

**Performance Audit  
Collection, Deposit, and Recording of Fees  
by City Planning and Development**

May 2012

**City Auditor's Office**

**City of Kansas City, Missouri**

CITY OF FOUNTAINS  
HEART OF THE NATION



KANSAS CITY  
MISSOURI

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May 30, 2012

Honorable Mayor and Members of the City Council:

This is an audit of City Planning and Development's Business Services Division's practices and controls over the collection, deposit, and recording of fees. The division is responsible for managing the department's revenue generated by permits, inspections, plan reviews, and other fees.

Business Services Division staff followed most, but not all of the city's established procedures designed to safeguard and report cash assets. The division's change fund balanced, deposits were mostly proper, and there were only minor errors in posting revenues to PeopleSoft accounts. Significant regulations that were not followed related to cashier accountability and timely deposits of "performance bond" checks and checks mailed in for contractor license renewal fees and some permits.

We make a number of recommendations to improve cash handling, including improving staff compliance with established requirements related to collecting fees, timely deposit of all checks, and turning returned checks over to the city's collection agency and prosecutor once the division's efforts have been exhausted.

The draft report was sent to the director of city planning and development on April 5, 2011, for review and comment. His response is appended. We appreciate the cooperation extended to us by staff in the City Planning and Development and Finance departments. The audit team for this project was Joan Pu and Deborah Jenkins.

A handwritten signature in black ink that reads "Gary L. White". The signature is written in a cursive, flowing style.

Gary L. White  
City Auditor

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# Collection, Deposit, and Recording of Fees by City Planning and Development

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## Introduction

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### Objectives

We conducted this audit of controls over the collection, deposit, and recording of fees by the Business Services Division of the City Planning and Development Department under the authority of Article II, Section 216 of the Charter of Kansas City, Missouri, which establishes the Office of the City Auditor and outlines the city auditor's primary duties.

A performance audit provides assurance or conclusions based on an evaluation of sufficient, appropriate evidence against stated criteria. Performance audits provide objective analysis so that management and those charged with governance and oversight can use the information to improve program performance and operations, reduce costs, facilitate decision making, and contribute to public accountability.<sup>1</sup>

This report is designed to answer the following question:

- Are controls over the collection, deposit, and recording of fees by the City Planning and Development Department adequate?

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### Scope and Methodology

Our review focuses on controls over the collection, deposit, and recording of fees. Our audit methods included:

- Reviewing Charter of Kansas City, Missouri provisions in the Code of Ordinances; Administrative Regulations; Manual of Instructions; and City Planning and Development Department procedures related to cash handling to identify audit criteria.
- Interviewing City Planning and Development Department staff to assess knowledge of city and departmental cash handling policies and procedures.

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<sup>1</sup> Comptroller General of the United States, *Government Auditing Standards* (Washington, DC: U.S. Government Printing Office, 2007), p. 17.

- Interviewing Finance Department staff to determine proper cash handling practices.
- Observing how staff at the Business Services Division handled cash, check, and credit card transactions to determine whether staff followed established policies and procedures.
- Conducting a cash count at the Business Services Division to verify whether the cash on hand was correct and to determine the amount of other cash and cash equivalents.
- Analyzing financial records to determine whether cash was properly collected, deposited, and recorded.
- Reviewing cash handling training records to determine whether the staff met the city's training requirements.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. No information was omitted from this report because it was deemed privileged or confidential.

In conducting our audit work, we identified an issue not directly related to our audit objective. We communicated the issue to the director of city planning and development in a separate memorandum.

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## **Background**

### **Why Audit Cash Handling?**

This is the second in a series of reviews of cash controls at the department level.<sup>2</sup> Compliance with procedures and adequate oversight of cash handling can reduce the city's susceptibility to loss or misuse of funds. This audit looked at controls over the collection, deposit, and recording of permit and other fees in the City Planning and Development Department. In fiscal year 2012, revenue from these fees is expected to exceed \$7 million.

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<sup>2</sup> The first review, *Collection, Deposit, and Recording of Community Center Fees*, Office of the City Auditor, Kansas City, Missouri, was released in March 2011.

