

City of Austin



**A Report to the  
Austin City Council**

**Mayor**  
Lee Leffingwell

**Mayor Pro Tem**  
Sheryl Cole

**Council Members**  
Chris Riley  
Mike Martinez  
Kathie Tovo  
Laura Morrison  
Bill Spelman

**Office of the  
City Auditor**

**City Auditor**  
Kenneth J. Mory  
CPA, CIA, CISA, CRMA

**Deputy City Auditor**  
Corrie E. Stokes  
CIA, CGAP, CFE

AUDIT REPORT

# Parkland Dedication Audit

May 2013



## REPORT SUMMARY

The Parks and Recreation Department (PAR) generally complies with the Parkland Dedication (PLD) Ordinance, except that fees from developers are not expended within five years of receipt. While expenditures of PLD funds on park improvements during FY 2012 were for appropriate purposes and within an allowable distance, we identified other areas where efficiency and effectiveness can be improved. For example, PAR does not always correctly calculate fee assessment amounts and was unable to locate some supporting documentation. In addition, PLD information was not readily available to PLD fee payers or the public.

**TABLE OF CONTENTS**

---

**BACKGROUND** ..... 1

**OBJECTIVE, SCOPE, AND METHODOLOGY**..... 2

**AUDIT RESULTS**..... 3

**RECOMMENDATIONS**..... 7

**Appendices**

Appendix A: Management Response ..... 8

Appendix B: Parkland Dedication Zones ..... 11

**Exhibits**

Exhibit 1: Park Improvement Utilizing PLD Fees at Pickfair Park ..... 1

Exhibit 2: Available Parkland Dedication Funds ..... 4

Exhibit 3: Fee Calculation Errors ..... 5

Exhibit 4: Peer Entities PLD Fee Comparison ..... 6

**GOVERNMENT AUDITING STANDARDS COMPLIANCE**

---

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.

**AUDIT TEAM**

---

Walton Persons, CPA, CICA, Assistant City Auditor  
Karl V. Stephenson, CGAP, CICA, Auditor-in-Charge  
Margot Wilson, CFE, CGAP, CICA, Senior Auditor  
Kacy Williams, Auditor

**Office of the City Auditor**  
**Austin City Hall**  
**phone:** (512)974-2805  
**email:** oca\_auditor@austintexas.gov  
**website:** <http://www.austintexas.gov/auditor>

Copies of our audit reports are available at <http://www.austintexas.gov/auditor/reports>



*Printed on recycled paper  
Alternate formats available upon request*

May 2013



## Audit Report Highlights

### Why We Did This Audit

This audit was conducted as part of the Office of the City Auditor's (OCA) Fiscal Year (FY) 2013 Strategic Audit Plan.

### What We Recommend

We recommend that the PARD Director expend PLD funds within the period defined by the Ordinance, ensure fee calculations are accurate and undergo supervisory reviews, and develop and implement a plan to make PLD information readily available to developers and the public.



For more information on this or any of our reports, email [oca\\_auditor@austintexas.gov](mailto:oca_auditor@austintexas.gov)

# PARKLAND DEDICATION AUDIT

Mayor and Council,

I am pleased to present this audit on parkland dedication.

## BACKGROUND

- The City of Austin (City) Parkland Dedication (PLD) Ordinance (Ordinance) requires residential developers to provide for the parkland needs of residents.
- The City may use parkland fees for purchasing parkland or for developing additional facilities on existing nearby parks.
- Since inception of the PLD program, the City has received over \$16 million from more than 200 developers. The Parks and Recreation Department (PARD) has expended or encumbered nearly \$10 million. As of September 30, 2012, the City has \$6.7 million in parkland fees.
- Developers may request refunds of fees not expended within a five-year period specified by the ordinance.

## OBJECTIVE AND SCOPE

The objective of the audit was to determine whether PARD's management of the parkland dedication program complies with City Ordinance and achieves the mission of PLD in an effective and efficient manner. The audit scope included PLD fee collection and expenditures for FY 2012.

## WHAT WE FOUND

The PARD generally complies with the PLD Ordinance, except that fees from developers are not expended within five years of receipt. We found that for 21 of 43 (49%) transactions tested, PARD expended the funds more than five years after collecting the fees. Developers may request refunds of fees not expended within the time specified by the Ordinance, thus putting unexpended funds at risk. Developers must request refunds within 180 days after the five-year period.

