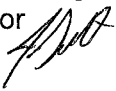




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BUDGET AND PERFORMANCE IMPROVEMENT
Internal Audit Division

INTERNAL AUDIT REPORT

TO: Kathie G. Brooks, Interim City Manager
FROM: James J. Sutter, Internal Auditor 
DATE: October 2, 2012
AUDIT: Sanitation Fines and Forthwiths Audit
PERIOD: October 1, 2009 through December 31, 2010

This report is the result of a regularly scheduled audit of the issuance, recording, monitoring and collection of City Bills created between October 1, 2009 and December 31, 2010 due to Sanitation fines and forthwiths citations issued by the City's Code Compliance Division officers.

INTRODUCTION

The Code Compliance Division of the Building Department is tasked with ensuring compliance with the City Code as well as monitoring residential and commercial districts for any potential violations. Common violations include sanitation, zoning, minimum housing standards, property maintenance standards, noise ordinance, all sign regulations (to include both signs in private property as well as signs in the public right of way), sidewalk cafes, business tax receipts, certificate of use, illegal vendors, regulations concerning the hours of construction, operating hours for nightclubs, bars, liquor stores; hours of sale of liquor, and marine regulations.

The Code Compliance Division responds to complaints received from such sources as walk-ins, phone calls and emails which include those received from City administration and other departments, plus those received through the City's external website. City Code violations are also identified as part of routine patrols made by Code Compliance officers.

The focus of this audit is Sanitation fines and forthwiths citations which are addressed in Chapter 90 of the City Code. The amount of the levied fines recorded in Sections 90-39 and 90-40 range from \$25 for an open lid on a garbage facility to \$1,000 per occurrence for illegally disposing of biohazardous and/or hazardous waste. Any found violations that are not mentioned in either of these sections are subject to fines of \$350 for the first offense, \$500 for the second and so on.

If the Code Compliance Officer (CCO) determines that the conditions constitute an immediate threat to the health, safety or welfare of the public, he/she may order the immediate correction of the hazard violation(s) at the expense of the occupant, owner or operator and the City shall have the right to recover such expenses. In these cases called "forthwiths", the Sanitation Division will deploy staff and equipment to immediately pick up and dispose of the garbage with all pertinent costs billed to the violator. Conversely, if the owner of the hazardous violations cannot be identified and it is dumped on City owned property (medians, right of ways, parks, etc.), then it is considered "illegal dumping" meaning that the Sanitation Division still has to pick it up and properly dispose of the garbage but the costs are borne internally and cannot be passed on.

The Code Compliance Division uses the Permits Plus System to store and keep track of complaints and code violations. Since Permits Plus is also used by the Building and Fire Departments as well as the Special Master, each area identifies their respective cases with different prefixes. Code Compliance uses "XC" for complaints received, other than noise-related, and for code violations identified on routine patrols where a Courtesy Notice is issued to allow the violator time to correct

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the problem(s) identified. If the violator does not comply within the time required on the Courtesy Notice, a violation case is created. Routine patrol violations may also result in code enforcement cases, from the start, if the action needed should be stronger than a warning or it carries an automatic fine. These cases are identified with a "CE" prefix in the Permits Plus System (all sampled Sanitation fines and forthwiths cases reviewed started with a "CE" prefix). These XC and CE prefixes are followed by the two-digit fiscal year and a unique six-digit number assigned by the system.

The process followed for code violation cases (CE) when entered in the Permits Plus System is for the code officer to open a record to have the system assign a number and to open the paper document file. Subsequently, the system record is expanded with additional information completed by Code Compliance clerical staff but current managerial instructions are to automate whenever possible thereby effectively reducing the document file. For example, the officer's notes and photographs of the violation are typically attached to the applicable CE case recorded in the Permits Plus System.

Starting in 2009, officers in the field use the Code Compliance Daily Report (Daily), an in-house developed tracking system for accountability purposes to record all inspections, complaints addressed, violation details, etc. As indicated by discussions with Code Compliance personnel, the Permits Plus System has functionality limitations such as the lack of interface with the City Eden System to create City Bills and process payments. They also indicated that the Permits Plus System is expected to be replaced by the implementation of an enterprise building development process service system by the end of this calendar year.