## **Business Services Division Is Responsible for Revenue Management**

The Development Services section of the City Planning and Development Department provides services in the issuance of construction-related permits, plans, zoning determinations and clearances, floodplain information, and conformance verification letters. The Business Services Division is responsible for the City Planning and Development Department's revenue management, including collection, posting, tracking, and reporting of revenues for all fees charged. The division collects about 30 different kinds of fees (e.g. building permits and inspection, plan review, contractor licenses, elevator inspection, land disturbance inspection, sign inspection, certificates of occupancy, etc.). It accepts cash, checks, and credit cards. It also accepts inter-account transfer vouchers when issuing permits to other city departments. And, it processes payments made online through the website.

## **Multiple Systems Used to Process and Record Payments**

The Business Services Division uses three information systems to collect, deposit, and record payments. The city uses a cashiering system (iNovah) to collect fees, the city's financial management system (PeopleSoft) to record revenues, and a citywide automated land information system (KIVA) to access information about permitting, inspections, and other requests for city services related to land development. The total amount processed through the cashiering system and posted to PeopleSoft was over \$8 million in fiscal year 2011.<sup>3</sup>

## **Cash Handling Responsibilities and Requirements**

Responsibilities for cash operations are outlined in the city charter, city code, administrative regulations, and manual of instructions. The director of finance, city treasurer, and commissioner of accounts have organization-wide oversight responsibilities for the collection, custody, and recording of city funds. Department staff are responsible for following the city's instructions on properly collecting, safeguarding, depositing, and reporting of cash assets. Exhibit 1 summarizes city instructions related to cash handling and reporting.

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<sup>3</sup> This gross amount does not include inter-account transfer vouchers, payments through the internet, refunds, returned checks, or other revenue adjustments.

*Collection, Deposit, and Recording of Fees by City Planning and Development*

Exhibit 1. City Cash Handling Regulations and Instructions

Regulation or Instruction	Purpose
Administrative Regulation 3-23: Cash Handling Training	Establishes training requirements for employees who handle cash.
Manual of Instruction 2-18: Change Funds	Establishes procedures for handling change funds.
Manual of Instruction 2-27: Accounts Receivable	Establishes the proper way to collect, hold, and disburse cash and cash equivalents.
Manual of Instruction 6-3: Accounting of Dishonored Checks	Establishes procedures for handling dishonored checks.
Manual of Instruction 6-4: Notification of Treasurer of Bank Deposits	Establishes policy and procedures for notifying the city treasurer of a bank deposit and submitting appropriate accounting information relative to the deposit.
Manual of Instruction 6-5: Endorsement of Checks for Deposit	Establishes policy for proper endorsement of checks for deposit.
Manual of Instruction 6-8: Procedures for Credit and Debit Card Acceptance	Establishes procedures for credit and debit card acceptance and storage of information related to credit and debit card transactions.

Source: Administrative Regulations and Manual of Instructions.

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## Findings and Recommendations

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### Summary

The Business Services Division of the City Planning and Development Department follows most, but not all of the city's cash handling rules. The division could improve its stewardship of city assets by following all of the city's cash collection, deposit, and recording and reconciliation policies and procedures.

The division does not follow all rules when collecting fees. Cash drawers are shared by cashiers and keys to cash drawers are accessible by other division staff; a credit card payment was accepted from someone other than the card owner; and the division accepted payments for some fees in a location lacking a check endorsement stamp.

Cash deposits were proper for the most part, but the division holds some checks, such as "performance bond" checks and checks mailed in for contractor license renewals and some permits, which violates a city ordinance requirement that departments deliver all city monies to the City Treasurer's Office daily.

The division's recording and reconciliation procedures were mostly proper. The division is not posting revenues to the PeopleSoft system as frequently as city regulations require, but this issue will be resolved once the interface between the new cashiering system and PeopleSoft is in place. Daily reconciliations between payments collected and activities in KIVA began after the audit commenced, and should be continued.

