

City of Miami

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September 16, 2016

Honorable Members of the City Commission
City of Miami
3500 Pan American Drive
Coconut Grove, FL 33133-5504

Re: Audit of the Assessment and Collection of Impact Fees
Report No. 16-08

Executive Summary

We have completed an audit of the City's compliance with the Development Impact Fee Ordinance, as codified and amended in Chapter 13 of the City Code, primarily for the period October 1, 2012 through September 30, 2014 and selected transactions prior and subsequent to this period. The audit was performed to determine whether impact fees and administrative fees were properly assessed and collected from new development in the City, including impact fee credits, refunds, and affordable housing deferrals. Additionally, we examined the internal control systems established by the Planning and Zoning Department (PZD) to determine whether they were adequate and effective in administering and monitoring the assessment and collection of impact fees.

During the audit period (FYs 2013 and 2014), the City collected approximately \$30.7 million of impact fees. Using information from the City's iBuild System, which automatically calculates impact fees and administrative fees based on user input of development data from building plans, we tested a sample of 30 building permits representing \$23,070,658 (or 75%) of the impact fees collected during the audit period, to determine whether the proper amount of impact fees and administrative fees were assessed and collected from development in the City. **Overall, we found that an additional \$296,872 is due to the City** (See "Summary Schedule of Impact Fees, Administrative Fees, and Interest Due to the City" on page 22).

Based on the results of our audit, we have concluded that the internal controls over the assessments and collections of impact fees require enhancements due to the following deficiencies:

1. Impact fees and administrative fees were not properly assessed and collected for seven (7) developments due to information from the building plans (e.g. property type, proposed use, number of units, square footage), not being properly input in the iBuild System.
2. iBuild system limitations resulted in inaccurate tracking and assessments of impact fees and administrative fees related to affordable housing developments.

3. Lack of monitoring and breach of affordable housing restrictive covenants resulted in impact fees and interest due.
4. Lack of approvals and documentation for affordable housing impact fee deferrals and impact fee demolition credits.
5. Lack of policies and procedures, staff training, and monitoring of the assessment and collection of impact fees.
6. Annual and triennial reviews were not conducted and required reports were not issued to the City Commission.

These and other findings and recommendations, for improving operational effectiveness and maximizing the City's impact fee revenue, are included on pages five through 22 of the report.

We wish to express our appreciation for the cooperation and courtesies extended to us by the City's management and staff, especially the Planning and Zoning Department, while conducting the audit.

Sincerely,



Theodore P. Guba, CPA, CIA, CFE
Independent Auditor General
Office of the Independent Auditor General

cc: The Honorable Mayor Tomas Regalado
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**AUDIT OF THE ASSESSMENT AND COLLECTION OF IMPACT FEES
OCTOBER 1, 2012 THROUGH SEPTEMBER 30, 2014
Report No. 16-08**

TABLE OF CONTENTS

SCOPE, OBJECTIVES, AND METHODOLOGY	1
BACKGROUND	2
IMPACT FEE REVENUE ANALYSIS	4
AUDIT FINDINGS AND RECOMMENDATIONS	5
FINDING 1: IMPACT FEES AND ADMINISTRATIVE FEES WERE NOT PROPERLY ASSESSED AND COLLECTED.....	5
FINDING 2: IBUILD SYSTEM LIMITATIONS RESULTED IN INACCURATE TRACKING AND ASSESSMENTS OF IMPACT FEES AND ADMINISTRATIVE FEES RELATED TO AFFORDABLE HOUSING DEVELOPMENTS	10
FINDING 3: LACK OF MONITORING AND BREACH OF AFFORDABLE HOUSING RESTRICTIVE COVENANTS RESULTED IN IMPACT FEES & INTEREST DUE	13
FINDING 4: LACK OF APPROVALS AND DOCUMENTATION FOR AFFORDABLE HOUSING IMPACT FEE DEFERRALS & IMPACT FEE DEMOLITION CREDITS.....	16
FINDING 5: LACK OF POLICIES & PROCEDURES, STAFF TRAINING, AND MONITORING OF THE ASSESSMENT AND COLLECTION OF IMPACT FEES.....	17
FINDING 6: ANNUAL AND TRIENNIAL REVIEWS WERE NOT CONDUCTED AND REQUIRED REPORTS WERE NOT ISSUED TO THE CITY COMMISSION.....	19
SUMMARY SCHEDULE OF IMPACT FEES, ADMINISTRATIVE FEES, AND INTEREST DUE TO THE CITY.....	22

SCOPE, OBJECTIVES, AND METHODOLOGY

The scope of the audit was to evaluate whether the City of Miami (City) complied with the provisions of the Impact Fee Ordinance relative to the assessment and collection of impact fees. The audit covered the period October 1, 2012 through September 30, 2014, and selected transactions prior and subsequent to this period. In general, the audit focused on the following objectives:

- To determine whether impact fees were assessed and collected in accordance with the provisions of Chapter 13 of the City Code including impact fee credits, refunds, and affordable housing deferrals.
- To determine whether the correct amount of administrative fees (3% of impact fees) were properly assessed and collected.
- To determine whether the City complied with Sections 13-13(f) and (g) of the City Code regarding annual and triennial reviews and modifications of the Impact Fee Ordinance.
- To ascertain whether impact fees were properly recorded in the City's accounting system, including being properly allocated between benefit districts (fire-rescue, police, general services, and parks and recreation), and deposited in the City's treasury.
- To examine the internal control policies and procedures of the City's Planning and Zoning Department (PZD) and determine whether they were adequate and effective in administering and overseeing the assessment and collection of impact fees.
- To follow-up on the findings and recommendations noted in the prior audit of impact fees (Audit No. 10-001) and determine whether deficiencies were corrected.

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The audit methodology included the following:

- Reviewed applicable provisions within the Florida Statutes, City Charter and Code of Ordinances, and City policies and procedures;
- Interviewed and made inquiries of staff within the following City Departments: Planning and Zoning, Building, Finance, Community Development, and Information Technology - in order to gain an understanding of the internal controls (relative to the assessment and collection of impact fees), assess control risk, and plan audit procedures;
- Analyzed building permits and plans for impact fees assessed; reviewed the related collections of impact fees and administrative fees in the City's iBuild System; and, recalculated impact fees due, in order to determine whether the appropriate impact fees and administrative fees were assessed and collected;
- Performed substantive testing consistent with the audit objectives, including but not limited to examination, on a sample basis, of applicable transactions and records;
- Drew conclusions based on the results of testing, made corresponding recommendations, and obtained auditee responses and corrective action plans; and,
- Performed other audit procedures as deemed necessary.

BACKGROUND

The City Commission is authorized to establish and adopt an impact fee pursuant to the Municipal Home Rule Powers Act, Florida Statute §166.011; the City of Miami Charter; and the Local Government Comprehensive Planning and Land Development Regulation Act, Florida Statute §163.3161. In addition, the Land Development Regulations, Florida Statute §163.3202, encourages the use of innovative land development regulations, which include impact fees.