Issued sanitation enforcement violations not involving garbage are often given 24 hours to rectify the problem. If corrected during this period, the case is closed and no fines are levied. Other violations involving garbage typically receive automatic fines in addition to requiring immediate compliance. All fines imposed may be contested with a judge or Special Master; however, failing to appeal the violation within the allowed time is considered an admission of guilt and requires payment to be made.

As of June 2010, payments for sanitation fines and forthwiths citations are made directly at the Central Cashier Office located on the ground floor at City Hall. When payments for sanitation fines and forthwiths violations are not received within any offered Courtesy Notice period, Code Compliance clerical staff prepares City Bills to the persons or entities responsible for payment so that the Finance Department can then mail it to begin the collection process. City Bills are created through the Eden System, which generates account receivable entries for the payments due. In June 2009, the Finance Department began providing partial lists of City Bill payments received by the Central Cashier's Office to Code Compliance. This process has continued to improve through continuous editing whereby a comprehensive listing is now compiled by Finance and forwarded to Code Compliance. The Finance Department also monitors the aging of City Bills due and helped file claims of liens for any Miami Beach properties owned by the applicable violator.

Internal Audit was provided with an Eden System generated report showing that 789 City Bills totaling \$215,860 were created during the audit period due to identified Sanitation fines and forthwiths. This report was relied upon as being complete and accurate and served as the basis for testing. Using a 95% confidence level and a .10 confidence interval, it was determined that a sample size of 75 would be appropriate which was randomly selected using the IDEA Auditing software.

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All collected revenues from Sanitation fines and forthwiths are to be recorded in general ledger account numbers 435-8000-354004 and 435-8000-343401 respectively. Review of these accounts found that the following revenues were collected by the City during the specified periods:

	FY 2006/07	FY 2007/08	FY 2008/09	FY 2009/10	10/01/10 – 12/31/10
Fines	\$59,353	\$51,773	\$36,729	\$70,814	\$20,760
Forthwiths	\$35,159	\$60,630	\$39,275	\$84,950	\$16,195

* The amounts furnished for the 2006/07 through 2008/09 fiscal years were provided solely for comparative purposes and were not reviewed during this audit.

OVERALL OPINION

Although improvements have recently been realized in the timelier creation of City Bills and the reassignment of two Code Compliance Division employees to help increase Sanitation revenues, there continue to be weaknesses identified in the documentation, monitoring, collection and reporting of Sanitation fines and forthwiths citations. A summary of the deficiencies found during testing are listed below in the following bullet points:

- Collection efforts for outstanding City Bill balances (placing claims of liens on violator's property, not issuing business tax receipts when outstanding balances were present, etc.) were not adequately followed and may not be sufficient to help collect delinquent balances.
- Interest was not charged to violators who paid delinquent sampled City Bills. In addition, the interest rate charged on other issued City Bills and/or properties with claims of liens exceeded the rates allowed by the Florida Department of Financial Services.
- Although sampled City Bills were created timelier (an average of 13 days versus 175 days previously) following the reassignment of duties to an Administrative Aide I, there is still room for improvement.
- Actual Sanitation fines and forthwiths revenues were \$181,331 and \$279,986 respectively less than the amounts budgeted for the 2006/07 through 2009/10 completed fiscal years.
- The Permits Plus and Eden Systems report the same information differently and are not reconciled to help ensure agreement which can confuse the readers as to the actual status of the violation.
- Case information retained in the Permits Plus System is duplicated in the Code Compliance Division's manual paper case files.
- The amounts charged for personnel, equipment and time spent on forthwiths by the Sanitation Division does not accurately recover associated costs.
- Code Compliance Division policies and procedures are outdated and are currently being revised to more accurately reflect current operations.

PURPOSE

To determine whether the Code Compliance Division maintains adequate levels of internal controls over the enforcement of compliance with applicable City ordinances, resolutions and Chapter 90 of the City Code, which includes the timely response and proper enforcement of Sanitation violations noted; ensuring code violators receive prompt notification of applicable fines and forthwiths; initiating collection efforts for assessed fines and forthwiths; and maintaining adequate and accurate records of enforcement cases.