While expenditures of PLD funds on park improvements during FY 2012 were for appropriate purposes and within an allowable distance, we identified other areas where efficiency and effectiveness can be improved. We determined that PARD did not always correctly calculate fee assessment amounts (3 of 38, or 8% in error for FY 2012) and was unable to locate some supporting documentation. In addition, PLD information was not readily available to PLD fee payers or the public.

We also noted an additional observation that dollar amount per dwelling unit that Austin charges for PLD fees is lower than other peer entities.

We appreciate the cooperation and assistance we received from the PARD and the Office of Real Estate Services during this audit.

  
Kenneth J. Mory, City Auditor

## BACKGROUND

---

The City of Austin Parkland Dedication (PLD) Ordinance (Ordinance) 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. Developers may instead pay a fee of \$650 to the City for each dwelling unit.

The City may use parkland fees to purchase parkland or develop additional facilities in existing nearby parks. However, the City must use the fees with the intent of benefitting residents of the new developments. The Ordinance does not allow the City to use parkland fees for park maintenance and operations, park programs, staffing, or special events. In the event that fees are not expended within five years, developers may request refunds of these fees.

From the inception of the PLD program, the City has received and appropriated over \$16 million from more than 200 developers. The PARD has expended or encumbered nearly \$10 million. See Exhibit 1 for one park improvement paid for with PLD funds. As of September 30, 2012, the City has approximately \$6.7 million in parkland fees.

### EXHIBIT 1 Park Improvement Utilizing PLD Fees at Pickfair Park



SOURCE: OCA Photo, May 2013

## **OBJECTIVE, SCOPE, AND METHODOLOGY**

---

The Parkland Dedication Audit was conducted as part of the Office of the City Auditor's (OCA) Fiscal Year (FY) 2013 Strategic Audit Plan, as presented to the City Council Audit and Finance Committee.

### **Objective**

The objective of the audit was to determine whether PARD's management of the Parkland Dedication program (PLD):

- complies with the Ordinance, and
- achieves the mission of program in an effective and efficient manner.

### **Scope**

The audit scope included Parkland Dedication fee expenditures and the collection of fees that occurred in FY 2012.

### **Methodology**

To accomplish our audit objectives, we performed the following steps:

- Conducted interviews with PARD staff and obtained information on fee calculations, expenditures, and staff responsibilities
- Obtained and tested data from City information systems (eCapris, GIS, and AMANDA) related to expenditures of PLD fees
- Analyzed whether PARD expended PLD fees in accordance with the Ordinance
- Analyzed and reconciled documentation in manual and electronic format related to the City's calculation of PLD fees
- Compared the City's PLD Ordinance to peer entities and analyzed results
- Considered fraud, waste, and abuse as related to the audit objective
- Considered Information Technology risks

## AUDIT RESULTS

---

The PARD generally complies with the PLD Ordinance, except that fees from developers are not expended within five years of receipt. We found that for 21 of 43 (49%) transactions tested, PARD expended the funds more than five years after collecting the fees and did not have procedures for extending the period. Developers may request refunds of fees not expended within the time specified by the Ordinance, thus putting unexpended funds at risk. Developers must request refunds within 180 days after the five-year period.

While expenditures of PLD funds on park improvements during FY 2012 were for appropriate purposes and within an allowable distance, we identified other areas where efficiency and effectiveness can be improved. We determined that PARD did not always correctly calculate fee assessment amounts (3 of 38, or 8% in error for FY 2012) due to using outdated dwelling unit information. Also, PARD was unable to locate some supporting documentation.

Developers and the public do not have easy access to information regarding the PLD fees collected and expended, or the amounts available for parks. As a result, developers may not know where, when, or whether the City has used the fees they paid and citizens may not know whether funds are available for parkland improvements near their homes.

We also noted that the dollar amount per dwelling unit that Austin charges for PLD fees is lower than other peer entities.

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

PARD is not complying with the PLD Ordinance requirement that the City expend fees from developers within five years of receipt, with a provision for extending the deadline five more years if the developer has constructed less than half of the planned residential units. PARD also does not have procedures in place to extend the initial five-year period. Developers may request refunds of fees not spent within the time specified by the Ordinance. PARD staff members stated that developers rarely request refunds of PLD fees. However, PARD has not kept records of when such refunds were requested.