We make a number of recommendations to improve the division's cash handling practices by increasing staff compliance with established cash handling rules; reviewing revenue recorded in PeopleSoft for accuracy; and turning over unredeemed checks to the city's collection agency and county prosecutor once the division's efforts to collect have been exhausted.

## **Most, but Not All, Cash Handling Requirements Are Followed**

The Business Services Division follows most, but not all of the city's cash handling requirements. The division began to implement some requirements after this audit commenced. When the audit began, the division accepted payments for some fees in a location that lacked a check endorsement stamp. In addition, dishonored checks that remain unredeemed after the division's collection efforts are exhausted were not turned over to the city's collection agency and county prosecutor to pursue collection.

Appendix A provides a summary of city cash handling requirements and our conclusions about the division's compliance with the requirements.

### **Division Does Not Follow All Rules When Collecting Fees**

The division follows many of the city's cash handling requirements. Some rules, however, are not followed. Cash drawers are shared by cashiers, are easily accessible, and are not always locked when cashiers are away. Cash payments were placed in the cash drawer before the transactions were completed, and a credit card payment was accepted from someone other than the card owner.

**Cashiers share a cash drawer.** The division has two cash registers on the same floor. One cash register with a single cash drawer is used by two cashiers. City cash handling procedures require that cashiers not share cash drawers. Though the cashiering system separately reports each cashier's daily total transactions, sharing a cash drawer eliminates the division's ability to establish which cash handler is responsible if errors or theft occur and to take corrective action.

To establish proper accountability, the director of city planning and development should ensure each cashier has a separate cash drawer.

**Access to the cash drawers is inadequately restricted as multiple staff can access the keys.** Each cash register has two sets of keys. One set is in the safe, but the second set is kept in an area where all cashiers and division managers have access during the daytime. Easy access to cash registers violates the city's requirement of safeguarding cash drawers and prevents the division from determining who is responsible for errors or theft.

To establish proper accountability, the director of city planning and development should ensure that each cashier is assigned a key to his or her cash drawer and is responsible for keeping the key secured.

**The cash drawer was unlocked when the cashier was away from the area.** On two occasions during our cash handling observation, a cashier left the cash handling area for several minutes without locking the cash drawer or logging off the computer system. The city's cash handling procedures require that cashiers lock cash drawers at breaks, lunch, and whenever away from the work station.

To better safeguard city assets, the director of city planning and development should ensure that cashiers lock the cash drawer or log off the computer system when they are away from their work station.

**Cash payments were placed in drawer before transactions were completed.** City cash handling procedures require cashiers keep cash payments out of the reach of the customer, but in view until the transaction is complete and the proper change is given. This practice prevents any dispute over the amount of money tendered by the customer. During our cash handling observation, we observed cashiers counting the money they received and the customer's change from the cash drawer, but improperly putting the received money in the cash drawer before giving change to the customers.

To reduce the risk of a dispute over the change due to a customer, the director of city planning and development should ensure cashiers keep cash payments in view until proper change is given.

**A credit card was accepted from a customer other than the card owner.** We observed a customer who made a payment using a credit card that had another person's name on it. Accepting credit card payments from someone other than the card owner puts the city and the card owner at risk. The credit card could be stolen and the card owner could dispute the charge. City regulations for credit card transactions require cashiers to compare the customer's signature on the credit card slip to the signature on the back of the credit card. If the card is not signed, the cashier should obtain picture identification to verify that the card belongs to that person.

To reduce the risk of disputed payments to the city, the director of city planning and development should ensure that cashiers only process credit card transactions if the customer's signature on the credit card slip matches the signature on the back of the card, or in cases where the

credit card is not signed, if a picture identification verifies that the card belongs to that person.

**The division accepted checks for some fees in a location lacking a check endorsement stamp.** For the convenience of customers, the division began accepting payments for some fees at a second location in city hall in the fall of 2011. Customers can pay by credit card, check, or cash if the customer has the exact change. Staff told us that payments received at the second location are taken to the main cashiering station at the end of the day or on the next day. During the audit, checks accepted at this location were not endorsed immediately as required by city regulations because the location did not have an endorsement stamp. Endorsing checks upon receipt ensures only the city can receive credit for the check. During the audit, the division obtained an endorsement stamp dedicated to the second location.

