summary of relevant data from the study is mentioned in Observation 22. Although it is difficult to compare operations between cities due to organizational structure and programming differences, management can use the benchmarking data as a tool for planning and decision making.

## **IV. CONCLUSION**

Internal Audit identified opportunities for DS to enhance controls over cash handling and revenues. We also noted improvements needed to ensure compliance with Arizona Revised Statutes and credit card industry standards (PCI). Improvements were recommended to better manage system transition processes and address customer service and employee relations issues. Benchmarking results are presented to allow DS management to use as a tool for comparison of practices and initiate process improvements. Throughout the report we list additional opportunities to enhance operating effectiveness and efficiency. Internal Audit truly appreciates the collaborative effort that management and staff extended throughout the course of the audit process.



## V. DETAILED OBSERVATIONS

### Section 1 – Mission and Vision

A clear mission statement is vital to the success of an organization; it can have unifying effects. It defines why an entity does what it does and why it exists. A clear vision serves to focus, direct, motivate, unify and move an entity towards superior performance. Vision is what the future looks like.

Strategic planning benefits an organization through:

1. The establishment of realistic goals and objectives aligned with the unit's mission within a specific time frame;
2. Development of a sense of ownership of the plan;
3. Providing assurance that the most effective use is made of the organization's resources by focusing on key priorities; and,
4. Establishing a base from which progress can be measured and establishes a mechanism for informed change when needed.

#### **1. A clear mission, vision and flexible strategic plan can give the Department direction and purpose towards the fulfilment of operational goals that support Council initiatives.**

At the beginning of this audit, the Community Development Department's website displayed the following overall statement:

*The Community Development Department plans the long range future of Tempe land for transportation corridors, business districts and residential areas as well as administering permits and oversight of current construction. Bringing together unique skill sets, the department focuses on sustainable development, urban open space planning, historic preservation, and job attraction. It also administers federal grant programs for housing, social services and capital improvements.*

The statement since evolved to the following:

*The Community Development Department plans the long range future of Tempe land for transportation corridors, business districts and residential areas as well as administering permits and oversight of current construction and maintenance of private properties. Bringing together unique skill sets, the department focuses on sustainable development, preservation of life safety, private property maintenance, neighborhood engagement, urban open space planning, historic preservation and job attraction.*

This statement, as well as purpose statements for the Planning and Development Services Divisions, are fluid and evolving at this time.

The last strategic plan developed by the Department dates back to FY 2006-7. Included in this plan were specific goals and performance measures. Only some of the goals and measures were tracked, and not effectively. Development of a current strategic plan with associated goals and performance measures that align with Council Priorities are also under consideration by management.

It should be noted that in response to our survey of DS employees, no employees could cite the mission or vision of the division (See Observation 21 for full details of the employee survey).

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## **Recommendation**

**1.1** We encourage Development Services management to continue working to develop a clear mission, vision, and flexible strategic plan. The Tempe Learning Center (TLC) unit of the proposed Office of Strategic Management and Diversity offers organizational development services and can assist management with this process.

## **Management Action Plan**

**1.1** *The department concurs with this finding and recommendation and will start and conclude a collaborative process with the help of the Office of Strategic Management and Diversity (OSMD) to produce a clear mission and/or vision statement by the end of the calendar year (2016) and a flexible strategic plan by the end of Fiscal Year 2016/7 (June 30, 2017)*

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## **Section 2 – Regulatory Compliance and Operational Efficiency**

Prior to issuing a building permit, construction plans must be reviewed for compliance with established building codes. This process is two-fold; administrative and substantive reviews are performed on the plan documents submitted to DS. The administrative review checks to ensure that all of the required plans and documents have been submitted. The substantive review checks compliance of the plans with building codes.

Senate Bill 1598 (SB1598), passed in 2011, modified the Arizona Revised Statutes (ARS) to establish review times for the issuance of various permits and licenses by municipalities. Cities must establish maximum administrative, substantive, and total review times according to the law. If these times are exceeded, the plans may be considered automatically approved and any fees paid must be refunded to the customer.

Tempe has adopted the International Building Codes, an industry standard. Construction plans are reviewed by City staff to ensure they conform with adopted building codes prior to a building permit being issued. Once construction commences, City inspectors physically inspect the structures to ensure the building plans and codes are followed. City plan review and inspection staff must be certified by a recognized code-publishing organization, such as the International Code Council, to ensure they are qualified to assess compliance with building codes and ensure public safety.

## **2. Opportunities exist to revise business practices to ensure compliance with ARS provisions.**

ARS sections 9-834 through 9-837 (as modified by SB1598) govern the licensing and permitting processes for municipalities. We reviewed DS's compliance with these ARS sections and found five instances (#3 contains two instances) where they need to make improvements in documentation and processes to ensure compliance with the ARS.

1. The division has established the overall timeframe for approval or denial of a permit at 365 days. According to staff, the basis of this timeframe is that the 365 days is the City's limit on the number of days a permit application is valid upon submission to the City (according to City Code). Per ARS 9-835(C), in establishing licensing timeframes, municipalities shall consider the following factors:
  1. The complexity of the licensing subject matter.
  2. The resources of the municipality.
  3. The economic impact of delay on the regulated community.
  4. The impact of the licensing decision on public health and safety.
  5. The possible use of volunteers with expertise in the subject matter area.
  6. The possible increased use of general licenses for similar types of licensed businesses or facilities.
  7. The possible increased cooperation between the municipality and the regulated community.
  8. Increased municipal flexibility in structuring the licensing process and personnel including:
    - (a) Adult businesses and other licenses that are related to the first amendment.
    - (b) Master planned communities.
    - (c) Suspension of the substantive and overall time frames for purposes including delays caused by the need for public hearings, state or federal licenses or approvals from public utilities on residential or commercial development projects.
  9. That the substantive review time frames and overall time frames do not include the time required for an applicant to obtain other nonmunicipal licenses or to participate in meetings as required by law.

Tempe's timeframe is not based on the factors listed in the ARS. In addition, Tempe's timeframes are not in line with other Valley cities (See Observation 3).

2. Per ARS 9-835(D), “A municipality shall issue a written or electronic notice of administrative completeness or deficiencies to an applicant for a license within the administrative completeness review time frame.” DS issues a notice to the applicant of deficiencies after the administrative review process. However, if the application is deemed complete during the administrative review, it moves forward to substantive review and the applicant is not notified in writing or electronically. DS has taken the stance that the admin review is considered complete unless the applicant is notified otherwise.
  
3. Per ARS 9-836, “A municipality that issues licenses shall provide the following information to an applicant at the time the applicant obtains an application for a license:
  1. A list of all of the steps the applicant is required to take in order to obtain the license.
  2. **The applicable licensing time frames.**
  3. The name and telephone number of a municipal contact person who can answer questions or provide assistance throughout the application process.
  4. The website address and any other information, if applicable, to allow the regulated person to use electronic communication with the municipality.
  5. **Notice that an applicant may receive a clarification from the municipality of its interpretation or application of a statute, ordinance, code or authorized substantive policy statement as provided in section 9-839.”**
  - a) According to staff, applicants are verbally notified of the licensing timeframes at the time they are provided the application; staff will provide a hardcopy only upon customer request. Since verbal notification is difficult to prove, and providing a hardcopy only upon request does not seem to meet the spirit of the law, we worked with DS staff and management and they agreed that posting the timeframe information in the lobby would show additional effort towards ensuring compliance with ARS 9-836(2).
  
  - b) In addition, none of the application information provided to customers contains the clarification of interpretation notice required by ARS 9-836(5).
  
4. Per ARS 9-834:
  - “A. A municipality shall not base a licensing decision in whole or in part on a licensing requirement or condition that is not specifically authorized by statute, rule, ordinance or code. A general grant of authority does not constitute a basis for imposing a licensing requirement or condition unless the authority specifically authorizes the requirement or condition.
  - B. Unless specifically authorized, a municipality shall avoid duplication of other laws that do not enhance regulatory clarity and shall avoid dual permitting to the maximum extent practicable.
  - C. This section does not prohibit municipal flexibility to issue licenses or adopt ordinances or codes.
  - D. A municipality shall not request or initiate discussions with a person about waiving that person's rights.
  - E. This section may be enforced in a private civil action and relief may be awarded against a municipality. The court may award reasonable attorney fees, damages and all

fees associated with the license application to a party that prevails in an action against a municipality for a violation of this section.

F. A municipal employee may not intentionally or knowingly violate this section. A violation of this section is cause for disciplinary action or dismissal pursuant to the municipality's adopted personnel policy.

G. This section does not abrogate the immunity provided by section 12-820.01 or 12-820.02.

**H. A municipality shall prominently print the provisions of subsections A, B, C, D, E, F and G of this section on all license applications.**

I. The licensing application may be in either print or electronic format.

These subsections mentioned in ARS 9-834(H) are not printed on the DS license applications as required.

