

Highlights

Why OCA Did This Study

In accordance with the Office of the City Auditor's Fiscal Year 2019 Audit Work Plan, we conducted a performance audit of the Development Services Department administration of deposit accounts for development projects. The overall objective of this audit was to determine the efficiency and effectiveness of DSD's billing process for these deposit accounts.

What OCA Recommends

OCA made 11 recommendations to improve the administration of deposit accounts which include:

- Establishing formal written policies establishing the authority and approval for setting and changing minimum required balances (MRB);
- Revising Information Bulletin 503 to state discretionary projects with multiple approval types will be combined to calculate the required MRB;
- Training project managers on the new policy for authority and approvals needed to set or change MRB levels;
- Working with the Public Works Department to define roles and responsibilities applicable to ministerial deposit accounts;
- Developing policies and procedures to suspend work on projects with a negative balance;
- Automating certain technology controls;
- Invoicing past due deposit accounts; and
- Establishing procedures for monthly review and invoicing of deficit deposit accounts.

DSD has agreed to implement all eleven recommendations.

For more information, contact the Office of the City Auditor at (619)533-3165 or cityauditor@sandiego.gov.

Performance Audit of the Development Services Department Administration of Deposit Accounts For Development Projects

The Development Services Department is Extending Credit to Some Customers and is at Risk of Losing a Significant Amount of Money Due to the Ineffective Administration of Deposit Accounts

What OCA Found

The Development Services Department (DSD) requires some customers to set up a deposit account to recover costs for development projects with unpredictable costs. Customers make an

initial and subsequent deposits to maintain a minimum required balance (MRB) to pay for ongoing project costs. If accounts go into deficit, City staff must stop working on projects to prevent extending City credit. DSD has over 4,000 individual deposit accounts which can be for discretionary or ministerial projects. Discretionary projects involve requesting

approval for land use entitlements. Ministerial projects are for grading and public right-of-way permits and mapping actions.

Finding 1: We found that DSD does not follow its own policy in setting the MRB for ministerial and discretionary projects with deposit accounts. We reviewed the MRB amounts in July 2019 for all DSD's 4,012 deposit accounts and found that 61 percent of the deposit accounts for ministerial and discretionary projects have an MRB of \$0. Accurately setting and enforcing the MRB is essential to ensure that projects have enough money to cover ongoing project expenses incurred by City staff who review projects. DSD management views the use of discretion as a necessary aspect of providing good customer service. As a result, deposit accounts frequently fall into deficit and City staff continue working on projects with deficit account balances, despite the requirement to stop working on projects with deficit balances. The use of discretion creates inequity between what customers pay, with some paying more than others for the same level of service.

Finding 2: We also found that DSD does not effectively identify and pursue money owed to the City because it has not established an efficient and effective process to do so. As of July 2019, there were 1,384 deposit accounts with deficit balances totaling \$4.6 million. Although \$3 million has been invoiced and remains outstanding, we identified another \$1.4 million that should be invoiced immediately.