### **Collection Efforts on Dishonored Checks Could Be Strengthened**

The division makes many efforts to collect money on dishonored checks, such as repeatedly contacting check writers and permit applicants by phone, sending a collection letter, suspending permits, and halting inspection work. However, by the time checks are returned by the bank, some department services, such as permits for electrical reconnections, are already rendered. Once a service has been rendered, the department's ability to recover the money and collect the penalties is reduced. The number and amount of dishonored checks that have never been redeemed are relatively small compared to the total payments the department receives. Following the city's procedures of accounting for dishonored checks, however, could enhance the division's effectiveness in recovering money owed by dishonored checks.

The city's procedures for collecting on dishonored checks include two tools the division does not use – using a collection agency and submitting returned checks to county prosecutors. The city has a contract with an outside collection agency to collect debts. City procedures also require the department submit dishonored checks to the county prosecutor after a 21-day deadline.

To enhance collection efforts on returned checks, the director of city planning and development should ensure the Business Services Division submits returned checks to the city's collection agency and the county prosecutor once the division's collection efforts have been exhausted.

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## **Deposits Mostly Proper, but Holding Checks Violates City Ordinance**

No discrepancies were identified from reviewing daily deposits for April 2011. An unannounced cash count found the division's change funds were mostly correct and the deposit from the previous day's business balanced. The division holds some checks instead of depositing them, in violation of city ordinance.

### **No Discrepancies Were Identified in Daily Deposits**

We reviewed the April 2011 financial documents and identified no discrepancies in the daily deposits. We compared the daily revenue reports generated by the cashiering system, daily close-out sheets created by each cashier, the combined daily close-out sheet prepared by the division manager, deposit slips, and amounts posted in PeopleSoft.

### **Small Overages Were Found in Change Funds**

We conducted an unannounced cash count on October 27, 2011, to check the change funds in the division's two cash drawers and money received the previous business day. The deposit balanced, and the change funds were correct except for small overages – \$0.75 in one drawer and \$0.79 in the other. Staff said the coins were from customers who declined taking small change when paying a fee with cash.

City ordinance requires that all money received be deposited the next business day.<sup>4</sup> Overages, no matter how small, should be included in the regular deposit.

The director of the city planning and development department should ensure all money received, even small overages, are deposited the next business day.

### **Checks Being Held Violates City Ordinance**

The Business Services Division does not deposit all checks. The division holds "performance bond" checks at the request of the Land Development Division. The division also holds checks received for some permits and contractor license renewals until they are approved and ready to be issued. Holding checks violates city ordinance requirements.

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<sup>4</sup> Code of Ordinances, Kansas City, Missouri, Sec. 2-1615.

**“Performance bond” checks are not deposited at the request of another division in the department.** The Business Services Division holds “performance bond” checks for the Land Development Division in the department’s safe. During the unannounced cash count, we found eight unendorsed “performance bond” checks totaling more than \$78,000. According to the dates on the checks, some had been held for more than a month. Six of the eight checks were sealed in individual envelopes. None of the checks had been endorsed.

“Performance bond” checks are required when a property owner wants to make improvements<sup>5</sup> (estimated to cost more than \$2,000) to property adjacent to a street right-of-way. The property owner must get the proper permit(s), show proof of insurance, and provide a “performance bond” check to the city equal to the estimated cost of the work.<sup>6</sup> The bond guarantees performance and completion of work within a time limit specified on the permit, usually three weeks. The Land Development Division returns the check to the property owner once the division has inspected and determined the work was completed satisfactorily. Because the practice is to eventually return the check to the property owner, the Land Development Division does not deposit the “performance bond” check, but gives it to the Business Services Division to secure in the department’s safe during the intervening time.