Auditors tested PLD fee expenditures for FY 2012 and found that PARD could not confirm the source of funding for most of the sampled expenditures. PARD provided the fee receipts for only 24 (56%) of the 43 funding sources associated with the expended funds. Auditors

#### **PLD Ordinance Requirements for Timely Spending of Fees**

- City Code §25-1-605 (F): *The City shall expend a deposit within five years from the date it is received. This period is extended by five years if, at the expiration of the initial five year period, less than 50 percent of the residential units in the subdivision or on the site plan have been constructed.*
- City Code §25-1-605 (G): *If the City does not expend a deposit by the deadline described in Subsection (F), and the actual number of residential units constructed is less than the number assumed at the time the deposit was calculated, the owner may request a refund. The request must be in writing and filed with the director of the Parks and Recreation Department not later than 180 days after the expiration of the time described in Subsection (F). A refund is calculated by multiplying the percentage of the reduction in the number of residential units times the amount of the deposit. A refund may not exceed the unexpended amount of a deposit.*

also found that for 21 of the 43 (49%) transactions, PARD expended the funds over five years after collecting the fees. We based our analysis using site plan dates in lieu of the missing fee receipts. Of those 21, the time between the fee receipt or site plan and the expenditure ranges from 6 to 30 years, with the majority 10 or more years old.

The PLD Ordinance requires the City to use PLD funds to benefit new residents of developments in the service area defined by PARD. According to PARD policy, PLD funds should be used within a maximum of five miles from the contributing development. However, the amount of funds contributed within a five-mile service area may not be adequate to purchase parkland or make significant improvements to a park. PARD’s response has been to not spend PLD funds in this situation.

As of September 31, 2012, the balance of unspent PLD funds totaled \$6.7 million, as shown in Exhibit 2. PARD is unable to determine how much of the \$6.7 million was collected over five years ago. 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 parkland promised by the PLD Ordinance. Exhibit 2 shows the unspent balances for each of the ten PLD zones established by PARD. See Appendix B for a map of the PLD zones.

PARD staff reports that it has experienced a substantial increase in PLD fee receipts in recent years and that without sufficient staff it cannot design and plan parks in a timely manner before expending the funds. PLD funds cannot be used for staffing and thus these funds cannot be used to increase staff for the planning and design phase of parkland acquisition or parkland improvement.

**EXHIBIT 2**  
**Available Parkland Dedication Funds**

PLD Zones	Available Balance 9/30/2012
1 – Northwest	\$1,812,508
2 – Northeast	541,707
3 – North Central	318,697
4 – West Central	64,752
5 – Central	453,226
6 – East Central	223,464
7 – Southeast Central	63,293
8 – Southwest	1,591,922
9 – South Central	480,948
10 – Southeast	1,107,710
<b>Total</b>	<b>\$6,658,227</b>

**SOURCE:** Parks and Recreation Department, May 2013

**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.**

Fee expenditures for FY 2012 were expended for the appropriate purposes and within an allowable distance per City PLD Ordinance and department policy. In addition, documentation of the expenditures included evidence of appropriate supervisory review. The supervisory reviews, along with proper segregation of duties and collaboration with other City departments, contributed to PARD’s compliance with the Ordinance. See Exhibit 1 for an example of a park improvement installed in FY 2012 that PARD paid for with PLD fees.

However, PARD does not have procedures in place to ensure it calculates all fee assessments correctly. Auditors tested the 38 fee assessments collected in FY 2012 and found that PARD incorrectly calculated the fee amount for 3 (8%) of the assessments (see Exhibit 3). The errors occurred in the number of dwelling units used to calculate the fees, which did not match information provided in the source documents. Auditors could not verify calculations in some cases due to a lack of documentation regarding dwelling units.

