



OFFICE OF THE
City Auditor

Development Permit Fee Collection Review

February 1, 2012

The Office of the City Auditor conducted
this project in accordance with the
*International Standards for the
Professional Practice of Internal Auditing*

Development Permit Fee Collection Review

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Development Permit Fee Collection Review

Executive Summary

In this audit, the Office of the City Auditor assessed the effectiveness of controls over the development permit fee collection process used by the Development Permits and Central Planning Section of the Current Planning Branch.

The Current Planning Branch operates as a self-sustaining operation that is funded by development permit fees which are intended to cover all application processing costs. The cumulative development permit application fee revenue from the years 2005 to 2010 was \$10.5 million of which we identified outstanding fees that totalled over \$450,000. We believe there is a potential for the Current Planning Branch to increase its annual revenues if fees are recorded, managed, and collected appropriately.

Additionally Development Planners within the Branch work with other departments to determine, collect, and place in reserve refundable fees which are identified through servicing agreements. We documented \$11.7 million in outstanding fees for Sanitary Sewer Trunk Charges and Lot Grading Fees for the period 2005 to 2010.

Currently there is considerable responsibility placed on the Development Planner to monitor conditions and ensure servicing agreement payments are made. We believe the Current Planning Branch does not have an effective system to track development permit conditions such as servicing agreements.

We observed that current intake procedures and processes for entering and updating application data and fees need to be revised. We also observed that the POSSE system needs to be upgraded to support staff better in their roles and also to support management in their oversight role over staff.

We have identified six recommendations based on our audit findings to which the Branch has provided detailed action plans. In our opinion, addressing these recommendations will result in improved risk management, strengthened internal controls, and improved accountability.

Development Permit Fee Collection Review

1. Introduction

Management of the Current Planning Branch (Sustainable Development Department) requested that the Office of the City Auditor (OCA) conduct a review of the development permit fee collection process. In response, the OCA included a high-level review of the development permit fee collection process in its *2012 Annual Work Plan*.

2. Background

Zoning Bylaw

The City issues permits and licences for the development, construction, and use of all commercial, institutional or residential properties and buildings. Bylaw 12800, *Edmonton Zoning Bylaw* (Zoning Bylaw), is the legal means by which the City regulates the use, development, and redevelopment of parcels of land. The City's Development Planners represent the City of Edmonton in interpreting and applying the Zoning Bylaw.

Types of Development Permits

Property owners need to obtain development permits for new construction, renovations, and changes in building use. The main types of development permits the City issues are:

- Major Development Permits – For developments that include significant changes to the character of the property and the number of people occupying or using the site.
- Minor Development Permits – For developments that include changes to the character of the site but do not significantly change the number of people occupying or using the site.
- Home Occupation Development Permit – For developments that add secondary business use to an existing dwelling.
- House-combo Development Permits – For new house construction that combines a number of different types of permits that would be required for construction.

Table 1 provides an overview of the number of development permit applications processed by the Current Planning Branch between 2005 and 2010.

Table 1 – Number of Development Permits Processed (2005-2010)

