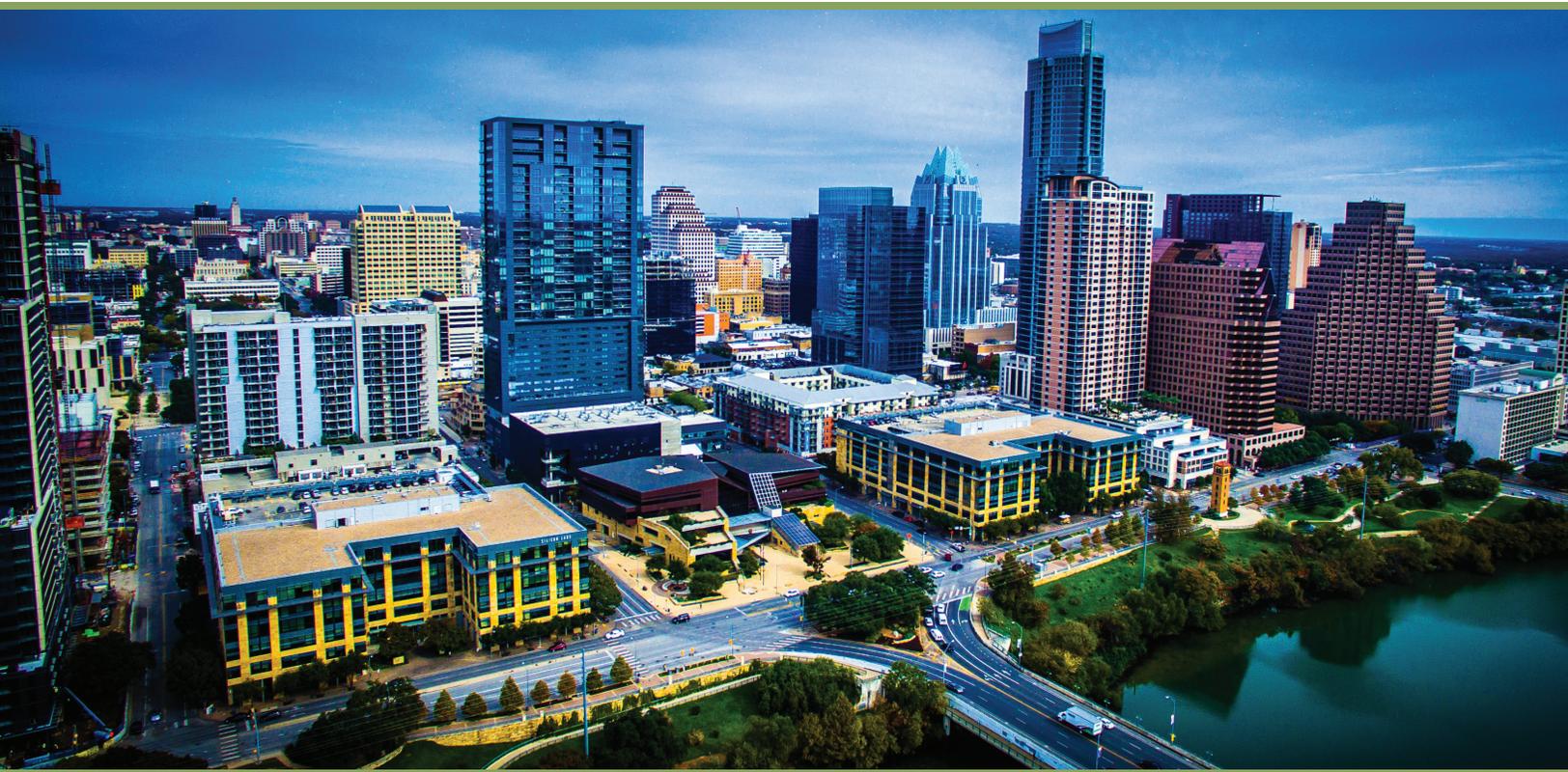


## Audit Report

# Fee Waivers

November 2017



The City does not have a system to aggregate fee waivers processed by City departments and City departments are not required to track the amount of fees they waive. Some departments do track fee waivers granted by their department while others do not track or track inconsistently. While special events fee waivers are tracked; fee waivers from multiple departments for the S.M.A.R.T. Housing program are not tracked. Without consistent information on fee waivers decision-makers cannot accurately project budgets and may lack the information needed for strategic decision-making.

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Cover: Aerial view of downtown Austin, iStock.com/RoschetzkyStockPhoto

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## Objective

The objective of this audit was to determine whether the City administers the fee waiver process effectively and to identify the total amount of fees waived each year.