SCOPE

1. Confirm that comprehensive updated policies and procedures exist, are known to staff and are properly followed.
2. Confirm that the internal control process implemented including a proper segregation of duties is adequate.
3. Confirm that maintained documentation and software systems are organized, complete and sufficient.
4. Confirm that Sanitation fines and forthwiths citations were levied in the proper amounts.
5. Confirm that collection efforts are sufficient and that tested City Bills written off as uncollectible were valid.
6. Confirm that tested transactions were accurately entered into the City's Financial System.

FINDINGS, RECOMMENDATIONS, AND MANAGEMENT RESPONSES

1. Finding – *Collection Efforts were found to be Lacking thereby Potentially Resulting in Less Compliance and Lost Revenues*

Once a City Bill is created in the Eden System, an account receivable is created in the City's Financial System. As of 02/25/11, there was \$573,984 in outstanding City Bills created for Code Compliance violations relating to Sanitation fines and forthwiths citations per the Eden System's Billing Category History Report.

In an effort to try and collect these monies, the Code Compliance Division creates and the Finance Department mails a City Bill shortly after issuance as addressed in finding #4 and then a second if the outstanding balance still has not been paid within 45 days. If neither of these City Bill notices is effective, then the next available options are to place claims of liens on any property owned by the violator and to withhold issuing the annual business tax receipt until all outstanding balances are paid in full. The City does not currently employ the services of any independent collection firms, factor its accounts receivables, etc. as a means to improve collections and reduce the accounts receivables balance.

Any City Bill balances still outstanding 90 days or more after the citation was issued are to result in a claim of lien being filed if applicable property is owned by the violator. Internal Audit's testing found that 41 of its 75 randomly sampled City Bills were potentially eligible for liens as the associated number of days ranged from a low of 98 to a high of 482 and the outstanding balances still had not been paid. Of these, it was determined that claims of liens had only been filed for 2 or 4.88%. The remaining 39 City Bills were subsequently forwarded via email to Finance and Code Compliance for an explanation as to the reasons why no claims of liens had been filed to date (was there no applicable property eligible to lien, was it not reviewed, etc.) but neither provided any relevant documentation.

Additional inquiries found that the City's Legal Department previously opined that any property owned by the violator in the State of Florida is subject to lien. However, the

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Finance Department has been limiting their search to Miami-Dade, Broward and Palm Beach counties as there is no known easy means to check statewide property ownership.

Furthermore, Code Compliance and Finance staff expressed confusion as to who was presently responsible for creating the claims of liens when questioned. Each thought that the other was given the responsibility meaning that no claims of liens have been filed on Code Compliance violations since June 2010 thereby further hindering collections.

Another means of collecting delinquent City Bill balances is to have the Finance Department's Licensing Section withhold issuing the violator's annual business tax receipt if any outstanding amounts are owed. Internal Audit's random sample of 75 City Bills contained 24 cases whereby Sanitation fines and forthwiths citations were not paid and the annual business tax receipts were owed and billed. Testing performed on these 24 cases resulted in the following:

- Branch Banking & Trust Corporation operating at 901 W. 41st Street incorrectly had their 2010/11 fiscal year business tax receipt renewed despite owing \$100 from City Bill #17600 created on 06/28/10 for failing to obtain garbage collection service.
- The remaining 23 cases' business tax receipts were correctly not issued regardless of whether the customers had paid the corresponding fees. No documentation was provided as to whether or not these businesses continued to operate without a valid business tax receipt. For those businesses continuing to operate, Code Compliance Division officers could have cited them for operating without valid business tax receipts but none were found. The Code Compliance Division does not typically force any business to cease operations if it does not comply and obtain a valid business tax receipt over an extended period of time.

Licensing Section personnel review the Conduits System purchased from Net Assets Corporation for any delinquent Citywide balances before determining whether to issue the customer's business tax receipt. However, the Conduits System's information could not always be relied upon because it was found to occasionally omit utility billing (water, sewer, storm water and waste) and/or City Bill balances.

Already cognizant of these shortcomings, staff also checks each individual system to confirm the accuracy of the Conduits System's listed information which is a duplication of work. The City's Information Technology Department has been notified and is currently writing new software to replace the Conduits System.