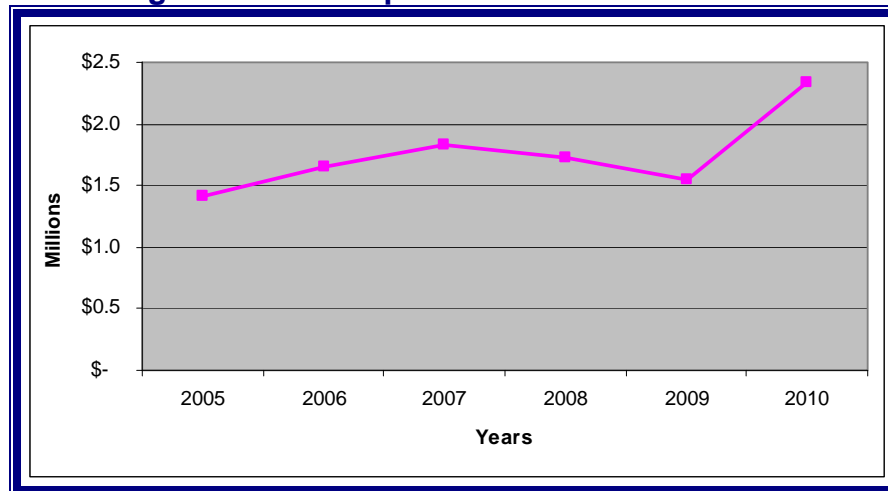
| Type of Permit | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Major Development | 1,320 | 1,214 | 1,326 | 1,345 | 1,369 | 1,373 |
| Minor Development | 1,541 | 1,705 | 1,956 | 1,731 | 2,777 | 1,839 |
| Home Occupation Development | 2,353 | 2,569 | 2,738 | 2,656 | 2,697 | 2,447 |
| Combo Development / Building | 8,427 | 8,797 | 6,732 | 4,702 | 6,103 | 5,948 |
| TOTALS | 13,641 | 14,285 | 12,752 | 10,434 | 12,946 | 11,607 |

Development Permits Revenue

As per City Policy C557, *Current Planning Branch – Revised Business Model* (June 2010), the Branch operates as a self-sustaining operation that is funded by development fees. Development permit fees are intended to cover all application processing costs.

Figure 1 shows that the City's annual revenue from development permits increased from \$1.4 million in 2005 to \$2.3 million in 2010. The drop in revenue in 2008 and 2009 was a result of decreased development activity. Cumulative development permit revenue from 2005 to 2010 is \$10.5 million. The development permit revenue shown does not include fees collected through servicing agreements.

Figure 1 – Development Permit Fee Revenue



The servicing agreement is a legal contract between the developer or property owner and the City of Edmonton, which outlines the terms and conditions (financial and otherwise) which must be met and agreed upon prior to development proceeding. Servicing agreements make provision for construction of municipal improvements such as water mains, storm and sanitary sewers, roads, sidewalks, curbs and gutters, power, street lighting, landscaping and various other items.

3. Objective, Scope, & Methodology

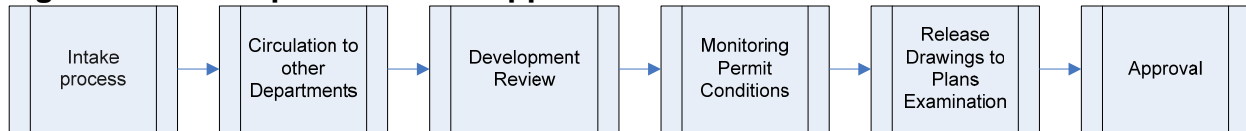
Objective

The overall objective of this review was to assess the effectiveness of controls over the development permit fee collection process used by the Development Permits and Central Section of the Current Planning Branch.

Scope

The scope of this audit included a review of the entire development permit process from accepting development applications (intake process) to final approval of permits. Figure 2 illustrates the standard high-level application process for a development permit.

Figure 2 – Development Permit Application Process



All development permit types were included in this review; however, we focused primarily on the Major and Minor Development Permit applications and the collection of associated development permit fees. Due to limited timelines, the audit focus was on the effectiveness of controls used in the development permit fee collection process and not on the efficiency of this process.

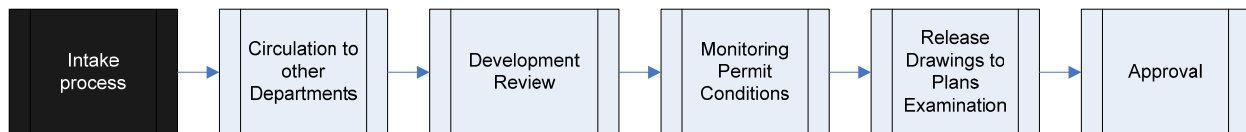
Methodology

To understand the development permit application process, we conducted interviews with management and staff, reviewed existing policies and procedures, reviewed development case files and development records in the POSSE¹ system. We reviewed application data for the years 2005 through 2010. We also facilitated a focus group session with the Current Planning Branch Management Team to review our findings and discuss potential process changes.

