

December 27, 2005

Internal Audit Report 2005-14
Planning Fee Revenue
Planning Department

Introduction. The Planning Department charges fees for a variety of services such as platting, zoning and land use enforcement. All fees, as defined by Title 21 of the Anchorage Municipal Code of Regulations, are collected at the Development Services Department cashier counter and are credited to the appropriate department accounts. In 2004, the Planning Department installed an automated invoicing system to create revenue reports to help forecast, budget and track fee revenue. The automated invoicing system consisted of an Excel spreadsheet invoice to itemize service transactions and to assign corresponding dollar values.

Objective and Scope. The objective of this audit was to determine if Planning Department fees were properly collected and allocated, and if the automated invoicing system worked as intended. Specifically, we reviewed the invoicing spreadsheet and the associated files to determine if the intended revenue management and reporting function had been met. In addition, we judgementally selected a sample of 48 transactions for 2005 to trace to payment records. Finally, we compared the Planning Department fee schedule to Title 21 and tested if all revenue was captured by the automated invoicing system.

The audit was conducted in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review, and accordingly, included tests of accounting records and such other auditing procedures as we considered necessary in the circumstances. The audit was performed during the period of September 2005. The audit was requested by the Administration.

Overall Evaluation. Planning Department fees were generally collected and allocated to the correct accounts. However, the automated invoicing system was not used consistently and accurately. We also found duplicate transactions, and no mechanism for approval of voided transactions. Finally, our audit revealed that the automated invoicing system data had never been reconciled to PeopleSoft data and the Planning Department lacked standard operating procedures that reflected current policies and procedures.

FINDINGS AND RECOMMENDATIONS

1. Automated Invoicing System Not Used Properly.

- a. Finding.** The automated invoicing system was not used consistently and accurately by Planning Department staff. As a result, revenue and productivity data captured by the automated invoicing system was not accurate. Specifically, we found the following:

Inconsistent Use - The Planning Department staff have not consistently used their automated invoicing system. We found two time periods where invoices were not processed through the automated invoicing system, one in December 2004 through January 2005 and another in February 2005 through May 2005. We were told that employees sometimes use manual forms instead of electronic invoices. As a result, the data contained in the automated invoicing system was incomplete since it did not include all transactions.

Duplicate Transactions - Duplicate transactions had sometimes been entered into the automated invoicing system. For example, invoice number 2005-10511 on August 18, 2005, for a liquor license and a restaurant license totaling \$2,535.40 was identical to invoice number 2005-10513 on August 19, 2005. Both invoices displayed the same client and the exact same square footage required to calculate the

restaurant license fee. As a result, the fee revenue in the automated invoicing system's file was overstated by \$2,535.40.

Incorrect Fee - Our review revealed an error in the spreadsheet pricing structure that did not match Title 21 nor the Planning Department fee structure. Instead of \$.50 per square foot for a brew pub license, the spreadsheet calculated \$.80 per square foot.

Invoices Manually Altered - Invoices were manually altered between issuance and payment. However, the automated invoicing system was not adjusted accordingly, over or understating the revenue actually collected. In addition, there was no indication that management had approved the alterations, nor were reasons provided for the alterations.

No Mechanism for Approval of Voided Transactions - The automated invoicing system does not have a mechanism for management approval of voided transactions. For example, we found five invoice files stored on the computer that were voided but did not have management approval. Without adequate controls for voided transactions, the accuracy of the spreadsheet is questionable.

Entry Errors and Omissions - We found at least 33 instances from 2005 where the client name was either entered onto the wrong line of the automated invoicing system invoice or not entered at all. As a result, the clients' names were not transferred to the files stored on the computer.

Automated Invoicing System Not Reconciled - The data from the automated invoicing system has never been reconciled to PeopleSoft data. According to PeopleSoft records, total fines and fees collected by the Planning Department from January 1, 2005, through September 19, 2005, amounted to \$1,052,139, with most of this total consisting of fees. However, the automated invoicing system showed a total of \$349,277.30 collected in fees for the same time frame.

No Access Restrictions - The automated invoicing system did not have any access restrictions. Therefore, any employee within the Planning Department was able to modify an invoice. Because Planning Department staff were given unlimited access to modify invoices, the accuracy of the automated invoicing system was questionable.

Spreadsheet Not Protected - The spreadsheet used by the automated invoicing system was not adequately protected. For example, formulas in the cost column could easily be overwritten with a different cost figure. Without adequate protection, the spreadsheet can be either accidentally or intentionally manipulated.

- b. **Recommendation.** The Planning Department Director should ensure that controls are implemented to ensure that Planning Department staff consistently and accurately use the automated invoicing system. All changes to or voids of automated transactions should be explained and approved by a supervisor. The automated invoicing system should be periodically reconciled to PeopleSoft records. In addition, the automated invoicing system spreadsheet should be protected to prevent accidental or intentional changes.
- c. **Management Comments.** Management concurred and stated, “We will start utilizing the new planning invoice database created by your office January 1, 2006. A trial period will be in place for two weeks, with the official implementation beginning January 15, 2006. This trial period will provide an opportunity to train staff and work through the process.”
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

2. Lack of Standard Operating Procedures.

- a. Finding.** The Planning Department did not have a standard operating procedures manual for the automated invoicing system. Many of the problems in our audit may have been avoided if a procedures manual had existed and training had been provided accordingly. A manual should reflect current Planning Department counter procedures, fees and the use of the new automated invoicing system.
- b. Recommendation.** The Planning Department Director should develop and implement a procedures manual for the use of the automated invoicing system. In addition, training should be provided to Planning Department staff according to the manual.
- c. Management Comments.** Management concurred and stated, “We also will develop a standard operating procedures manual. The estimated completion date of this manual will be February 28, 2006.”
- d. Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

Discussion With Responsible Officials. The results of this audit were discussed with appropriate Municipal officials on November 1, 2005.

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