The “City of Miami Development Impact Fee Ordinance”, as codified in Chapter 13 of the City Code, provides guidance relative to the assessment and collection of impact fees. Pursuant to State legislation, on April 28, 1988, Chapter 13, Article I of the City Code was originally adopted through Ordinance No. 10426 for the purpose of financing new development for specified public services/facilities. Due to the City’s increased growth and development, on December 15, 2005, the City Commission enacted Ordinance No. 12750, which amended the City’s *Development Impact Fee Ordinance* in its entirety. The amended ordinance addressed the increased costs of providing public facilities, the increased demand for additional public facility capacity, and the cost of providing capital facility capacity and capital equipment needed to accommodate the demands of new development. The amendments to the Impact Fee Ordinance updated impact fee rate schedules, clarified language in the Code, and added certain provisions, including but not limited to the following: establishing new impact fee benefit districts and sub-districts (including Police, Fire-Rescue (North and South Sub-District), Parks and Recreation, and General Services); establishing an administrative petition process for determinations of impact fees due, affordable housing deferrals, refunds and credits; requiring an annual review and triennial update of impact fees; and, clarified language relating to administrative fees.

Pursuant to the City Code §13-6 titled *Applicability of Impact Fee*, “This article shall be uniformly applicable to all new development, and the appropriate impact fees shall be collected prior to issuance of a building permit except where a building permit is issued for:

1. Additions, remodels, rehabilitation or other improvements to an existing structure and reconstruction of a demolished structure which result in:
 - a) Net increase of less than 1,000 square feet for a nonresidential structure which is deemed to have a deminimis impact on the need for public facility capacity, or
 - b) No net increase in the number of residential dwelling units for residential structures.
2. Any development which is a government-owned and operated facility; and
3. Any development of regional impact (DRI) (excluding the downtown DRI and the Southeast Overtown/Park West area-wide DRI), for which a development order has been issued by the city before the effective date of this chapter, providing that the building permit for such DRI is obtained within 15 months of the initial effective date of this chapter.”

According to City Code §13-7 (a) titled, “*Imposition of impact fees and establishment of impact fee benefit districts*”, “No building permit shall be issued for a new development as herein defined unless the applicant has paid the impact fees imposed by and calculated pursuant to this article.” City Code §13-7 (b) further provides that, “impact fees shall be calculated by the Office of Zoning based on the development included in the building permit application using:

- a) The land use category or categories applicable to the development,
- b) The number of dwelling units for residential, the gross square footage for nonresidential, or the specific units of development for certain types of nonresidential development, and
- c) The applicable impact fee in sections 13-9 through 13-12.”

In addition to impact fees, the City requires that applicants pay a 3% administrative fee, based on impact fees assessed at the time of application for the building permit, for the sole purpose of defraying expenses related to the assessment of the impact fees.

IMPACT FEE REVENUE ANALYSIS

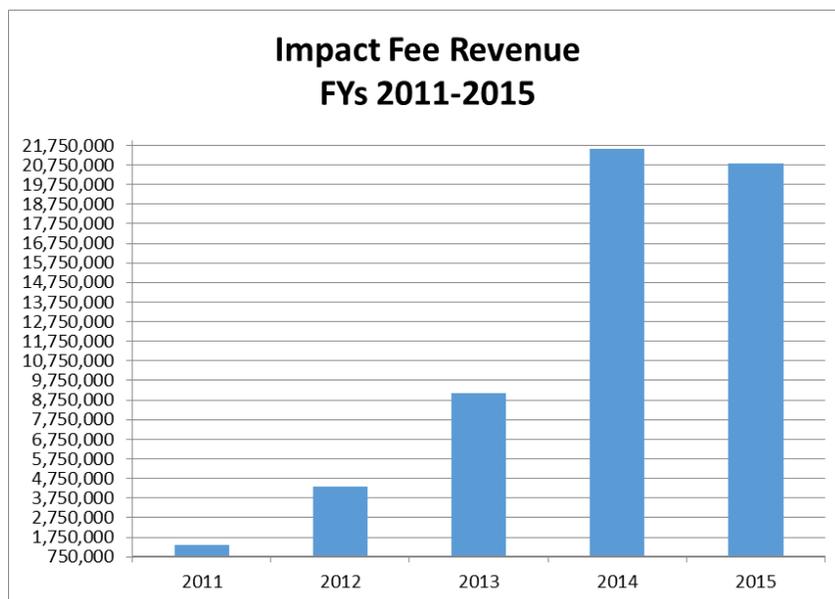
The accounting records maintained by the City's Finance Department reflect that the City assessed and collected \$57 million dollars of impact fees over the five-year period of fiscal years (FYs) 2011-2015. Based on our analysis, we noted that this represents a combined year-to-year increase of \$19 million dollars (or 1,439%) during the period. This increase is due to the fact that in FY2011 the City was beginning to rebound from negative impact fee revenue (of -\$133,497 in FY2010) as a result of depressed building activity and refunds to customers.

However, since FY2011 the City has experienced increases in impact fee collections each year, with the exception of last fiscal year (FY2015), where we noted that the City collected a total of \$20,848,627 of Impact Fees revenue, or \$713,000 less than the prior year. Despite the small decrease (3%) in impact fee revenue for FY2015, the overall increase in impact fee revenue from FYs 2011-2015 is consistent with the improvement in the economy of Miami-Dade County and increased building activity over this period of time.

**Summary & Analysis of Impact Fee Revenue for
Fiscal Years 2011 through 2015**

Period (Fiscal Year)	Impact Fee Revenue *1	\$ Change (by Fiscal Year)	% Change (by Fiscal Year)	Effect (by Fiscal Year)
2011	\$ 1,355,126	-	-	-
2012	\$ 4,337,998	\$ 2,982,872	220%	Increase
2013	\$ 9,121,554	\$ 4,783,556	110%	Increase
2014	\$ 21,561,620	\$ 12,440,066	136%	Increase
2015	\$ 20,848,627	\$ (712,993)	-3%	Decrease
TOTAL 2010-2015	\$ 57,224,925	\$ 19,493,501	1439%	Increase

*1 Represents total combined impact fee revenue from each of the benefit district funds (i.e., Parks and Recreation, Fire-Rescue, GSA, and Police).



AUDIT FINDINGS AND RECOMMENDATIONS

FINDING 1: IMPACT FEES AND ADMINISTRATIVE FEES WERE NOT PROPERLY ASSESSED AND COLLECTED

In accordance with Chapter 13, Article I, Section 13-7 (b) of the City Code, “impact fees shall be calculated by the zoning department based on the development included in the building permit application using:

- (1) The land use category or categories applicable to the development,
- (2) The number of dwelling units for residential, the gross square footage for nonresidential, or the specific units of development for certain types of nonresidential development, and
- (3) ...When multiple types of development are included in a building, the impact fees shall be calculated for each type of development and included in the total impact fees due. When multiple buildings are included in a building permit application, the impact fees shall be calculated individually for each building and included in the total impact fees due.”

Also, as per Section 13-14 of the City Code, in addition to the applicable impact fees, “expenses to be incurred by the city in connection with the administration of the development impact fee ordinance have been estimated and budgeted and have been determined to be of benefit to the properties therein and shall be reimbursed to impact fee administration fund of the city out of the revenues accruing through the imposition of a service charge in the amount of three percent of the impact fee due. The nonrefundable service charges are in addition to and shall be paid separately from the impact fees but shall be payable at the time of application for the building permit and shall be for the sole purpose of defraying expenses as provided herein.”

In order to determine whether the proper amount of impact fees and administrative fees were assessed and collected from development in the City, we selected a sample of 30 building permits, examined the project construction plans (zoning legend), and recalculated the impact fees and administrative fees due to the City. The building permits audited represent 75% of the impact fees collected by the City for the audit period (or \$23,070,658 of impact fees and \$697,087 of administrative fees).

