



Council Auditor's Office

Follow-Up on Stormwater Fee Audit

Report #823A

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OFFICE OF THE COUNCIL AUDITOR
Suite 200, St. James Building



January 10, 2023

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Honorable Members of the City Council
City of Jacksonville

The purpose of this report is to document our follow-up review of our past report #823, Stormwater Fee Audit, and to determine whether corrective action has been taken in response to our findings and recommendations. We are providing this special written report in accordance with Ordinance Code Section 102.102. This report does not represent an audit or attestation conducted pursuant to Government Auditing Standards. The initial audit report can be found on our website.

We sent a follow-up letter to the City’s Chief Administrative Officer on October 7, 2021, inquiring as to the status of the original audit report recommendations. We reviewed the recommendations from our audit report, the auditees’ responses to the recommendations, and the auditee’s responses to our follow-up letter. We then performed limited testing to verify the Public Works Department’s responses.

Based on the responses received and our follow-up testing, a table detailing the original number of issues noted and the number of issues resolved as of this follow-up is included below.

Types of Issues	Original Number of Issues	Issues Cleared	Remaining Issues
Internal Control Weaknesses	6	5	1
Findings	13	7	6
Opportunities for Improvement	4	0	4
Total	23	12	11

The following is a brief summary of the remaining issues with responses from Steve D. Long, Director of Public Works Department, that we received on January 4, 2023.

Finding 1 *Inaccurate Fees for Non-Residential Parcels*

In the original audit, we found 45 instances where real estate parcels were charged a fee that was either too high or too low. The differences were likely due to fees not being updated to account for changes in the parcel over time or due to the City applying inconsistent methodologies for measuring impervious area.

We recommended in the original audit that the Public Works Department enhance their efforts to ensure that stormwater fees were based on updated measurements that more accurately reflect the current state of each owner's parcel and consider having a third party contractor recalculate the fees periodically.

During our follow-up testing, we found that the Public Works Department uses the most recent data from the Property Appraiser's database to ensure fees are reflected based on the current state of each owner's parcel. However, the Property Appraiser's database does not always completely reflect impervious area (mainly compacted dirt), and there is not one consistent method for manually measuring impervious area by Public Works. Additionally, a third party has not been selected to measure all parcels.

We recalculated the stormwater fee for 41 of the 45 instances where real estate parcels were charged a fee that was either too high or too low during the original audit. We did not recalculate the fee for the remaining four parcels because the real estate number was no longer active. We calculated the impervious area per by the Property Appraiser's data and manually remeasured the parcel using JaxGIS Duval Maps. Of the 41 tested, 17 of the parcels did not match the impervious area per the Property Appraiser's records and did not appear reasonable based on our measurements calculated based on aerial photographs. Additionally, while 8 parcels appeared to match the data on file with the Property Appraiser, there was additional impervious area based on the aerials. In contrast, 3 parcels appeared to match the data on file with the Property Appraiser, while there appeared to be less impervious area based on aerial photographs.

We continue to recommend that the Public Works Department enhance efforts to ensure that the stormwater fees for non-residential parcels are based on consistent measurements that accurately reflect the current state of the parcel. A method to achieve this could include having a third party contractor recalculate fees periodically.

Public Works Response to the Follow-Up of Finding 1

Agree

Disagree

Partially Agree

We will continue to enhance our efforts to ensure that non-residential parcels are based on consistent measurements that reflect the current state of a parcel. In addition to using Property Appraiser data, the Department has contracted with a vendor to provide impervious area measurements for every parcel in Duval County. We hope to begin using this vendor's data to assist in the calculation of non-residential (i.e. with compacted dirt) stormwater fees in tax year 2023. Also, as stated in the Department's response in the original audit report, we will use the vendor's data to review all non-residential parcels at least once every five years.