4. Observations and Analysis

The following sections describe our observations in relation to the steps in the development permit process.

4.1. Intake Process



4.1.1. Application intake process

During the intake process for a development permit, the Customer Information and Support Services Section of the Current Planning Branch receive applications in person, by fax, or by mail. All applications must include plans and supporting documentation in order for Development Planners to assess whether or not the development meets legislative requirements as defined in the Zoning Bylaw and other Municipal Bylaws.

The status of the application is set in POSSE as “new” once the branch has received the application and all supporting documentation. Following is a description of possible status assignments for a development permit application:

¹ The integrated system the City uses for tracking development-related information.

- **Issued** – The application complies with legislation and is approved to move forward. The Development Planner may impose conditions on the approval of the development permit, which the applicant must satisfy before the permit will be valid.
- **Refused** – The application does not comply with legislative requirements.
- **Expired** – The development permit has expired and is no longer valid because the applicant did not start construction within one year of the approval date of the permit as required by the Zoning Bylaw.
- **Cancelled** – Development permits are usually cancelled because the applicant requested it. In addition, a Development Planner may cancel a development permit if any development undertaken on a site is contrary to the development permit.

Processing and approval of simple development permits can happen on the day of application. Complex development permit applications can take months if the applicant is asked for additional information to support their application. Parties who consider themselves affected by an approval or an applicant who objects to a refusal or condition of approval can appeal to the Subdivision and Development Appeal Board.

4.1.2. Fee collection

Development permits are subject to a number of different types of fees and conditions, some of which are non-refundable and others which are refundable.

Non-refundable Fees

Once the Current Planning Branch has accepted a new application and it is deemed complete, they require the owner to pay the development application fees. In many cases, a contractor or architect will apply for a development permit on behalf of a property owner. However, the property owner is ultimately responsible for paying the fees. Development application fees are non-refundable once the review process has commenced and must be collected in order for the Current Planning Branch to be self-sustaining.

Given the complexity of the development application process, the number of development files handled, and the requirement for the Current Planning Branch to be self-sustaining, it is important that files and fees are properly managed. As previously discussed, the cumulative development application permit fee revenue from the years 2005 to 2010 was \$10.5 million. As shown in Table 2, outstanding fees totalled over \$450,000 for the years 2005 to 2010.

Table 2 – Total Outstanding Development Application Fees from 2005 to 2010

| Application Type | Status of Application | | | |
|----------------------------|-----------------------|---------------|--------------------|------------------------|
| | New | Issued | Expired or Refused | Cancelled |
| Non-refundable Fees | | | | |
| Major Development Permits | \$139,233 | \$52,701 | \$23,497 | \$167,496 |
| Minor Development Permits | \$28,494 | \$13,956 | \$1,886 | \$23,001 |
| TOTALS | \$167,727 | \$66,657 | \$25,383 | \$190,497 ² |
| <i>Collection Risk</i> | <i>Low</i> | <i>Medium</i> | <i>High</i> | <i>High</i> |

²Financial information derived from POSSE system.

If development application fees are not collected when levied, the risk that they will not be collected increases as the application moves through the review process. As identified in Table 2, the risk that the Current Planning Branch will not collect the outstanding fees relating to new applications is low. However, there is a higher risk that the branch will not be able to collect fees associated with “issued” permits and an even higher risk that it will not collect the fees associated with expired, refused, and cancelled permits.

Refundable Fees

In addition to development application fees, an application may be subject to meeting additional conditions as defined within servicing agreements. These conditions may specify requirements for further improvements and include additional fees and/or assessments. Development Planners work with other departments to determine the fee value of the servicing agreements and also collect these fees and place these funds in reserve on their behalf. In this audit we reviewed the collection of two of the main fees collected which are Sanitary Sewer Trunk Charge and Lot Grading Fees.