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## Recommendation

**2.1** DS management should review these opportunities to ensure compliance with the ARS provisions with staff and develop changes to documentation and procedures as follows:

1. Establish turnaround timeframes using the criteria set forth in ARS 9-835 (C).
2. Issue a written or electronic notice of administrative completeness or deficiencies to applicants per ARS 9-835(D).
3. Post the turnaround timeframes in the lobby of DS to show additional effort of compliance with ARS 9-836(2).
4. Provide the notice of clarification to applicants as required in ARS 9-836(5).
5. Revise the applications to include the requirements detailed in ARS 9-834(H).

Assistance should be obtained from the City Attorney's Office as needed.

## Management Action Plan

**2.1** *The department concurs with this finding and recommendations. Revised times shall be developed by division management and shall be communicated to City Manager and Mayor and Council by Friday Packet Memorandum or other approved means and change the posted times accordingly in the Community Development Lobby and all other required locations (website, etc.) on or prior to June 30, 2016. Comply with all aspects of Article 4 Municipal Regulations ARS 9-831 through 9-840. Items regarding the notice of clarification and the revision of applications to reflect time frames and procedures shall be completed by June 30, 2016.*

### **3. Turnaround time goals should be customer-service focused and brought in line with other valley cities where appropriate.**

#### **Internal Turnaround Time Goals based on Old Data**

Turnaround time is the elapsed time from when the customer submits plans for review until staff completes the review. Per DS management, Tempe has two sets of plan review turnaround time goals. The internal goals, based on a 1992 ASU Study, are for internal purposes only. There are separate turnaround times established in compliance with ARS.

The internal goals are based on information from an ASU study that is over 20 years old. ASU School of Construction shadowed plan reviewers in 1992 to determine reasonable goals for the administrative and substantive plan review processes. Since 1992, the plan review process, especially the technology involved, has changed significantly. If not updated, DS will continue to operate with goals that are based on antiquated information.

#### **Review Times Required by ARS are Not In Line with Other Valley Cities**

The turnaround times established by DS in order to comply with ARS are not based on factors required by ARS, nor are they aligned with other Valley cities. Having inflated posted turnaround times does not encourage speedy customer service. Tempe's turnaround time is set at a total of 365 days. This is not in line with other Valley Cities (as shown on their websites):

City	Admin Review Time	Substantive Review Time	Total
<b>Tempe</b>	<b>15 calendar days</b>	<b>350 calendar days</b>	<b>365 calendar days</b>
Chandler	10-20 work days	30-50 work days	10-70 work days
Scottsdale	5-10 work days	20-60 work days	25-70 work days
Gilbert	7 calendar days	22-80 calendar days	14-87 calendar days
Peoria	15 work days	60-120 work days	75-135 work days

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#### **Recommendations**

- 3.1** DS management should update the goals based on a current, reliable source/study. DS management should also consider having one goal rather than an internal goal and a separate published goal for compliance with ARS.
- 3.2** As mentioned in Observation 2, DS management should establish turnaround times that are not only based on the criteria established in ARS 9-835C (especially 1-4) but also more in line with other cities.

## Management Action Plans

**3.1,3.2** *The department concurs with these findings and agrees that the internal goals shall be eliminated in the interest of clarity and transparency and should establish new goals to be posted, as described in item 2.1 above, by June 30, 2016.*

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### **4. An enhanced modification request process can increase efficiency.**

We reviewed all requests by customers for modifications to approved building plans for FYs 2013-14 and 2014-15 to determine whether proper documentation was on file and appropriate fees were paid. We found the following:

- For Modification Request 14010, a \$380 fee was not paid by the customer. This was verified with the Front Counter Supervisor. Modification requests are normally accepted at the front counter, but in this case the form was accepted by the Building Official (which is allowed by division policy). However, the fee was supposed to be collected with the building permit fee and did not get collected due to error. Because it was over one year since this incident, DS is not going to attempt to collect the money. Having multiple ways of accepting applications can lead to inconsistent processing and lack of accountability for collecting payments.
  - There are two ways that payment can be indicated as received on the modification request form. There is a box with “Paid” next to it that can be checked. Also, the cashier can place a validation stamp on the request form indicating it was paid. We found some forms are marked in the paid box, some are validated with a stamp, and some have both. Having more than one way to indicate payment received on the modification request form is duplicative and inconsistent.
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## Recommendations

**4.1** The modification request processing policy should be modified to allow only one acceptance point for the requests - the front counter.

**4.2** The modification request form should be modified to eliminate the “paid” check box. The cashier should validate the form with a stamp upon receipt of payment.

## Management Action Plans

**4.1,2** *The department concurs with these findings and proposes the following changes to the processing of modifications: the charge for modifications will be removed from the fee schedule by June 30, 2016, and all modifications will be routed through the front counter with a date stamp for date of receipt applied to the modification request package.*

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## **5. Recording of the Covenant documents should be the responsibility of the City.**

The City uses a Covenant and Agreement Regarding the Maintenance of Yards for an Adjacent Building (Covenant), which is a document that is supposed to be recorded with the County. Its purpose is for the property owner to agree not to build on a specified portion of their property. In a specific case we reviewed, it was used to provide adequate fire separation space between an existing building and a proposed building on an adjacent lot. Development Services staff cannot find the recorded Covenant. It is currently the property owner's responsibility to have the document recorded and provide a recorded copy to the City.

If the City does not maintain a copy of the recorded covenant, it has no documentation supporting the designation of space the property owner had agreed not to build on. This could be further complicated if the property changes owners. In the case we reviewed, the only way the proposed project could be built within code was to have the fire separation space agreement detailed in the covenant. Without the recorded documents, there is no proof the property owner agreed to the stipulations. Placing responsibility for recording the covenant with the property owner means the City has lost control of the process.

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### **Recommendation**

**5.1** The process should be revised so that the City sends the covenant documents to the County and receives it back once recorded. Staff should be assigned to monitor such documents to ensure they are recorded and returned to the City. Staff should consult with the City Clerk's Office to establish a recording procedure.

### **Management Action Plan**

**5.1** *The department concurs with this finding and agrees to implement this recommendation immediately as of the final date of the Internal Audit Report.*

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## **6. Tracking and monitoring actual plan review times would assist management.**

There is no process in place to track or monitor of average actual administrative and substantive review times. Reports used by management are snapshots of points in time, but there are no reports readily available to management to monitor and track actual review times over a period of time. Without this data, management is lacking a way to monitor customer service levels over time. This data could also be used for staffing level decisions.

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## Recommendation

- 6.1** Management should work with IT support staff to develop a periodic report of average actual administrative and substantive review times from Accela Automation. The report should be reviewed and monitored by the Plan Review Supervisor and department management.

## Management Action Plan

- 6.1** *The department concurs with this finding and agrees to implement this recommendation. This recommendation can be implemented only after significant modifications to procedures and policies (Items 2.1, 3.1 and 3.2 above) as well as the Accela Automation permitting software, thus this recommendation for reporting will be achievable by June 30, 2017. As a stop-gap measure, Development Services will immediately manually track review times utilizing MS Excel.*
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## **7. Additional training would expand employees' knowledge of their level of personal liability for job-related decisions.**

Management of DS identified that there was an issue with staff's concern over being held personally liable for errors or mistakes made during the course of performing their work. This perception was backed by data collected in the survey of employees (see Observation 21 for more employee survey data).

In the survey of employees:

- 8 of 16 (50%) do not understand under what circumstances they can/cannot be held personally liable for errors made performing work duties
- 44% responded that they need additional training in this area

If staff cannot be confident that they are protected and supported to make decisions in the workplace without fear of being held personally legally liable, then the effectiveness of staff is negatively affected.

Inadequate training and lack of knowledge of the applicable rules seems to contribute to this issue. The City's Administrative Building Code (2015) protects employees from personal liability while acting in good faith during the performance of their duties. Section 104.8 "Liability" states:

*"The building official, member of the board of appeals or employee charged with the enforcement of this code, while acting for the jurisdiction in good faith and without malice in the discharge of the duties required by this code or other pertinent law or ordinance, shall not thereby be civilly or criminally rendered liable personally and is hereby relieved from personal liability for any damage accruing to persons or property*

*as a result of any act or by reason of an act or omission in the discharge of official duties.”*

Also, Section 104.8.1 adds that the City will defend an employee’s actions in the discharge of their duties and the employee shall not be liable for the cost. These protections have not been made apparent to all employees, as evident in the employee survey results.

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## **Recommendation**

**7.1** Staff training is encouraged to clarify the liability issue that staff struggles with. We have contacted the City Attorney’s Office and they have agreed to offer this training to DS staff. DS management should ensure that training is scheduled for all staff.