Land Development Division management told us the checks are held rather than deposited for the convenience of the permit holder. One of their reasons is that it takes too long to issue a refund. However, according to the city treasurer, the city has a special account for “payments in lieu of bonds” in which the “performance bond” checks should be deposited. She said the Finance Department reconciles the account daily and is able to cut a check the day after it receives notification from the department to release the money.

**The division also holds checks received by mail pending approval of contractor license renewals and some permits.** Once a permit or license renewal is approved and ready to be issued, the Business Services Division deposits the check. In our review of the April 2011 financial documents, we found that 88 percent of mailed-in checks logged in that month were held between 2 and 13 business days before being deposited. The cumulative daily totals for these held checks ranged from \$519 to \$2,815.

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<sup>5</sup> An improvement includes new or a modification of existing curbs, gutters, driveways from curb to property line, sidewalks, sewers, street lighting systems and appurtenances by a change in grade, construction, repair, or reconstruction.

<sup>6</sup> Code of Ordinances, Kansas City, Missouri, Sec. 64-4 (f)(1)

Staff said that contractors sometimes fail to include all required documents in their application and must be contacted and asked to provide them. In the event the required documents are not provided, the check can be returned to the applicant and issuing a refund is avoided.

Holding checks violates the city ordinance requirement that departments deliver all city monies to the City Treasurer's Office daily.<sup>7</sup> It also increases the risk that the checks will be lost or stolen.

To comply with city ordinance and to protect checks from the risk of loss or theft, the director of city planning and development should ensure all checks are endorsed immediately and are included in the daily deposit.

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## **Recording Mostly Accurate but Not Timely, Reconciliation Has Improved**

The Business Services Division is not posting revenues to the PeopleSoft system as frequently as the city's regulations require, however this will be resolved once the interface between PeopleSoft and the division's cashiering system is in place. A review of the accuracy of recording revenues in appropriate PeopleSoft accounts revealed only minor errors. Daily reconciliations between payments collected and activity in KIVA began after the audit commenced, and should be continued.

### **Posting Revenue in PeopleSoft Mostly Accurate But Not Timely**

The Business Services Division does not post revenue to the division's various PeopleSoft accounts within three business days of receipt as required by the city's regulations.<sup>8</sup> This issue will be resolved once the interface between the new cashiering system and PeopleSoft is in place. The interface will automatically post payments to the appropriate accounts in PeopleSoft. Until then, the division should comply with the city's timely posting requirements.

To comply with city's requirements, the director of city planning and development should ensure the Business Services Division posts payments to PeopleSoft within three business days of receipt until the interface between the cashiering system and PeopleSoft is in place.

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<sup>7</sup> Code of Ordinances, Sec. 2-1615.

<sup>8</sup> City Manual of Instructions: *Manual of Instruction 2-27*, "Accounts Receivable," March 23, 2009.

### **Only Minor Errors Found in Posting Revenues in PeopleSoft Accounts**

We reviewed the daily transactions for April 2011 and found no major errors in posting revenues to PeopleSoft. We found some minor errors such as posting to a wrong account and probable data entry errors. The division manager has not been verifying that revenues are posted accurately to the appropriate accounts in PeopleSoft.

To ensure revenues are allocated to the correct PeopleSoft accounts, the director of city planning and development should ensure the business services division manager reviews and verifies that revenues are recorded accurately in PeopleSoft.

### **Reconciliation with KIVA System Began After Audit Commenced**

Neither the former nor the new cashiering systems have an interface with the KIVA system. When the audit began, the division was not reconciling the information in the two systems to verify that the proper payment for each permit application, inspection request, plans review, or other service recorded in the KIVA system had been made. The division manager began reconciling payments received with the information in the KIVA system after implementation of the new cashiering system. Reconciling the daily activity in KIVA with the day's receipts should continue.

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## **Recommendations**

1. The director of city planning and development should ensure each cashier has a separate cash drawer.
2. The director of city planning and development should ensure that each cashier is assigned a key to his or her cash drawer and is responsible for keeping the key secured.
3. The director of city planning and development should ensure that cashiers lock their cash drawer or log off the computer system when they are away from their work station.
4. The director of city planning and development should ensure cashiers keep cash payments in view until proper change is given.