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## Background

Every year as part of the City budget process City Council approves a fee schedule to establish the charges for various city services. City Council also approves waivers of these fees via Council ordinance. Council-approved fees can be waived by giving department executives authority to waive fees or by Council directly waiving fees for certain programs and development projects that reflect Council priorities.

Council gives department management the authority to waive fees in specific cases, such as the fine on a library book damaged in a natural disaster, or to offer discounts from the fee schedule during contract negotiations.

There are a variety of City programs that have fee waivers granted by City Council. Some of the programs that grant fee waivers are administered by one department, however fee waivers apply to services provided by different departments, namely:

- Neighborhood Housing and Community Development administers the S.M.A.R.T. Housing program which waives fees paid to various other City departments when developing affordable housing including Austin Energy, Austin Water, the Development Services Department, the Parks and Recreation Department, and the Office of Real Estate Services.
- The Austin Center for Events coordinates permits and fee waivers related to special events co-sponsored by the City. City departments waiving fees for special events include the Austin Police Department, the Austin Fire Department, the Parks and Recreation Department, Austin Resource Recovery, and Austin Travis County Emergency Medical Services.

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# What We Found

## Summary

The City does not have a system to aggregate fee waivers processed by City departments and City departments are not required to track the amount of fees they waive. Some departments do track fee waivers granted by their department while others do not track or track inconsistently. While special events fee waivers are tracked; fee waivers from multiple departments for the S.M.A.R.T. Housing program are not tracked. Without consistent information on fee waivers decision-makers cannot accurately project budgets and may lack the information needed for strategic decision-making.

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## Finding

The City does not have a process to track and report fees waived by City Departments. As a result, City departments track fees inconsistently and the total amount of fees waived by the City is unknown.

While the City Council is responsible for authorizing City fee waivers, the responsible departments are in charge of administering these waivers. Some of the fees waived by City departments include:

- fee waivers approved by each Council member up to \$6,000 per fiscal year for special events;
- fee waivers for City co-sponsored events, such as music festivals and parades like the Veterans Day Parade;
- fee waivers associated with development of affordable housing;
- discounts provided to attract conventions to the Austin Convention Center;
- scholarships for youth to participate in summer camps; and
- fee waivers for construction of community projects approved by the City Council such as People's Community Clinic's new facility.

We conducted a survey of 26 City departments that charge fees for services provided to residents, developers, and organizations. Of these 26 departments, 13 departments responded that they waive fees. However, information we received from other sources indicated that more than 13 departments may grant fee waivers.

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26 departments surveyed.

13 answered they do waive fees.

9 departments shared fee waivers information with us;

2 shared incomplete fee waivers information; and

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2 were not tracking their fee waivers.

Of the 13 City departments who reported to us that they provided fee waivers in fiscal years (FY) 2014-16:

- 9 departments were able to provide us with fee waiver data;
- 2 departments were able to provide partial fee waiver data; and
- 2 departments reported to us that they do not track fee waivers.

Based on the data we received, we estimate that the City waived at least \$16 million fees in FY 2016.<sup>1</sup> In addition, department contacts in response to our survey and interviews, mentioned that staff are not using the City systems for properly recording the fee waivers and there is lack of consistency on how waivers are captured in the system.

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<sup>1</sup> We did not validate the accuracy of the fee waivers reported by the departments.

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According to best practices data used for decision making should be complete and consistent. In addition, a government entity should estimate the impact that fee waivers have on its budget.

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**Special events fee waivers are tracked by the assigned City departments and in FY 2016 the City waived more than \$1.28 million for special events.**

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**The S.M.A.R.T. Housing program fee waivers are not tracked currently by any City department. As a result the total amount of fees waived for this program is not available.**

Without complete and consistent data on fee waivers the City cannot know the total amount of fee waivers, the impact of fee waivers to the budget, or whether fee waivers are effectively adding value to the City. This could also affect the ability of the City to make strategic decisions.

City programs that receive a large amount of fee waivers include special events and S.M.A.R.T. Housing. The fees waived for these two programs are included in our estimated fees waivers of \$16 million. The amount of fee waivers for special events for FY 2016 is estimated to be \$1.28 million. However, fee waivers for the S.M.A.R.T. Housing program are not tracked therefore we cannot say what amount of the City's fee waivers for FY 2016 are related to that program.

Special events that provide cultural and community benefits receive fee waivers from various departments in the City. There are two types of the special events and they are tracked by different City departments.

First, each Council Member can waive up to \$6,000 per year for any special event. For example, in FY 2016 council members waived fees for the United Farm Workers March, AIDS Walk Austin, and the Cesar Chavez Awards among other smaller events in the City. Those fee waivers are consistently tracked by the Budget Office. In FY 2016, the City waived \$43,238 in fees on behalf of Council members.