Based on our review, we determined that information from the building plans (e.g. property type, proposed use, number of units, square footage), for the following seven (7) projects, was NOT properly input in the iBuild System (iBuild), which is used to automatically compute the impact fees and administrative fees. **As a result, impact fees and administrative fees were not properly assessed and collected, and a total of \$215,436 (\$208,208 of impact fees and \$7,228 of administrative fees) is due to the City**, as noted in “Exhibits I and II” and described in detail below:

Exhibit I

#	Address	Plan Number	Date Permit Issued	Impact Fees Collected	Admin. Fees Collected	Additional Impact Fees Due	Additional Admin. Fees Due	Total Additional Fees Due
1	1075 BISCAYNE BLVD	BD13021838001B001	11/13/2013	\$ 57,296	\$ 1,719	\$ 70,934	\$ 2,128	\$ 73,062
2	2060 BISCAYNE BLVD	BD13018329001B001	11/26/2013	\$ 176,066	\$ 5,282	\$ 4,269	\$ 128	\$ 4,397
3	2669 S BAYSHORE DR	BD13017626001B001	5/24/2013	\$ 451,392	\$ 13,542	\$ 4,702	\$ 141	\$ 4,843
4	601 S MIAMI AV	BD13017474001B001	2/26/2014	\$2,031,038	\$ 60,931	\$ 85,553	\$ 2,567	\$ 88,119
5	200 SE 2 ST	BD13021646001B001	5/7/2014	\$2,172,324	\$ 65,170	\$ 43,540	\$ 1,306	\$ 44,846
6	110 SW 9 ST	BD13025658001B001	1/9/2015	\$ 790	\$ 4,844	\$ (790)	\$ -	\$ (790)
						\$ 208,208	\$ 6,270	\$ 214,478

Details of the additional impact fees and administrative fees due are as follows:

- 1075 BISCAYNE BLVD (Plan Number BD13021838001B001) - Impact fees should have been assessed on 157,919 sq. ft. for the Miami Science Museum project; however, impact fees were only assessed and collected on 84,012 sq. ft. Furthermore, the land use category used to calculate the 84,012 sq. ft. was "General Office 50,001-100,000 sq. ft.", which is not the correct land use for the development. We noted that this error was likely due to the fact that the City Code does not specify an impact fee land use category for museum developments. We also noted that the land use category used to calculate the impact fees due for the Miami Art Museum project (another development which is part of the Miami Museum Park project) was the "Commercial Shopping" category. Absent a more suitable category, we applied the same land use category to our calculation of the impact fees due for the Miami Science Museum project. As a result of both discrepancies, additional impact fees (\$70,934) and administrative fees (\$2,128) are due to the City.
- 2060 BISCAYNE BLVD (Plan Number BD13018329001B001) - Impact fees should have been assessed on 402,202 sq. ft. of "Warehousing" space and 90,018 sq. ft. of "Commercial Shopping" space; however, impact fees were only assessed on 400,000 sq. ft. and 86,000 sq. ft., respectively. As a result, additional impact fees (\$4,269) and administrative fees (\$128) are due to the City.
- 2669 S BAYSHORE DR (Plan Number BD13017626001B001) - Impact fees should have been assessed on 97 residential units; however, impact fees were only assessed on 96 units. As a result, additional impact fees (\$4,702) and administrative fees (\$141) are due to the City.
- 601 S MIAMI AV (Plan Number BD13017474001B001) - With respect to the "General Office" portion of the development, impact fees should have been assessed on 147,652 sq. ft.; however, the customer was NOT assessed impact fees for this space. In addition, with respect to the "Commercial Shopping" portion of the development, impact fees should have been assessed on 113,037 sq. ft.; however, impact fees were incorrectly assessed on 121,325 sq. ft.. As a result of both errors, a net amount of additional impact fees (\$85,553) and administrative fees (\$2,567) are due to the City.
- 200 SE 2 ST (Plan Number BD13021646001B001) - With respect to the "Commercial Shopping" portion of the development, impact fees should have been assessed on 40,921 sq. ft.; however, the customer was NOT assessed impact fees for this space. As a result, additional impact fees (\$43,540) and administrative fees (\$1,306) are due to the City.

- 110 SW 9 ST (Plan Number BD13025658001B001) - the customer was overcharged \$790. This project was a parking garage associated with a mixed use residential affordable housing and commercial project. Since the parking garage is incidental to the residential/commercial building (i.e., both structures are a part of the same development), impact fees do not apply to the parking garage development. As such, the customer was granted an impact fee credit of \$160,675 for the parking garage square footage allocated to the residential parking; however, the customer should also have been granted an impact fee credit of \$790 for the square footage allocated to the commercial parking.

Exhibit II

Address	Plan Number	Date Permit Issued	Impact Fees Collected	Admin. Fees Collected	Additional Impact Fees Due	Additional Admin. Fees Due	Total Additional Fees Due
140 NE 39 ST	BD12006310001B001	11/6/2013	\$ 266,886	\$ 7,049	Unable to Determine	\$ 958	Unable to Determine

For the project located at 140 NE 39 ST (Plan Number BD12006310001B001), we were unable to determine whether the correct amount of impact fees and administrative fees were assessed and collected. However, we determined that \$958 of administrative fees are due to the City, as shown in “Exhibit II” above.

Based on our review of the project construction plans (zoning legends) available in the iBuild, we noted that there were multiple plans revisions; however, we were unable to identify the final plans and were thus unable to determine whether the impact fees were assessed on the correct amount of square footage. The Planning & Zoning Department (PZD) indicated they would request copies of the final plans from the project architect; however, as of the end of audit fieldwork, the plans were not provided for our review.

Based on our review of the available plans related to one of the impact fee assessments, we noted an error in the calculation of the administrative fees assessed. According to the iBuild “Plan Revision, Fee Summary” generated on 7/18/14, impact fees were assessed for 331,405 sq. ft. of “Commercial Shopping” space. The related administrative fee should have been \$7,049 ((331,405 sq. ft. x \$0.7090 (impact fee rate for “Commercial Shopping” projects > 200,000 sq. ft.)) x 3%). However, only \$6,091 of administrative fees were assessed. As a result, additional administrative fees (\$958) are due to the City.

As a result of our analysis of the 30 projects in our sample of building permits and corresponding impact fee assessments, including the seven (7) projects, described above, where impact fees and/or administrative fees were not properly assessed, we noted (in recommendations 1.1 through 1.6) the following additional observations, conditions, possible causes of errors, and recommendations for improvement to the impact fee assessment process.

RECOMMENDATION 1.1: PLANNING & ZONING DEPARTMENT

For each of the seven (7) properties where we determined that information from the building plans (e.g. property type, proposed use, number of units, square footage) was not properly input in iBuild, and which resulted in additional impact fees and administrative fees due to the City (\$215,436 See Exhibits I and II above), we recommend that PZD (1.) correct the information in iBuild in order to assess the additional impact fees and administrative fees, and (2.) work with the Finance Department to pursue collections and refund.

- **Auditee Response:** PZD will revise the project history as well as payments in order to confirm whether there are amounts owed for each project identified and will contact the applicants to inform them of any amount owed. PZD will also meet with the Finance Department to advise regarding the identified collections needed so the collections can be pursued accordingly. PZD will also work with the Building Department to correct/add information to iBuild, as appropriate.
- **Implementation Date:** Next six months.

RECOMMENDATION 1.2: PLANNING & ZONING DEPARTMENT

In order to improve the accuracy of building plans information in iBuild, which automatically calculates the impact fees and administrative fees due to the City, we recommend that Zoning Reviewers double check that the information input by the Building Permit Counter Clerk agrees with the information (e.g. property type, proposed use, # of units/square footage) on the construction plans (zoning legend). We also recommend that PZD consider implementing additional internal controls such as a supervisory review function to ensure the accuracy of the information input into iBuild as well as the assessment of impact fees and administrative fees.