## **Management Action Plan**

**7.1** *The department concurs with this finding and agrees to implement this recommendation. Department management, OSMD and the City Attorney’s Office will develop or procure a program to address this issue with staff with a training-style seminar or session by June 30, 2016. Training will be provided by an outside consultant with a law background as well as experience in the field of building codes. The Training will also offer CEU’s for purposes of certification or accreditation renewals.*

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## **8. Opportunities to develop a more trusting relationship between staff and management should be pursued.**

Initial interviews and information provided by staff indicated there may be an issue with management overriding staff decisions. The employee survey of DS staff supported this (See Observation 21 for more employee survey data):

### **Per the employee survey:**

- 11 of 16 (69%) employees stated that management has overridden their decisions related to code interpretation – only one employee stated that the manager’s decision was explained to their satisfaction even if they did not agree

Although management overrides may be necessary in certain circumstances, a level of trust is needed for the staff member to understand the need for the override. Without an environment of trust and a process whereby employees receive a good explanation for a management override of their decision, the workplace cannot operate in an effective and efficient manner. However, the trust levels in DS were very low. The lack of trust of management by employees was evident in the employee survey:

- When rating the level of trust between themselves and their manager, employees responded:

- High: 25%
- Med : 31%
- Low: 44%

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## Recommendation

**8.1** In order to build an environment of trust, DS management should start by attending TLC’s class entitled “*The Power of Trust - How to Engage Employees & Keep Customers*”. This workshop is designed to help leaders recognize the three most common trust-breaking behaviors that can generate a sense of distrust among employees and the three corresponding trust-building behaviors that lead to high employee engagement and award-winning service. Managers, supervisors, and all staff should attend. It is possible that TLC could design classes specifically targeted to the DS division.

Organizational Development staff can also assist DS in developing a Trust Building Plan focusing on core behaviors that will strengthen trust between management and staff.

## Management Action Plan

**8.1** *The department concurs with this finding and agrees to have the Director, Deputy Director, Building Inspection Supervisor, Plan Review Supervisor, Permit Center Supervisor, and Development Project Coordinator attend the same class, prior to the end of the calendar year 2016. Also, Deputy Director Perez and Director Nakagawara commit (immediately) to attending, as scheduling permits, every monthly joint plan review/inspection meeting with the caveat that the meeting time may have to be moved to an afternoon time slot to make participation more universal and accessible. All staff will be welcome to attend these meetings and all staff will be offered the training centered on the building of trusting relationships.*

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## 9. Policies and procedures should be updated to reflect the latest practices and technology.

DS established a vast number of policies and procedures covering all work areas (admin, counter, plan review and inspection). However, most of these polices have not been updated since 2010. In light of recent systems transition to Accela Automation, it is especially important for policies to be updated.

Without updated policies and procedures:

- training new employees is more difficult
- errors can occur if staff are following outdated procedures
- customer service can be affected

No schedule of policy updates has been developed to keep policies current and relevant.

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## Recommendation

**9.1** A schedule of policy review and update should be developed by DS management. A manageable number of policies should be scheduled for periodic review, update, and possible consolidation or elimination as necessary.

## Management Action Plan

**9.1** *The department concurs with this finding and agrees to establish the policy review and update schedule as follows:  
Complete inventory or collection of existing policies and procedures, official and unofficial. Complete by June 30, 2016. Please note that the full implementation of Accela Automation or any upgrades is not necessary prior to the completion of this step. Next, review these policies, decide which can be accepted with no or minor modifications and determine an expiration date for each. Determine which policies should be retired and publish a list of retired policies by September 30, 2016. Construct a tracking mechanism for review and expiration of the policies by September 30, 2016 and publish and post on the website those policies that were acceptable with no or minor modifications. Complete the revision of updating all policies on March 31, 2017.*

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## Section 3 – Revenues and Cash Handling

The DS Customer Counter is open Monday to Friday from 8:00 am to 5:00 pm. It is staffed by the Permit Center Supervisor and four Development Services Specialists. One of the primary responsibilities of the Customer Counter is to collect and process permit and plan review fees. Development Services accepts payments in cash, checks, Visa and MasterCard. Noncash payments may be made in person, fax, phone, or through the mail.

With the upswing in development projects in Tempe comes the responsibility for collecting more fee revenue in DS. In each of the past two fiscal years, DS Customer Counter staff processed over \$20 million in cash, checks, and credit card payments. The following table summarizes the total amount of cash, checks, and credit card payments collected for the past two fiscal years:

Payment Type	FY 2013-14	FY 2014-15	Total
Cash	\$1,613,779	\$264,496	\$1,878,275
Checks	\$22,580,691	\$17,944,355	\$40,525,046
Credit Cards	\$2,059,054	\$2,650,208	\$4,709,262
Total	\$26,253,524	\$20,859,059	\$47,112,583

With this significant amount of revenue intake, the importance of solid cash handling controls cannot be overstated.

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**10. Establishing internal controls, including the development of policies and procedures for cash management, will reduce the inherent risk associated with cash handling.**

On August 4, 2015 the opening and closing cash handling procedures for the DS Customer Counter were observed by the Internal Audit Office. Opportunities to enhance and strengthen controls are identified in the following table:

<b>CONDITION</b>	<b>RISK</b>	<b>RECOMMENDATION</b>
<b>SAFEGUARDING ASSETS</b>		
<b>A security surveillance system is not installed in the DS Customer Counter area.</b>	Decrease in staff safety and security of City of funds.	DS should research the feasibility of installing and monitoring a security surveillance system. The system should be linked to the current citywide surveillance system.
<b>The Permit Center Supervisor and four Development Services Specialists all know the safe combination.</b>	Increase in security concerns for the safety of cash, checks, and other items stored in the safe.  Inability or difficulty in isolating or identifying the source of potential variances or misappropriation of funds.	DS should consider limiting the number of individuals with the safe combination to the Permit Center Supervisor and a backup person not functioning as a cashier.
<b>The safe combination has not been changed in at least eight years. During this period, one employee has transferred from DS to the Human Resources Division and four employees resigned from the City.</b>	The potential for loss of funds due to theft, misappropriation or fraud increases with the number of individuals with access to the safe.	The safe combinations should be changed periodically or when someone leaves the department.
<b>The safe is left unlocked during business hours.</b>	An unlocked safe increases the potential of unauthorized access and use of funds.	DS should safeguard cash at all times by locking the safe when it is not in use.
<b>Unendorsed checks related to pending permits are stored in the safe. On</b>	Under the Arizona Revised Statutes §47-4404 and the Uniform Commercial Code	DS should consider discontinuing the process of holding pending checks for

<b>CONDITION</b>	<b>RISK</b>	<b>RECOMMENDATION</b>
<b>August 4, 2015, the safe contained nine unendorsed checks totaling \$4,375.03. Six out of nine (66.7%) of the checks were more than six months old. The oldest check was dated for November 18, 2011.</b>	Article 4, banks are not obligated to pay a check that is more than six months old. The City may lose revenue due to stale-dated checks.	more than 24 hours from receipt. A process should be developed to deposit all pending checks into a suspense account. The suspense account should be reconciled monthly to ensure that all payments are properly reversed out of the suspense account in a timely manner.
<b>As part of the closing reconciliation process on August 4, 2015, staff was observed not adequately verifying the \$200 cash register change fund. The handwritten dollar value of a bundle of bills and two envelopes with loose coins were used instead of actually counting the currency.</b>	Potential cash variances may not be detected in a timely manner. As the time period of a cash variance increases, the likelihood of identifying the reason for the variance decreases.	DS management should ensure that bundled bills and loose coins are individually counted when verifying funds.
<b>The cash register key is kept on a wall hook beside the register during and after business hours.</b>	Increased risk of unauthorized access to cash register funds which may lead to misappropriation of funds.	When not in use, the cash register key should be secured at all times. Access to the cash register key should be limited to the cashier to prevent loss of funds.
<b>Daily deposits are transported at approximately the same time each day in a colored folder by an Administrative Assistant.</b>	The predictability of daily deposit transports may increase the risk of theft and physical harm to staff.	Management should enhance staff safety by varying the time when deposits are made and requiring the use of an inconspicuous deposit bag for the use of transporting funds.
<b>ACCOUNTABILITY</b>		
<b>Five employees share one cash register.</b>	<p>Increase in the potential of lost funds due to error, misappropriation, or fraud.</p> <p>Inability to identify the source of transactions.</p>	DS management should prohibit employees from sharing a cash register or implement effective compensating controls to protect staff and city assets. These controls may include segregation of duties and

CONDITION	RISK	RECOMMENDATION
		management's periodic review of transactions/daily balancing paperwork.
<b>One staff member logs into the cash register and counter computers each morning. All transactions for that day appear under the one employee's user name for the day.</b>	Inability to identify the source of transactions.	DS management should require Development Services Specialist to use individual computers to process counter transactions. To strengthen controls and accountability over transactions, each staff member should only process transactions under their unique City assigned user ID and password.
<b>Transactions are back dated in the DS system.</b>	Alteration of original cash register transactions destroys the audit trail and increases the potential of errors, misappropriation, and fraud.	DS management should prohibit the practice of backdating transactions.
<b>The Permit Center Supervisor and four Development Services Specialists have the ability to void transactions without prior authorization. A reason for the void is not always updated in the system's comment screen. In addition, daily deposit paperwork does not always include critical information such as a permit number or document the reason for the void.</b>	A limited audit trail decreases the ability to adequately research transactions. As a direct result, staff efficiency rates are impacted as staff hours are taken away from other tasks to research transaction inquires.	Management should ensure that voids are properly authorized, documented and reviewed by the Permit Center Supervisor or designee. Void documentation should be reviewed for irregularities, appropriateness, and unusual trends. Exceptions should be used by management as a training opportunity for staff.
<b>DEPOSIT PREPARATION</b>		
<b>The daily deposit reviewer does not initial off on the deposit documentation attesting to the accuracy and completeness of the deposit.</b>	Increase in the lack of appropriate audit trails to monitor and test internal controls, such as segregation of duties.	All deposit paperwork should include the initials of the preparer and reviewer to document that one individual does not have complete control over the deposit process.