Sanitary Sewer Trunk Charge (SSTC): The SSTC is generally only applicable to Major Development Permits relating to new developments and all redevelopments that increase the land use intensity and sewage generated from an area. All monies collected are deposited into the Sanitary Servicing Strategy Fund (SSSF) and used to build new major sanitary trunk sewers under the approved Sanitary Servicing Strategy Plan. Upon receipt of an approved development permit, the successful applicant must pay applicable charges in order to be able to submit an application for a building permit. If the applicant does not continue with development, this fee will be refunded.

Lot Grading Inspection Fee: The Lot Grading Inspection Fee is generally only applicable to Major Development Permits. Upon application for a development permit for any land zoned (Commercial, Industrial, Multi-Family, Apartment, Row Housing and Urban Services), the developer must submit a proposed Lot Grading Plan to Drainage Services for approval. This fee covers the cost of the inspection that needs to be conducted after the plan is executed. Upon receipt of an approved development permit, the successful applicant must pay applicable charges in order to be able to submit an application for a building permit. If the applicant does not continue with development, this fee will be refunded.

Table 3 illustrates the current value of outstanding Sanitary Sewer Trunk Charges and Lot Grading Fees identified as conditions through servicing agreements. As shown, we have identified a total of **\$7,697,433** for new development applications for which no servicing agreement fee was yet collected. We have also identified a total of **\$3,997,857** for outstanding development applications that have been issued but for which no servicing agreement fee was yet collected. The total outstanding fees for Sanitary Sewer Trunk Charge and Lot Grading included in servicing agreements were **\$11.7 million**. The Development Planner is responsible to monitor these conditions which include ensuring that the development applicant pays these outstanding fees. (More discussion under Section 4.4.1 Monitoring Conditions.)

Table 3 – Total Outstanding Refundable Development Fees (2005 to 2010)

| Application Type | Status of Application | | | |
|-----------------------------|-----------------------|-------------|--------------------|-----------|
| | New | Issued | Expired or Refused | Cancelled |
| Refundable Fees | | | | |
| Sanitary Sewer Trunk Charge | \$7,519,845 | \$3,911,653 | Not Applicable | |
| Lot Grading Fee | \$177,588 | \$86,204 | | |
| TOTALS | \$7,697,433 | \$3,997,857 | | |

The Current Planning Branch does not have clearly defined roles and responsibilities in regard to the intake of development permit applications. The Development Planners believe their main responsibility is to assess a permit’s compliance with the Zoning Bylaw and allow the development process to move forward regardless of whether or not the applicant has paid their fees. Therefore, there is a risk that Development Planners will approve applications and allow the development to proceed before the applicant pays their fees, thereby increasing the risk that the applicant will not pay the fee.

Recommendation 1 – Revise Intake Procedures

The OCA recommends that the Current Planning Branch Manager assess and revise the current development application intake procedures to ensure that accepted applications are complete and appropriate development application fees are collected prior to the review and circulation of any application.

Management Response and Action Plan

Accepted

Comments/Planned Action:

In line with the business model approved by City Council in June 2010, the Current Planning Branch has initiated the *Current Planning Future State* project focused on business transformation. Incorporated into this project is the redesign of the intake process to ensure that all applications are deemed complete and associated fees paid prior to the application processing.

This redesign involves revision of application forms and procedures combined with modification of technology tools. The following steps are to be taken for each application type:

- 1.1 Clearly establish procedures for intake, client communications, and application processing related to application submission and acceptance;
- 1.2 Increase investment in staff training for application intake;
- 1.3 Enhance clarity and ease of use of application forms and associated fees;
- 1.4 Modify technology tools to better utilize warning flags, to enable online application submission, and to automatically manage process workflow; and
- 1.5 Adjust regular performance reporting to include outstanding fees.

Planned Implementation Date:

- 1.1, 1.2, 1.3 – Q2 2012.
- 1.4, 1.5 – start Q1 2012, completed by Q4 2014.