- **Auditee Response:** PZD concurs with the recommendations. Future training as well as revised standard operating procedures will aid in quality control. Additional assistance can be sought through the Building Department, which has a Quality Control Assurance manager so that supervisory review function can be incorporated into that process.
- **Implementation Date:** Next three months. As to the additional assistance on the quality control position, that will be dependent on future conversations with the Building Department to ensure that such inclusion can be achieved.

RECOMMENDATION 1.3: PLANNING & ZONING DEPARTMENT

Due to the dynamic nature of the building plans revision and permitting process, we recommend that the Building Department and PZD establish a procedure whereby a copy of the zoning legend (i.e. a snippet of the zoning legend from the larger set of building plans) is attached to the iBuild “Fee Summary” to support each impact fee assessment.

Currently, all building plans, including plans revisions, are scanned into the iBuild System. In order to determine whether the correct amount of impact fees have been assessed for a development, it requires reviewing the entire set of building plans (which may include hundreds of pages) and searching within the plans to locate the zoning legend. Therefore, implementing this procedure will improve the audit trail for each impact fee assessment and will also simplify the process of determining the amount of impact fees to be assessed for plans revisions.

- **Auditee Response:** PZD concurs with the recommendation. It is PZD’s intention to establish a standardized zoning legend that will aid in project review and streamline the process. PZD can also work with the Building Department so that the Zoning legend can be easily identified when projects are scanned.
- **Implementation Date:** Next six months.

RECOMMENDATION 1.4: PLANNING & ZONING DEPARTMENT

Currently, building plans (and zoning legends) submitted to the City do not conform to a standard format/template. As a result, the need to interpret data on the plans results in human errors when inputting information into iBuild. In order to reduce or eliminate the need for interpreting data on building plans zoning legends, we recommend that PZD create a standard zoning legend template, based on the transect zones and use types indicated in the City's Zoning Ordinance.

- **Auditee Response:** PZD concurs with the recommendation. It is PZD's intention to establish a standardized zoning legend that will aid in project review and streamline the process. PZD can also work with the Building Department to ensure when projects are scanned that the Zoning legend can be easily identified. Additionally, through the ongoing Business Review process currently underway, there may be better alternatives that result from the exercise where a standardized legend can be implemented through the intake process.
- **Implementation Date:** Standardized zoning legend, next six months. Other solutions may take longer since it is part of a broader project (iPlan).

RECOMMENDATION 1.5: PLANNING & ZONING DEPARTMENT

Limitations with the current iBuild System make it difficult to track plans revisions and the sequence of iterations. For example, within iBuild, the "Work Items" screen is used to input project specifications (e.g. property type, proposed use, # of units/square footage) from the construction plans (zoning legend). Whenever a new item is input as part of a plans revision, the original project specifications, and any prior revisions, are not retained. Therefore, it is difficult to determine the basis of any prior impact fee assessments without having to research the building plans and attempt to match them to the iBuild "Fee Summary". Also, the current storage and tracking of building plans and revisions does not facilitate ease of retrieval, understanding of plans revisions, and maintenance of the most current master set of plans.

We recommend that PZD work with the Information Technology Department (ITD) to make the appropriate revisions to iBuild to ensure that plans revisions are properly identified and captured for posterity and to improve plans storage, retrieval, and maintenance.

- **Auditee Response:** PZD concurs with the recommendation. PZD will meet with the Building Department, and ITD subject matter experts who can advise if the system has the capability necessary to effectuate the enhancements proffered in the recommendation.
- **Implementation Date:** Three to six months.

RECOMMENDATION 1.6: PLANNING & ZONING DEPARTMENT

During our audit testing, we noted that the list of land uses for impact fee assessments included in the City Code does not capture all of the use types in the City. For example, with respect to our testing of the Miami Science Museum project (as described above), we noted that one of the errors in the impact fee assessment was likely due to the fact that the City Code does not specify an impact fee land use category for museum developments. As a result, the impact fee land use types (per City Code Chapter 13, Article I, Sections 13-9 through 13-12) need to be aligned to the

use types in the zoning ordinance (Article 4, Table 3). Any gaps that are identified would need to be presented to the City Commission in order to update the impact fee ordinance and rates.

- **Auditee Response:** PZD concurs with this recommendation, however, to make any changes will require a lengthy assessment with other systems such as MiamiBiz (Certificate of Use and Business Tax Receipts), as well as a thorough review of Chapter 13. Any future recommendations would be the result of the review associated with Chapter 13 and such is dependent of many other departments and processes.
- **Implementation Date:** 1-2 years.

FINDING 2: IBUILD SYSTEM LIMITATIONS RESULTED IN INACCURATE TRACKING AND ASSESSMENTS OF IMPACT FEES AND ADMINISTRATIVE FEES RELATED TO AFFORDABLE HOUSING DEVELOPMENTS

As per City Code, Chapter 13, Article I, Section 13-8, in order to encourage the provision and retention of affordable housing for owner-occupancy and for rental, the city commission established a program for the deferral of impact fees due on affordable housing dwelling units developed within the city. Affordable housing impact fee deferral shall apply only to the dwelling units that qualify as affordable housing. Impact fees due on all portions of the development that do not qualify for deferral shall be paid in full prior to issuance of a building permit.

Over the audit period, \$5.5 million of impact fees were deferred for 21 affordable housing developments (representing 1,162 affordable dwelling units). In order to obtain the population of all affordable housing developments receiving impact fee deferrals, we obtained the “Impact Fees Assessment Report” from the iBuild System and filtered for all permits where the impact fee assessment is noted as "Deferred". We then tested whether the correct amount of impact fees were deferred and that all deferrals were properly approved, documented, and monitored. Based on our testing, we noted that the population of affordable housing developments receiving impact fee deferrals is not accurately tracked in the iBuild System. We also found that **impact fees and administrative fees were not properly assessed and collected, and a total of \$45,885 is due to the City**, as noted in “Exhibits III and IV” and described in detail below:

Exhibit III

#	Address	Plan Number	Additional Impact Fees Due	Additional Admin. Fees Due	Total Additional Fees Due
1	6101 NW 7 AV	BD13013315001	\$ 29,869	\$ 860	\$ 30,728
2	940 SW 1 AV	BD13014928001	-	-	-
3	716 NE 85 ST	BZ# 95005771	-	8,464	8,464
4	1028 SW 5 ST	BZ# 105023869	-	6,207	6,207
			\$ 29,869	\$ 15,530	\$ 45,399

- 6101 NW 7 AV (Plan Number BD13013315001) - For one (1) affordable housing project with a mixed use (residential and commercial), the impact fees due from the commercial portion of the development were incorrectly deferred. The error occurred due to a limitation in the programming of the iBuild system, which causes all impact fees to be deferred, instead of only deferring the impact fees for the residential portion (dwelling units) of the development. In

addition, the project specifications for 25,334 sq. ft. of "Commercial Shopping" space were incorrectly entered into the iBuild System as 1,633 sf of "General Office" space. Consequently, impact fees were not assessed on the 25,334 sq. ft. of commercial space and the administrative fees for the total project were incorrectly assessed. As a result of both errors, additional impact fees (\$29,869) and administrative fees (\$860) are due to the City.

