CITY OF SAN ANTONIO

P.O. Box 839966
SAN ANTONIO TEXAS 78283-3966

October 5, 2021

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SUBJECT: Audit of the Public Works Department Fee In Lieu Of (FILO) Program

Mayor and Council Members:

We are pleased to send you the final report of the Public Works Department Fee In Lieu Of Program. This audit began in September 2020 and concluded with an exit meeting with department management in September 2021. Management's verbatim response is included in Appendix C on page 9 of the report. The Public Works Department management and staff should be commended for their cooperation and assistance during this audit.

The Office of the City Auditor is available to discuss this report with you individually at your convenience.

Respectfully Submitted,

Kevin W. Barthold, CPA, CIA, CISA
City Auditor
City of San Antonio

Distribution:
Erik Walsh, City Manager
Roderick Sanchez, Assistant City Manager
Ben Gorzell, Chief Financial Officer
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Andrew Segovia, City Attorney
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CITY OF SAN ANTONIO

OFFICE OF THE CITY AUDITOR

Audit of the Public Works Department

Fee In Lieu Of (FILO) Program

Project No. AU21-027

October 5, 2021

Kevin W. Barthold, CPA, CIA, CISA
City Auditor

Executive Summary

As part of our annual Audit Plan approved by City Council, we conducted an audit of the Public Works Department (PWD), specifically the Storm Water Fee In Lieu Of (FILO) Program. The audit objectives, conclusions, and recommendations follow:

Determine if the Storm Water FILO Program is managed in accordance with policies.

Overall, the Storm Water FILO program is managed in accordance with policies. PWD has procedures in place for the granting and approval of permits and plat recordations per city ordinance. In addition, Development Services Department (DSD) has established effective cash handling controls to include proper training of staff and safeguarding of cash and cash equivalents. Finally, PWD has established controls that ensure employees have the appropriate user access within the systems used for the program.

However, we observed administrative opportunities regarding the Storm Water FILO program which can be improved. Controls can be strengthened surrounding the receipt of payment before issuing a permit or plat and ensuring required approval by a professional engineer. Controls can also be improved regarding holding checks for longer than a twenty-four-hour period. Finally, efficiency improvements can be made related to the use of two systems for information tracking. We made recommendations to improve these areas of opportunity.

The Public Works Department Management team agreed with the audit findings and has developed positive action plans to address them. Management's verbatim response is in Appendix C on page 9.

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Background

The Regional Storm Water Management Program was established in 1997 via ordinance to protect public health and safety. It requires developments to mitigate increases in storm water runoff due to changes in impervious cover. Impervious cover is any human-made surface that does not absorb rainfall. Impervious cover rates are calculated per square foot. (For rates, refer to **Appendix A** on page 7) Developers seeking a building permit or plat are required to submit a Storm Water Management Plan or Adverse Impact Study certified by a licensed engineer. It outlines the anticipated impact of the development.

The FILO program is a payment to the regional storm water fund in-lieu-of on-site detention as a mitigation option. FILO payments are not required, but all developers shall complete a Regional Storm Water Management Participation (RSWMP) form and chose to participate in the program in one of three ways. They can choose to:

1. Construct on-site detention facilities.
2. Participation in the construction of a mitigation project.
3. Pay a fee in-lieu-of.

To be eligible for the FILO payment option, they must:

1. Confirm that the property is not in a mandatory detention zone and
2. Provide a Storm Water Management Plan or Adverse Impact Analysis to prove that the project does not have an adverse impact up to 2,000 feet downstream of the developed area.

PWD works with the Development Services Department (DSD) to manage storm water plans and building permit processes for the City. The Storm Water Plan Review Team works with the DSD to manage the project submission processes, submission of documents, assess FILO payments, and confirm detention facilities and/or mitigation projects were completed according to plan. The PWD fiscal team is responsible for monitoring and reporting FILO payments collected. Their customers are the residents of the city, land developers, and builders.

In fiscal years 2019 and 2020, there were approximately 780 FILO payments made. This accounted for roughly $11,832,364 in payments over both years.

Audit Scope and Methodology

The audit scope was FILO transactions for the fiscal year 2019 and fiscal year 2020.

To understand the processes incorporated within the FILO program, we interviewed management and key staff members who support the FILO program. We also reviewed Regional Storm Water Management Participation (RSWMP) forms, supporting documents and approval processes. We performed an on-site visit to understand the payment receipt and processing methods.

To establish criteria for testing, we relied upon the Local Government Code and City Administrative Directives outlining the FILO process and fee schedule.

- Ordinance 86711 and relevant amendments
- Unified Development Code Appendix H – Storm Water Design Criteria Manual
- PWD policies and procedures
- City Administrative Directives

We also reviewed the RSWMP process, which included appropriate project review and documentation support. We tested a sample of projects for proper FILO payments. We also performed an on-site visit to observe for adequate cash handling procedures. Finally, we reviewed for appropriate system user access for Build SA[1] and the FILO database[2].

