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Date: March 4, 2014

To: Audit, Finance and Enterprise Committee

From: Jennifer Ruttman, City Auditor

Subject: Code Enforcement Program – Follow-up Review

cc: Kari Kent, Deputy City Manager  
Christine Zielonka, Development & Sustainability Dept. Director  
Laura Hyneman, Deputy Director – Development & Sustainability Dept.

Pursuant to the Council-approved Audit Plan, the City Auditor's office has completed a review of our audit of the City's Code Enforcement Program. The final report is attached and will be presented at the next scheduled meeting of the Audit, Finance and Enterprise Committee. Please feel free to contact me with any questions or concerns.

## **FOLLOW-UP REVIEW**

**CITY AUDITOR**

<b>Report Date:</b>	<b>March 4, 2014</b>
<b>Department:</b>	<b>Development &amp; Sustainability</b>
<b>Subject:</b>	<b>Code Enforcement Program</b>
<b>Lead Auditor:</b>	<b>Karen Newman, Sr. Internal Auditor</b>

### **OBJECTIVE**

The objective of this review was to determine whether the Development & Sustainability Department has effectively implemented the action plans presented in their responses to our October 2012 audit of the City's Code Enforcement Program.

### **SCOPE & METHODOLOGY**

To accomplish our objectives, we interviewed key personnel and reviewed CDBG expense reimbursement requests, Code Enforcement processes and code violation cases from January 2013 through January 2014.

### **BACKGROUND**

On October 31, 2012, we issued a report on our audit of the City's Code Enforcement Program. The objectives of that audit were to verify that the Code Enforcement Program operates in compliance with Community Development Block Grant (CDBG) funding requirements and determine whether internal controls are adequate to minimize risks and maximize effectiveness.

The audit report included several recommendations, which can be summarized as follows:

1. Update and expand the checklist(s) used by staff to ensure that only eligible expenses are included on the summary worksheet submitted for CDBG reimbursement, and verify that all required supporting documentation is included prior to submission.
2. Ensure timely and appropriate follow up of code violations, by reviewing case status aging reports and updating the Case Enforcement Process Work Instructions.
3. Segregate the duties of issuing invoices and receiving payments for civil citations; or implement compensating controls to ensure that all invoices issued and payments received are properly recorded.
4. Develop a process to reconcile civil citation invoices to the City's Accounts Receivable system.
5. Document the code violation civil citation process.

In response to the report, the department agreed with the recommendations and presented corrective action plans.

## **CONCLUSION**

The majority of the corrective action plans have been implemented; however some of the improvements to the Civil Citation Process were still in progress at the time of this review. A complete list of corrective action plans, along with our findings regarding their implementation status, is presented in the attached [Appendix](#).

**APPENDIX**

 = Implemented

 = In Progress

 = Not Implemented

**Corrective Action**

**Implementation Status**

**CAP#1: Monthly Summaries of CDBG Expenses – Processes and Documentation**

**Recommendation 1:** Management should ensure that all expense summaries prepared for the purpose of obtaining CDBG reimbursement are accurate and complete; and that all required supporting documentation is included prior to submission.

**Management Response:** The Development and Sustainability Department has been working closely with Housing & Community Development on the checklist for submitting supporting documentation. A checklist has been developed to ensure that supporting documentation submitted is accurate and complete. The checklist also includes a signature line to confirm receipt by Housing. (Exhibit A) Work Instructions will be updated.

The MOU between Development and Sustainability Department & Housing and Community Development states that CDBG funds may be spend on salaries and training for 4 full time employees and temporary employee services. With the implementation of the new Advantage system, Accounting provides Code Admin a Payroll Extract, showing the actual payroll costs associated each employee on a bi-weekly basis. These Payroll Extract Reports are provided to Housing with Officer Activities reports, Activity Summary reports, and Timecards. In the past this information was pulled from a variety of sources and depended on each officer documenting their daily activities spent inside and outside CDBG areas. With 4 officers assigned exclusively to CDBG areas, documentation is much simpler and less likely to result in errors.