Responsible Party:

1.1, 1.3 – Director, Development and Zoning Services, Current Planning Branch
1.2, 1.4 and 1.5 – Business Strategist, Business Strategy & Operations, Current Planning Branch

4.1.3. Adjustment of fees

Development application fees are generated automatically in POSSE based on general information about the development entered when creating a file (for example: size, number of units). Other fees, such as the Sanitary Sewer Trunk Charge and Lot Grading Fees, are generated and calculated based on specific information entered by the Development Planner or Development Technician. If this information is not correctly entered, the required fees will not show up on the fee tab in the POSSE file.

We observed that fees can be easily changed (removed, reduced, or increased) and POSSE does not record who made the change. In addition, the system does not prompt the user to enter a justification for the change. There is a risk that Development Planners, Technicians, and other employees with system access can make unauthorized and inappropriate fee changes to any POSSE file without detection or proper justification.

Another issue we identified with the adjustment of fees is that when a Development Planner creates a revised application file, they do not always remove the fees associated with the original application. Development Planners create revised applications when the applicant makes significant changes to the development plan that requires a reassessment against the Bylaw. POSSE will generate new fees for the revised application, but the Development Planner must cancel the original file in order to remove the original fees to avoid duplicate fees being recorded.

The Current Planning Branch does not have a process to ensure that Development Planners consistently remove fees from cancelled files. This increases the risk that Development Planners are not able to effectively monitor fees payable because the information is recorded in multiple files.

Recommendation 2 – Revised Procedures for Fee Changes

The OCA recommends that the Current Planning Branch Manager, in cooperation with Information Technology Branch, revise the POSSE procedures for cancelling, deleting, reducing, and increasing fees to include recording who made the change and prompting the user to enter a justification for the change.

Management Response and Action Plan

Accepted

Comments/Planned Action:

The *Current Planning Future State* project is evaluating IT system options to enable enhanced, tracked processes for fee changes. The team will undertake the following steps:

- 2.1 Clarify current POSSE system constraints;
- 2.2 Evaluate POSSE system changes enabled by the expected 2012 system upgrade to determine impact on fee change processes; and
- 2.3 Invest in additional POSSE system changes as required.

It should be noted that the recent inclusion of the iNovah system at the front cash counter mandates that only tracked fee changes are completed for payment.

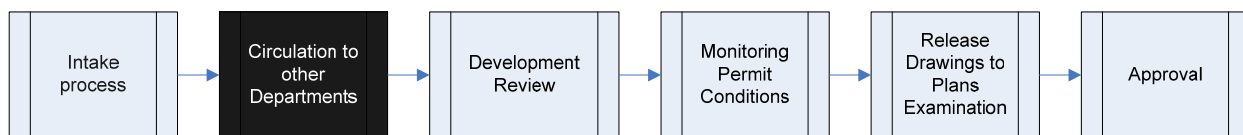
Planned Implementation Date:

- 2.1, 2.2 – Q2 2012.
- 2.3 – as required.

Responsible Party:

- 2.1 – Director, Development and Zoning Services, Current Planning Branch
- 2.2, 2.3 – Business Strategist, Business Strategy & Operations, Current Planning Branch

4.2. Circulation



After the Development Planner completes the intake process, the application is assigned to a Development Planner or Planning Technician who circulates the drawings to a number of Departments for review.

We observed that the circulation process took a few days for a relatively simple development to 17 months for a complicated major development. The Current Planning Branch defines a three-week timeline for the reviews completed by the other Departments. This timeline, however, is not consistently adhered to by Departments or enforced by the Current Planning Branch. The Zoning Bylaw however, has defined particular timelines for the duration of the total application process. According to Section 16 of the Zoning Bylaw, an application, at the option of the applicant, is deemed to be refused if a decision has not been made within 40 days of the receipt of the application. By not enforcing the timelines for receiving responses from the other Departments, the Current Planning Branch is not consistently achieving this 40-day timeline.

