



# FEE STUDY PROCESS INTERNAL AUDIT

February 2018

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September 12, 2018

Finance and Administration Committee  
City of Springfield  
840 Boonville Avenue  
Springfield, Missouri 65802

Re: Fee Study Process Internal Audit

Dear Committee Members:

In conjunction with our overall engagement to provide internal audit services to the City of Springfield ("City"), we have completed our internal audit of the Fee Study process and the associated internal controls. Our services were performed in accordance with the International Standards for the Professional Practice of Internal Auditing, as promulgated by the Institute of Internal Auditors (IIA).

The accompanying report includes an Executive Summary, our Observations and Recommendations, Process Improvement Opportunities, and a supporting Appendix. Because the procedures performed in conjunction with the review are more limited than would be necessary to provide an opinion on the system of internal accounting controls taken as a whole, such an opinion is not expressed. In addition, the engagement did not include a detailed audit of transactions that would be required to discover fraud, defalcations or other irregularities.

This report is intended solely for the information and use of management and the City Council and is not intended to be, and should not be, used by anyone other than the specified parties. City of Springfield external auditors may be provided with a copy of this report in connection with fulfilling their responsibilities. In addition, we understand that the City may be required to make our report, once finalized, available under sunshine laws.

We would like to express our gratitude to all employees involved with this project. Each person involved was accessible and responsive to our requests for information.

Sincerely,

RUBINBROWN LLP

A handwritten signature in black ink that reads "Christina Solomon".

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Enclosures

cc: David Holtmann                      Jody Vernon  
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CITY OF SPRINGFIELD  
FEE STUDY PROCESS INTERNAL AUDIT

Table of Contents

	Page
Executive Summary	1
Observations and Recommendations	3
Process Improvement Opportunities	4
Appendix – Reporting Example	7

**CITY OF SPRINGFIELD**  
**Fee Study Process Internal Audit**  
**Executive Summary**

**Project Overview and Scope**

We completed our audit of the Fee Study process and the associated internal controls. The objectives of our audit were to:

- Ensure adequate internal controls exist over the fee study process and are operating effectively.
- Evaluate the fee study process for operating efficiencies and applicability of best practices.

Our audit covered transactions and activity from July 1, 2015 through February 29, 2018. In order to achieve the objectives above, we performed the following:

- Identified existing policies and practices in place for the fee study process.
- Performed in-person interviews with the Finance, Legal, Public Works – Streets Division, Fire, Planning and Development, Parks, and Information Technology departments. The objective of these interviews was to gain an understanding of the following fee study-related processes:
  - Source data to develop fees
    - Department submissions
    - Fees that are developed/charged outside of the process
  - Processing of source data to develop fees
    - Consolidation process
    - Base calculation of fees and difference in calculation among departments
  - Finalizing and publishing fees
    - Quality control procedures for calculated fees
    - Deliverable provided to City Council
- Reviewed segregation of duties for the fee study process.
- Performed the following testing over a sample of fees:
  - Recalculated fees for accuracy;
  - Traced fee calculation inputs back to supporting documentation; and
  - Traced the calculated fee amount to the Fee Study approved by the City Council.

**CITY OF SPRINGFIELD**  
**Fee Study Process Internal Audit**  
**Executive Summary**

**Background**

The State of Missouri adopted a Missouri State Constitutional amendment in 1980 (known as the Hancock Amendment), which placed restrictions on taxes and required a vote for any tax increases. This amendment does not place restrictions on fees local municipalities can charge, other than that they cannot charge more than the cost to provide the service. If a fee is more than the cost of the service, it would be deemed a tax and violate the Hancock Amendment. To ensure the City of Springfield does not violate the Hancock Amendment, the Finance department executes an annual fee study analysis. This analysis is presented to the City Council each year prior to the fees being approved.

**Best Practices**

Based on our review, the Fee Study processes have adequate internal controls, except as provided in our observations below. The following are some examples of the processes' best practice internal controls:

- Bi-annually, Legal performs a review of all fees in the fee study to ensure there is an accompanying local ordinance allowing the use of the fee.
- The Finance department consults with Legal to ensure new fees are allowed by the local ordinance.
- The Finance department has a documented timeline of the Fee Study process with due dates and then tracks the actual completion date.

**Observations and Recommendations**

We noted the following observation during our review:

- Not all departments update their fee information for the Finance department.

Additionally, we noted three process improvement opportunities related to system improvements, fee naming conventions, and reporting methodology. All observations, recommendations, and process improvement opportunities were discussed with management. Details are noted in the tables attached immediately hereafter.

City of Springfield  
 FEE STUDY PROCESS INTERNAL AUDIT  
 OBSERVATIONS AND RECOMMENDATIONS



	Process/Procedure	Observation and Risk	Recommendation	Management Response
1	<p>The Finance department is responsible for coordinating and executing the Fee Study process. This includes the calculations of the fees.</p> <p>The responsible departments are only responsible for providing the Finance department with the time/labor and resources used during the completion of a service.</p>	<p><b>Observation:</b> We tested 20 fees that were included within the 2018-2019 Fee Study for adequate support. For two (2) fees, the Building Development Services department and the Police department did not complete the fee update tab provided by the Finance department. In some cases, meetings were held with department personnel to determine appropriate cost inputs, but the documentation of the results of those meetings was handwritten or not recorded. Through inquiry with the Finance department, we noted that these were not isolated incidents.</p> <p>When this occurs, the Finance department uses the prior year time and resource use information to calculate the current year fee.</p> <p><b>Risk:</b> Inaccurate information may be used when calculating the fee amounts, which may result in the City of Springfield violating the Hancock Amendment.</p>	<p>Each department should be required to return all required cost and time information to the Finance department using a format prescribed by the Finance department.</p> <p>In addition, the Finance department should identify one contact within each department to help facilitate the process.</p>	<p><b>Director of Finance</b>        Internal Affairs was the only Police Department division that did not provide the requested information. Sworn Police Department personnel often rotate within the department. The Internal Affairs Administrative Assistant has been identified as a consistent contact to facilitate the process.</p> <p>The Finance Department staff will work with the Director of Building Development Services and the Internal Affairs Administrative Assistant to ensure all requested documentation is received for the fee study.</p> <p>The results of meetings held with department personnel to complete the fee study will be documented and sent to the applicable personnel for electronic approval.</p> <p>Our target date to implement this recommendation is September 2018.</p>