**Implemented**

A checklist has been created to ensure that supporting documentation is accurate and complete. This resulted in improvements to the documentation submitted with the CDBG funding requests.



**Recommendation 2:** Management should ensure that only eligible expenses are submitted for CDBG reimbursement. To that end, we suggest that improved checklists be developed, to include the specific items, tasks and reconciliation steps needed to ensure accuracy and completeness.

**Management Response:** Two practices have been put in place to ensure that only eligible expenses are

**Implemented**

Code Enforcement Officers are now separately assigned to CDBG and non-CDBG areas and are no longer dividing their time between both areas. In addition, Tidemark system reports have been created to support CDBG funding requests.



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<b><u>Corrective Action</u></b>	<b><u>Implementation Status</u></b>	
<p>submitted to Housing for CDBG reimbursement: four code officers are assigned exclusively to CDBG areas and a new report has been developed to confirm that cases each code officer works on is located within a CDBG area.</p> <p>The Tidemark system has been modified so that it automatically identifies whether a parcel is within or outside a CDBG area. When a code case is opened, this information is viewable by the Code Officer on the opening page of the code case. A Tidemark report, "CDBG Areas – Addresses Opened" shows code enforcement activities, the Code Officer's name, an address for each case and whether the property is within or outside a CDBG area. (Exhibit B) Previously, code officers worked both inside and outside a CDBG area. The department relied on each officer documenting the time they spent inside and outside CDBG areas on a daily basis. Summarizing these activities involved a combination of reports. This year, accounting for Code Officers activities has been simplified with the new assignments.</p>	<p>These changes have helped to ensure only eligible expenses are submitted for reimbursement.</p>	
<p><b>Recommendation 3:</b> Specific Officers are now assigned to CDBG properties, eliminating the need to track the amount of time they spend on CDBG and non-CDBG activities. However, if such tracking should be needed in the future, a more structured approach to time tracking should be considered, in order to ensure consistency and accuracy.</p> <p><b>Management Response:</b> A Tidemark report has been developed that shows each COD case, the Code Officer assigned to work on the COD case and whether the COD case was located in a CDBG area. This report will verify for Housing and Community Development that Code Officers assigned to CDBG areas did indeed work in CDBG areas. (Exhibit B)</p> <p>In the future, if Code Officers are assigned to work both inside and outside the CDBG areas, a more structured approach will be developed. A strategic approach to the allocation of work and time tracking will be developed to ensure reports are consistent and accurate.</p>	<p><b>Implemented</b></p> <p>As noted under Recommendation 2, Officers are now separately assigned to CDBG and non-CDBG areas and are no longer dividing their time between both areas. However, staff now has improved Tidemark system reports that could serve as a mechanism to track this information in the future.</p>	<p></p>

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**CAP#2: Case Management – Follow-up/Monitoring Process**

**Recommendation 1:** Management should run case status aging reports and review them on a regular basis to ensure timely and appropriate follow up of code violations.

**Management Response:** The Code Supervisor runs a report entitled Code Cases 90 Days Old on a weekly basis. Each open case is reviewed to determine if the case is active and to ensure there is appropriate follow up. The Deputy Director reviews the Code Cases 90 Days Old report with the Supervisor on a monthly basis.

A new task was added to Tidemark that enables anyone to look at cases that have been opened but that have not had any follow up activity. This task has been added to the Supervisors and Deputy Directors task lists and will be reviewed by the Supervisor weekly and the Deputy Director monthly.

This monitoring procedure will be added to the Work Instructions.

**Implemented**

Management regularly reviews older cases, as well as any open cases that have not had any activity, to ensure timely and appropriate follow-up activities are performed.



**Recommendation 2:** Management should update the Case Enforcement Process Work Instructions to include clear guidance and expectations for timely follow up of code violation cases.