**How Are PLD Fees Determined?**

*City Code §25-1-605(D) establishes the formula for determining fees:*

$$PLD\ Fee = ((dwelling\ units) - (affordable\ dwelling\ units)) \times parkland\ cost$$

*Parkland cost is \$650. The City Council approves the parkland cost, which is based on an analysis of costs for acquiring and developing parkland and the proportionate share of those costs attributable to new residential development.*

**EXHIBIT 3  
Fee Calculation Errors**

Example	Fee Calculated	Correct Fee	Difference
1	\$ 17,940	\$ 17,290	\$ 650
2	5,200	3,900	1,300
3	162,500	167,700	-5,200

**SOURCE:** OCA analysis of fee assessment calculations, May 2013

The PLD fee calculations prepared by PARD staff do not undergo supervisory review to confirm their accuracy. The errors occurred due to updates in the site plan, missing documentation in the site plan, and a lack of standardized procedures in collecting dwelling unit information within site plans. PARD does not have procedures in place to document changes in the number of dwelling units and recalculate fees when developers make modifications during the permitting process. PARD staff had not uncovered these errors and management states that their focus has been on improving other department operations.

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. This may result in the City issuing refunds to developers paying the fees or the City may under collect the fees.

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

Developers and the public do not have easy access to information regarding the PLD fees collected and expended, or the amounts available for parks. 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. PARD makes decisions regarding the acquisition of parkland and expenditures for park improvements with little information readily available to the public.

PLD fee information is available to members of the public who contact PARD directly. However, the information is not easily retrievable by PARD as the department records the information in different formats on different systems. This situation arises because PARD management has not adopted an adequate process to ensure PLD information is easily retrievable in a standard format. PARD management states that an initiative has begun to make more information available to the public. This has not been done previously because, according to management, their focus has been on improving other department operations.

PARD recently created a “how to” guide for its employees to document the PLD process, along with best practices. However, this guide is incomplete because it does not include procedures to perform when site plan information regarding the number of dwelling units changes.

While PLD Ordinance does not require PARD to make the information available in a convenient location, such as the department’s website, the City Council passed a resolution in 2011<sup>1</sup> expressing its commitment to “open government and the principles of transparency, efficiency, and collaboration.” However, making PLD fee information easily available to the public is not an initiative that PARD has emphasized.

**Additional Observation: The PLD fees required by the City are lower than the fees assessed by peer entities.**

The peer entity comparison performed by the auditors indicates that Austin’s dollar amount per dwelling unit is lower than most other entities. The peer entities in our sample used either a flat base rate per dwelling unit, or utilized a formula based on fair market values. The current \$650 flat rate fee the City uses per dwelling unit has not been reviewed or updated since 2007. See Exhibit 4 for additional information.

**EXHIBIT 4**  
**Peer Entities PLD Fee Comparison**

Entity	Fee Type	Fee Per Dwelling Unit (\$)	% Difference
College Station	Flat Rate	636	98%
<b>Austin</b>	<b>Flat Rate</b>	<b>650</b>	<b>—</b>
Houston	Flat Rate	700	107%
El Paso	Flat Rate	1,370	211%
Minneapolis	Flat Rate	1,500	231%
Columbus	FMV Formula	Estimated at \$1,000 or more per dwelling unit.	
Kansas City	FMV Formula		
San Antonio	FMV Formula		
Travis County	FMV Formula		

**SOURCE:** OCA analysis of peer entities PLD ordinances, May 2013

<sup>1</sup> Resolution No. 20111208-074

## RECOMMENDATIONS

---

The recommendations listed below are a result of our audit effort and subject to the limitation of our scope of work. We believe that these recommendations provide reasonable approaches to help resolve the issues identified. We also believe that operational management is in a unique position to best understand their operations and may be able to identify more efficient and effective approaches and we encourage them to do so when providing their response to our recommendations. As such, we strongly recommend the following:

**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.**

MANAGEMENT RESPONSE: **Concur.** Refer to Appendix A for management response and action plan.

**2. The PARD Director should review, revise, and implement a process for calculating and reviewing PLD fee assessments to ensure accuracy.**

MANAGEMENT RESPONSE: **Concur.** Refer to Appendix A for management response and action plan.

**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.**

MANAGEMENT RESPONSE: **Concur.** Refer to Appendix A for management response and action plan.

MANAGEMENT RESPONSE



City of Austin

Parks and Recreation Department  
200 South Lamar Blvd, Austin, TX 78704

May 21, 2013

Mr. Kenneth J. Mory, City Auditor  
Office of the City Auditor

Subject: Parkland Dedication Audit

Dear Mr. Mory,

Attached is the Parks and Recreation Department's (PAR) response to the Parkland Dedication Audit draft report dated May 2013.

