# Office of the City Auditor
## City of San Diego

## Performance Audit of the Development Services Department's Project Tracking System

CONTROL DEFICIENCIES LEAD TO SYSTEM SECURITY RISKS, OPERATIONAL INEFFICIENCIES, AND ERRORS CHARGING CUSTOMERS

Presentation to the Audit Committee
July 9, 2012

OCA

Independent • Objective • Accurate

# Background

## DSD's Project Tracking System (PTS)

- PTS was developed in-house in 1998 and became operational in 2001.

- PTS is the core information system that DSD uses to manage and track permit activity.

- PTS is also used to assess fees and deposits.

- In fiscal year 2011nearly 7,000 construction projects with a cumulative value of approximately $1.16 billion were processed through PTS.

- DSD collected more than $40 million in permit and review fees in fiscal year 2011.

# Key Audit Objectives

- Determine whether controls are sufficient to safeguard the reliability and integrity of PTS.

- Determine whether controls are sufficient to ensure building permit fees are assessed accurately.

- Determine whether PTS meets current operational needs.

# Finding 1

## Numerous IT Security Weaknesses Exist

- DSD has not implemented sufficient controls over PTS to adequately mitigate the risk of improper activity.

- As a result, DSD management and staff have numerous opportunities to improperly modify the PTS application software and critical system data.

- We made four recommendations to address the IT security issues that we identified. DSD disagrees with three of these recommendations and partially agrees with one.

# Finding 1
## Specific IT Control Issues

- SCM access controls do not prevent unauthorized modifications of data.

- Limited detection controls can be disabled by IT staff.

- SCM policies and procedures are poorly documented.

- Separation of Duty controls are not enforced and employees have excessive access to PTS.

- Lack of system documentation, combined with over-reliance on the IT Program Manager, leave DSD vulnerable to a system failure.

# Finding 2

## Permit Fees are not Consistently Charged Accurately

- DSD staff do not consistently charge accurate permit fees and deposits due to multiple issues, including deficiencies in PTS.

- Other factors that cause mischarged fees include inefficient staffing, high workloads, varying staff skill levels, and inadequate supervision.

- We made six recommendations to improve fee charging accuracy. DSD disagrees with two of the recommendations, partially agrees with two, and agrees with two.

# Construction and Demolition Debris Recycling Deposit

• The C&D Deposit program was approved by the City Council in 2008

• Customers pay a deposit which is refunded if at least 50% of construction waste is recycled

• Undercharging the deposit reduces the incentive to recycle and may result in a loss of revenue for City recycling programs

•Overcharging the deposit places an unfair burden on the customer

**Selected Projects Mischarged the C&D Deposit During Fiscal Year 2011**

| DSD Assessment | | | Correct Assessment | | | TOTAL AMOUNT OVER/ (UNDER) CHARGED |
|---|---|---|---|---|---|---|
| C&D Type | Square Footage | Deposit Amount | C&D Type | Square Footage | Deposit Amount | |
| Res New SDU / DUP | 1,087,955 | $385,182 | Res New MDU | - | $40,000 | $345,182 |
| Non-Res Alteration | 74,587 | $52,211 | - | 35,000 | $24,500 | $27,711 |
| Res New MDU | 72,000 | $28,800 | Ind'l New Const | - | $14,400 | $14,400 |
| Res New MDU | 51,929 | $20,772 | Ind'l New Const | - | $10,386 | $10,386 |
| Res New MDU | 34,147 | $13,659 | Comm. New Const | 33,609 | $5,000 | $8,659 |
| Not Charged | None | $0 | Comm. New Const | 81,467 | $5,000 | ($5,000) |
| Not Charged | None | $0 | Non-Res Alterations | 15,405 | $10,703 | ($10,703) |
| Res New SDU | 37,659 | $15,064 | Non-Res Alterations | - | $26,361 | ($11,298) |
| Non-Res Alterations | 5,898 | $4,129 | - | 37,501 | $26,251 | ($22,122) |
| Not Charged | None | $0 | Non-Res Alterations | 49,986 | $34,990 | ($34,990) |
| Comm. New Const | 57,567 | $5,000 | Non-Res Alterations | | $40,297 | ($35,297) |
| Not Charged | None | $0 | Non-Res Alterations | 53,820 | $37,674 | ($37,674) |

Note: Shaded areas indicate staff data entry errors that resulted in incorrect fees.

# Finding 3
## PTS' Reporting Capabilities Are Inadequate

- PTS' current reporting capabilities do not facilitate effective operational management for client departments.

- DSD's client departments have limited ability to monitor and track their development-related activities and the fees collected by DSD.

- Client departments' efficiency suffers as staff resources must be allocated to re-entering data.

- We made two recommendations to improve PTS' ability to support client department operations. DSD disagrees with both of the recommendations.

# Finding 4

## DSD Lacks a Long-Term IT Strategy

- DSD has not developed a long-term information technology strategy to meet business and customer needs cost-effectively.

- PTS lacks modern, user-friendly features found in other systems, such as online customer access to track project status, estimate fees, view account balances and invoices, and obtain permit history.

- Strategic planning is also critical because it allows an organization to anticipate and plan for necessary system maintenance, updates, and replacements—and identify funding for associated expenses.

- We made one recommendation to improve DSD's long-term technology planning. DSD disagrees with this recommendation.

# Recommendations

- We made **13 recommendations** to improve information system controls, staff's accuracy in assessing fees and deposits, operational efficiency, and the likelihood that PTS supports long-term business operations cost-effectively.

- DSD agrees with two recommendations, partially agrees with four, and disagrees with seven.

# Questions

Eduardo Luna, City Auditor

[cityauditor@sandiego.gov](mailto:cityauditor@sandiego.gov), (619) 533-3165

1010 Second Ave., Suite 1400

San Diego, CA 92101