Finding 6 *Undetected Errors During Review Process*

In the original audit we found that, in order to prepare the annual roll for stormwater fees, Public Works staff compared data in the City User Fees system from the prior year to current Property Appraiser data to identify parcels that needed to be updated in the City User Fees system. As updates were identified, staff would type the changes into a series of spreadsheets. As the spreadsheets became finalized, staff would upload them individually into the City User Fees system. When prompted, the City User Fees system would use the details in each parcel's record to generate the billing file that is certified to the

Tax Collector to be added into the City's ad valorem tax roll. This manual process resulted in multiple errors including 13 parcels that had been billed in the prior year but were inadvertently marked as either inactive or non-billable, eight parcels that should have been charged a stormwater fee for the first time but were not, two parcels that included typographical errors, which resulted in an inaccurate bill, and one parcel that was not billed because of a system error. We also found 430 non-residential fees that translated to an amount of impervious area that exceeded the entire size of the respective parcels. Upon inquiry, Public Works overall attributed the discrepancies to human error.

We recommended in the original audit that the Public Works Department consider automating the annual review process as much as possible, as manual processes are inherently subject to error. We also recommended that Public Works implement analytical procedures and a secondary review of any manual updates in order to detect errors. This should include comparing updates to the actual fees in order to verify whether or not the updates were properly applied.

During our follow-up testing, we found that the City User Fees system was updated to automate the process of comparing the data between the City User Fees system from the prior year to the current year Property Appraiser data. However, in instances where impervious area is not accurately reflected in the Property Appraiser's database, manual updates are still required, and there is still no secondary review or analytical procedure performed on the manual updates. Additionally, the manual review and update process is not documented in a written policy or procedure.

We continue to recommend that the Public Works Department implement analytical procedures and a secondary review of any manual updates in order to detect errors. Public Works should also create written policies and procedures for their manual review and update processes as well as include any subsequent secondary review(s) or analytical procedure(s) implemented.

Public Works Response to the Follow-Up of Finding 6

Agree Disagree Partially Agree

A secondary review will be performed on any manual updates. We are currently in the process of updating the written procedures for our annual billing process. These procedures, which will include the review of manual updates, will be finalized before the 2023 tax year billing cycle.

Finding 7 *Required Stormwater Notices Not Always Provided*

In the original audit, we noted 15 out of 898 property owners for new parcels were not sent a notice of an assessment on their property as required by Municipal Code Section 715.208. We recommended that the Public Works Department enhance their efforts to comply with the notice requirements of Section 715.208.

During our follow-up review, we found 22 out of 2,365 (0.93%) property owners for new parcels were not sent a notice of an assessment on their property, but should have been. We continue to recommend the Public Works Department enhance their efforts to comply with the noticing requirements of Section 715.208.

Public Works Response to the Follow-Up of Finding 7

Agree

Disagree

Partially Agree

In most cases, the 22 parcels notated above that did not receive a Non-ad valorem (NAV) notice was due to "last minute" changes to the parcel data by the Property Appraiser's Office that the Public Works Department also updated based on these changes. This led to the stormwater fees being updated after the NAV Notice deadline. We have now instituted a policy stating that any Property Appraiser's changes that happen after a certain date will not be reflected in the annual billing due to the inability to send a NAV notice to the property owner by the time period reflected in the Municipal Code.

Finding 8 *Incomplete Low-Income Exemption Applications*

In the original audit, we noted 4 out of 87 (4.60%) low-income exemption applications appeared to have been incomplete. One application could not be provided, two applications were missing signatures, and one application was not completely filled out or notarized.

We also recalculated the income levels for four sample items based on the supporting documentation that was submitted with the application. One application had two property owners, but we noted that there was no income documentation for the second owner. The Social Services Division staff informed us that they do not require the applicants to submit income documentation for all property owners. This practice conflicted with the Adjustments and Credits manual maintained by Public Works and the terms and conditions on the low-income exemption application which states that all property owners are required to submit income documentation. Based on that, we did not perform further testing beyond the four.

We recommended in the original audit that the Public Works Department implement procedures to monitor compliance, such as periodically reviewing a sample of applications. We also recommended that the policies of the Public Works Department and Social Services Division staff be consistent with regards to the income for properties with multiple owners.