We relied on computer-processed data in Hansen[3], Build SA, FILO Database, and SAP to validate the documents submitted, FILO payments, project status, and program expenses. Our reliance concentrated on performing direct tests on the data rather than evaluating the system's general and application controls. Our direct testing included verifying documents received, confirming square footage used to calculate FILO payments (FILO Database), verifying FILO payments in SAP, and project tracking and status (Hansen & Build SA). We do not believe that the absence of testing general and application controls influenced the results of our audit.

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

[1] Build SA is the City's primary system utilized to track plat applications. Build SA is part of the new city wide Accela civic platform.
[2] The FILO Database is an Access based system used to track the RSWMP program process.
[3] Hansen is a legacy system that tracked permit applications. Effective November 30, 2020, this data was moved to Build SA.

evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Results and Recommendations

A. Granting Permits and Plats

Overall, PWD is granting permits and plat recordations per city ordinance. We selected a sample of 88 projects to review. The samples included 3 project types: on-site detention facilities, mitigation construction, and FILO projects. We subsequently determined that permits and plats were granted in accordance with city ordinances.

Of the projects reviewed above, 15 FILO projects were pending payment. We identified one granted plat recordation with an outstanding balance of $74,154. Per the city ordinance, the applicant must pay the FILO before a plat being released for recordation by the City. There was a lack of execution of the existing procedures, resulting in premature plat recordation. PWD has subsequently worked with the customer and has obtained payment.

Prematurely granting permits and plat recordations may leave the City unable to collect the funds and could result in unnecessary costs.

Recommendations

The PWD Director should ensure existing procedures related to acquiring FILO payments before granting permits and plat recordations get followed.

B. Project Approval

We reviewed a sample of 88 projects for appropriate approval by a professional engineer. Of the 88 total projects, 43 were for platted projects and 45 were permitted projects. All 43 platted projects contained drainage reports approved by a professional engineer. However, we identified that 3 out 45 permitted projects that did not have the required professional engineer's approval. Specifically, the signature and seal of a professional engineer were not present on the drainage report. The accepted seals and signatures were that of architects and an engineer not licensed in Texas. While the 3 projects were relatively small, PWD does not have a specific process to confirm when a signed and sealed Storm Water Management Plan from a professional engineer is required for small projects.

Lack of professional engineer approval could allow permits to be issued without proper storm water mitigation, which may result in additional risks.

Recommendation

The PWD Director should implement a procedure to identify small projects and provide guidance as to when a drainage report with a professional engineer's signature and seal, signifying their approval, is required.

C. Cash Handling

Staff with cash handling duties have attended the required cash handling training. We reviewed eight staff members and each has participated in the required cash handling training. In addition, we conducted a site visit and observed appropriate safeguarding of cash and cash equivalence. However, we identified one area that needs improvement. There are instances when DSD holds checks for FILO payments in the department's safe longer than 24 hours. Holding of checks is not a formalized process as supporting documents are not included with the checks. AD 8.1 states that departments must deposit checks or cash equivalents within 24 hours of receipt. Departments may not hold checks or cash equivalents longer than 24 hours. When documents are missing or incomplete, the development services specialist cannot create an invoice to process and receive the payment, so the check is held in the safe.

Holding checks without documentation could put the department and City at risk.

Recommendation

The PWD Director in collaboration with DSD, should obtain approval from Finance to hold checks longer than 24 hours, per AD 8.1. Additionally, establish formal procedures for checks held longer than 24 hours.

D. Information Accuracy

We reviewed a sample of 88 projects for information accuracy. Although payments were not impacted, on four occasions, the square footage in the FILO database was not accurate. Specifically, the RSWMP square footage information was different between the FILO database and Build SA. The variance fluctuated from 9 square feet to over 3 million square feet. Additionally, during monthly system reconciliation, PWD did not identify one inaccurate payment posted in SAP.

PWD and DSD staff utilize two systems, the FILO Database and Build SA, to enter and track project status, fee calculations, and payment processing. Additionally, the systems do not interface with each other. Consequently, information entry is duplicated and may not get reviewed for accuracy and consistency.

Maintaining data in multiple systems is inefficient and leads to a greater risk of errors in both systems. PWD and DSD staff devotes additional time and resources to correcting information and recalculating payments.

Recommendations

The PWD Director should work with ITSD to evaluate the information systems utilized and streamline their use to reduce redundancies. Additionally, review the capabilities within Build SA to determine how it can meet their needs.

E. User Access

PWD has controls in place to ensure employees have appropriate user access. We reviewed 52 employees with access to Build SA and/or the FILO Database and determined all 52 had appropriate access according to the City's Administrative 7.8d.

Recommendation

None.