5. The director of city planning and development should ensure that cashiers only process credit card transactions if the customer's signature on the credit card slip matches the signature on the back of the card, or if the credit card is unsigned, the picture identification verifies the card belongs to the person.
6. The director of city planning and development should ensure the Business Services Division submits returned checks to the city's collection agency and the county prosecutor once the division's collection efforts have been exhausted.
7. The director of the city planning and development department should ensure all money received is deposited the next business day.
8. The director of city planning and development should ensure all checks are endorsed immediately and are included in the daily deposit.
9. The director of city planning and development should ensure the Business Services Division posts payments to PeopleSoft within three business days of receipt until the interface between the cashiering system and PeopleSoft is in place.
10. The director of city planning and development should ensure the Business Services Division manager reviews and verifies that revenues are recorded in the proper accounts.

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## **Appendix A**

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### **Summary of Cash Handling Requirements and Business Services Division Compliance**



Summary of Cash Handling Requirements and Business Services Division Compliance

City Requirement	Requirement Met?
<b>Change Fund Accountability</b>	
Count change fund at the start of every day to verify.	Yes.
Before any transactions, verify beginning cash is correct.	Yes.
Count change fund at the end of the day to verify.	Yes, counted at the end of the day or beginning of the next business day. Finance Department said that is acceptable.
Each cashier is assigned a change fund.	No.
Track transactions by cashier.	Yes.
Void transactions approved by supervisor.	Yes.
Cashiers report overages or shortages of \$25 or more to supervisor. Supervisor reports them to city treasurer, city auditor, and general services/risk management.	N/A. No shortages of \$25 or more during the auditor's review period.
<b>Deposit Procedures</b>	
Deposits made daily.	Partially. Some checks are held.
<b>Safeguarding City Assets</b>	
Lock change fund/deposit in safe overnight.	Yes.
Lock cash drawer whenever cashier is away from area.	No.
Access to cashiering areas restricted to authorized personnel.	Yes.
Visitors admitted to cash handling area sign log.	N/A. Staff said visitors are not allowed in the cash handling area.
No personal belongings in cash handling area.	Yes.
Supervisor notified when large amounts of cash are accumulated in a short time.	N/A. Most transactions are by check or credit card.
<b>Transaction Processing</b>	
Cash handling work surfaces cleared of all money and unnecessary papers.	Yes.
Money on work surface only during transaction.	Yes.
Counterfeit pen used to detect fake money.	Yes.
Money counted when received from customer.	Yes.
All monies counted three times when giving or receiving.	No.
Do not turn away from work area during payment transactions or when money is out of box or drawer.	Yes.
Monies received kept out of reach of customer but in view until transaction completed and change given.	No.
Driver's license number and date of birth written on checks and verified.	No.
An approved endorsement stamp used and checks endorsed upon receipt.	Partially. On 5 <sup>th</sup> floor checks are endorsed by cashiering machine and endorsement stamp. A second location receiving payments lacked an endorsement stamp when audit commenced.

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Cashier verifies credit/debit cards have not been altered, the expiration date is valid, and the last four digits on the card match the information from the credit card equipment.	Not consistently.
Have customer sign credit card slip.	Yes.
Verify signature signed on credit card slip with the card signature.	Not consistently.
<b>Training and Instructions</b>	
Cashiers attended cash handling training approved or presented by city treasurer.	Yes.
Employees read and initialed MI 6-2 (Cash Handling Procedures).	No.
MI 6-2 posted in cash handling area.	No
<b>Accounting for Cash Assets</b>	
PeopleSoft journal entry prepared when a deposit is sent to the bank.	No.

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**Appendix B**

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**Director of City Planning and Development's Response**

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## Interdepartmental Communication City Planning & Development Department



**DATE:** May 14, 2012  
**TO:** Gary White, City Auditor  
**FROM:** Bob Langenkamp, Director, City Planning & Development  
**SUBJECT:** Response to Audit – Revenue Collection, Deposit and Recording

Please find below our response to the recommendations resulting from the subject audit conducted by your office. Please make note that compliance with some of these recommendations may have a negative impact on the Department's customer satisfaction and customer service levels, in addition to a potentially negative impact on revenue levels. Many of our customer service guarantees are as a result of industry agreement with past fee increases.