**Management Response:** The Work Instructions have been updated with specific guidance on follow up times for each step of the code enforcement process. The goal is to obtain voluntary and prompt compliance whenever possible while also building evidence if a civil or criminal action is needed. Additional time may be given to implement corrective actions depending on the severity and hazards associated with the type of violation(s), the necessity for submitting plans and/or obtaining permits from the City or other agencies, and the availability of services or materials. Timeframes provided may also be shortened based on the severity and hazards associated with the type of violation and whether the violation was a conducted in a knowingly or willful manner. (Exhibit C)

Assignment of four officers to the CDBG area and three

**Implemented**

The Basic Case Enforcement Process Work Instructions have been updated to include clear guidance and expectations for timely follow-up of code violation cases.



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<p>officers to the remainder of the City has impacted the response time for confirmation of new code cases. Response times are compiled for management on a monthly basis.</p>		
<b>CAP#3: Civil Citation Process Controls</b>		
<p><b>Recommendation 1:</b> Ideally, management should segregate the duties of issuing invoices and receiving payments for civil citations. However, if limited staffing prevents segregation, compensating internal controls should be developed and implemented to ensure that all invoices issued and payments received are properly recorded. Compensating controls can vary, but may include additional management reviews/oversight, independently performed reconciliations, rotation of duties, etc.</p> <p><b>Management Response:</b> Citation process controls that segregate the issuance of invoices from the collection of payments have been improved in two ways: implementation of the Advantage system and logging of payments sent directly to the Civil Hearing Office.</p> <p>The Civil Hearing Offices creates invoices and enters them into the Advantage system. Payments made by mail are processed by Customer Service. Then the Code Administrative Supervisor enters all payment information into Tidemark. Hand-delivered payments are received by the Development Services Front Desk staff are entered into Tidemark and submitted to Customer Service. If payments are sent directly to the Civil Hearing Office by mistake, department administrative support staff will log the payments in a spreadsheet and take the check to Customer Service. After reviewing the spreadsheet, the Code Administrative Supervisor will enter all payment information into Tidemark.</p> <p>Work Instructions are being revised to reflect how information is entered and received from the new Advantage system.</p>	<p><b>In Progress</b></p> <p>Due to limited staffing, segregation of duties between the issuing of invoices and receiving payments could not be fully implemented. Management is aware of and accepts the associated risks until additional staffing can be added. As noted below, compensating controls, including increased reporting and oversight, have been implemented and continue to be improved as resources become available.</p>	
<p><b>Recommendation 2:</b> Management should develop a process through which all civil citation invoices and</p>	<p><b>In Progress</b></p> <p>The department continues to</p>	

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<p>payments are reconciled with the City's A/R system, to ensure that the creation and disposition of all Tidemark invoices accurately reflects those recorded in A/R.</p> <p><b>Management Response:</b> The Civil Hearing Office has sent the Advantage accounting team a request for a report that will show all Code and Civil hearing invoices and payments. The report will be used to reconcile fee information in Tidemark.</p> <p>Work Instructions will be revised when the procedure is finalized.</p>	<p>work with the City's Accounting Division on an effective process for recording and reconciling these receivables. As a compensating control, improvements have been made to the civil citation process, including increased oversight. New reports have been created in both Tidemark and Advantage that provide greater visibility of the citation revenue that has been collected. These reports are reviewed monthly by the Sr. Fiscal Analyst and the Development and Sustainability Deputy Director.</p>	
<p><b>Recommendation 3:</b> Management should ensure that written procedures for administering the code violation civil citation process are complete, accurate, and regularly updated.</p> <p><b>Management Response:</b> Work Instructions were written in Feb 2012 to document the Code Enforcement Process including the Citation Process. The Citation Service Requirements Work Instructions have been updated and reviewed by the City Attorney. Administrative Work Instructions, including preparing invoices and documenting payments, will be updated to include instructions for the new Advantage System. Civil Hearing Office Staff is working with Development Services Front Counter staff to insure that all payments are accurately documented in Tidemark. Work instructions have been written and the Code admin staff has provided training.</p> <p>Accounts and Work Instructions will be reviewed regularly to ensure they are consistent with current procedures and to ensure they include best management practices.</p>	<p><b>Implemented</b></p> <p>Work Instructions to document the Civil Citation Process were completed in February 2014 and will be updated as changes occur.</p>	<p></p>