CONDITION	RISK	RECOMMENDATION
<p><b>On August 4, 2015, the daily deposit was left on top of an employee’s desk in an unsecured office. The employee was not in the office.</b></p>	<p>A break in the chain of custody over deposits increase the potential of loss of funds due to theft, misappropriation, or fraud.</p>	<p>The chain of custody over deposits should remain intact until funds are deposited with the City’s central cashier. Funds should never remain unsecured on top of a desk.</p>
<p><b>Deposits are prepared in sole custody at the end of the day and verified in the morning by staff in the view of the general public.</b></p>	<p>Increase risk to staff safety and loss of funds from the potential of theft.</p>	<p>DS should discontinue the practice of preparing deposits in view of the general public and preparation should include two staff members.</p>
<p><b>RECONCILIATION</b></p>		
<p><b>Daily deposits are not reconciled to the PeopleSoft general ledger accounts.</b></p>	<p>Revenue may be recorded incorrectly in the financial statements. Errors may not be identified.</p>	<p>Deposits should be periodically reconciled to the general ledger by someone independent of the cashing function.</p>
<p><b>The daily reconciled paperwork for June 12, 2015 did not agree with the deposit by \$129.</b></p> <p><b>The balancing paperwork did not include an explanation or documentation supporting the variance.</b></p>	<p>Errors may go undetected.</p>	<p>The Permit Center Supervisor should ensure that daily deposit paperwork is properly reconciled. Any exceptions should be appropriately authorized and documented.</p>
<p><b>SEGREGATION OF DUTIES</b></p>		
<p><b>One cashier, in sole custody, prepares and reconciles the daily deposit. The cashier is one of five employees that processed DS Counter transactions during the day.</b></p>	<p>Inadequate segregation of duties increases the potential of errors, opportunity for fraudulent activity, and the possibility of not detecting errors in a timely manner, if at all.</p> <p>It also creates an opportunity to commit and conceal inappropriate cash handling activities.</p>	<p>The Permit Center Supervisor, in dual custody, with one cashier should reconcile the daily deposit at the end of the business day. A second cashier, other than the closing cashier should verify the previous day’s reconciliation and deposit. All applicable staff members should sign off on the reconciliation and the deposit slip attesting to its accuracy and completeness.</p>

<b>CONDITION</b>	<b>RISK</b>	<b>RECOMMENDATION</b>
<b>Upon request from the Permit Center Supervisor, the Information Technology Department DS Business Analyst modifies the payment type and date of cash register transactions in the system data tables. The Business Analyst relies upon DS staff to properly document the changes.</b>	A direct change to DS system data tables replace the audit trail of transactions and delete the necessary data to research anomalies. Errors, irregularities and potential misappropriation of funds may not be resolved in a timely manner, if at all.	DS should discontinue the practice of altering the system data tables to correct transactions. All transactions should be adjusted on the front end of the system and clearly reflect the original transaction, the adjustment, and the corrected entry.
<b>COUNTERFEIT CURRENCY</b>		
<b>Counterfeit markers located at the DS Counter are not used to identify potential counterfeit currency.</b>	Loss in revenue if counterfeit currency is accepted.	Ensure staff use counterfeit markers or other devices to aide with identifying potential counterfeit currency.
<b>Staff was not aware of the Federal requirements for handling counterfeit currency.</b>	The appropriate evidence may not be available for potential legal actions.	Management should work with the Cash Management Supervisor in Financial Services to determine the recommended procedures for handling counterfeit currency.  Management should ensure that counterfeit currency training is provided to staff.
<b>TRAINING</b>		
<b>Cashiers have not had cash handling training.</b>	Well trained staff members ensure that transactions are processed consistently and in accordance with management's expectations.	DS management should ensure that cashiers receive periodic cash handling training. The City's Cash Manager should be able to assist.

On August 11, 2015 professional judgement was used to select \$3.7 million in daily receipts from December 2013, June 2014, May 2015, and June 2015. Deposit documentation was audited to determine the timeliness, accuracy and completeness of deposits. The following table summarizes the results.

CONDITION	RISK	RECOMMENDATION
<b>PROPER DOCUMENTATION</b>		
<p><b>Five void transactions in June 10, 2015 and three void transactions in December 31, 2013 were not properly documented to reflect the reasons for voiding the transactions.</b></p>	<p>Increase risk of errors and misappropriation of funds</p>	<p>Void transaction should be properly reviewed and authorized by a supervisor or designee independent of the cashiering function.</p> <p>DS management should ensure that voided transactions are properly documented to include a general description, date, and amount of the void.</p>
<p><b>Nine credit card transactions within the audit sample were missing a cardholder's authorization signature or referenced "Signature on File". IA could not locate a signature in the DS credit card binder.</b></p>	<p>Increased risk of unauthorized credit card transactions, errors, and misappropriation of funds. Potential revenue loss if the customer disputes the credit card payment.</p>	<p>A cardholder's signature should be properly recorded on the credit card transaction documentation, when possible.</p> <p>Someone should periodically review the documentation and make notes to explain the missing signatures.</p>
<b>TIMELINESS OF DEPOSITS</b>		
<p><b>The cash deposit date was compared against the transaction business date for 86 transactions. Twenty-three out of 86 transactions (27%) were deposited more than 24 hours after the business date (ranged from 2 to 19 days).</b></p>	<p>Cash deposits not made in a timely manner could result in:</p> <ul style="list-style-type: none"> <li>• Increased exposure to theft,</li> <li>• Increased the risk of errors and misappropriation of funds,</li> <li>• Reduced liquidity that may affect daily operation,</li> <li>• Stale date check that reduce revenue, and</li> <li>• Missed interested income that could be earned if the deposits were made in a timely manner.</li> </ul>	<p>DS should implement a cash handling policy that requires cashiers to make timely deposit within 24 hours after receipt of funds.</p>

## Recommendations

**10.1** Implementation of the above recommendations will serve to strength internal controls over cash handling and enhance security measures to increase staff safety.

**10.2** A comprehensive cash-handling manual is an effective way of enhancing internal controls and facilitating the implementation of cash handling policies and procedures. DS should work with Financial Services to develop comprehensive cash handling policy and procedures and provide training to applicable staff members. The policies and procedures should include recommended processes that strengthen internal controls identified throughout this report.

## Management Action Plans

**10.1&10.2** *The department concurs with these findings and agrees to implement all the recommendations contained within the Cash Handling section of the report. The cash handling recommendations will be addressed in whole, by the implementation of as many findings as possible as soon as possible. Some changes have already been made. The Cash Handling model should be started as soon as possible, and can be grown progressively from the items and procedures already instituted. All findings shall be implemented, save for any PCI or enterprise issues that require a citywide approach, by the end of this fiscal year – June 30, 2016.*

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## **11. Compliance with the Payment Card Industry Security Standards (PCI) will enhance security over cardholder data.**

*This section is intended solely for the information and use of Information Technology and Internal Services, Finance units and is not intended to be and should not be used by anyone other than these specified parties.*

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## **12. Silo financial systems should be reconciled against the City's primary PeopleSoft system to ensure the accuracy of financial reporting and protection of city assets from potential misappropriation.**

Each time two systems record the same financial transaction in a different way, a reconciliation process must be implemented as a final check to ensure global consistency. Data for daily building permit and plan check revenue is batched by the Division, with the assistance of the

ITD. From July 1, 2014 to June 5, 2015, over 230 daily batches totaling \$2.3 million in payments were uploaded into the City's PeopleSoft financial system.