Finally, it was found that a Financial Analyst I last prepared and reviewed the 01/29/10 accounts receivable aging report of all outstanding monies (resort tax, utility billing, Code Compliance citations, etc.) owed to the City in an added attempt to try and collect delinquent balances by mailing collection letters. Some paid but many did not. The review of this lengthy report was not completed though as the primary responsibility for collections were transferred from the Finance Department to the originating department in approximately August 2010 which was not continued by the Code Compliance Division.

Recommendation

The City should consider reassigning departmental employees to focus more on delinquent accounts, factoring accounts receivable with outside companies, hiring a collection agency, closing businesses that continue to operate without valid business tax receipts for an

extended period, etc. as a means to expedite collection of these delinquent balances. Aging reports should be run and analyzed at least quarterly by the Finance Department with any deemed uncollectible accounts being timely written off. In addition, written policies regarding collections and what constitutes an uncollectible account should be drafted and followed. At a minimum, stricter adherence to the current collection guidelines should help increase compliance and revenues.

Management's Response

Finance:

Per City Code, as a collection method, the City of Miami Beach Finance Department withholds Business Tax Receipts for businesses and/or individuals with past due amounts owed to the City. This has proven to be an effective method for collecting outstanding balances due to the City.

The Finance Department currently has dedicated staff members assigned to collect our own departmental invoices, such as Utility Bills and Resort Tax. We do not have the staffing levels necessary to provide collection efforts on a Citywide basis. During the audit period and the time of its write-up, the Finance Department has lost approximately 30% of its staff through the budget process.

City policy has been that each department is responsible for collecting their own invoices, such as the Building Department collecting fees for building permits and Parks and Recreation Department collecting user and activity fees. If it is the will of the City Commission for the Finance Department to begin citywide collection efforts, to include the preparation and filing of liens, it is recommended that a 100% dedicated position be funded for this effort.

The City is also in the process of updating its policies and procedures regarding collections in general. As mentioned at the April 19th, 2012 Finance and Citywide Projects Committee meeting, the Administration will be bringing forth recommended polices for collections and payment plans.

Code Compliance:

The Code Compliance Division of the Building Department has made and continues to make significant progress and has implemented a series of changes in an effort to streamline and improve the overall code compliance business process. These changes include but are not limited to the following:

- Effective October 18, 2010, Miscellaneous Cash Receipts (MCR) were discontinued and all payments for City Bills were centralized at the Cashier's Office located at the ground floor at City Hall
- Internal processes have been implemented to improve the coordination between Code Compliance Clerks and Building Department's Administrative Support staff to continue to reduce the average days to process a City Bill.
- Other future changes include the reassignment of Code Compliance Clerks to Compliance Zones and specific Code Compliance Administrators in lieu of assignments by discipline or violation type. This process change will increase accountability, and reduce turn-around time between the issuance of a violation and processing the support documentation and service.

2. Finding – *Interest on Delinquent City Bills was not Calculated in Adherence with City Code Section 90-136*

Those receiving Sanitation fines and forthwiths citations are typically given thirty days from the issued date to make full payment to the City unless the case is appealed to the Special Master. Otherwise, interest begins to accrue if the outstanding balance is not paid within fifteen days after the due date in accordance with City Code Section 90-136 which states “*The maximum rate of interest allowable by law shall accrue to such delinquent accounts. Unpaid and delinquent charges, together with all penalties imposed thereon, shall remain and constitute liens against the real property involved.*”

Testing performed on the 33 randomly sampled City Bills whereby payment in full was received found that 9 or 27.27% were paid after the due date ranging from a low of 1 to a high of 194 days. Yet, none of these violators were assessed any interest which reduces the incentive to remit the monies timely to the City but interest was charged by the Finance Department on the reviewed payments in satisfaction of claims of liens.

As a result, it was calculated that the City did not bill or collect \$26.27 from these 9 cases that it was entitled to receive using a 6% interest rate as set by the Florida Department of Financial Services for the 2010 and 2011 fiscal years. Subsequent inquiries found that when interest is charged on claims of liens and delinquent City Bills that it was at the rates of 10% and 12% per annum respectively which is higher than the aforementioned rates set by the Florida Department of Financial Services. Finally, this immaterial amount (\$26.27) does not include those violators who have yet to pay larger outstanding balances and/or those whose balances originate from 2009 or earlier which would result in more material amounts of interest being owed.

