



To: Michael Hurlbert, Director Community Development

From: Brent Statler, County Auditor *BSRCS*

Subject: Community Development – Development Review Division Review Follow-up

Date: August 30, 2019

A follow-up review of the Community Development – Development Review Division Action Plan included in the report issued on January 11, 2018 was conducted by the County Auditor’s Office to determine the current status of reported observations. The results of the review are detailed in the attached report.

The analysis was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and consisted of examining sufficient evidence to afford a reasonable basis for our findings. Since this was a status update, management responses are not necessary but added if the planned action has changed.

If you have any questions or concerns pertaining to the observations or recommendations included in this report, please feel free to call me.

Attachment

Copy to: Jennifer George, Assistant Director of Administration
Rich Gnecco, Development Review Division Director
Honorable County Council Members

Observation Status

Sewer Lateral Insurance Program

Discussion and Background	Cause	Recommendation	Management Response	Action Plan Status
<p>County residents approved a ballot issue in August 2016 allowing residents who receive sewer service from the City of St. Peters and City of St. Charles to participate in the city lateral sewer insurance program. The Development Review Division maintains the list of participating properties and annually prepares the assessment role which is certified by the County Executive. The county provides the certified assessment role to the County Collector who adds the fee to the applicable parcel real estate tax bill. Residents for each property included in the program pay an annual fee of \$28 to the City of St. Peters or \$20 to the City of St. Charles. The County disburses collections to the applicable city. The cities administer the programs, including receiving applications, making payments, and determining if repair meets the program requirements.</p>	<p>There is no periodic reconciliation of the County list of residents included in the lateral sewer program assessments and the city lists of county residents included in the program.</p> <p><u>Note:</u> The first year of assessments were for tax year 2016.</p>	<p>The County should perform a periodic reconciliation of program participant listings with the City of St. Peters and City of St. Charles.</p>	<p>The Division has established a procedure to annually review and reconcile our assessment roll with the cities' customer lists on August 1 (we have done this in year one of the program, but we have now established an annual periodic review date & process). We will also conduct an annual review of the collected assessments, expenditures for sanitary sewer lateral projects, the number of projects applied for and the number approved, and the number of Division of Building and Code Enforcement permits issued in conjunction with this program (see attached spreadsheet) on February 1 with St. Charles and St. Peters. These reconciliation reviews have been programmed in Outlook.</p>	<p><u>Status:</u> Closed</p> <p>It appears Development Review is in contact with the municipality's representatives on a periodic basis. The Lateral Sewer Program as required by ordinance will be reviewed during 2019.</p>

Sediment/Erosion Control Escrow Reconciliation

Discussion and Background	Cause	Recommendation	Management Response	Action Plan Status
<p>Performance guarantees required for sediment/erosion control are posted by certified check, letter of credit, escrow agreement, or ledger agreement based on the estimated cost of the improvement/project. Escrow amounts may be established by the engineer or developer or based on ordinance and are approved by the Development Review Division Director. The Division releases portions of the guarantee throughout a project based on completion of work and inspections, and fully once all improvements and inspections have been completed. The Development Review Division maintains a spreadsheet of all performance guarantees and the Community Development Department periodically reconciles activity with MUNIS balances.</p>	<p>Quarterly reconciliations do not appear to include reconciling the MUNIS balance to the spreadsheet.</p> <p><u>Note:</u> When reconciling the open performance guarantees on hand to MUNIS (cash on hand), there was a \$558.08 difference. The Community Development Department recently became aware of the difference and believes the item relates to a 2013 project.</p>	<p>The Development Review Division should review and reconcile the Performance Guarantee spreadsheet to the MUNIS account balance on a periodic basis. This review and any differences should be documented and maintained.</p>	<p>The Division has established a quarterly review process on the last working day of March, June, September and December to reconcile the Division's spreadsheet balance to the Finance account for Performance Guaranty funds deposited with the County. The results will be documented quarterly in the existing spreadsheet (see attached). These reconciliation reviews have been programmed in Outlook.</p>	<p><u>Status:</u> Closed</p> <p>The Administrative Staff has been reconciling the performance bond balance spreadsheet to the MUNIS B/S balance on a quarterly basis since the end of 2017. Each quarter, the same \$558.08 MUNIS excess remains. Staff has discussed final disposition of the excess with the Finance Department.</p>