During our follow-up testing, we found that the Public Works Department began monitoring low-income exemptions. However, the Social Services Division's policy regarding who is required to submit income documentation still differed from the Adjustments and Credits Manual maintained by the Public Works Department and the terms and conditions on the low-income exemption application. The Adjustments and Credits Manual and low-income exemption application terms and conditions state that income documentation is required from all property owners, but the Social Services Division's policies and procedures state that income documentation is required from all persons living in the home.

We continue to recommend that the policies of the Public Works Department and the Social Services Division be consistent with regards to who needs to be included in the income calculation.

Public Works Response to the Follow-Up of Finding 8

Agree

Disagree

Partially Agree

We are currently in the process of working with the Office of General Counsel to review, and if advised, update the Stormwater Low Income Application and the Adjustments and Credits manual to clarify that the income documentation is for all occupants of the household. Our goal is to have these changes approved by the Subdivision Standards and Policy Advisory Committee before the 2023 Low Income Applications are mailed.

Finding 10 *Charitable and Faith-based Exemptions Granted Without Request*

In the original audit, we noted that the Adjustments and Credits Manual stated that in order to qualify for the charitable and faith-based organization exemption program, property owners must certify that the property is owned and operated by a person, persons or organization that is classified as tax exempt under the Internal Revenue Code (IRC) 501(c)(3), and the manual included an application form established for this purpose (i.e., includes an attestation). However, the Public Works Department granted 35 out of 39 charitable and faith-based organizations we tested exemptions without having received an application or request from the property owner on file.

Additionally, the Adjustments and Credits Manual stated that organizations listed in the IRS Publication 78, Cumulative List of Organizations described in Section 170(c) of the Internal Revenue Code of 1986, were eligible to receive an exemption. It was our understanding that the City granted a blanket exemption on the very first assessment in 2008 to all organizations included in that publication without enforcing the application requirements in order to avoid having to process so many applications all at once.

We recommended in the original audit that the Public Works Department enforce the requirement that property owners submit an application and include the certification that each parcel is owned and operated by a person, persons or organization that is classified as tax exempt under the IRC Section 501(c)(3) or seek a change to the Municipal Code to match the current practice.

During our follow-up testing, we confirmed that the Public Works Department appears to only grant charitable and faith-based exemptions when an application is submitted. However, we reviewed the application for 12 parcels that were granted an exemption and found four of the parcels were granted an exemption despite the application being incomplete. The applications require the applicant to attest using a check mark and a signature, but the applications only included either a checkmark or a signature.

We recommend that the Public Works Department enforce the requirement that property owners submit complete applications before approving an exemption of the fee.

Public Works Response to the Follow-Up of Finding 10

Agree

Disagree

Partially Agree

501(c)(3) Stormwater Exemption Applications will not be accepted by The Department if the application isn't complete as required.

Finding 11 *501(c)(3) Exemptions Were not Timely Removed*

In the original audit, we noted that the City provided user fee exemptions for property owners who are organized as an IRC 501(c)(3). The exemption remained on the property as long as the owner maintained the 501(c)(3) designation. The Public Works Department's policy was to remove this exemption in the City User Fees System if the property had been sold to non-eligible owners. We reviewed the applications and supporting documentation on file for 39 sample items and noted that four parcels were owned by someone other than the original 501(c)(3) applicant. We also noted that a coding error in the City User Fees System caused some exemptions that had been removed to become effective again for new property owners.

We recommended in the original audit that Public Works take steps to fix the coding error and address the timely removal of 501(c)(3) exemptions for non-eligible property owners.

During our follow-up testing, we found that the coding error in the City User Fees System had been fixed. The Public Works Department also implemented a process to review parcels with exemptions bi-annually in order to identify property owners who are no longer eligible for a 501(c)(3) exemption. However, while performing limited analytical testing to help identify potential issues, we identified 12 parcels with a 501(c)(3) exemption that should have been removed due to the current owner no longer being eligible.

We continue to recommend that Public Works address the timely removal of 501(c)(3) exemptions for non-eligible property owners.

Public Works Response to the Follow-Up of Finding 11

Agree

Disagree

Partially Agree

The Public Works Department will continue to address the timely removal of 501(c)(3) exemptions for non-eligible property owners through our current bi-annual process.