In addition to the daily batches, manual general journal entries are processed by various staff members to adjust the revenue for items such as:

- A 2% cost for document management
- Adjustments for deposit corrections
- Various reclassification of revenues
- Construction in Progress deferred payment reclasses
- NSF banking fees

A process is not in place to reconcile the permitting system against Peoplesoft to ensure the accuracy of manual adjustments, to ensure that all deposits are timely and accurately uploaded into the financials, and to safeguard City assets from potential fraud or misappropriation. Accounting errors related to cash transactions and revenues may not be detected and corrected, resulting in incorrect financial reporting.

Reconciliation procedures have not been developed. Consideration has not been given to the potential risk and impact when all silo activities are combined and the ending impact they might have on financial data and resources.

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## **Recommendation**

**12.1** DS should work with the Accounting Division to develop a reconciliation process for reconciling the permitting system revenue to PeopleSoft financials. The reconciliation should include the total revenue reflected in PeopleSoft for the fiscal year. Reconciling the two silo systems will provide the Division with the ability to identify errors and potential issues as they occur and strengthen controls over revenues.

## **Management Action Plan**

**12.1** *The department concurs with this finding and agrees to implement this correction, in conjunction with the anticipated Accela Automation upgrade by September 30, 2016.*

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## **13. All Building Permit, Plan Review, and Fire Inspection fees should be approved by City Council and appear on the Schedule of Fees and Charges in the City Code.**

In May 2007, Resolution No. 2007.30 was approved by City Council and authorized an automatic annual Building Permit and Plan Review fee adjustment at the beginning of every fiscal year. Each increase is based upon the Consumer Price Index (CPI). The official annual

adjustment for FY2015-16 was set at 1.55%, based upon the annual Bureau of Labor Statistics CPI – All Urban Consumers West Region. Rates for FY2015-16 were effective as of July 1, 2015. The updated fees are reflected in Appendix A, Schedule of Fees and Charges, in the City Code.

Approved fees are updated in the Accela test database by the system administrator and updates receive a secondary level of review by the Division before they are moved to the production data base. Customer transactions are processed in the production database. A copy of the fee database table was obtained and compared to Appendix A in the City Code to ensure that all fees being charged were approved by the City Council. Four plan recording and recording fees were internally developed and were not submitted to the City Council for approval:

<b>Fee Code</b>	<b>Description</b>	<b>Fee Amount</b>
<b>PLN0100</b>	Plat Recording Fee	\$24
<b>PLN0101</b>	Plat Recording Fee – Government Rate	\$14
<b>PLN102</b>	Recording Fee	\$8
<b>PLN103</b>	Recording Fee – Government Rate	\$7

In addition, while reviewing for proper fee charges, we discovered that a fire inspection fee is being charged in Accela that has not been approved by Council. The fee for Fire Alarm Inspection at buildings undergoing Tenant Improvements is being charged to customers but does not appear under the Fire Inspection fee listing in Appendix A in City Code.

The schedule (Appendix A) represents the best location to officially notify citizens of all approved fees and charges. Rates and charges assessed to citizens that are not reflected in the schedule may create confusion and may not correctly represent the City Council desires. A centralized process for developing and managing rates and fees has not been developed by the Division.

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## **Recommendation**

**13.1** The Schedule of Fees and Charges serves as a listing of the fees and charges authorized by the City Code and city ordinances in payment for licenses, permits and services performed or provided by the City. It is adopted by the City Council. Development Services and Fire Department management should ensure that all Building Permit, Fire Inspection and Plan Review fees and charges are approved by City Council and are included in the Schedule of Fees and Charges.

## **Management Action Plan**

**13.1** *The department concurs with this finding and agrees to correct this issue so that the necessary changes are in force by July 1, 2016.*

**14. Opportunities exist to further enhance the Division’s procedures in place to effectively manage and monitor the Residential Building Fee Rebate Program.**

On December 13, 2007, the Mayor and City Council passed and adopted Ordinance No. 2007.81. The ordinance established the Residential Building Fee Rebate Program. The intent of the program is to encourage the renovation and reinvestment in residential property. As an incentive, residential property owners may apply for a refund of plan check and building permit fees:

- For which a permit was issued after June 30, 2007, and
- A final inspection was received within one-year of permit issuance.

The Residential Building Fee Rebate Program includes all residential additions, alterations, and home projects normally reviewed and permitted by Development Services. The following table summarizes the total amount of rebates processed by the Division for the past three fiscal years:

	<b>FY2014-15</b>	<b>FY2013-14</b>	<b>FY2012-13</b>	<b>Total</b>
<b>Rebate Processed by Division</b>	\$ 71,452	\$ 57,956	\$ 46,940	\$ 176,348

We found that sound procedures are in place to operate the program. A review of 31 (27.4%) out of 113 rebates processed by the Division during FY2014-15 determined that a system of internal controls, checks, and balances are in place to ensure that all plan check and building permit fees are paid and that all program requirements are met before a rebate is submitted for processing. As part of the monitoring and tracking process, copies of documents supporting qualifications for the rebate program are maintained by the Division. All rebates are reviewed and approved by management. Any exceptions are noted in the file for future reference.

As part of the audit, a Division Customer Satisfaction Survey was conducted that included the following question related to the rebate program:

***Q11. If your plan review occurred Over-the-Counter (OTC), please respond to the following:***

<i><b>Was the home improvement rebate program explained to you?</b></i>		
<b>Response</b>	<b>Count</b>	<b>Percentage</b>
Yes	22	20%
No	21	19%
N/A	67	61%
<b>Total</b>	110	100%

The survey results indicate that approximately half of the potential customers responding were not informed about the rebate program.

In September 2015, forms and brochures for the rebate program were updated by staff to ensure that all language in the documents complied with Ordinance No. 2007.81. Updated forms and brochures were uploaded to the Division's internet web site page and hard copies were placed in the Division's lobby to educate customers about the change in program requirements.

A review of other departmental documents determined the updates were not consistently made throughout other divisions in the department. The Housing Improvement Planning Program brochure includes additional rebate program language not reflected in Ordinance No. 2007.81:

- Only single-family residential properties are eligible,
- Homes must be owner-occupied – not rental properties, and
- Homes must be at least 20 years old.

The inconsistency between literatures may create confusion for potential rebate participants and decrease the impact of the rebate program.

The potential for underutilization of the Residential Building Fee Rebate Program may exist as uninformed customers are not participating in the program and may not be aware of recent changes to the program requirements.

Cross departmental planning to effectively ensure that program changes are consistently made throughout the Community Services Department are not in place.

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## Recommendation

**14.1** The Division should continue working to educate residential property owners regarding the benefits of the Residential Building Fee Rebate Program by:

- Working with the Planning Division to ensure that all literature referencing the program agrees with the wording in Ordinance No. 2007.81.
- Working with Communications and Media Relations to effectively notify citizens about the program and recent program changes.

## Management Action Plan

**14.1** *The department concurs with this finding regarding promotional materials and literature, as well as an outreach effort. Immediately, staff will provide the rebate information when a residential permit is issued and inspectors will provide the pamphlet at final inspection.*

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## Section 4 – Information Technology Systems

As stated in the Introduction section of this report, the primary IT system used in DS underwent a significant change in FY2014-15 (with continued implementation in FY2015-16). Accela Automation is an enterprise-wide permitting software solution which allows information to be

shared across city departments and with City of Tempe residents and businesses. On June 27, 2013, the City Council approved the award of a sole source contract to Accela, Inc. for Accela Automation. The total amount of the contract was authorized not to exceed \$1,761,348. As of the end of this audit, \$1,295,851 of the approved amount has been spent. The initial term of the contract is for five years, with five one-year renewal options. Accela Automation was purchased to:

- Automate the application process, the plan reviews, fee calculations and collections, inspections and investigation tasks;
- Provide web-based technology with 24/7 access for citizens and employees via the internet;
- Allow citizens to apply for permits online, submit and track their project plans, attach documents, and make payments over the internet;
- Support an interface to the Tempe 311 call management system, Active Citizen Request;
- Provide City field inspectors with an integrated GIS component with mapping capabilities, including geographic viewing of all zoning and infrastructure information associated with parcels, permits, inspections, or plans;
- Allow a user to update the permitting system with Accela Automation bi-directional functionality eliminating duplicating data entry efforts.

Accela Automation's "go live date" was on June 8, 2015. At the close of this audit, two departments were set up with the required capabilities: Public Works-Transit was setup to accept online payments and Police-Traffic was setup for citizens to submit traffic-related complaints. All remaining departments are scheduled to "go live" with Accela Citizens during the first quarter of 2016, at which time they should have the ability to provide citizens access to:

- Apply for permits online,
- Submit and track project plans,
- Attach documents, and
- Make online payments.

We reviewed this system migration and found several issues with the way this change was managed. Access controls related to Accela Automation were assessed which included 227 user-IDs were found with active access to the system. In addition, we reviewed the division's computer asset inventory to determine if all assets could be accounted for.