In addition, we observed variations in how the other Departments record, track, and communicate their results during the circulation process. For example, Transportation Services Department uses POSSE to manage its circulation process, including recording their results in the POSSE file and e-mailing notifications to the appropriate Development Planner and the applicant. Other departments phone the Development Planner with their review results and conditions, after which the Development Planner must record the results in the POSSE file.

Recommendation 3 – Circulation Service Levels

The OCA recommends that the Current Planning Branch Manager define service levels for circulation of development permit applications to other Departments and consulting agencies, including but not limited to timelines for receiving responses, communication of responses, and recording responses in POSSE.

Management Response and Action Plan

Accepted

Comments/Planned Action:

The definition and adherence of service level agreements (SLAs) is fundamental to delivering consistent service. To this end:

- 3.1 Each team will develop SLAs with their consulting agencies and partner departments. Progress on Recommendation 2 facilitates this by reducing delays due to incomplete applications.
- 3.2 The *Current Planning Future State* project is defining processes and associated expectations as it redesigns the business processes.

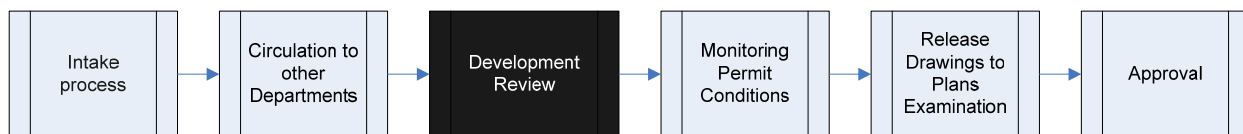
Planned Implementation Date:

- 3.1 – drafted by Q2, 2012.
- 3.2 – start Q1, 2012, completed by Q4, 2014

Responsible Party:

- 3.1 – Director, Development and Zoning Services, Current Planning Branch
- 3.2 – Business Strategist r, Business Strategy & Operations, Current Planning Branch

4.3. Development Review



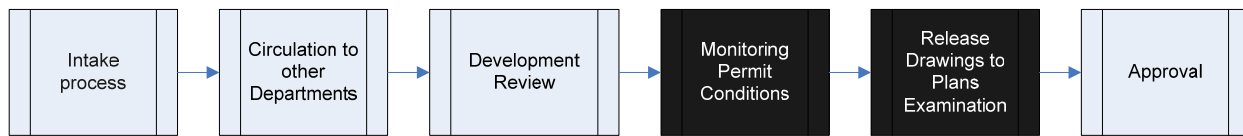
A Development Planner conducts the development review following these steps:

- 1. Bylaw check – Reviews the application against the Zoning Bylaw, parking regulations, and any other relevant land use policies and guidelines.
- 2. Design guidelines – Assesses and evaluates the application against specific guidelines when applicable.
- 3. Other departments – Reviews results of circulation to other Departments.

4. Site inspection – If deemed necessary, staff will visit the site to evaluate the conditions, location, height of adjacent buildings, conditions of landscaping, and parking in the immediate area.
5. Notification – Notifies neighboring property owners of a development application when there is deemed to be a potential impact on the neighbors or when the Zoning Bylaw regulations dictate.
6. Identifies applicable permit conditions. Commonly stated conditions include:
 - Pay all applicable fees.
 - Submitting a Letter of Credit to secure landscaping obligations.
 - External lighting and paving of parking.
 - Sign a Municipal Improvement Agreement.
 - Sign and complete a Servicing Agreement.
7. Decision making – Approves, approves with conditions, or refuses the application.
8. Notifies applicant – Notifies the applicant of their decision.

Our review of the development review process identified deficiencies which are discussed in the following section.

4.4. Monitoring Permit Conditions and Release of Drawings



4.4.1. Monitoring conditions

The Development Planner is responsible for validating and recording the progress towards the completion of these conditions. A development permit is not valid unless the applicant has fulfilled all of the conditions. The Development Planner shall not release the drawings to the Plans Examinations Area until the applicant has met all the conditions unless approved under special conditions by Management. The release of drawings allows the developer to acquire a partial (footing and foundation) or full building permits and continue development without full payment of development fees.