Internal Control Weakness 3 *Lacking Comprehensive SOP for Annual Billing Process*

In the original audit, we found that the standard operating procedures related to the overall billing process were still in the process of being written. We recommended that the Public Works Department continue its efforts to develop and maintain comprehensive standard written operating procedures related to the stormwater fee.

During our follow-up testing, we reviewed the standard operating procedures provided by the Public Works Department and found that several processes were still not written. Specifically:

1. The fee schedule provides ranges for categorizing single family residences (small, average, and large) by square foot. However, the Public Works Department uses a different set of ranges to categorize the buildings. The ranges in the fee schedule are higher because they are projections that represent an estimate for the total impervious area associated with the single-family residence building (e.g., accounts for outside areas such as driveways).
2. The City User Fees system needs to be updated for each new annual roll, and this includes a series of analytical procedures. Although the City User Fees system manual provides instructions on how to make updates in the system, there is not a written procedure to guide staff through processes that may be performed outside of the system, specifically the manual fee override process.
3. Compacted dirt or gravel is included in the measurement of impervious area for nonresidential parcels; however, it is sometimes difficult to confirm whether or not an area qualifies when using the primary method for measuring the parcels (i.e., City's aerial imaging website). There needs to be a detailed written description for how to distinguish between the compacted dirt or gravel that should be included and other areas that should be excluded.
4. Stacks of inventory, equipment or supplies that appear to be on the ground are sometimes included in the measurement of impervious area for non-residential parcels, but not always. As with compacted dirt, there needs to be written criteria for when to include these areas and when to exclude them.
5. How to handle methodology changes, including who should be involved in the decision, what kind of updates need to be made based on the decision, and how the updates should be documented.
6. How to properly maintain applications and other records in accordance with the City's Records Retention Schedule.

We continue to recommend that the Public Works Department develop and maintain comprehensive standard written operating procedures related to the stormwater fee.

Public Works Response to the Follow-Up of Internal Control Weakness 3

Agree Disagree Partially Agree

The Public Works Department will develop and maintain all written stormwater fee policies and procedures as recommended above.

Opportunity for Improvement 1 *Pond Credits based on Construction Permits*

In the original audit, we learned that the Public Works Department's process for reviewing pond credit applications was to research the permit number or project name on the St. Johns River Water Management District website or the Florida Department of Environmental Protection website to verify that a permit had been issued and then compare the real estate numbers to the design plan drawings to verify that the parcel receiving the credit was within the service area. We tested 44 approved pond credits and found that 28 were approved based on construction permits instead of an operating permit.

A comparison of construction and operating permits disclosed that while the construction permits indicate that the design plans for the pond had been approved, the operating permits state that the pond had been determined by the issuing authority to have been constructed in accordance with the plans and the terms of the construction permit. Further, the operating permits appear to initiate a biennial inspection process that allowed St. Johns River Water Management District to detect instances where a pond had become nonfunctional and post a notice to the operating permit's folder.

We recommended in the original audit that the Public Works Department require applicants to specify the full permit number, including sequence, for the operating permit on their pond credit applications. This would include denying any applications that were submitted under a construction permit until the applicant could provide the appropriate reference for the operating permit.

During our follow-up testing, we found four out of nine approved applications tested were approved based on what appeared to be a construction permit. We continue to recommend that the Public Works Department consider denying applications that are submitted under a construction permit until the applicant can provide the appropriate reference for the operating permit.

Public Works Response to the Follow-Up of Opportunity for Improvement 1

Agree Disagree Partially Agree

The Public Works Department will not approve any applications submitted under a construction permit.

Opportunity for Improvement 2 *More Specific Income Documentation Requirements for Low Income Exemptions*

In the original audit, we found that occasionally, the income documentation provided by the applicant appeared outdated for the 2017 low-income exemption applications. Specifically, we noted that 2016 pay stubs had been provided although the date-stamp indicated that 2017 pay stubs would have been available and 2016 Social Security projections had been submitted although the date-stamp indicated that the actual 2016 Social Security Statement would have been available. In a few cases we noted income documentation that represented income earned in 2015 or prior. We also found that the low-income exemption application lacked a designated area for applicants to date their applications.