- 940 SW 1 AVE (Plan Number BD13014928001) - We noted a similar issue with another mixed use project where only a portion of the residential development was for affordable housing (100 of 176 units). In this case, PZD processed the impact fee deferral for the affordable units as a \$470,200 credit (100 units x \$4,702 impact fees rate per unit) in the iBuild System. Due to limitations in the programming of iBuild, if the project had been entered as a "Deferral" (instead of a "Credit"), all of the impact fees (i.e. for the 100 affordable units, 76 non-affordable units, and commercial space) would have been incorrectly deferred. In other words, the City would have foregone an additional \$365,724 of impact fees (which was collected for the 76 non-affordable residential units and commercial space). Consequently, this project is not included in the iBuild population of affordable housing developments and would not be easily identified for monitoring purposes.
- 716 NE 85 ST (Plan Number BZ# 95005771) and 1028 SW 5 ST (Plan Number BZ# 105023869) - For two developments, which were released from the "Declarations of Restrictive Covenants for Affordable Housing Developments", we determined that the owners repaid the correct amount of impact fees that had previously been deferred; however, the administrative fees (3% of impact fees due) were not assessed and collected. As a result, administrative fees totaling \$14,670 (\$8,463.60 and \$6,206.64, respectively) are due to the City.
- (See "Exhibit IV" below) - The population of affordable housing projects in the iBuild system is inaccurate. 16 projects are NOT actually affordable housing projects; instead they are residential "Addition/Remodeling" projects/commercial <1,000sq.ft. for which impact fees do NOT apply. In each case, Zoning Specialists incorrectly selected the "Deferred" categorization in the iBuild System instead of indicating "Not Applicable." Although the net effect of impact fee collections is the same, the impact fees assessments should not be reflected as "deferred" (suggesting the possibility of future collection) in iBuild. Furthermore, for two (2) of these projects, administrative fees were not assessed/collected. The dwelling units ("LIV. UNITS") were incorrectly entered in iBuild as "O"; therefore, the administrative fees were not triggered in the system. As a result of these input errors, \$486 of administrative fees are due to the City.

Exhibit IV

#	Address	Plan Number	Assessed Date	Impact Fees Deferred (per IBuild)	3% Admin Fee Paid (per IBuild)	Additional Admin. Fees Due
1	3995 PARK AV	BD12004874001	08/20/2012	8,099	243	-
2	630 NE 51 ST	BD12006681001	10/22/2012	-	-	243
3	3631 FRANTZ RD	BD12009229001	07/17/2013	8,099	243	-
4	187 NW 28 ST	BD13011394001	06/26/2013	1,140	34	-
5	3158 MC DONALD ST	BD13012941001	06/12/2013	8,099	243	-
6	4445 LAKE RD	BD13013496001	07/01/2013	8,099	243	-
7	5985 SW 7 ST	BD13013816001	06/13/2013	8,099	243	-
8	3081 NW 5 ST	BD13013825001	07/25/2013	8,099	243	-
9	2952 SW 27 TER	BD13014256001	07/26/2013	8,099	243	-
10	470 NE 52 ST	BD13015253001	07/01/2013	8,099	243	-
11	3040 NW 19 ST	BD13016754001	08/05/2013	-	-	243
12	428 NE 73 ST	BD13016861001	06/28/2013	8,099	243	-
13	1440 NW 70 ST	BD13018079001	06/06/2013	8,099	243	-
14	1891 NW 33 ST	BD13018259001	06/06/2013	8,099	243	-
15	4060 BATTERSEA RD	BD13019076001	06/21/2013	8,099	243	-
16	1121 NW 32 CT	BD13019791001	07/01/2013	8,099	243	-
Total Additional Admin. Fees Due						\$ 486

RECOMMENDATION 2.1: PLANNING & ZONING DEPARTMENT

For each of the affordable housing developments where we determined that additional impact fees and administrative fees are due to the City (total of \$45,885; See “Exhibits III and IV” above), we recommend that PZD (1.) correct the information in iBuild in order to assess the additional impact fees and administrative fees, and (2.) work with the Finance Department to pursue collection from customers.

- **Auditee Response:** PZD concurs with the recommendations. PZD will work with the Building Department to correct information in the iBuild system and assess additional fees due. PZD will also meet with the Finance Department to advise regarding the identified collections needed so the collections can be pursued accordingly.
- **Implementation Date:** Next three months.

RECOMMENDATION 2.2: PLANNING & ZONING DEPARTMENT

Since limitations with the programming of the iBuild System do not allow for accurate assessments of impact fees and administrative fees for mixed use affordable housing developments, we recommend that PZD work with the Information Technology Department (ITD) to make the appropriate revisions to iBuild to ensure that affordable housing developments are properly captured in the system and result in the ability to properly monitor all developments and accurately assess the related impact fees and administrative fees. Such revisions to iBuild would eliminate the need for manual inputs of credits and other system ‘work arounds.’

- **Auditee Response:** It is PZD’s understanding that this recommendation has already been implemented. PZD will confirm this with ITD to ensure completion. Should this be confirmed, there is no further action required.

- **Implementation Date:** Two weeks.

RECOMMENDATION 2.3: PLANNING & ZONING DEPARTMENT

For affordable housing developments which are released from the “Declarations of Restrictive Covenants for Affordable Housing Developments”, we recommend that PZD implement the appropriate internal controls to ensure that any impact fees that were previously deferred are collected and that the appropriate administrative fees are also collected.

- **Auditee Response:** PZD concurs with the recommendation. PZD has newly established procedures/internal controls for the proper review and approval of affordable housing impact fee deferrals or impact fee demolition credits prior to issuance of building permit. PZD will also create standard operating procedures for future staff training.
- **Implementation Date:** Procedures and controls have been implemented. One month to create standard operating procedures.

FINDING 3: LACK OF MONITORING AND BREACH OF AFFORDABLE HOUSING RESTRICTIVE COVENANTS RESULTED IN IMPACT FEES & INTEREST DUE

For the 21 developments that received affordable housing impact fee deferrals during the audit period, we found that neither the PZD nor the City's Community Development Department tracks/monitors these projects to determine their continued status as affordable housing. According to the “Declaration of Restrictive Covenants for Affordable Housing Developments”, any official inspector or agent of the City may have the right at any time during normal business hours to enter upon the Property for the purpose of investigating the use of the Property and for determining whether the conditions of the Declaration are being complied with. Furthermore, if and when a development loses its status as an affordable housing community, previously deferred impact fees shall become due and payable by the current owner of the project. Such payment shall be made in full within thirty (30) days following the date on which the Project no longer qualifies as affordable housing. Late payments shall accrue interest at 18% per annum until fully paid. In the event the City or its agents must institute a civil action to collect any funds due or enforce any obligation then it will be entitled to recover its court costs and reasonable attorneys’ fees.

Seven (7) of the developments are single family homes. According to the "Declaration of Restrictive Covenants for Affordable Housing Development":

"Owner hereby agrees that \$8,099 in impact fees have been deferred for the construction of one (1) affordable housing homes. Owner shall ensure that the aforementioned homes are sold at a purchase price that does not exceed the maximum purchase price as set by the City Commission for the City's First-Time Homebuyer program and the income of the purchaser does not exceed one hundred twenty per cent (120%) of area median income adjusted for household size, as published annually by the Florida Housing Finance Corporation."

Based on our review of the Miami-Dade County Property Appraiser's records, we noted that three (3) of the properties (See “Exhibit V” below) were sold for a purchase price that exceeded the maximum purchase price approved by the City Commission (i.e., they were NOT sold for an

"affordable" price). As a result, the impact fees which were previously deferred (\$8,099 per single family residence) are now due to the City. **Based on the dates each of the properties were sold, a total of \$35,552 is due to the City** (\$24,297 impact fees + \$11,255 interest, as of the end of audit fieldwork 8/15/16).