## **15. Development and application of effective change-management processes are essential for successful project implementation.**

Change management involves two key components: human and cultural, and technology specific. For effective change management when working with people (Kotter (1996) model), eight phases are required for an organization to succeed:

1. Create a sense of urgency.
2. Build a guiding coalition.
3. Form a strategic vision and initiatives.

4. Enlist a volunteer army.
5. Enable action by removing barriers.
6. Generate and celebrate short-term wins.
7. Sustain acceleration.
8. Institutionalize the change.

The general pattern (Lewin's Model) involves unfreezing structure where the change is needed; making the change and then re-freezing the new structure. Prior to embarking upon a significant change, situational factors must be carefully analyzed (resistance to the proposed change, levels of trust, accurate information about the change, and the urgency of the change). Next, an optimal pace and degree of change that can be reasonably expected to succeed within specified timeframes should be considered.

### **DS**

Development Services was going through a significant re-organization process close to the same time that the Accela project was in progress. This created a high risk of negative outcomes due to the strain of significant change occurring within the division. It was imperative that department management take a careful, measured approach to change as mentioned above. A critical feature of a successful change-management program is the effective buy-in of the end users. Without it, the full capabilities of Accela Automation may not be attained. Staff frustration with the system and migration procedures may negatively impact staff morale, which ultimately may be reflected in the level of service received by citizens. Without an effective structure to manage change, resistance can be significant as noted in the staff survey below:

*As part of the audit, a staff survey was conducted that included questions related to the Accela Automation migration. See Appendix III for a complete copy of the staff survey summary responses. Through discussion with staff and survey results, the following was noted:*

- 75% of staff believe the transition from Permits Plus to Accela was very disruptive and had numerous issues;
- 81% of staff believe that Accela Automation does not meet the needs of the Division;
- 53% believe that key staff were not included in planning for the system;
- 87% rated the overall communication between the Division and the Implementation Team as poorly planned and with numerous issues;
- 87.5% believe that adequate training for the system was not provided; and,
- 73.3% of the Division's staff believes that additional training is required.

### **ITD**

From a technology perspective, the human-performance technology (HPT) aspect of interaction is paramount for success. How individuals interact with technology determines whether their performance is facilitated or impacted (bottlenecked). Internal Audit notes that best practices of internal control over changes are:

1. A formal change request.
2. Approval or rejection of the request by management.
3. If approved, assigned for development or programming.

4. Independently (from developer or programmer) tested for compliance and fitness to the request and if so, management approval and acceptance of the solution.
5. A librarian (gatekeeper independent from the above steps) introduces the change into the production environment.

These controls help the process of planning, coordinating, implementing, and monitoring changes that will impact a production environment. Depending upon the nature of the change, it can be assigned for approval at the appropriate level. The process ensures that changes to the production environment are conducted in an orderly and controlled manner, acting as a preventive control for out of scope requests or introduction of a change in the production environment that may disrupt service. Objectives and benefits of an effective change-management process may include:

- Ensuring that changes are made with a minimum disruption to end-user services;
- Providing timely and accurate information about all changes;
- Ensuring changes are consistent with business and technical plans and strategies;
- Ensuring that management review has been conducted at the appropriate level;
- Ensuring that a consistent approach is used; and,
- Providing additional functionality and performance enhancements to systems while maintaining an acceptable level of user services.

The Permit Plus to Accela Automation migration for the Division was managed by ITD and the contracted vendor. A Statement of Work agreement identified the roles of key parties, including the vendor, ITD, and end-users. The following issues surfaced during our review of the process:

- Interviews identified communications problems with the terminology used by the vendor and ITD and with how terms were interpreted. For example, the vendor was contracted to develop a set number of reports but the meaning of “reports” was not clearly understood by staff to mean the inclusion of screen templates. Many reports/screen templates used in daily operations by staff were not developed as part of the migration.
- The needs of the end-users were not effectively addressed. Without additional training, the most effective approach for processing transactions may not be implemented, resulting in additional staff time to process transactions. Lack of adequate training may also result in additional processing errors and use of limited staff hours. Documents provided by ITD show that staff training was made available and a “train the trainer” program was in place. However, with 87.5% of staff stating that adequate training was not provided, the training needs of employees have not been completely fulfilled.
- Currently, one IT staff functions as the administrator for Accela without a trained backup. Division staff rely heavily upon this administrator for ad hoc reports, resolution of daily activities (i.e. understanding and researching revenue transactions), and other tasks.

## Recommendations

**15.1** The responsibility for effective change management of the Accela Automation project was shared between DS and ITD. After additional review of ITD's supporting documentation, Internal Audit notes that appropriate and sufficient higher scope project data were available that regulated the Accela project, and although a change request log was available best practices of internal controls were not present in the log (see 5 internal control steps outlined above). Embracing the following recommendations can facilitate enhanced results of future endeavors:

### ***Development Services***

Opportunities to strengthen change management processes follow:

- ▶ Analysis of situation factors prior to change,
- ▶ Determine the timing, amount and optimal speed of change,
- ▶ When a change involves another department (ITD) or third-party, identify contacts and build strong relationships prior to any work being performed,
- ▶ Place a high emphasis on obtaining feedback from all staff throughout the process,
- ▶ Determine if a business process needs re-engineering to best utilize new technology and efficiency prior to implementation so that changes can be communicated, and
- ▶ Prepare staff for change and why it is necessary.

### **Management Action Plans - *Development Services***

*One key factor that should not be understated is Development Services' pride of ownership and high satisfaction with their previous technological solution (Permits Plus), although it was clearly communicated to all involved that the current solution would no longer be supported by the software vendor. Future upgrades should be facilitated or assisted by a third party, internal or external. DS leadership in the form of supervisors and managers shall be held expected to be committed to the upgrade's success. DS will support ITD in its efforts with a full commitment of resources and follow-through.*



### ***ITD***

Opportunities to strengthen change management processes follow:

- ▶ Understanding the impact to employee's and how they interact with systems,
- ▶ Following the best practices of internal controls for change requests,
- ▶ Ensuring that changes are driven by the key end-users,
- ▶ Effectively communicating throughout the process with end-users,
- ▶ Work with DS to assess additional training needs of the end-users,
- ▶ Developing a formal avenue for users to routinely address and voice migration issues and concerns, and
- ▶ Work with DS to establish a system administrator. Continue to train a backup to the current technical support staff IT is providing to DS.

## **Management Action Plans - ITD**

*To assist with future projects the Deputy Internal Services Director Information Technology, IT Managers, and IT Supervisor have implemented a formal process based on ITILv3 and Project Management Professional (PMP) framework. This framework enlists proven best-practices and a check and balance system for project delivery. Customer departments are required to sign off on a Project Charter which clearly outlines the scope, deliverables and stakeholder responsibilities for IT projects. The Charter also defines the expectations and communication plan for both IT and the customer department. The success of a new automated system requires procedural and process change within the customer department. Once delivered, the system requires ownership on the part of management and staff. Setting this expectation in the beginning and ensuring that process changes are clearly communicated is paramount. Ownership is best realized by having a system administrator within the customer department that can quickly and efficiently address users concerns and make corrective changes. ITD will work with DS to establish this role.*

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### **16. Compliance with ITD Access Management Policies and Procedures will strengthen current access controls.**

The ITD Access Management Policies and Procedures identify the process for granting authorized customers the right to use an IT service, while preventing access to non-authorized customers. The policies and procedures require staff to:

- Monitor customer identity status changes such as resignations or terminations and to note changes to supply an audit trail;
- Audit access rights and excessive permissions to align with customer roles and employment status at least every six months; and,
- Maintain closed requests on file for the minimum of one year.

Access privileges are managed by the ITD's assigned administrator. At least once a year, the administrator reviews the appropriateness of user privileges. System access requests are received from management via email, maintained, and monitored by the administrator. Access requests are stored in the administrator's City email account. A defined retention period for access requests has not been established.

*This section is intended solely for the information and use of Information Technology and Internal Services, Finance units and is not intended to be and should not be used by anyone other than these specified parties.*

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## 17. Periodic physical inventories will enhance and strengthen physical control over the Division's computer assets.

All City computer and communication hardware, software and services require approval of the Information Technology Division (ITD). The information for purchased assets is updated in the ITD's computer asset database to reflect the initial installation point of the asset. Anytime a user requests a move of equipment, the asset information is updated in the ITD's asset database as part of the support process. Upon request from departments, the ITD provides an asset listing to departments as a tool to perform physical inventories. Departments are tasked with notifying the ITD concerning any necessary inventory adjustments.

The Government Finance Officers Association (GFOA) has recommended that it is essential for governments to establish and maintain appropriate inventory systems to protect assets from loss or misuse. An ITD inventory has not been performed in several years.