Recommendation

Going forward, interest should be applied to all Sanitation fines and forthwiths payments received more than fifteen days after the due date in accordance with City Code Section 90-136. It would be beneficial if the Eden System could be programmed to calculate the interest based on inputted information. The rate of interest charged by the City should be in adherence with those annually set by the Florida Department of Financial Services. Finally, the uniform charging and collection of interest on delinquent City Bills and liens should help to increase revenues as well as to provide violators with a viable reason to remit outstanding balances timely.

Management's Response

Finance:

Our current policy is, when a customer pays a past due invoice, the interest is calculated up to the payment date. The customer is informed of the amount due for the invoice plus any applicable interest. Interest is calculated and accounted for in a separate general ledger account. If it is the will of the City Commission, interest can be calculated and billed on a monthly basis using the City's financial system.

3. Finding – *City Bills were not Created Timely Especially prior to August 1, 2010*

Upon reviewing Internal Audit's random sample of 75 Eden System City Bills created due to issued Sanitation fines and forthwiths citations, it was calculated that these City Bills were prepared an average of 115 days after the violator was initially cited ranging from a low of 1 day for CE1000872 to a high of 1,255 days for CE07003845. The creation of City Bills is

important because it alerts the violator that monies are due and begins the collection process.

After becoming aware of the associated delays in creating City Bills during a prior internal audit, the Code Compliance Division tasked an Administrative Aide I with creating these City Bills as of July 2010. Further analysis performed on this audit's random sample found that City Bills were created an average of 173 days (including weekends and holidays) after the date that the citation was originally issued for the 48 created before August 1, 2010 and 13 days (including weekends and holidays) for the remaining 27 created after August 1, 2010.

Recommendation

Although the new procedures seem to be working well as City Bills are now being prepared timelier, Code Compliance should try and further expedite the process so that they are created within one week's time. Steps to be considered to help achieve this goal include requiring Code Compliance officers and Sanitation staff to submit their supporting documentation daily, having the employees' associated supervisors promptly review the submitted work for accuracy and sufficiency, having the Administrative Aide I create the City Bills within two days of receipt of all pertinent information, etc. The Implementation of the new software system by the end of this calendar year should contain an automatic interface that creates City Bills daily.

Management's Responses

Code Compliance Division:

Code Compliance continues to assess and improve business processes whenever possible. The reduction from 173 to 13 days is proof positive and reflects a significant change in time reduction, and process improvement in the collective efforts by Code Compliance and Building's Administrative Support Section.

In addition, since November 2010, a new Acting Code Compliance Division Director was assigned to the Code Compliance Division, and the comprehensive assessment of the business process has been one established objectives by him and his superiors. One of the many processes to be implemented is the revision and re-training of current clerical staff to expedite the City Bill creation process.

Lastly, and of utmost importance, is the implementation of the enterprise database system which will not only facilitate Code's internal process but also dove-tail and communicate with our current fiscal management system (Eden).

4. Finding – *Actual Revenues vs. Budgeted as Recorded in the Eden System*

The City's adopted annual Sanitation Division budget contains projections for fines and forthwiths revenues which are issued by the Code Compliance Division. In return, the Sanitation Division funds four full time equivalent Code Compliance officer positions. Review of the Eden System's general ledger accounts numbered 435-8000-354004 and 435-8000-343401 used to record collected fines and forthwiths revenues respectively for the past four completed fiscal years found the following:

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	FY 2006/07	FY 2007/08	FY 2008/09	FY 2009/10	Total
Sanitation Fines:					
Actual Revenues	\$59,353	\$51,773	\$36,729	\$70,814	\$218,669
Budgeted Revenues	\$75,000	\$75,000	\$150,000	\$100,000	\$400,000
Difference	(\$15,647)	(\$23,227)	(\$113,271)	(\$29,186)	(\$181,331)
Sanitation Forthwiths:					
Actual Revenues	\$35,159	\$60,630	\$39,275	\$84,950	\$220,014
Budgeted Revenues	\$50,000	\$100,000	\$200,000	\$150,000	\$500,000
Difference	(\$14,841)	(\$39,370)	(\$160,725)	(\$65,050)	(\$279,986)

The three months, October 2010 through December 2010, which are included in the audit period were not listed in the table to eliminate the possibility of seasonality. As shown above, the budgeted revenues exceeded the actual revenues collected for the past four completed fiscal years by a rounded cumulative total of \$181,331 for fines and \$279,986 for forthwiths. The causes for the annual differences could not be easily determined (cleaner streets, insufficient enforcement, poor collection efforts, etc.). However, management stated that the fiscal year 2009/10 increase in actual revenues can be attributed primarily to reassigning one Code Compliance inspector in July 2010 to focus solely on Sanitation related violations and assigning an Administrative Aide I to create City Bills promptly after the citations were issued.