Exhibit V

#	Address	Plan Number	Impact Fees Due	Date Property Sold	# Years Past *Due Date (as of 8/15/16)	18%	Interest Rate
						Late Payment Interest Due	Total Impact Fees & Interest Due
1	110 SW 50 AV	BD13021565001	\$ 8,099	12/23/2013	2.56	\$ 3,738	\$ 11,837
2	120 SW 50 AV	BD13021566001	\$ 8,099	12/13/2013	2.59	\$ 3,778	\$ 11,877
3	130 SW 50 AV	BD13021567001	\$ 8,099	12/23/2013	2.56	\$ 3,738	\$ 11,837
			\$ 24,297			\$ 11,255	\$ 35,552

* Payment of impact fees was due within 30 days of sale.

The other 14 affordable housing developments are rental properties with multiple affordable housing units. According to the "Declaration of Restrictive Covenants for Affordable Housing Development":

"Owner and subsequent Owner shall ensure that the aforementioned units shall be rented to persons qualifying for occupancy of affordable housing....The project shall be qualified as "Affordable Housing" if all units are rent-restricted and occupied by households whose income does not exceed eighty percent (80%) of area median income for Miami-Dade County, adjusted for household size, as reported by the Department of Housing and Urban Development."

Based on our review of the Florida Housing Finance Corporation "Entire Portfolio Occupancy Report-2016", we noted that 13 of the developments are receiving funding from the State of Florida and as such, affordability requirements are being monitored by the State. Therefore, although we were unable to confirm the developments' continued affordability, the fact that they are being monitored by the State represents a reduced risk. The remaining one (1) development (See "Exhibit VI" below) is not being monitored by the State. Therefore, we have no additional assurance as to the project's continued affordability.

Exhibit VI

Address	Plan Number	Assessed Date	# of Affordable Units	Applicable Impact Fee (per Unit)	Impact Fees Deferred (per IBuild)	3% Admin Fee (per IBuild)
720 SW 63 AV	BD12006175001	05/31/2013	11	\$ 4,702	\$ 51,722	\$ 1,552

RECOMMENDATION 3.1: PLANNING & ZONING DEPARTMENT

For the three (3) single family homes which we found were sold for a non-affordable purchase price, in violation of the "Declaration of Restrictive Covenants", we recommend that PZD initiate action with the Office of the City Attorney and Finance Department to collect the \$35,552 (See "Exhibit V" above) that is due to the City for impact fees that were previously deferred (\$24,297) and late payment interest (\$11,255) due to-date.

- **Auditee Response:** PZD concurs with the recommendation. PZD will work with the Office of the City Attorney and Finance Department to advise on the identified collections needed so they can be pursued accordingly.
- **Implementation Date:** Pending verification from City Attorney's Office. To be determined at a later date.

RECOMMENDATION 3.2: PLANNING & ZONING DEPARTMENT

We recommend that the PZD implement procedures to monitor the continued affordability of developments receiving impact fee deferrals. Such monitoring might include performing inspections, coordinating with other City Departments to perform inspections/oversight, or requiring owners to periodically provide copies of other agencies' (e.g., State or County) monitoring reports in order to verify the developments' status as Affordable Housing. Another important consideration for monitoring affordable housing developments is tracking the expiration of the affordability period (as outlined in the Covenants) to ensure the appropriate impact fee assessments are triggered in the future. Lastly, we recommend that PZD work with ITD to determine how iBuild can be enhanced to assist with facilitating these monitoring functions.

- **Auditee Response:** PZD concurs with the recommendations. PZD will work with pertinent departments to monitor the continued affordability of developments. PZD will also meet with the ITD to discuss potential enhancements of the iBuild system for these monitoring functions. PZD will also discuss with ITD the feasibility of incorporating these monitoring functions into the future "iPlan" tracking system.
- **Implementation Date:** Six months for internal coordination. Other solutions may take longer since it is part of a broader project (iPlan).

RECOMMENDATION 3.3: PLANNING & ZONING DEPARTMENT

Per discussion with the Director of the Community Development Department, the "Declaration of Restrictive Covenants for Affordable Housing Developments" is not the best tool to ensure the property sells at an affordable price. Instead, it would be better for the City to put a mortgage for a nominal amount (e.g. \$1) on the property. This way the City must be notified of the sale, at the time of the transaction. Proactive notification would protect the City's financial investment in the project. Accordingly, we recommend that the City explore ways to revise the affordable housing impact fee deferral process that would ensure the integrity of the impact fee deferral program as a means of encouraging and retaining affordable housing in the City.

- **Auditee Response:** PZD concurs with the recommendations. This will involve coordination with several Departments (i.e. Community & Economic Development, Office of the City Attorney, Finance). PZD recommends that the possibility of a lien also be explored as a means to ensure the property is sold at an affordable price.
- **Implementation Date:** Three to six months, longer if legislative changes are required.

FINDING 4: LACK OF APPROVALS AND DOCUMENTATION FOR AFFORDABLE HOUSING IMPACT FEE DEFERRALS & IMPACT FEE DEMOLITION CREDITS

In accordance with City Code, Chapter 13, Article I, Section 13-16(a)(1), petitions for an impact fee determination and affordable housing impact fee deferral, refund of impact fees, and/or credit against impact fees shall be submitted using the petition process, requirements and time limits provided. According to Section 13-16(a)(2), the final determination on the petition shall be issued by the City Manager.

The process for requesting an impact fee determination for affordable housing impact fee deferrals as well as impact fee credits for demolition of existing dwelling units and/or gross square footage includes, a “City of Miami Application for Impact Fee Deferral/Credit” signed by the applicant and a “City of Miami Certificate of Impact Fee Deferral/Determination” prepared by the Zoning Administrator, signed by the Director of Community Development (for affordable housing deferrals), and finally, approved by the City Manager (via signature and date on the form).

The “Certificate of Impact Fee Deferral” form indicates the number of affordable housing units being built and the total amount of impact fees being deferred. The “Certificate of Impact Fee Determination” form indicates the number of units to be discounted from the total impact fees due. Once the Certificates are approved, the Zoning Administrator enters a note in the iBuild System to document the City Manager’s approval and then either enters the impact fee deferral in iBuild or manually enters the impact fee credit adjustment in iBuild to give the customer credit for the units that originally existed (i.e., impact fees that were previously paid).

Impact Fee Demolition Credits – Testing of Documentation and Approvals:

For the 13 permits that received impact fee demolition credits totaling \$798,745 during the audit period, we noted exceptions with the required documentation and approvals for two (or 15%) of the credits totaling \$695,896. One was missing the “Application for Impact Fee Credit” signed by the applicant, and for the other, the “Certificate of Impact Fee Determination” was not approved by the City Manager, as required. See “Exhibit VII” below.

Exhibit VII

Address	Permit Number	Date Permit Issued	# of Units Demolished	# of New Units Built	Total Impact Fee Credit (per iBuild)	Impact Fee Credit, Approval & Record Keeping Exceptions
2350 SW 27 AV	BD13015555001B001	01/17/2014	42	121	\$ 197,484	(1)
601 NE 39 ST	BD14002054001B001	01/16/2015	106	141	\$ 498,412	(2)
(1) "Certificate of Impact Fee Determination" was NOT approved by City Manager						
(2) "Application for Impact Fee Deferral" was not provided for audit						

Affordable Housing Impact Fee Deferrals – Testing of Documentation and Approvals:

For the 21 developments that received affordable housing impact fee deferrals during the audit period, we found that 11 (or 52%), totaling \$2,836,093, were not properly approved. See “Exhibit VIII” below.