We observed one application file for a large development where management approved the early release of drawings relating to footings and foundations. This allowed the developer to obtain a building permit and move the project forward while simultaneously working to meet all the conditions of the development permit.

However, we identified four other application files in which the Development Planner released drawings without management approval and without all servicing agreement conditions being met.

- For two of these applications, the developer later signed the servicing agreement and paid the associated amounts.
- For the third application, the development permit is still outstanding and the development is currently on hold pending approval of a subdivision plan. This servicing agreement fee is estimated to be between \$400,000 and \$500,000.

- For the fourth application, the drawings were released, and the development permit was issued without the conditions of the servicing agreement being met. The applicant subsequently completed construction and the building is in full use. The City is currently in negotiations with the owner regarding the outstanding servicing agreement fees estimated to be \$5 million.

The Current Planning Branch does not have an effective system to track development permit conditions such as servicing agreements. Development Planners can identify the servicing agreement in POSSE; however, the system does not provide notification that the applicant has met the conditions. Ideally, the POSSE system could provide the Development Planner with a checklist of outstanding conditions to be “signed off” as they are met. Due to the lack of effective controls to ensure that development permit conditions are fulfilled, there is a risk that outstanding conditions (including fees) will be overlooked.

Recommendation 4 – Improved Quality Control

The OCA recommends that the Current Planning Branch Manager develop effective monitoring tools to support Development Planners’ monitoring practices and ensure appropriate fee collection.

Management Response and Action Plan

Accepted

Comments/Planned Action:

The Current Planning branch is working to address POSSE inputs for each process through the *Current Planning Future State* and investment in a new staff training program. This will involve:

- 4.1 Articulate data entry and maintenance standards and expectations;
- 4.2 Standardize training materials for each process and role; and
- 4.3 Develop processes for quality assurance checks and reporting

Planned Implementation Date:

- 4.1, 4.2 – start Q1 2012, completed by Q4, 2013
 4.3 – initiated by Q1, 2012

Responsible Party:

4.1, 4.2, 4.3 – Director, Development and Zoning Services, Current Planning Branch and Business Strategist, Business Strategy & Operations, Current Planning Branch

4.4.2. Quality control

Development Planners are highly-trained specialists who generally work independently. The Development Planner’s role is complex in that at any given day he or she will be managing dozens of development permit files. During our review of the POSSE system and usage by Development Planners we identified variations on how the tool was used. Management needs to fulfill its oversight role to ensure both the quality and quantity of work by Development Planners meets expectations. In our discussions with management, we learned that there are no effective tools to assist them in this role.

Recommendation 5 – Management Quality Control

The OCA recommends that the Current Planning Branch Manager develop effective quality controls and reporting tools (for example: Management reporting on “to do lists” items) to support management’s monitoring and accountability practices.

Management Response and Action Plan**Accepted****Comments/Planned Action:**

The Current Planning Branch relies on POSSE information for the aforementioned reporting. Thus, the following steps will be taken:

- 5.1 Evaluate the data quality in POSSE and assess opportunities for automatic quality checks;
- 5.2 Review “To Do” group lists to minimize use;
- 5.3 Articulate data entry and maintenance standards and expectations;
- 5.4 Standardize training materials for each process and role;
- 5.5 Add automated data quality checks as appropriate and feasible;
- 5.6 Augment POSSE “status” options to better inform “To Do” lists;
- 5.7 Report process improvement options and their impact;
- 5.8 Develop quality/performance reports for accountability and monitoring;

Planned Implementation Date:

5.1, 5.2 – Q2 2012

5.3 to 5.8– start Q1, 2012, completed by Q4, 2013

Responsible Party:

5.1, 5.5, 5.6, 5.7 5.8 – Business Strategist, Business Strategy & Operations, Current Planning Branch

5.2 – Director, Development and Zoning Services, Current Planning Branch

5.3, 5.4 - Director, Development and Zoning Services, Current Planning Branch and Business Strategist, Business Strategy & Operations, Current Planning Branch

4.4.3. Maintaining information in POSSE

Development Planners are responsible for accurately recording information to support their decisions on each development permit in POSSE in a timely manner. However, our review of a sample of development application files in POSSE showed that Development Planners are not recording information accurately or in a timely manner.