Recommendation

Code Compliance and Sanitation Division management should continue to closely scrutinize the causes for the shortage of revenues to determine if new or alternate procedures can be implemented to help reduce or eliminate this difference.

Management's Response

Code Compliance Division:

Currently the Code Compliance Division has three (3) Code Compliance Officers specifically assigned to patrol for Sanitation-related violations throughout the City; plus all Code Compliance Officers or CCOs are being cross-trained by the Public Works – Environmental Resource Management to address hazardous and bio-hazardous violations. All CCOs patrol their designated areas for code violations, and specifically, sanitation-related violations.

As it relates to the shortage of revenues, in the past few months, the Code Compliance Division has identified an increasing number of vacant and abandoned properties (which are addressed through a separate mechanism) which is in line with and reflects the downturn of the economic cycle and has resulted in an increasing number of properties going into foreclosure.

Sanitation Division:

Concur with recommendation, Sanitation Division will continue to conduct meetings with the Code Compliance Division in an effort to address and review the existing procedures being followed as it pertains to the issuing of Sanitation Code Violations with the goal of reducing or eliminating the gap between what is budgeted and what is collected though Sanitation-related violations.

5. Finding – *Reporting Differences Between the Permits Plus and Eden Systems for the Same Citations Can Confuse Readers*

Code Compliance officers issue Sanitation fines and forthwiths citations resulting in the

creation of a case in the Permits Plus System. The violator may or may not be given time to comply before City Bills are created based on the severity and type of violation. The officers use the Permits Plus System and manually created paper files to support the issuance of the citation and to monitor/report its status.

Some of the same data already recorded into the Permits Plus System is then entered again in the Eden System to create the City Bill. The case's status is changed to "BILLOWE" in Permits Plus for which it remains until the citation is paid ("BILLPAID"). Afterwards, the Eden System becomes the primary measure of determining whether the City Bill has been paid.

The City's Eden System is not interfaced with the Permits Plus System which becomes troublesome as personnel, administrators, etc. need to use both systems which creates difficulties. For example, the Eden System uses the City Bill number as the primary means to track the violation while the Permits Plus System uses the case number. Therefore, it was a timely undertaking for Code Compliance staff to determine the corresponding case numbers in Permits Plus for Internal Audit's 75 randomly sampled City Bills selected from an Eden System generated report.

Similarly, testing found that 13 of the 33 sampled City Bills that had paid (39.39%) incorrectly had their Permits Plus System statuses listed as "BILLOWE" when the customer had paid the violation in full. These cases' statuses were not changed to "BILLPAID" to properly reflect the corresponding payment recorded in the Eden System. Also, confusing was that dates were entered in the "Closed" and "Complied Date" cells in the Permits Plus System once the City Bills were issued although payment had not been received.

Finally, the "additional field" cell in the Permits Plus System was changed to reflect the opposite of the amount owed so that the balance due for the assigned case number equaled zero once the City Bill is issued. For example, a \$100 fine issued would show (\$100) in the "Additional Field" cell resulting in \$0 balance once the City Bill is created when nothing has been paid to date which could confuse readers. Instead, the preferred approach would be to complete the "Payments" cell and enter the corresponding payment information (method of payment, check number, etc.) under the Details tab only after the monies have been received.

Recommendation

A standardized process should be created whereby any payments received for Code Compliance issued City Bills are timely recorded in the Permits Plus System by changing the case's status from "BILLOWE" to "BILLPAID". The "Closed" and "Complied Date" cells in the Permits Plus System should only be completed after full payment has been received. Finally, the Permits Plus System "Payments" cell with its corresponding information under the Details tab should be completed upon the receipt of monies and not the "Additional Field" cell. Designated department personnel should perform reconciliations of the recorded payment entries in the Permits Plus and Eden Systems to help ensure agreement and to avoid future confusion. The new software system purchased to replace Permits Plus should be programmed accordingly so that it is in immediate agreement with the Eden System's corresponding entries.

