

Information on the May 2013 Parkland Dedication Audit

This Thursday the Council will be discussing the proposed changes to the Parkland Dedication (PLD) requirements. The Parkland Dedication Ordinance was enacted by a previous Council as a way for Austin to increase the amount of parkland which makes our city the wonderful open space community we all love. The City of Austin Parkland Dedication (PLD) Ordinance currently requires residential developers of three or more dwelling units to provide for the parkland needs of residents by dedicating five acres for every 1,000 residents to the City for park and recreational purposes or paying a fee of \$650 to the City for each dwelling unit. This money is placed in the Parkland Dedication fund to be spent by the City on parkland acquisition and/or developing additional facilities in existing nearby parks. The PLD Ordinance does not allow the City to use parkland fees for park maintenance and operations, park programs, staffing, or special events.

In preparation for this agenda item I discovered that in May 2013, the City Auditor released the *Parkland Dedication Audit (AU13007)* which identified risks associated with City processes for managing Parkland Dedication funds. (Some of the following language is taken from the Audit)

Finding 1: PARD has not complied with the PLD Ordinance requirements for expending fees within five years, which may put unexpended funds at risk.

The May 2013 audit report found that for 49 percent of the transactions tested PARD expended the funds more than five years after collecting the fees. Auditors indicated that the expenditures ranged from 6 to 30 years after collections, with the majority 10 or more years. The audit found that PARD had not complied with the PLD Ordinance requirements for expending fees within 5 years, which may put unexpended funds at risk. The PLD Ordinance requires the City to expend PLD fees from developers within five years of receipt but allows for extending the deadline five more years if the developer has constructed less than half of the planned residential units. The audit also found that PARD did not have procedures in place to extend the initial five-year period. Developers may request refunds of fees not expended within the 5 years specified by the Ordinance, thus putting unexpended funds at risk. Auditors reported that PARD had not kept records of when such refunds were requested.

Auditors also found that PARD could not confirm the source of funding for most of the sampled expenditures. PARD provided the fee receipts for only 56 percent of the funding sources associated with the expended funds. The audit also reported that the balance of unspent PLD funds totaled \$6.7 million, as of September 31, 2012. Auditors reported that PARD was unable to determine how much of the \$6.7 million had been collected over five years ago. The audit stated that when unexpended PLD funds accumulate, citizens do not receive parkland or park improvements in a timely manner, as intended by the PLD Ordinance. Further, PARD risks having to return fees upon request of the developer when not spent within the timeframe specified in Ordinance, depriving residents of parkland promised by the PLD Ordinance.

Finding 2: While during FY 2012 expenditures of PLD fees have been for appropriate uses and for the intended recipients, PARD's calculation of fee assessments is not always accurate, which puts the City at risk of collecting incorrect amounts from developers.

The May 2013 audit also stated that PARD did not have procedures in place to ensure that all fee assessments are calculated correctly. Auditors found that PARD incorrectly calculated the fee amount for eight percent of tested fee assessments. The audit reported that the PLD fee calculations prepared by PARD staff do not undergo supervisory review to confirm their accuracy. Auditors reported that while the sample may not be representative of the entire population, the control weaknesses allowing these errors could lead to significant errors occurring in the future if not corrected.

Finding 3: PLD information is not readily available to PLD fee payers or the public.

The May 2013 audit also found that developers and the public did not have easy access to information regarding the PLD fees collected and expended, or the amounts available for parks. Auditors stated that as a result, developers may not know where, when, or whether the City has used the fees they paid. In addition, developers may not know when unspent fees may be available for a refund. Citizens also may not know whether funds are available for parkland improvements near their homes. Auditors reported that PARD makes decisions regarding the acquisition of parkland and expenditures for park improvements with little information readily available to the public. Auditors did acknowledge that PLD fee information was available to members of the public who contacted PARD directly. However, the audit reported that the information was not easily retrievable by PARD as the department records the information in different formats on different systems. Auditors stated that this situation arose because PARD management had not adopted an adequate process to ensure PLD information was easily retrievable in a standard format.

As a result, the City Auditor provided in the May 2013 Audit Report three recommendations to PARD to address and corrects these risks.

- 1) The PARD Director should ensure the department expends PLD funds within the five-year period defined by the PLD Ordinance and develop procedures to obtain five-year extensions for exceptions.
- 2) The PARD Director should review, revise, and implement a process for calculating and reviewing PLD fee assessments to ensure accuracy.
- 3) The PARD Director should develop and implement a plan to make PLD information, including information on the collection, expenditure, and availability of PLD funds, readily available to developers and the public. PARD's website may be one vehicle for making the information readily available.

The process for tracking the implementation of these audit recommendations is the responsibility of the City Controller's Office which biannually obtains recommendation implementation status updates from departments. PARD has reported to the City Controller's office that all three recommendations have been implemented. However, there has been no verification by the Auditor's Office of the implementation of the recommendations and if the implementation has resulted in mitigating the risks identified in the May 2013 Audit.

Upon my request the City Auditor has now included the Parkland Dedication fund as part of their Three Year Follow-Up Audit which is currently scheduled to begin in December 2015 and be finished in March 2016. The three year follow-up project will review the recommendations from the audit, evaluate if the recommendations were implemented correctly and possibly provide any additional recommendations based on the findings of the follow-up audit.

I believe that it is important for the City Council to provide the appropriate oversight and use the City Auditor's Office to make sure that the Parkland Dedication funds we collect are spent appropriately and in compliance with the authorizing ordinances.

On Thursday, I will ask for support to have the City Auditor move up the start of Three Year Follow-Up Audit from December 2015 to as soon as possible. I would like to have verification that the risks identified in the May 2013 audit have been fully addressed and mitigated before I vote on the proposed PLD changes. However, I also do not want to delay this important PLD discussion until March 2016. Auditor Stokes has informed my Office that if the Three Year Follow-Up Audit begins in the next few weeks she could have the audit report to the Council in January 2016.