As part of a departmental technology refresh, the ITD retires old equipment, installs new equipment, and makes applicable updates to the computer asset database. The ITD began a refresh for the Division in April 2015; accordingly, *some of the issues noted below could be due to the refresh process ongoing at the time.*

A physical inventory performed on August 3, 2015, in conjunction with Internal Audit Office and a Division representative identified discrepancies with the ITD computer asset database and the actual computer assets located in the Division. The following table summarizes the assets on the ITD's July 13, 2015 listing:

Asset Description	No. of Assets
Laptop	1
Monitors	22
Personal Computers (PCs)	17
Tablets	2
<b>Total</b>	<b>42</b>

Thirty-one out of 42 (73.8%) of the computer assets were incorrectly referenced on the July 13, 2015, Division's computer asset listing:

- 10 PCs referenced as assigned to the Division were located in the ITD Warehouse, palletized for auction;
- The custodians and locations referenced in the ITD database for PCs #46829, #55888, and #46830 were incorrect. PCs #46829 and #46830 were located in a City trailer at an offsite construction site. PC#55888 was assigned to a different custodian. The ITD database was updated during the audit with the correct information; and,
- Referenced monitors for 18 employees could not be located. Each employee was in possession of a different monitor.

As of August 6, 2015, laptop #42060 had not been logged into the City's network in over 90 days. The asset is currently stored in a closet and not used by staff.

The physical inventory of the Division's computer assets identified an additional 108 assets not referenced on the July 13, 2015 ITD computer asset listing. This included 61 monitors, 12 PCs, 1 tablet, and 34 virtual zero client machines. Many of these assets were installed as part of the Division's April 2015 computer refresh perform by the ITD. During the audit, the ITD completed the process of updating the database. The ITD associated the time frame in updating the database to a delay in the receipt of paperwork from the ITD Warehouse.

The ITD PC and Helpdesk staff is responsible for asset control and the refresh process. The PC group lost one person and the Helpdesk three. ITD went through a reorganization to streamline processes and merged the two roles to be more organizationally agile. As part of the ITD's processes, quarterly meetings were held as part of a continuous service improvement cycle to analyze the ITD's processes and improve customer support.

Without an accurate count of assets, the ITD's citywide computer asset inventory database maybe incorrectly over or under stated. Any decisions made based off of inaccurate asset listings may result in the misallocation of limited resources.

Policies and procedures have not been implemented by ITD to send out periodic assets listings to City departments for review. Inventories are conducted by ITD only if a departmental refresh is performed. An inventory had not yet been completed at the time of this audit in relation to the Division's refresh which began in April 2015.

The Division has not assigned an asset custodian to manage the Division's computer assets.

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## Recommendations

### *Development Services*

**17.1** The Division should develop a computer asset management program to include, but not limited to:

- Designating an asset custodian;
- Periodically requesting a computer asset listing from ITD to verify the accuracy of the computer asset database;
- Performing periodic physical computer asset inventories;
- Communicating asset discrepancies or relocation of assets to ITD for updating their asset database;
- Assessing the business need for underutilized computer assets; and,
- Optimizing the benefit of City resources by submitting underutilized assets to ITD for possible redistribution to other City departments.

### **Management Action Plan - DS**

**17.1** *The department concurs with this finding and will assign Jen Svetichan, Management Assistant, as the asset custodian responsible for the maintenance of inventories and the*

*assessment of usage and technology deployment. The program for asset oversight will be in place by June 30, 2016.*

## **ITD**

- 17.2** ITD should ensure that periodic inventories are performed by City departments and that asset documentation is received and updated in the database in a timely manner to protect City assets.
- 17.3** ITD should consider periodically generating a report to identify under-utilized computer assets. The existence of the under-utilized computer asset should be confirmed with the applicable department. Any under-utilized computer assets should be considered for possible redistribution to maximum the useful life of the asset and to optimize the use of City resources.

## **Management Action Plan - ITD**

- 17.2** *IT acknowledges the finding. IT will continue to work with City Departments to encourage them to participate in the timely communication of IT asset reassignment. IT employees under the direction of IT Manager will actively encourage City Departments to conduct periodic audits of the IT assets assigned to their Department or workgroup by July 2016.*
- 17.3** *IT Manager to evaluate and budget new monitoring system and resources to perform a periodic audit of IT assets assigned to City Departments and to communicate with area stakeholders to identify and reassign under-utilized IT assets pending budget approval in 2017/18 cycle.*

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## **18. Effective procedures are needed to ensure applicable technology systems are included in citywide backup procedures to ensure the continuity of operations.**

The Accela Automation system used by the Development Services' front counter staff and inspectors resides on two virtual servers: AccelaWeb and AccelaApp. The related database resides on a physical server, for which routine backup procedures are performed by the Information Technology Department (ITD). The last snapshot of the operating system was performed in August 2015.

Since the implementation of Accela Automation on June 8, 2015, backups for the two virtual servers had not been scheduled. During the audit, ITD established a routine procedure for backing up the AccelaWeb and AccelaApp servers. The first initial backup was performed on November 3, 2015.

The Accela Automation migration included vendor completion of extensive customization of the application to meet the business requirements of the City. The lack of adequate backup procedures may limit the City’s ability to restore these customized features, data, provide services or ensure continuity of operations.

As part of the Accela migration, the ITD “Windows Server Deployment Checklist” was not updated to include adding Accelaweb and Accelapp servers to the ITD’s citywide back up process. The migration project lead was not aware that the servers were not being backed up. Backing up the Accelaweb and Accelapp servers were not considered critical, since the operating system was being backed up. ITD planned to rely upon the vendor for assistance, if needed, to rebuild the servers to ensure continuity of operations.

The Technical Support Analyst that set up the servers and backup is no longer with the City and this loss of institutional knowledge may have contributed to the break down in ITD procedures.

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## Recommendation

### ITD

**18.1** ITD management should develop a method for monitoring technology devices purchased that may require updating the ITD backup program. An assigned ITD staff member should monitor the list of items to ensure that a backup determination is made for newly purchased devices. This may serve as an overall citywide secondary monitoring method to ensure that all applicable devices are added to the ITD backup program. It may identify exceptions that otherwise might go undetected.

## Management Action Plan

### ITD

**18.1** *IT concurs with the finding. To address this finding, IT Project Manager and Technical Support Analyst will follow the established server checklist in conjunction with newly implemented process leveraging ITILv3 and Project Management Professional (PMP) formal project management frameworks which will allow better transparency and accountability.*

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## **19. Accela Automation should be revised to offer better alternatives than using “personal Building Permit numbers.”**

When the final inspection of a project is completed and the permit is closed out in Accela, the inspectors cannot go back into that particular Building Permit number (BP#) and post results/counts for the delivery of the Certificate of Occupancy (C of O) under a closed permit, so they have to use their personal BP#. Personal BP#s assigned to the inspectors are used for entering other inspection results/counts not just C of O deliveries. They are also used for entering results for specialty license inspections, group care home inspections, and permit issuance courtesy

inspections. This process gives inspectors a way to get all inspection results in to the database, so they can monitor, extract, and report as needed.

We asked the IT Programmer if this could be fixed. There is no immediate solution but the Programmer is working on potential fix.

Placeholder transaction numbers should never be introduced into a system because of the risk that false information could be entered under these BP#s. Creating personal BP#s for staff manipulates the system and skews the number of actual BP statistics. The process has been used as a workaround because the system has not been programmed to allow staff to enter results/counts under closed BP#s.

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## Recommendation

### ITD

**19.1** Ideally, all results/counts for monitoring and reporting purposes should be captured under the original BP# and the personal BP#s should be eliminated. IT should continue to investigate a way to make this happen in Accela.

## Management Action Plan

### ITD

**19.1** *IT acknowledges the finding. IT will work with DS to change the process to raise better data accountability in the Accela application.*

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## Section 5 – Customer Service

In August 2013, a consultant hosted a focus group session with DS customers and stakeholders. A number of suggestions were generated to improve processes, communication, customer service, and staffing. We reviewed DS efforts to implement these suggested improvements. We found over 15 specific actions that have been taken to address the suggestions. DS management has been periodically updating the City Council on these efforts to improve customer service, particularly in light of customer service being a City Council priority.

In 2015, the City Council established as one of its strategic priorities:

***“Developing and maintaining a strong community connection by emphasizing the importance of open government, customer service, and communication with community members.”***

Based on the information we have reviewed, it appears that DS is making strides to emphasize customer service. However, to optimize the level of customer service and continue to improve, employees must feel valued, be properly trained, have trust in management, and communicate effectively. Our survey of employees identified issues in the areas that have an effect on customer service.