1. **Recommendation #1:** The Director of City Planning & Development should ensure each cashier has a separate cash drawer.

**Agree.** While cash transactions accounted for less than 1% of FY11 revenue receipts (0.94%), maintaining separate cash drawers shall ensure compliance with City cash handling procedures to avoid the potential for fraud or theft. The Department will explore options to cover the expense of this recommendation.

2. **Recommendation #2:** The Director of City Planning & Development should ensure that each cashier is assigned a key to his or her cash drawer and is responsible for keeping the key secured.

**Agree.** This recommendation shall automatically be complied with when separate cash drawers are established for each cashier (see Recommendation #1). In addition, staff will be trained on maintenance of their cash drawer keys.

3. **Recommendation #3:** The Director of City Planning & Development should ensure that cashiers lock their cash drawer or log off the computer system when they are away from their work station.

**Agree.** Again, compliance with this recommendation shall be automatic when separate cash drawers are established for each cashier (see Recommendation #1). In addition, staff will be trained on maintenance of their cash drawers.

4. **Recommendation #4:** The Director of City Planning & Development should ensure cashiers keep cash payments in view until proper change is given.

**Agree.** All cashiering staff shall be provided appropriate training on the processing of cash transactions.

5. **Recommendation #5:** The Director of City Planning & Development should ensure that cashiers only process credit card transactions if the customer's signature on the credit card slip matches the signature on the back of the card, or if the credit card is unsigned, the picture identification verifies the card belongs to the person.

**Agree.** While we agree with the general concept behind this recommendation, it may cause extensive delays in permit issuance and progress of development projects within the City. A large number of our permits are issued to contractors who provide payments with corporate credit cards presented by staff who are sent to City Hall to pick up permits. These cards are issued in the name of the company, but must also include the name of a representative person. Requiring the named cardholders (usually corporate CEOs or CFOs) to physically be present when payments are made may certainly cause problems with many of our corporate customers. When the person presenting the card is not the named cardholder, current procedure is to request a photo identification from the person and to make a photo-copy of the ID. There has not been an incident of credit card fraud in this department in (at least) the past 14 years. The purchase of a permit is essentially a request for future services (in the form of inspections, certificates of occupancy, etc.) – use of a fraudulent credit card would seem inconsistent with those requests.

During discussions with the City Treasurer, she has agreed with the general circumstances surrounding our current processes. However, she also maintains that we should still be in compliance with Manual of Instructions (MI) 6-02 regarding cash handling procedures, specifically the acceptance of credit cards – “If the signature on the credit card [slip] does not agree with the signature on the back of the credit card, do not accept the transaction”. She stated that this portion of the MI is a result of requirements imposed by the City's credit card processing company. Further consultation with that company produced no flexibility in this requirement. Therefore, we will initiate a process with our customers to accept credit card transactions only when accompanied with a signature from the named cardholder.

6. **Recommendation #6:** The Director of City Planning & Development should ensure the Business Services Division submits checks to the city's collection agency and the county prosecutor once the division's collection efforts have been exhausted.

**Agree.** The Department shall begin using the City's collection agency for checks which have been returned by the bank and after the Department's collection efforts have been exhausted.

7. **Recommendation #7:** The Director of City Planning & Development should ensure all money received is deposited the next business day.

**Agree.** Department shall ensure that all funds received, including minor overages, shall be included in the following day's deposit.

- 8. Recommendation #8:** The Director of City Planning & Development should ensure all checks are endorsed immediately and are included in the daily deposit.