- For seven (7) developments, the “Certificate of Impact Fee Deferral” was not approved by the City Manager.
- For three (3) developments, the “Certificate of Impact Fee Deferral” was not signed by the Director of Community Development and was also not approved by the City Manager.

- For one (1) development, the “City of Miami Application for Impact Fee Deferral” and the “Certificate of Impact Fee Deferral” were not provided for review. Therefore, we were unable to determine whether the deferral was properly approved.

Exhibit VIII

Address	Plan Number	Assessed Date	# of Affordable Units	Impact Fees Deferred (per IBuild)	Impact Fee Deferral, Approval & Record Keeping Exceptions
5715 NW 2 AV	BZ# 10-5022612	11/21/2012	60	\$ 282,120	(1)
145 SW 8 ST	BD12005611001	11/19/2012	98	\$ 460,796	(1)
720 SW 63 AV	BD12006175001	05/31/2013	11	\$ 51,722	(1)
850 SW 2 AV	BD12006612001	03/27/2013	89	\$ 418,478	(1)
1026 SW 2 AV	BD12006807001	02/25/2013	32	\$ 150,464	(1)
571 SW 9 ST	BD12008045001	04/02/2013	89	\$ 418,478	(1)
240 SW 9 ST	BD12008286001	11/19/2012	116	\$ 545,432	(1)
110 SW 50 AV	BD13021565001	08/20/2013	1	\$ 8,099	(1) and (2)
120 SW 50 AV	BD13021566001	08/20/2013	1	\$ 8,099	(1) and (2)
130 SW 50 AV	BD13021567001	08/20/2013	1	\$ 8,099	(1) and (2)
230 SW 12 ST	BD13015883001	12/03/2013	103	\$ 484,306	(3)
<p>(1) "Certificate of Impact Fee Deferral" was NOT approved by City Manager</p> <p>(2) "Certificate of Impact Fee Deferral" was NOT signed by the Director of Community Development</p> <p>(3) "Application for Impact Fee Deferral" and "Certificate of Impact Fee Deferral" were not provided for audit</p>					

RECOMMENDATION 4: PLANNING & ZONING DEPARTMENT

We recommend that PZD implement the appropriate internal control procedures to ensure that all required approvals and documentation are completed prior to authorizing affordable housing impact fee deferrals or impact fee demolition credits in the iBuild System and issuing the building permits.

- **Auditee Response:** PZD concurs with the recommendations. PZD has newly established procedures/internal controls for the proper review and approval of affordable housing impact fee deferrals or impact fee demolition credits prior to issuance of building permit. PZD will also create standard operating procedures for future staff training.
- **Implementation Date:** Procedures and controls have been implemented. One month to create standard operating procedures.

FINDING 5: LACK OF POLICIES & PROCEDURES, STAFF TRAINING, AND MONITORING OF THE ASSESSMENT AND COLLECTION OF IMPACT FEES

The Planning & Zoning Department (PZD) is responsible for ensuring the proper assessment of impact fees prior to the issuance of building permits for development in the City.

We made audit inquiries and performed various tests in order to evaluate the effectiveness of the internal control system relative to the assessment and collection of impact fees, specifically whether the PZD is properly monitoring compliance with Chapter 13 of the City Code (Development Impact and Other Related Fees). Based on our testing, we noted the following:

- PZD does not have a policies and procedures (P&P) manual which describes the process for assessing and collecting impact fees, use of the iBuild system in the impact fee process, staff responsibilities, etc. PZD provided a draft document which contained procedures specific to the impact fee determination process (demolition credits for no net increase of units) and for the affordable housing deferral process, as well as related examples of documents and iBuild screenshots. A complete P&P manual should also include:
 - procedures for reviewing building plans zoning legends to determine whether impact fees apply, do not apply, or are deferred;
 - procedures to ensure the correct information (property type, proposed use, number of units, sq. ft.) is entered in the iBuild system to calculate the impact fees assessment;
 - examples of zoning legends for each of the various proposed uses (e.g., Residential, General Office, Commercial/Shopping, Lodging, Warehousing, Business Park, etc.) along with highlighted areas that staff should review to ensure accurate impact fee assessments and, screen shots of the iBuild system for each scenario;
 - guidance on the process for impact fee refunds;
 - the annual/triennial review process;
 - other pertinent processing/monitoring controls (e.g. staff training and creation/use of reports for tracking/analyzing performance, financial trends, etc.); and,
 - an overview of staff responsibilities within the Department to ensure efficient and effective operations.

- PZD/Building Department staff involved with the assessment and collection of impact fees (e.g., Zoning Information Specialists, Plans Processors, Planners, etc.) do not receive formal training. Instead, informal (on-the-job) training is provided, as necessary, by the Zoning Manager/Administrator as well as the Information Technology Department. However, training is not provided when City Code/industry standards are updated nor when trouble areas/unique situations are identified, which would benefit all staff, and facilitate greater consistency in the building plans review/impact fee assessment process.

- The PZD/Building Department does not create reports to track/analyze performance or financial trends (e.g., comparisons of the numbers of building permits issued with impact fee assessments and collections, refunds, demolition credits, affordable housing deferrals, etc.). Although staff have the ability to generate reports using the iBuild system, this functionality is not being utilized. Such reports would assist with completing the required Annual/Triennial Impact Fee Reviews (See “Finding 6: Annual/Triennial Reviews of Impact Fees Were Not Performed”) and also allow for better monitoring of developments receiving affordable housing impact fee deferrals (as discussed in “Finding 3: Lack of Monitoring and Breach of Affordable Housing Restrictive Covenants Resulted in Impact Fees and Interest Due”).

RECOMMENDATION 5.1: PLANNING & ZONING DEPARTMENT

In order to facilitate greater efficiency, accuracy, and uniformity in the process of reviewing building plans, assessing, and collecting impact fees, and also to ensure continuity in the event of staff turnover, we recommend that: (1) PZD develop a complete policies and procedures manual including the process for assessing and collecting impact fees, use of the iBuild system

in the impact fee process, staff responsibilities, etc., (2) all employees involved in the processing of impact fees receive a copy of the P&P manual (and sign for its receipt), and (3) training be periodically provided so that all staff are able to accurately process building permit applications and plans revisions to ensure the appropriate impact fee assessments and collections.

- **Auditee Response:** PZD concurs with the recommendations. PZD will develop a P&P manual for the proper assessing of impact fees in the iBuild system. Once the manual is complete PZD will conduct periodic staff trainings inclusive of Building Department staff responsible for entering pertinent information into iBuild during the initial application process of which impact fees are derived from.
- **Implementation Date:** Three to six months.

RECOMMENDATION 5.2: PLANNING & ZONING DEPARTMENT

We recommend that PZD periodically perform analyses of building permit activity and impact fee revenue assessments/collections, investigate any significant variances from expectations, and immediately address the issues noted to ensure the City receives the maximum appropriate revenue due.

- **Auditee Response:** PZD concurs with the recommendation. PZD will conduct quarterly analysis of random building permits to ensure that impact fees were properly assessed. Should there be any variances, PZD will address immediately with the assistance of the Building Department.
- **Implementation Date:** Immediately.