I have reviewed the draft report of the Parkland Dedication Audit and would like to report that we concur with the findings. We will be working on the current recommendations given by the Office of the City Auditor and expect to have the new processes to be fully implemented by August of 2013.

PAR will continue to work with the Planning and Development Review Department (PDRD) to implement a system for the process of calculating and reviewing PLD fees to ensure accuracy. In working with PDRD we would like to propose an action plan in which the number of units in a dwelling can be verified to the fees paid.

We are constantly working on building a more visible PAR website to keep the citizens of Austin informed and engaged. By adding a temporary employee, we will develop additional information to include completed projects with Parkland Dedication fees that can be managed on a long term basis.

We are committed to providing a quality park system and will work with the Budget Office to amend the fee structure for Parkland Dedication. This will allow us to continue our purpose in promoting a quality recreation, cultural, and outdoor experience for the Austin community.

The Parks and Recreation Department appreciates the opportunity to respond to your findings and recommendations. Should you have any questions, please contact our office at 512-974-6717.

Sincerely,

Sara L. Hensley, CPRP, Director

Cc: Marc A. Ott, City Manager  
Bert Lumberras, Assistant City Manager  
Jesse Vargas, Assistant Director  
Ricardo Soliz, Division Manager

*The City of Austin is committed to compliance with the Americans with Disabilities Act. Reasonable modifications and equal access to communications will be provided upon request.*