## 20. A customer survey revealed overall positive results.

A survey of 2,264 external customers was performed and 131 responses were received (5.8%). Customers include residents and those acting on their behalf (contractors/developers/architects). Based on the survey responses, the notable results were as follows:

Customer Feedback on Staff		
Area	Attribute	% Very Satisfied or Satisfied
Counter Staff Attributes	Timely Response to Questions	81%
	Professional	83%
	Polite and Courteous	85%
	Knowledgeable of the Process	82%
	Efficient in Problem solving	71%
	Timely in Handling Follow up Questions	77%
	Provided Helpful Solutions	78%
	Easy to Communicate With	77%
	Overall Satisfied with Service	78%
Inspector Attributes	Professional and Fair	75%
	Demonstrated Required Expertise and Knowledge	76%
	On time for scheduled appointment	77%
	Timely Response to Questions	75%
	Adaptable to Accommodate More Inspections than Originally scheduled	71%
	Effectively Provided and Explanation for Decisions	71%
	Helpful and Easy to Communicate With	72%
	Construction Conflict Effectively Resolved	72%
	Referred me to Correct Staff for Concerns Outside their Area of Expertise	67%

Other Customer Feedback	
Wait at Counter to be Served	81% 10 minutes or less
Used Fast Track or Adaptive Use Programs	82% had not used these programs
Fees	83% felt permitting and inspections fees are reasonable
Project Status	75% could easily check the status
	43% checked over the phone with staff
Inspection	55% used IVR to request inspection
	98% stated inspection request was responded to in a timely manner
	92% received clear and understandable inspection report
Re-inspection	83% stated the re-inspection process was effectively managed
Technology	84% stated they would you use an application to schedule an inspection using a smart phone or computer
Overall	Overall Experience 74% excellent or good

Although the satisfaction ratings were high, the responses provided to open ended questions showed customers had very inconsistent customer service experiences. Some customers had very negative comments about their experience with DS. See Appendix II for the full details of the survey.

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## Recommendations

- 20.1** Although the results of the customer survey are relatively positive, there is always room for improvement. DS management has started the process to provide customer service training to staff. These plans should be finalized and all staff and management should attend.
- 20.2** Management should set goals for customer service ratings. The customer survey should be repeated annually and results should be compared to goals set. Areas requiring additional training can then be identified.

## Management Action Plans

- 20.1** *Although the characterization of customer responses is understandable, a Customer Service program and training will focus on the extremely detailed and informative free-form negative responses. These comments hold the key to a transformation of this department. Training will be formulated with OSMD and will be the responsibility of the Deputy Director. Customer Service settings will be set by the management team, including supervisors. These goals shall be set and implemented by July 1, 2016. These goals may be deferred until all staff have attended training – Training shall start by June 30, 2016.*

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## **21. An employee survey revealed opportunities to improve the relationship between management and staff and ultimately to enhance the overall quality of customer service.**

In order to provide excellent customer service, the internal workings of the department have to be running on all cylinders and management and staff have to be engaged and working together toward a common goal. Lack of communication, poor morale, inadequate training, high levels of stress and mistrust are barriers that impede staff from providing excellent customer service.

A survey was conducted of all Development Services employees (excluding management). A total of 29 employees (including temps) were surveyed and we received 16 responses (55%). See Appendix III for full details. The primary areas of concern per the survey are as follows:

### **Efficiency/Effectiveness and Communication:**

- 14 of 16 (88%) employees responded that their work flow and processes are not as efficient and effective as they could be – when asked what needs to change to become more efficient and effective the most frequently cited issue was communication and the Accela software transition
- 10 of 16 (63%) employees responded that there is not good communication between counter staff, plan review, and inspection staff – the most frequently cited barriers to communication were lack of meetings involving all work groups

### **Training**

- 9 of 16 (56%) employees responded that they receive adequate training to perform their job function

### **Morale**

- 14 of 16 (88%) employees do not consider their work environment to be positive and supportive

### **Mission/Vision**

- No employees could cite the mission and vision of the Division – only 1 employee responded that management and staff are focused on the mission and vision

### **Stress**

- 75% of employees responded that their job is high stress

### **Trust**

- On a positive note, when rating the level of trust between them and their coworkers:
  - High: 67%
  - Med:20%
  - Low: 13%

However, as detailed in Observation 8, trust between management and staff is low.

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## **Recommendation**

- 21.1** DS management should review the results of the employee survey and tap into the resources offered by the proposed Office of Strategic Management and Diversity and TLC's Organizational Development Specialists to develop a plan to address employee concerns.

## **Management Action Plan**

- 21.1** *Senior Management shall have representation at the next 12 combination plan review/inspector meetings. Senior Management will set a goal to have four departmental*

*meetings per year. In developing training sessions with Aaron Peterson of OSMD, morale will be a subject that will be integrally tied to the subjects of Customer Service, Mission and Vision, and liability exposure vs. decision making.*

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## **Section 6 – Benchmarking**

In his book titled *Municipal Benchmarks* (2012, 3<sup>rd</sup> edition) author David N. Ammons identified five values of benchmarking:

- **As a gauge of good performance** – using benchmarks can be helpful to managers as they consider their own performance expectations and strive for performance improvement.
- **As models of good measures** – benchmarks can be models of what managers want to see in their municipalities.
- **As a means of raising interest in local performance by offering context** – comparing local performance to that of other municipalities can bring context and make comparisons interesting.
- **As a diagnostic tool preceding further analysis and action** – comparison is a diagnostic step that should be followed by detailed analysis of the priorities.
- **As inspiration for conscientious public servants** – discovering a gap in service levels in comparison to other municipalities can inspire managers to increase their effort to improve.

Benchmarking should be used as a tool to identify areas of improvement. It is not an exact science as all municipalities define terms differently and collect data in different ways to varying degrees.

Due to variations in organizational structures, duties and responsibilities of like-named positions, and definitions of terms, it is difficult to make a direct comparison between cities. Although it is difficult to directly compare operations between cities, the value of benchmarking data should not be discounted as it can be used as a tool for analysis, planning and decision making.

### **22. Benchmarking results should be analyzed by DS management and used to identify areas of opportunity for improvement.**

As noted in Part III of this report, 8 cities responded to our benchmarking survey. There were several areas of note when Tempe is compared to the benchmark cities:

- 6 of the 8 (75%) benchmark cities offer online tracking of permit applications. Currently, Tempe does not offer this service. This may be addressed in future Accela upgrades.
- 5 of the 8 (63%) benchmark cities base the plan review fee charged on the valuation of the project. For all five of the cities using a valuation basis, the City staff assesses the project

valuation. In Tempe, the applicant provides the assessed value. Staff may question the valuation if they feel it is low and may ask for additional documentation. For additions or new buildings, the valuation is based on what the applicant declares or on a calculation table based on cost per SF (whichever is greater).

- 6 of the 8 (75%) benchmark cities offer online inspection scheduling. Tempe does not currently offer this service. This may be addressed in future Accela upgrades.
- 7 of the 8 (88%) benchmark cities try to cover all of their costs with fees collected from customers. Tempe does not.
- The number of plan checks completed in FY2014-15 per plan review staff was lower than the benchmark cities:

City	Plan Checks Performed**	Plan Review Staff	Plan Checks per Staff
Tempe	1,635	6	273
Gilbert	2,907	3	969
Glendale	3,195	5	639
Peoria	4,544	4	1,136
Austin	14,179	37	383
Madison*	1,490	3	497
Bellevue	18,232	18.85	999
Charlotte/Mecklenburg County	11,757	32	367

\* FY2013-14 data used as FY2014-15 was not available.

\*\* A variance in the definition of what constitutes a plan check could affect the results

Where Tempe potentially excels was the average number of inspection performed per day by inspectors (a variance in the definition of what constitutes an inspection could affect the results):

City	Avg. # Inspections Per Day Per Inspector
Tempe	56
Chandler	10-15
Gilbert	12-32
Glendale	9-12
Peoria	35
Austin	23
Madison	15
Bellevue	10
Charlotte/Mecklenburg County	14-16

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## Recommendations

- 22.1 DS management should review the viability of incorporating online inspection scheduling and permit application tracking into future Accela upgrades.
- 22.2 DS management should review its procedure on project valuation in relation to plan review fees to ensure they are comfortable that projects are not being undervalued.
- 22.3 DS should review the philosophy of not setting plan review, permitting, and inspection fees at a level of recovering cost with City management and Council.
- 22.4 In light of the results of the benchmarking showing that Tempe had the lowest plan reviews completed per plan reviewer position, DS management should review the staffing and performance of this group to determine if it is optimized. As definitions of a plan review may vary between cities, results should be considered carefully and possibly researched further with management of the various cities' DS divisions.

## Management Action Plans

- 22.1-.4 *The department concurs with these findings and agrees that the recommendations addressing online services, project valuation, 100% cost recovery and plan review optimization should be investigated by Development Services management and recommendations should be made and presented in a Work Study Session to City Council by February 28, 2017.*