Second, events co-sponsored by the City receive a complete waiver of event fees per City ordinance. These tend to be larger events like South by Southwest, Juneteenth, and the Veteran's Day Parade.

The Austin Center for Events began tracking the fees waived by various departments in FY 2016 for co-sponsored events and they estimate that in FY 2016 City Council waived about \$1.28 million in fees for these events.<sup>2</sup> Further, management of The Austin Center for Events informed us that the automated tracking of special event permits and the associated fee waivers is expected to go live in 2018. The processes the Austin Center for Events uses to track fee waivers from multiple departments may help the City to know consistently costs related to co-sponsored special events.

The S.M.A.R.T. Housing program, administered by Neighborhood Housing and Community Development (NHCD), encourages the production of affordable housing by authorizing fee waivers for its development. The fees for this program are waived by several City departments; however no City department is responsible for tracking the fees waived for this program. Fee waivers associated with this program are provided by 5 City departments. Of those 5 departments, 3 departments have a process in place to identify the fees waived related to the S.M.A.R.T. Housing program. The other 2 departments were unable to identify the fee waivers related to this program. Based on data received from 3 departments that could identify the amount of fees waived for S.M.A.R.T. Housing program,

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<sup>2</sup> The Austin Center for Events does not validate the fee waiver amounts provided to them by the departments.

the City waived at least \$3 million in fees in FY 2016 for this program.<sup>3</sup>

Knowing the amount of fees waived by this program would help decision makers assess the effectiveness of the waivers and accurately capture the cost of the S.M.A.R.T. Housing program.

In a 2002 S.M.A.R.T. Housing audit conducted by our office, we recommended that NHCD report the total amount of fees waived in the S.M.A.R.T. Housing program to the City Manger's Office. In a 2015 audit of prioritization of affordable housing, we recommended that NHCD work with other City departments to track fee waivers associated with this program. NHCD management indicated that no action has been taken to address the recommendation of the 2015 audit and there is still no centralized system to track fees waived by various City departments for this program.

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<sup>3</sup> We did not validate the accuracy of the fee waivers reported by the departments.

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## Recommendations and Management Response

- 1 | The City Manager should designate a department for developing and implementing a process to ensure consistent tracking and reporting of the fees waived by the City.

Management Response: Agree

Proposed Implementation Plan: The Budget Office will develop a system for tracking the amount of waived fees within the existing financial system and will provide notification of that process to City Departments

Proposed Implementation Date: April 30, 2018

- 2 | The City Manager should implement previous recommendations to create a process for consistent tracking of fees waived by the City for the affordable housing program.

Management Response: Agree

Proposed Implementation Plan: The Neighborhood Housing and Community Development Department will coordinate with the Budget Office and relevant City departments to track and report on fees waived by the City for the affordable housing program.

Proposed Implementation Date: November 15, 2018

# Management Response



## MEMORANDUM

**TO:** Corrie Stokes, City Auditor

**FROM:** Ed Van Eenoo, Budget Officer *EW*  
Joe Pantaloni, Interim Assistant City Manager *JEP*

**DATE:** November 8, 2017

**SUBJECT:** Fee Waivers Audit Report – Management Response

We appreciate the opportunity to respond to the *Fee Waivers Audit Report* dated November 2017. Please find below the management response for each recommendation included in the report.

### Audit Recommendations

1. The City Manager should designate a department for developing and implementing a process to ensure consistent tracking and reporting of the fees waived by the City.
2. The City Manager should implement previous recommendations to create a process for consistent tracking of fees waived by the City for the affordable housing program.

### Management Response

We agree with the report findings and recommendations.

Should you have any additional questions or require additional information, please do not hesitate to contact us.

**CC:** Elaine Hart, Interim City Manager

**Attachment:** Action Plan

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## Scope

The audit scope included fees waived by the City during the period FY 2014-16.

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## Methodology

To complete this audit, we performed the following steps:

- interviewed staff with Austin Water Utility, the Development Services Department, Neighborhood Housing and Community Development; and the Controller's office;
- surveyed the financial managers of City departments who charge fees;
- analyzed available fee waiver data received from the surveyed City departments;
- evaluated internal controls related to the City's fee waiver process;
- evaluated the risks for fraud, waste, or abuse related to the City's fee waivers process; and
- reviewed applicable City ordinances and policies related to fee waivers.

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## Audit Standards

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 Office of the City Auditor was created by the Austin City Charter as an independent office reporting to City Council to help establish accountability and improve City services. We conduct performance audits to review aspects of a City service or program and provide recommendations for improvement.

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Henry Katumwa

#### **City Auditor**

Corrie Stokes

#### **Deputy City Auditor**

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