City of Springfield  
 FEE STUDY PROCESS INTERNAL AUDIT  
 PROCESS IMPROVEMENT OPPORTUNITIES



We noted the following process improvements during our review. These observations are not considered internal control weaknesses; however, we do recommend management consider each observation and take action where appropriate.

	Observation	Process Improvement	Management Response
1	<p>The process for calculating fees is done manually using multiple Excel spreadsheets, which require the hard-keying of information from one area to another.</p> <p>In addition, each spreadsheet must be individually converted to a PDF file, which is included in the final Fee Study.</p>	<p>Automation of the fee study process should be evaluated while considering the cost of implementation along with any future plans, such as new system implementations (INFOR).</p> <p>In the short term, consider compiling all fee-related data in one Excel spreadsheet in a line-by-line format, with any repetitive inputs only entered once. Calculate fees from this database.</p> <p>For future consideration, once the INFOR system has been implemented, develop an application that uses the data contained within INFOR to calculate fees.</p>	<p><b>Director of Finance</b>          As the INFOR system is implemented, more information needed for the fee study will be readily available. The Finance Department staff will evaluate the process used to calculate the remaining fees and streamline the process where able.</p>

City of Springfield  
 FEE STUDY PROCESS INTERNAL AUDIT  
 PROCESS IMPROVEMENT OPPORTUNITIES



	Observation	Process Improvement	Management Response
2	<p>The Fee Study is performed and reported annually to the Finance and Administration Committee and City Council. Currently, the Fee Study report is over 80 pages which includes 70 pages describing each of the fees included in the fee study. This process of compiling this information is very tedious for the Finance department.</p> <p>The Parks department also performs a Fee Study annually, which is presented to the Parks Board. This is done in conjunction with the budgeting process. The Parks department has a greater number of fees, but are able to present their fees within approximately 15 pages.</p>	<p>The Finance department should consider changing the format of the Fee Study report to look similar to the Parks department. This will shorten the length of the report while still providing the same amount of information.</p> <p>This will allow for a simpler reporting process and easier tracking of all fees included within the study.</p> <p>We have provided an example report format within Appendix A.</p>	<p><b>Director of Finance</b>          The Finance Department will work with the incoming City Manager to determine what information and report format best suits the needs of City Council.</p>

City of Springfield  
 FEE STUDY PROCESS INTERNAL AUDIT  
 PROCESS IMPROVEMENT OPPORTUNITIES



	Observation	Process Improvement	Management Response
3	<p>In our discussions, we noted that fee names may not be consistent across Finance, IT, and other departments. This can create confusion, particularly when a department is requesting that their fee be updated in the appropriate IT database or application, and the name for the Fee is different in the Fee Study and the department documentation.</p>	<p>Review fee names with departments to ensure that all naming aligns across departments. This will allow for more efficiency and less confusion in communications. Consider adding an index number to ensure uniform naming and to reduce confusion among the different stakeholders in the process.</p>	<p><b>Director of Finance</b>          As the INFOR system is implemented, the fee names will be formalized. After the fees have been approved each year, departments will meet with Finance and Information Systems to update the fees in INFOR.</p>

City of Springfield  
 FEE STUDY PROCESS INTERNAL AUDIT  
 APPENDIX – REPORTING EXAMPLE



The following example of the presentation of the fee calculation may reduce the length of the Fee Study, while providing the same information in a more streamlined format.

Department	Fee Category	Service Description	Current Status Based on FY 16-17 Data					Proposed Fees for FY 18-19					Comments
			Current Fee	City Cost	Cost Recovery	Units of Service	Revenue Generated	Proposed Fee	% Change in Fee	New Cost Recovery	Projected Revenue	Change in Revenue	
Permit, Plan Review, and Inspection Fees	Public Health	Farmers Market Permit	\$102	\$191	53%	42	\$4,284	\$114	11.8%	60%	\$4,788	\$504	For compliance with City Ordinance, food establishments must possess a valid health permit. A Farmer's Market is a category of food establishment. Farmer's Market Permit Fee covers the cost of application processing and review, inspections, re-inspections, and delivery of the farmers market food safety class.
Permit, Plan Review, and Inspection Fees	Planning and Development	Board of Adjustment	\$670	\$649	103%	3	\$2,010	\$649	-3.2%	100%	\$1,946	-\$64	A property owner request for modification of the standard zoning ordinance regulations because strict enforcement of the regulations creates some type of hardship upon the utilization of the property.
Permit, Plan Review, and Inspection Fees	Planning and Development	Conditional Use Permit	\$1,390	\$1,085	128%	6	\$8,340	\$1,085	-21.9%	100%	\$6,510	-\$1,830	Allows land to be used for certain specified uses subject to specified conditions.