Subdivision Inspection Estimates

Discussion and Background	Cause	Recommendation	Management Response	Action Plan Status
<p>As part of the review of Subdivision Improvement Plans (County Code 425.020), the Development Review Division prepares an inspection fee estimate for the Highway Department based upon the submitted plan. The Division enters data from the plan into a Highway developed spreadsheet that computes the estimated inspection hours needed for the project. The prepared estimate is then provided to the Highway Department (Projects Engineer, Chief Engineering Inspector, and a clerk) for review and billing. The project developer must pay the estimated amount before beginning the project. If actual inspection hours exceed the estimate, and second invoice is sent to the developer. If actual hours are less than the estimate, then a refund is processed.</p>	<p>The Highway Department had no record of invoicing a developer or receiving payment for two (28.6%) out of seven inspection estimates reviewed.</p> <p><u>Note 1:</u> Although not invoiced, the two projects are on Highway's active list; therefore, the developer should be invoiced for actual inspections fees before final project approval.</p> <p><u>Note 2:</u> The total for the two estimates was \$3,047.00.</p>	<p>The County should review the process of creating subdivision improvement estimates and/or notification of plans and determine if any changes could improve the process.</p>	<p>The Highway Department identified that these two instances of inspection fee estimates were not being billed at the start of work were the result of clerical error. Invoices were filed instead of being sent. The developers have since been billed in both instances. The oversight would have been noticed at the completion of work when a reconciliation of actual inspection hours was tabulated and sent to developer. Greater attention will be given to the tracking of these inspection fees to avoid a repeat of this oversight.</p> <p>The Division will: (1) Complete the inspection estimate spreadsheet and document their name as the estimator and the date that the estimate was completed. (2) Email a .pdf and send the paper copy to Highway Projects Engineer and Account Clerk in Highway (so Highway can review the estimate, complete the "Checked By" information at the bottom of the form and bill the developer). (3) Document that the Division has sent the estimate to Highway by saving a copy of the email.</p>	<p><u>Status:</u> Closed</p> <p>Development Review has revised their SOP; however, the fee calculation, billing, collection, and reconciliation of inspection fees will continue to be performed within the Highway Department. The process within the Highway Department will be reviewed during 2019/2020 review of the Department.</p>

Discussion and Background	Cause	Recommendation	Management Response	Action Plan Status
			<p>The Division and the Highway Department will evaluate the merits of shifting the inspection fee estimate duties to the Highway Department to keep the process entirely within the Highway Department and explore with the Department utilization of Citizenseve's inspection capabilities and its abilities to estimate inspection fees, track actual inspection hours used and reconcile reimbursement / billing for unused / additional inspection hours.</p>	

NID Funding

Discussion and Background	Cause	Recommendation	Management Response	Action Plan Status
<p>Authorized by State Statute, residents can request the creation of a Neighbor Improvement District (NID) through the County to fund improvements in their neighborhoods, such as, streets, sewers, sidewalks, etc. Once a NID is considered/ requested, the Development Review Division gives a presentation to the affected property owners explaining the process and estimated cost of the project. Residents must sign a petition supporting the NID and, based on the level of support; it will move to either the County Council for approval or to a ballot measure. The County Council must authorize the creation through ordinance based on the petition and/or election result. All costs of the NID, bonds, construction, interest, etc. are paid for by the residents within the NID.</p>	<p>Since 2011, there have been five constructed and two planned NID projects. Based on the size of the projects, the County funded the projects rather than issuing bonds; however, the NID final actual cost included a 4% fee to issue bonds and a set established interest rate (6%).</p>	<p>The County should determine if the bond issuance cost (or alternative administrative fee) and use of a pre-established interest rate is an allowable expense/method when the County finances the project.</p>	<p>On all self-funded NID projects, the 4% administrative fee has been charged only to NID residents who take the option of financing their assessments. Given the scope of services provided by Development Review to NID projects, the Director of Finance believes 4% is equitable and has recommended a 4% administrative fee be charged to all future NID projects as a project cost and be charged proportionately to all NID residents regardless of the method of payment.</p> <p>Since the first self-funded NID project, Development Review has used 6% as the applicable interest rate applied to financed NID assessments. This rate was intended to capture interest rate fluctuations during the 20-year financing term. The Director of Finance will consult with the County Counselor's Office to pursue a financing option that can be reviewed periodically to adjust interest payments by NID residents to the County's actual cost of financing, applying any interest overpayments to NID resident principal balances.</p>	<p><u>Status:</u> Closed.</p> <p>The 4% Administration Fee will be included as a cost to compensate the County for the Division's efforts throughout the entire life of the project from the conceptual phase, meetings, construction, and then servicing for 20 years.</p> <p>Starting with the 2019 assessment, the interest rate for county funding projects will be 3%. This rate is based on compensating the County for capital provided for the project and saving residents the much higher cost of a conventional bond financing.</p>