

REPORT TO THE CITY COUNCIL BY THE CITY INTERNAL AUDITOR

AUDIT OF THE DEPARTMENT OF OPERATIONAL SERVICES, ENVIRONMENTAL AFFAIRS DIVISION

INTERNAL AUDIT REPORT 080309-04

June 25, 2009



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Councilman Ron Webb
Chairman, Shreveport City Council

Dear Councilman Webb:

Subject: IAR 080309-04 - Audit of the Department of Operational Services, Environmental
Affairs Division

Attached please find the report mentioned above. Management comments are included in the report.

Sincerely,

Leanis L. Graham, CPA, CIA
City Internal Auditor

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EXECUTIVE SUMMARY
AUDIT OF THE DEPARTMENT OF OPERATIONAL SERVICES,
ENVIRONMENTAL AFFAIRS DIVISION
INTERNAL AUDIT REPORT (IAR) 080309-04

The purpose of the executive summary is to convey in capsule form the significant issues of the audit report. The executive summary is a vehicle for reviewing the report and should only be used in conjunction with the entire report.

INTRODUCTION

The Environmental Affairs Division monitors and provides guidance on environmental and regulatory matters affecting all divisions of the Department of Operational Services (DOS).

RECOMMENDATION EVALUATION RISK CRITERIA

The chart below summarizes the recommendations outlined in the report and our evaluation of risk for the recommendations. We evaluated the importance of each audit recommendation by assigning each a level of risk. The risk levels, as defined in the chart below, were determined based on the possible results for the entity if the recommendation is not implemented. This report contains four findings with five recommendations.

<i>Risk Levels</i>	<i>Recommendations</i>
High Risk Possibility of fraud, waste, and abuse of City assets; Interrupted and/or disrupted operations; Entity's mission not being met; Adverse publicity.	No recommendations are applicable.
Medium Risk Possibility of continuing, significant operating inefficiencies and high-level non-compliance issues.	- Analyze the sanitary sewer pretreatment permitting fees to the associated testing costs. (Finding 1) - Coordinate with other departments to be notified of new food preparation facilities and explore ways to identify existing unpermitted facilities. (Finding 2)
Low Risk Possibility of continuing operating inefficiencies and some low-level non-compliance issues.	- Change computer controls to allow only division personnel to approve building inspections and consider a periodic review of building permits issued to inspections performed. (Finding 3) - Separate the duties of invoicing, receiving and depositing septic waste haulers fees. (Finding 4)

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AUDIT OF THE DEPARTMENT OF OPERATIONAL SERVICES, ENVIRONMENTAL AFFAIRS DIVISION INTERNAL AUDIT REPORT (IAR) 080309-04

OBJECTIVES

We have completed an audit of the Department of Operational Services (DOS), Environmental Affairs Division. The objective of this audit was to determine the economy and efficiency of operations of the division.

SCOPE AND METHODOLOGY

The scope of the study of internal control was limited to the general controls surrounding our objectives for the specified operating year 2008. Audit procedures applied included the following:

- Reviewing applicable records and documents.
- Interviewing appropriate operating personnel and management.

BACKGROUND

The Environmental Affairs Division of DOS monitors and provides guidance on environmental and regulatory matters affecting all divisions of DOS. The division administers the Cross Lake Watershed protection program, the City's industrial pretreatment program, and the City storm water program; oversees the Brownsfields loan/grant program and air quality compliance programs; and monitors safety practices for all divisions of DOS.

CONCLUSIONS/FINDINGS/RECOMMENDATIONS

The Internal Audit Office expresses appreciation to the management and personnel of the Environmental Affairs Division of DOS for their cooperation and assistance provided during our audit. Based on our review, we believe management could enhance the efficiency and control environment by addressing the following concerns:

- Review the Sanitary Sewer Pretreatment Permitting Fees to associated costs.
- Explore ways to identify unpermitted food preparation facilities for oil/grease inspections.
- Improve computer controls to help ensure that only division personnel approve building construction sites on the computerized approval path.
- Segregate duties of invoicing, receiving and depositing payments for septic waste haulers.



1. Sanitary Sewer Pretreatment Permitting Fees

Background: The pretreatment program controls (through permit) those industries that pose potential harm to the wastewater treatment plants. Annually, the City is required by the EPA (Environmental Protection Agency) to inspect and perform tests on industries that discharge into the sewer system.

Criteria: Permitting fees should cover the costs to conduct required testing.

Condition: During the 5-year permitting period, the City pays \$43,000 that is not covered by permitting fees for tests required by EPA on 21 industrial companies that discharge industrial waste into the City's sewer system. During the audit, at our request, management provided a summary of the fees generated and costs paid to conduct EPA required testing. Below, we provided an overview:

\$64,000
5-yr Testing Cost
Paid by City

The estimated amount the City pays for the EPA required tests is \$64,000 during the 5-year permit period (\$12,800 per year).

\$21,000
5-yr Permit Fees
Paid by Companies

The \$1,000 permit fee paid by each of the 21 industrial companies is \$21,000 during the 5-year permit period (\$4,200 per year).

\$43,000
Not Covered
by Fees

The amount the City pays that is not covered by the permitting fee is \$43,000 during the 5-year permit period (\$8,600 per year).

Effect: The City is paying more money for mandated tests than the permit fee covers.

Cause: Current permitting fees are set to \$1,000 for a 5-year permit.

Recommendation: We recommend that management review the permitting fees and the costs associated with conducting the tests and consider increasing the fees.