**APPENDIX A**

**ACTION PLAN**

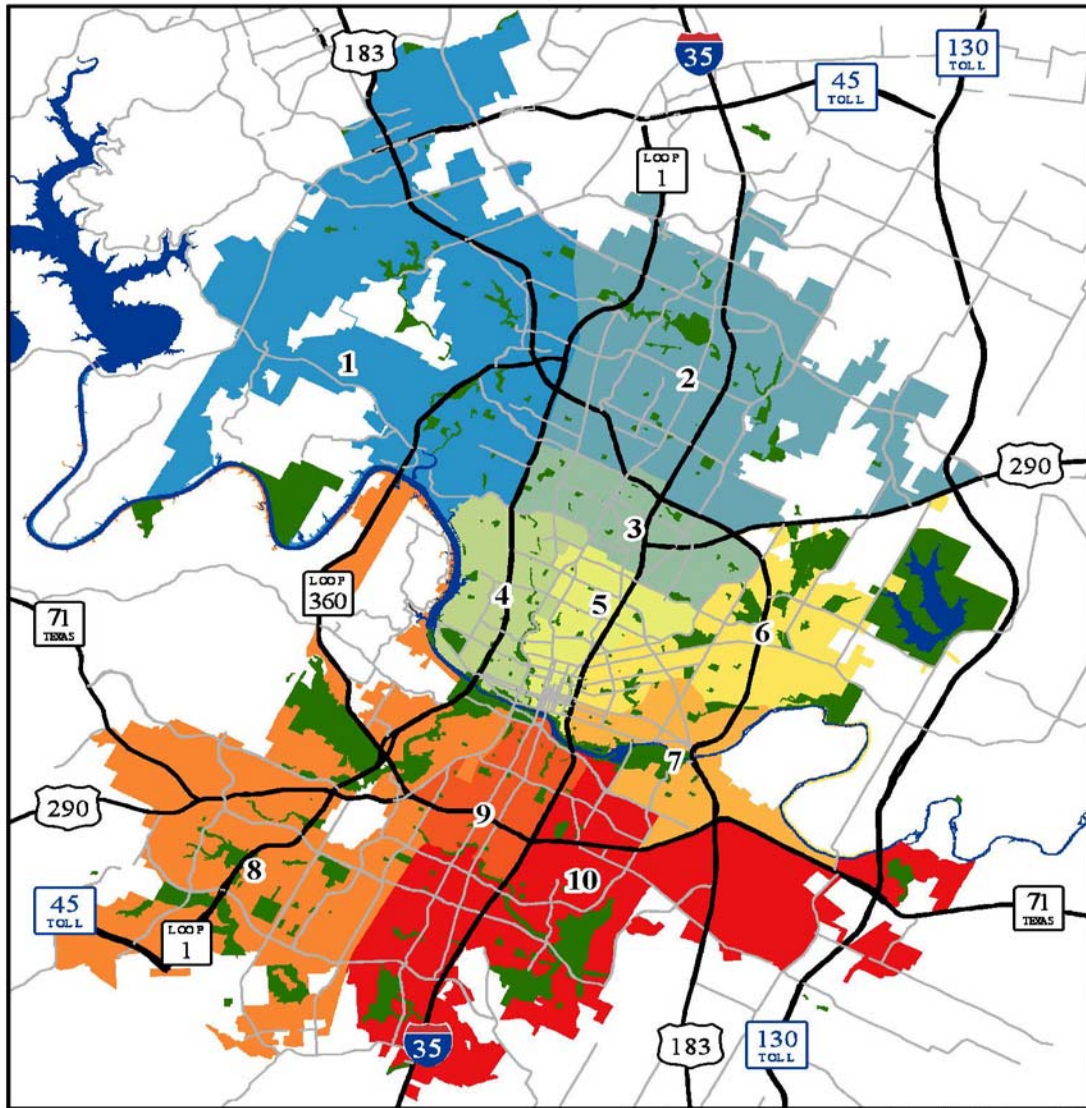
**Parkland Dedication Audit**

Recommendation	Concurrence and Proposed Strategies for Implementation	Status of Strategies	Proposed Implementation Date
<p>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.</p>	<p><b>Concur;</b> PARD is in the process of moving PLD funding from the CIP Administration Division to the Planning &amp; Design Division of the Parks Department to ensure there is a single-point-of-contact over these funds. The Planning &amp; Design Division Staff reviews the site plans, PUD and MUD agreements and calculates the acreage and/or fees owed. The staff would also keep track to ensure PLD dollars are spent within the 5 year time period and/or request an extension when necessary. PARD will also devise an action plan with PDRD to verify build-out of developments that paid PLD fees to determine and document if extensions are in order per the Land Development Code Section 25-1-605(F).</p>	<p>Planned</p>	<p>June 2013. PARD will 1) move forward with bringing the Parkland Dedication fees under the control of the Planning &amp; Design Division. 2) The Director of PARD will work with the Director of Planning and Development Review Department to describe our need to work together on a system that informs PARD's staff of residential projects that paid PLD funds and to distinguish the built out verses those with future planned phases. Perhaps this could be recorded using available tools such as AMANDA 3) PARD will hire a temporary position by July 2013 to help develop a comprehensive management approach to PLD funds and expenditures.</p>

## APPENDIX A

Recommendation	Concurrence and Proposed Strategies for Implementation	Status of Strategies	Proposed Implementation Date
<p>2. The PARD Director should review, revise, and implement a process for calculating and reviewing PLD fee assessments to ensure accuracy.</p>	<p><b>Concur;</b> PARD will establish internal controls that require Planning Division supervisor/manager verification and signature on PLD calculations. The Assistant Director will be the final sign off. PARD will devise an action plan with PDRD to establish controls for verification of dwelling unit counts prior to site plan approval and any future revisions or corrections to approved development applications.</p>	<p>Planned</p>	<p>July 2013. Part of the proposed process improvements is to work with Planning &amp; Development Review Staff to scan the PLD fees paid with the number of units into the AMANDA system so PARD staff can have the ability to verify the number of units to the fees paid.</p>
<p>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.</p>	<p><b>Concur;</b> PARD is committed to developing a comprehensive database on PLD fees and PLD land acquisitions associated with development applications, as well as a process for regular updates and posting of information on the PARD website highlighting projects completed with PLD funding. PARD is in the process of advertising for a Temporary Position that would focus on developing a PLD database, and a communication plan that would post those completed projects on our website to be accessible to the public with PLD funding.</p>	<p>Planned</p>	<p>July 2013. PARD will hire a temporary position that will work closely with PARD's Public Information Office to develop a system to post information on completed projects with parkland dedication fees that can be managed on a long term basis.</p>

PARKLAND DEDICATION ZONES



**City of Austin:**  
Parkland Dedication Zones



20 April 2012 AH  
 This product is for informational purposes and may not have been prepared for or be suitable for legal, engineering, or surveying purposes. It does not represent an on-the-ground survey and represents only the approximate relative location of property boundaries. This product has been produced by the Parks and Recreation Department for the sole purpose of geographic reference. No warranty is made by the City of Austin regarding specific accuracy or completeness.

0 1 2  
Miles

SOURCE: Parks and Recreation Department May 2013