We recommended in the original audit that the Public Works Department update their application to include more specific details related to eligible time frames for various types of supporting documentation as well as update the application form to include a field where applicants can date their attestations.

During our follow-up testing, we found that while the Public Works Department had updated the application form to include a field where applicants can date their attestations, no additional changes were made to clarify eligible time frames for various types of supporting documentation.

We continue to recommend that the applications be updated to include more specific details related to eligible time frames for various types of supporting documentation.

Public Works Response to the Follow-Up of Opportunity for Improvement 2

Agree

Disagree

Partially Agree

We are currently in the process of working with the Office of General Counsel to review, and if advised, update the Stormwater Low Income Application to reflect the time period for supporting documentation. Our goal is to have this change approved by the Subdivision Standards and Policy Advisory Committee before the 2023 Low Income Applications are mailed.

Opportunity for Improvement 3 *Variable Indicator of Impervious Area*

In the original audit, we learned that the Public Works Department was using tire tracks to determine the location of compacted dirt when measuring impervious area using JaxGIS. We found that the JaxGIS pictures looked different across the years and showed the parcel in various conditions which could be related to weather conditions that existed when the different pictures were taken.

We recommended in the original audit that the Public Works Department update the specifications for how to measure compacted dirt using JaxGIS to include written detailed visual clues that are fairly consistent over time and weather conditions. If this was not possible, we also recommended that the City find another way to account for compacted dirt in a reliable and consistent manner (e.g., utilize a consultant or perform site visits on a periodic basis).

During our follow-up testing, we requested the determinations made by Public Works in their efforts to establish a methodology to account for compacted dirt and learned that there is still not an established methodology. The Public Works Department explained that the methodology was pending the selection of an outside vendor who will measure the City’s entire service area.

We continue to recommend that the Public Works Department update the specifications for how to measure compacted dirt or hire a consultant to perform site visits on a periodic basis.

Public Works Response to the Follow-Up of Opportunity for Improvement 3

Agree

Disagree

Partially Agree

The Department has contracted with a vendor to provide impervious area measurements for every parcel in Duval County. We hope to begin using this vendor's data to assist in the calculation of non-residential (i.e. with compacted dirt) stormwater fees in tax year 2023.

Opportunity for Improvement 4 *Establish Consistent Measuring Standards*

In the original audit, we noted that the Public Works Department used several resources to determine the measurement of impervious area. Public Works indicated that there was not a complete list of resources used for measuring impervious area, and they would use any resource available to them to make determinations. This appeared to be due to the fact that there was no perfect data source available to the City. However, by using resources that were not fully understood or vetted as appropriate for the

Public Works Department's intended purpose (measurement of impervious area), inconsistencies or errors could arise.

We recommended in the original audit that the Public Works Department establish a process for reviewing any resources that are proposed to be used for measuring impervious area for adequacy and, if approved, document specifications for how to use those resources in a way that is consistent and will result in consistent and fair conclusions.

During our follow up testing we found that the Public Works Department still uses several methods to determine the measurement for impervious area and these methods are still not documented. The Public Works Department explained that the methodology was pending the selection of an outside vendor who will measure the City's entire service area.

We continue to recommend that the Public Works Department establish a process for measuring impervious area and once a methodology is determined, Public Works should ensure the policy is documented in a way that will result in consistent and fair conclusions.

Public Works Response to the Follow-Up of Opportunity for Improvement 4

Agree

Disagree

Partially Agree

The Department has contracted with a vendor to provide impervious area measurements for every parcel in Duval County. We hope to begin using this vendor's data to assist in the calculation of non-residential (i.e. with compacted dirt) stormwater fees in tax year 2023. We will also create a written procedure for measuring impervious area so that the results are consistent.

We would like to thank the Public Works Department for their cooperation in conducting this follow-up review.

Respectfully submitted,

Kim Taylor

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