Management's Response

Code Compliance Division:

There are ongoing efforts by the Building Department's Administrative Division – which provides support administrative functions to Code Compliance, to cross-train and further expedite current clerical processes. Code Compliance administration feels confident that through this process, there will be an additional reduction of the City Bill process, and facilitate the creation of a City Bill within the first 48-72 hours after the violation has been issued.

In addition, and until the new enterprise database system is implemented, the Finance Department will continue to forward listing of paid City Bill so that Permits Plus is effectively updated.

6. Finding – *Manually Prepared Paper Files Information is Duplicated in the Permits Plus System*

Currently, the Code Compliance Division creates a manually prepared paper file and a Permits Plus System electronic file for each case with much of the same documentation stored in each (officer's notes, copies of the violations, photographs, etc.). Internal Audit requested the 75 randomly sampled manually prepared paper files to determine if they were complete and sufficient but two were unable to be located as of the conclusion of this audit.

The remaining 73 paper files furnished were found to be relatively complete except that they were frequently lacking the photographs supporting the violation as they are now being scanned and attached to the Permits Plus System's case file instead. However, Code Compliance staff and Internal Audit were not able to access these photographs until it was corrected by the City's Information Technology Division on 02/28/11. The ability to produce these photographs is imperative as it provides crucial support for the issuance of the citation if challenged by the violator.

It was noted in reviewing copies of the actual citations that previously marked violations were occasionally crossed out with no indication as to the reasons why or by whom. Among other things, this could mean or give the perception that the employee entering the information into the Permits Plus and/or Eden Systems is making unauthorized citation reductions.

In addition, review of Holiday Towers Condominium Association Inc.'s citation with the City Bill found that a \$50 fine for having garbage or miscellaneous trash around the receptacle was not included in either the Permits Plus or Eden Systems and there were no notes found to explain the difference. Further inquiries found that no one is presently reviewing the Administrative Aide I's entries for accuracy which would most likely identify this inconsistency.

Recommendation

All supporting records and documentation should be automated and centralized in the Permits Plus System as it appears that the manually prepared paper files can be eliminated. However, staff needs to be able to continually access all these electronically stored items including photographs for this process to work properly.

Also, Code Compliance Division personnel should be instructed that any subsequent citation changes be properly documented as to the reasons why and initialed. Management should also determine if the violation process could be automated through the usage of hand held

devices or laptops with mobile printers. Finally, officers' detailed notes recorded in the Permits Plus case files should be accurate and complete to sufficiently inform readers as to the status of the case.

Finally, an employee(s) should be given the responsibility to ensure that the Permits Plus and Eden System entries mirror those found on the actual written citations. Any noted differences should be investigated immediately so that any corrections deemed necessary can be made promptly and are properly documented.

Management's Response

Code Compliance Division:

Code Compliance Division is currently in the process of reviewing and updating all Standard Operating Procedures (SOPs) to include the periodic and accurate reflection of case information, to include pictures, and require that all cases closed have a Code Compliance Administrator approval.

Hand-held and other system and technology -related process will be effectuated along with the new enterprise database system.

7. Finding – *Forthwith Personnel, Equipment and Time Charges Need Revision by the Sanitation Division*

If the Code Compliance officer determines that the conditions constitute an immediate threat to the health, safety or welfare of the public, he/she may order the immediate correction of the hazard violation(s) at the expense of the occupant, owner or operator and the City shall have the right to recover such expenses. In these cases called "forthwiths", the Sanitation Division will deploy staff and equipment to immediately pick up and dispose of the garbage with all pertinent costs billed to the violator.

The form that the Sanitation Division uses to calculate the amount of forthwith charges billed to the customer contains separate classifications for personnel, equipment and dumping. There are pre-printed hourly rates listed for eight personnel (operations supervisor, heavy equipment operator, waste collector, etc.) and five equipment (pick-up truck, mini crane, garbage truck, roll-off and others) classifications to be subsequently multiplied by the time needed to complete the task to determine the charges to be billed.