Management Plan of Action: As part of a comprehensive review of all DOS permit fee programs, management will review pretreatment and restaurant permitting fees and associated costs and will consider fee increases.

2. Oil/Grease Program

Background: Food preparation facilities (e.g., restaurants and institutional cafeterias) that have the ability to generate oil and grease and deposit it into the City's sewage are inspected by the City for compliance with testing and maintenance of grease traps. These facilities are assessed a \$25 quarterly grease permit fee that is added to their water bill.



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Criteria: Procedures should be in place to help insure that food preparation facilities are identified and permitted for inspection.

Condition: During our review we noted that there is great difficulty in determining if the list of food preparation facilities maintained by the division is complete. We identified several restaurants that appeared to meet the criteria to be inspected (must generate oil and grease and deposit into the City's sewage), but were not assessed the quarterly fees.

NOTE: During the course of the audit, the Oil & Grease Pretreatment Inspector identified a potential of 125 unpermitted restaurants. If all of the 125 restaurants were to be permitted, an additional \$12,500 (125 restaurants X \$100 annual fee) in permitting fees would be collected annually. Permitting of these restaurants should begin in June of 2009.

Effect: Unpermitted food preparation facilities were not inspected and assessed the \$25 quarterly permit fee.

Cause: Although the City maintains several lists of businesses (i.e., Water and Sewer business accounts; Occupational Licenses; Building Permits), the businesses are not identified as food preparation facilities.

Recommendation: We recommend that management consider the following:

- a) To help identify unpermitted food preparation facilities:
 - ♦ Coordinate with the City's Permits Office and Metropolitan Planning Commission to be notified of new restaurants or change of ownership.
 - ♦ Explore the possibility of obtaining a list of food preparation facilities from Louisiana Department of Health to be used to determine the completeness of the list of permitted facilities.
- b) Incorporate any of the adopted procedures into the Standard Operating Procedures "Permitting of Food Service Facilities".

Management Plan of Action: A draft SOP to address the recommendations has already been prepared and is attached hereto (*see Attachment A page 8*). The draft will be circulated to Permits and will be finalized when all comments have been received and addressed.

3. Construction Inspections and Approval

Background: Commercial and residential construction sites are permitted through DOS, Permits and Inspections Bureau. As part of that permitting process, the DOS, Environmental Affairs Division must approve the site for compliance with the City's erosion control plans.



Criteria: Construction permits should have proper approval and evidence of review.

Condition: A review of construction permits issued in 2008 indicated that:

- On the required approval path for a construction permit, Permits and Inspections Bureau personnel can approve inspections for the Environmental Affairs Division.
- Approximately 1% (3 of 357) of the permitted construction sites did not have the "Erosion & Sedimentation Control Inspection Report" as documentation of inspection performed by the Environmental Affairs Division.

Effect: Construction permits could be issued without proper approval or inspection.

Cause: Controls had not been put in place to require appropriate approvals and inspections.

Recommendation: We recommend that management consider the following:

- Consider changing computer controls to only allow Environmental Affairs Division personnel to approve inspections before issuance of permit.
- Consider a periodic review of permits issued to inspections. Any of those found to have been permitted but not inspected should be further reviewed.

Management Plan of Action:

(1) Current policy is that Environmental Affairs staff must approve erosion control plans submitted with building permit and/or land altering activity permit applications before the permit can be issued. We will make sure this policy is adhered to.

(2) The Storm Water Supervisor will perform periodic reviews of building permits issued, to ensure that all sites which for which erosion control plans are required will be set up to be inspected by the section's Construction Inspector, with documentation of all such inspections.

4. Segregation of Duties

Criteria: Controls should be in place to help insure that proper segregation of duties exists.

Condition: During our review we noted that the same person who invoices and receives payments for the Septic Waste Haulers fees also prepares the revenue receipts and deposits the checks.



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Effect: Inadequate segregation of duties.

Cause: Duties have not been assigned to other personnel.

Recommendation: We recommend that management separate the duties of invoicing, receiving and depositing payments.

Management Plan of Action: We agree with the recommendation and will take steps to ensure that these duties are separated.

Prepared by:

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Approved by:

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City Internal Auditor

BP:lp

c: Mayor
CAO
City Council
Clerk of Council
City Attorney
External Auditor
Department of Operational Services



Permit Notification of Food Service Facilities (Draft)

Environmental Affairs would request that a standard procedure be established between this department and the Permits Section for the purpose of notification of new Food Service Establishments.

Food Service Establishments, herein noted as “FSE”, as defined by ordinance, means any restaurant, eatery, food caterer, cafeteria, or other institution processing and serving food such as, but not limited to, motels, hotels, prisons, nursing homes or schools.

1. Permits shall notify LaShauna Chambers via Fax and/or email of any new construction which will result in an FSE defined above. The notification shall include the name of the business, the address, a contact name and phone number (this information shall be obtained from the contractor at the time of permit application).
2. Permits shall notify LaShauna Chambers via Fax and/or email of any new occupation to an existing facility, whereas the new occupant will operate as an FSE as defined above.
3. Grease trap/Sample port requirements and sizes will be determined by the Permits Section for new construction of FSE's, in accordance with the City of Shreveport – Policy for Grease Interceptors (Rev. 1/17/95).

Note: Should a new FSE apply for permit in an existing building, the Permit's section, at its discretion, may require the facility to upgrade the existing Grease Trap in accordance with the Policy for Grease Interceptors.

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