FINDING 6: ANNUAL AND TRIENNIAL REVIEWS WERE NOT CONDUCTED AND REQUIRED REPORTS WERE NOT ISSUED TO THE CITY COMMISSION

In accordance with Section 13-13 (f) of the City Code,

“Annual review and modification. The city, acting through appropriate staff or agents, shall annually, no later than 120 days after the annual capital budget and capital improvements program adoption process, review the impact fee ordinance procedures, assumptions, formulas, benefit district and subdistrict designations, and fee calculations, and issue an annual report. The first annual report shall be issued after September 2006. The annual report shall be distributed to the city commission by the city manager. The annual report should, at a minimum, include information by individual benefit district or subdistrict for the fire-rescue impact fee, on account balances, annual collections annual expenditures and system improvement projects funded in whole or in part with impact fees. The annual report should provide information on the number of owner-occupied units and rental units participating in the affordable housing impact fee deferral program the number of units added annually, and the number of units no longer meeting the affordable housing deferral program criteria. The report should evaluate the effectiveness of the deferral program in encouraging the provision and retention of affordable housing and the effect, if any, of the deferral program on the provision of impact fee funded public facilities. The annual report should present any recommendations related to the impact fee system including but not limited to, the need for any updates to the impact fee calculations district boundaries and ordinance. In reviewing the impact fee system, the city may consider: (1) Development

occurring in the prior year; (2) Construction of proposed public facilities; (3) Changing facility needs; (4) Inflation and other economic factors; (5) Revised cost estimates for public facilities, land and/or improvements; (6) Changes in the availability of other funding sources applicable to impact-fee-related capital improvements; and, (7) Such other factors as may be relevant. The data in the annual report may be organized based on the city's fiscal year or calendar year. Nothing in this article shall be construed to limit the city commission's authority to amend this article at any time. "

Furthermore, as per Section 13-13 (g) of the City Code,

"Triennial review and modification. The City shall conduct a complete review of the impact fees every three years to determine if changes in costs, facility needs, development patterns, demographics and any other relevant factors indicate a need to update the impact fee calculations, data, methodology or other components of the impact fee system. The triennial report issued based on this review shall be distributed to the City Commission by the City Manager. Changes to the impact fee system, including updated fee calculations, should be adopted within a year of completion of the triennial report."

In order to determine whether the City complied with Sections 13-13 (f) and (g) of the City Code, we made audit inquiries and requested copies of the annual and triennial reports. Based on our testing, we noted the following deficiencies:

- The City did not conduct annual reviews of the impact fee ordinance procedures, assumptions, formulas, benefit district and subdistrict designations, and fee calculations for any of the years within the audit period. As a result, annual reports were not distributed to the City Commission by the City Manager, as required.
- With respect to the triennial review, we were provided with a draft of a triennial review report, dated 05/10/12, prepared by a consulting firm. However, the final report was never completed nor issued. We obtained all of the payments made to the consultant noting that 70% (or \$35,288) of the proposed project schedule fee (\$49,630: 267 hours) was paid. Current PZD staff was unable to explain why the final report was never issued. We contacted the consultant and learned that the project was being coordinated by the former Director of the Capital Improvements and Transportation Program (CITP) and that due to turnover of City staff, and repeated unsuccessful attempts to obtain necessary financial information, they were unable to complete the report.

Based on our review of the City's budget we noted that the City currently has \$30,202 remaining in the fund previously established for the 2012 impact fee study. In addition, we noted that in the FY15-16 budget, the City allocated an additional \$50,000 in a Non-Departmental Account for an "Impact Fee Study." Per discussion with the Directors of the Planning and Zoning Department (PZD) and Office of Management of Budget (OMB), neither is aware of a current plan for utilizing the budgeted monies and moving forward with conducting the annual/triennial reviews. Since 2012, none of the departments involved with impact fees related matters assumed the responsibility for completing the annual/triennial reviews as stipulated in the City Code. As per discussions with the PZD Director and OMB Director there has not been a designee to lead the annual/triennial reviews.

According to City Code Section 13-13(g), "Changes to the impact fee system, including updated fee calculations, should be adopted within a year of completion of the triennial report." However, since the reviews are not being conducted and the reports are not being issued/presented to the City Manager and City Commission, possible changes to the City's impact fee ordinance have not been implemented.

RECOMMENDATION 6.1: OFFICE OF THE CITY MANAGER

We recommend that the City Manager develop a plan, including designating the appropriate staff/Department(s), for ensuring the annual and triennial reviews are performed as required by Sections 13-13 (f) and (g) of the City Code. Since the City is past due on completion of the annual/triennial reviews, and budgeted monies are available, we recommend that said reviews be immediately performed.

Moving forward, on an ongoing basis, we recommend that the appropriate monies be budgeted to facilitate completion of the annual/triennial reviews. Lastly, we recommend that the designated staff/Department(s) monitor the process and ensure the required reports are timely issued and presented to the City Manager and City Commission so any necessary changes to the impact fee ordinance (including fee rates) are considered and implemented.

- **Auditee Response:** In response to the audit findings, the services of a consulting firm will be procured under the City's current pool of consultants to perform the annual and triennial reviews with the current fund allocation available. The department responsible for ensuring the completion of the report will be the Department of Planning and Zoning, with the input and assistance of the Office of Management and Budget and the Building Department.
- **Implementation Date:** This plan will be implemented immediately with the procurement of the consulting services and the issuance of the annual report for fiscal year 2016 and triennial report for fiscal years 2016, 2015 and 2014.

**SUMMARY SCHEDULE OF IMPACT FEES, ADMINISTRATIVE FEES,
AND INTEREST DUE TO THE CITY**

The following data is summarized from Exhibits contained throughout the report. Further details about our audit of impact fee assessments and collections, related to each address and plan number, are included within the body of the report.

From Report (Exhibit/Item #)	Address	Plan Number	Additional Impact Fees Due	Additional Admin. Fees Due	Late Payment Interest Due	TOTAL Additional Fees Due to the City
Exhibit I #1	1075 BISCAYNE BLVD	BD13021838001B001	\$ 70,934	\$ 2,128	\$ -	\$ 73,062
Exhibit I #2	2060 BISCAYNE BLVD	BD13018329001B001	4,269	128	-	4,397
Exhibit I #3	2669 S BAYSHORE DR	BD13017626001B001	4,702	141	-	4,843
Exhibit I #4	601 S MIAMI AV	BD13017474001B001	85,553	2,567	-	88,119
Exhibit I #5	200 SE 2 ST	BD13021646001B001	43,540	1,306	-	44,846
Exhibit I #6	110 SW 9 ST	BD13025658001B001	(790)	-	-	(790)
Exhibit II	140 NE 39 ST	BD12006310001B001		958	-	958
Exhibit III #1	6101 NW 7 AV	BD13013315001	29,869	860	-	30,728
Exhibit III #3	716 NE 85 ST	BZ# 95005771	-	8,464	-	8,464
Exhibit III #4	1028 SW 5 ST	BZ# 105023869	-	6,207	-	6,207
Exhibit IV #2	630 NE 51 ST	BD12006681001	-	243	-	243
Exhibit IV #11	3040 NW 19 ST	BD13016754001	-	243	-	243
Exhibit V #1	110 SW 50 AV	BD13021565001	8,099	-	3,738	11,837
Exhibit V #2	120 SW 50 AV	BD13021566001	8,099	-	3,778	11,877
Exhibit V #3	130 SW 50 AV	BD13021567001	8,099	-	3,738	11,837
			\$ 262,374	\$ 23,243	\$ 11,255	\$ 296,872