**Disagree.** The audit states that holding checks is in violation of City ordinance (Section 2-1615). Land Development Division typically holds checks presented as performance bonds for work of short duration (several weeks to a month or less) and for minor infrastructure as defined by Chapter 64 of the Code. This is done to provide a quicker release of customers' funds upon completion of the work. There is essentially no risk to the City, as these checks are for work that could be enforced through other means in the event that the permittee defaults and the City needs to enforce performance. These checks are not considered revenue to the City. After work is performed by the permittee, the City must release the check or bond, which is essentially the same process which occurs with performance bonds. If these checks are considered revenue and are cashiered, various City resources are expended to create and issue a refund check through Finance Department upon completion of the work. This, in turn, may also delay the return of critically needed funds to our customers. Land Development Division believes that this problem is best remedied by simply amending Chapter 64 of the Code to eliminate the provisions requiring these bonds (or cash/check equivalent) for minor infrastructure permits. They are not required as part of a Development Code obligation, so the process of cashiering these checks in lieu of bonds is not necessary. The City is still protected in the event of nonperformance since other provisions of the Code provide the authority for the City to complete the work and then file a lien against the property through Public Works Department. A revision to Chapter 64 has recently been amended to include language which removes this requirement and is presently under City Plan Commission review. If adopted, this issue will be resolved for Land Development Division.

We also receive a large number of checks through the mail for contractor license renewals, elevator permit renewals and for permit applications. Current procedure is to hold these checks for no longer than 5 days while renewals/permit applications are processed by staff. If contractor license renewal, elevator permit renewal or permit issuance cannot be completed as submitted, the check is simply returned to the customer. Processing checks immediately upon receipt will require generating refunds to customers in these situations. Again, as stated above, various City resources are expended to create and issue a refund check through Finance Department (as mentioned during your recent meeting with José Portuguez of this Department, 6 checks were returned to customers for Contractor Licensing just in the prior 3 weeks; if the checks had been processed, this would have required generating 6 refund checks). In addition, many of our customers track their finances through their banking institutions' websites on a daily basis. Processing checks immediately upon receipt may lead a customer to believe that their application has been approved and they may proceed with any proposed work. For a permit application, this would place the customer in a penalty status for performing work without an active permit, generating a penalty of 3X the permit fee due. This situation may become worse if the permit cannot be approved. For Contractor Licensing, processing checks immediately may lead a contractor to perform work without a currently active license on file. All the above situations may impact customer service and

satisfaction levels and may also negatively impact revenue receipts for the Department (see opening paragraph).

Section 2-1615 of the Code states “All moneys belonging to the City and collected by an officer or employee shall be paid into the City Treasury before 3:00 p.m. of the business day next following the day of such collection.” We have consulted with Law Department to determine when moneys received are considered to be ‘belonging to the City’. Per Maggie Moran of Law Department, “the initial language in both [sections] 18-19 and 18-20 states that the permit won’t be issued or valid until a fee has been paid, and that sounds like the fee is not due until the permit is issued”. Therefore, we feel it is acceptable to hold these payments until the permit application, permit renewal or license renewal has been approved and issued. These sections of the Code account for approximately 80% of the Department’s fee revenue. However, Ms. Moran also states that other portions of the Code include language which is not consistent with this language regarding acceptance of fees. Based on her subsequent recommendation, the Department will pursue revisions to all language regarding when fees are considered ‘belonging to the City’ so it is consistent throughout the respective Code sections. This may be completed when the next revisions to Chapter 18 of the Code are performed.

9. **Recommendation #9:** The Director of City Planning & Development should ensure the Business Services Division posts payments to PeopleSoft within three business days of receipt until the interface between the cashiering system and PeopleSoft is in place.

**Agree.** Staff shortages during the audit caused some noncompliance with this requirement. This has since rectified itself and PeopleSoft entry is currently being performed within the 3-day timeframe.

10. **Recommendation #10:** The Director of City Planning & Development should ensure the Business Services Division Manager reviews and verifies that revenues are recorded in the proper accounts.

**Agree.** The Business Services Division Manager, or his delegate (performing the daily close-out verification), shall review PeopleSoft entry to ensure that all account entries are accurate. This will not be an issue once the interface between the cashiering system and PeopleSoft is active.

Cc: José Portuguez, City Planning & Development