We found that the level of detail included in each file varies significantly. In one case we could not find the support for why the Development Planner released the plans prior to issuing the permit. We also found many inactive files that the Development Planners had not cancelled. In some cases we found that the Development Planners were including information relating to one development in multiple files. We also found cases where the fees included in the files were not accurately recorded.

There are currently no written standards for entering and maintaining information in POSSE. Development Planners are expected to maintain sufficient information in their files. In the absence of clearly defined standards, “sufficient information” is subject to individual interpretation. As a result, the current information in POSSE does not allow for effective monitoring of development permits.

Recommendation 6 – Data Entry Standards for POSSE

The OCA recommends that the Current Planning Branch Manager develop written standards for entering and maintaining information in POSSE. We also recommend that a process be implemented to conduct spot checks on files to ensure information is entered accurately and in a timely manner.

Management Response and Action Plan

Accepted

Comments/Planned Action:

The Current Planning branch is working to address POSSE inputs for each process
The Current Planning branch will reinforce that all staff have a responsibility to ensure that fees are collected. To achieve this, the Branch will:

- 6.1 Develop the application requirement checklists;
- 6.2 Articulate fee collection protocol for all processes;
- 6.3 Mandate quality assurance checks (with feedback) for all new employees and regular checks for continuing staff;
- 6.4 Develop intelligent forms to better capture all information required for processing including embedded data verification and data entry standards; and
- 6.5 Investigate system changes to mandate fee collection at process milestones.

Planned Implementation Date:

- 6.1, 6.2, 6.3 – Q2 2012
6.4, 6.5 – start Q1, 2012

Responsible Party:

- 6.1, 6.2, 6.3 – Director, Development and Zoning Services, Current Planning Branch
6.4, 6.5 – Business Strategist, Business Strategy & Operations, Current Planning Branch

5. Conclusions

The objective of this review was to perform a high-level assessment of the risks and controls over the development permit fee collection process currently used by the Current Planning Branch.

The observations we made during this review indicate that the Current Planning Branch is not maximizing revenue from development permit fees. We have identified over \$450,000 in outstanding fees for development applications processed between 2005 and 2010. We also believe there is a potential for the Current Planning Branch to increase its annual revenues if fees are recorded, managed, and collected appropriately.

Furthermore, we have observed significant risks relating to the collection of fees regarding servicing agreement conditions which the Current Planning Branch collects on behalf of other business areas. We have identified \$11.7 million in outstanding fees for Sanitary Sewer Trunk Charges and Lot Grading Fees. Currently there is considerable responsibility placed on the Development Planner to monitor conditions and ensure servicing agreement payments are made. We believe the Current Planning Branch does not have an effective system to track development permit conditions such as servicing agreements.

We observed that current intake procedures and processes for entering and updating application data and fees need to be revised. We also observed that the POSSE system needs to be upgraded to support staff better in their roles and also to support management in their oversight role over staff.

We identified the following recommendations to improve the development permit fee collection process:

1. Revising the current intake procedures for development permit applications.
2. Revising the POSSE procedures for removing, reducing, or increasing fees.
3. Defining service levels for circulation of development permit applications.
4. Implementing effective monitoring tools to support Development Planners monitoring practices.
5. Developing effective quality controls and reporting tools to support management's role in monitoring.
6. Implementing written standards for entering and maintaining information into POSSE.

In our opinion, addressing these recommendations will result in improved risk management, strengthened internal controls, and improved accountability.

We would like to thank the management and staff of the Current Planning Branch for their cooperation and assistance during this review.