Appendix A – FILO Fee Schedule

Fee Schedule 35-C109 Table I		
Development Type/ Land Use	**Fee Effective April 1, 2013 (per sq ft of impervious cover)**	**Fee Effective December 1, 2015 (per sq ft of impervious cover)**
Single Family or Two Family (Duplex)	$0.15	$0.15
Multi Family	$0.15	$0.20
Industrial	$0.15	$0.20
Commercial	$0.20	$0.25
Public Facilities (including schools)	$0.15	$0.20
All school projects funded through either a bond or maintenance tax note prior to April 1, 2013 are to be assessed 50% of the proposed fee.		
Inner City Reinvestment Infill Policy (ICRIP) - all land uses as approved by City Council on January 10, 2013	50% of proposed fee	50% of proposed fee
Infill Development Zone (IDZ)-all land uses	No fee	No fee
Impervious Cover Increases Less Than 100 Square Feet	No fee	No fee

Source: *Fee In Lieu Of Program Brochure*
https://www.sanantonio.gov/portals/0/files/cims/services/filo-faq.pdf

Appendix B – Staff Acknowledgement

Buddy Vargas, CIA, CFE, Audit Manager
Ken Lyssy, CFE, Auditor in Charge
Abigail Estevez, CPA, CIA, CISA, Auditor
Yadi Valenzuela, Auditor

Appendix C – Management Response

CITY OF SAN ANTONIO

SAN ANTONIO TEXAS 78283-3966

September 20, 2021

Kevin W. Barthold, CPA, CIA, CISA
City Auditor
San Antonio, Texas

RE: Management's Corrective Action Plan for the Audit of Public Works – Storm Water FILO Program.

The Public Works Department has reviewed the audit report and has developed the Corrective Action Plan below corresponding to the report recommendation.

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
1	The PWD Director should ensure existing procedures related to acquiring FILO payments before granting permits and plat recordations get followed.	4	Accept	Sabrina Santiago, Capital Programs Manager	02/01/2022
	Action plan: The manager of the Floodplain Management team will review SOP's and update them as needed. All staff will be properly trained on these SOP's. Also, the manager will coordinate with the DSD's Land Entitlements Division to ensure plats indicate "DNR" status or Do Not Record until FILO has been collected and receipts are provided to PWD - Storm Water-Floodplain Management team.				
2	The PWD Director should implement a procedure to identify small projects and provide guidance as to when a drainage report with a professional engineer's signature and seal, signifying their approval, is required.	4	Accept	Sabrina Santiago, Capital Programs Manager & Nefi Garza, PWD Assistant Director	10.30.2022

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
	Action plan: The current ordinance, as well as the Drainage Design Manual, requires all SWMP's / drainage reports to be submitted for plat and commercial building permits be signed and sealed by a licensed Professional Engineer that practices in the State of Texas. The manager of the Floodplain Management team will update the FILO Ordinance to have standards / criteria in place that will identify when a SWMP is required and when it is not required based on minimum impervious cover square footage. The FILO Ordinance update will be included as part of the Unified Development Code (UDC) Amendments.				
3	The PWD Director in collaboration with DSD, should obtain approval from Finance to hold checks longer than 24 hours, per AD ~~1.8~~. 8.1Additionally, establish formal procedures for checks held longer than 24 hours.	5	Accept	Marc Castro, Department Fiscal Administrator	01/01/2022
	Action plan: PWD is working with Finance to update internal departmental procedures related to Administrative Directive 8.1 Cash Handling Section A-14 to allow PWD to increase the safe-holding of FILO checks from 24 hours to 48 hours. Additionally, PWD is working with the DSD to provide for the accounting of FILO checks in the new Build SA system for properties that fall outside City limits in the ETJ (Extra Territorial Jurisdiction). While no checks were found to be held longer than allowed, these efforts will help to ensure no checks are held longer than is allowable by extending the safe-holding period and providing for an immediate billing mechanism within the new permitting system.				
4	The PWD Director should work with ITSD to evaluate the information systems utilized and streamline their use to reduce redundancies. Additionally, review the capabilities within Build SA to determine how it can meet their needs.	5	Accept	Sabrina Santiago, Capital Programs Manager & Nefi Garza, PWD Assistant Director	06/30/2023
	Action plan: The PWD Assistant Director for Storm Water and the manager of the Floodplain Management team will explore avenues to streamline the FILO process such as utilizing BuildSA to assess and collect the FILO for plat and permit records. We will coordinate with DSD and ITSD staff responsible for maintaining this web-based software to help streamline our FILO processing and perhaps automation of the FILO fees. Funding from PWD to DSD will have to be available for this business practice to be implemented. Training of DSD and PWD staff will also be required to make sure the system is functioning as intended to catch any bugs in the software and as a checks and balances.				

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We are committed to addressing the recommendation in the audit report and the plan of action presented above.

Sincerely,

Nefi Garza
Assistant Director
Public Works Department

9/28/2021
Date

Razi Hosseini
Director
Public Works Department

9/27/2021
Date

Roderick Sanchez
Assistant City Manager
City Manager's Office

9/28/2021
Date

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