Inquiries with Sanitation Division personnel found that the personnel hourly rates were supposed to represent an average of the City's Salary Charts minimum and maximum rates. Internal Audit's comparison of these rates found that all eight personnel classifications' hourly rates charged were below the computed average with four set below the Salary Charts minimum rates.

Per the Sanitation Director, the charged equipment rates were supposed to equal those listed in FEMA's Schedule of Equipment used to reimburse grantees in the event of an emergency. Yet, a comparison of these forthwith equipment rates discovered that they were occasionally too high and need to be adjusted. The largest difference found was for a garbage truck which FEMA allows maximum reimbursement at \$55 per hour when the Sanitation Division charges \$150.

Finally, all eight reviewed forthwiths charged the customer for only one hour's time. Yet, Internal Audit opines that this is most likely understated as it needs to include the time spent

by the Sanitation Division crew in driving to the forthwith site, in picking up the garbage, in transporting it to the disposal site in Miami at 12th Street and 20th Avenue, in possibly waiting for their turn to dispose of the garbage and then in returning to the City.

Recommendation

The Sanitation Division should update their forthwith personnel charges to equal the computed average of the City's Salary Charts for that particular job classification. Another possibility is to charge the productive hourly rate which takes into account such things as supervision, leave time, supplies, etc. and is therefore a better representation of actual costs. In addition, they should revise the equipment rates to ensure that they equal those charged in FEMA's Schedule of Equipment or any other reasonable supported rate. Afterwards, a designated Sanitation Division employee should be tasked with periodically updating these rates. Finally, the length of time taken to complete the entire forthwith process should be billed to the customer.

Management's Response

Sanitation Division:

Partially concur with the recommendation. The Sanitation Division forthwith personnel charges have been revised to reflect current salary rates. The hourly cost of providing a City garbage truck is \$150.00; therefore, the rate charged for the use of the garbage truck during forthwith operations will remain at \$150.00 per hour.

8. Finding – Policies and Procedures Need Updating

Code Compliance Division Administration indicated that the policies and procedures established for the issuance, recording, monitoring and collecting of Sanitation fines and forthwiths are outdated and are currently being revised. Internal Audit opines that these revised policies and procedures should specifically cover the reducing/waiving of levied fines and forthwiths by designated personnel and documenting the reasons for the revision in the Permits Plus System.

Recommendation

The Code Compliance Division's operating policies and procedures should be updated as soon as possible to descriptively outline current operations. Policies and procedures serve both as a benchmark to measure individuals' performance and as an instruction manual in the event employees' change.

Management's Response

Code Compliance Division

One of the goals set forth by the new Acting Code Compliance Director with the support of Building's Assistant Director and the applicable Assistant City Manager is the establishment and implementation of Standard Operating Procedures (SOPs). In addition, the Division seeks to establish an accreditation process by which, along with the SOPs, will provide a baseline for process improvement to ensure best management practices within the division are meeting the needs of both our internal (Code Compliance staff and other departments) and external customers. The implementation of performance and quality control measures along with checklist of Standard Operating Procedures will help the department adapt to organizational changes and staff accountability and responsibilities.

Internal Audit Report
Sanitation Fines and Forthwiths Audit
October 2, 2012

EXIT CONFERENCE

An exit meeting was held to discuss the audit report and solicit management responses noted above. Attendees included Assistant Finance Director Georgina Echert, Financial Analyst III Raul Soria, Assistant Sanitation Director George Ruiz, Sanitation Superintendent Juan Rosario, Code Compliance Administrator Jose Alberto, Internal Auditor James Sutter, Senior Auditor Mark Coolidge and Field Agent Carmin Dufour. All parties were in agreement as to the contents of this report. Management responses were solicited and included in our report.

JJS:MC:mc:CD:cd

Audit performed by Senior Auditor Mark Coolidge and Field Agent Carmin Dufour

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cc: Jorge Gomez, Assistant City Manager
Fred Beckmann, Public Works Director
Alberto Zamora, Sanitation Director
Stephen Scott, Building Director
Kristin Tigner, Assistant Building Director
Robert Santos-Alborna, Code Compliance Director
Patricia Walker, Chief Financial Officer
Georgie Echert, Assistant Finance Director