



**Office of the City Auditor**

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**Report to the City Council  
City of San José**

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**AN AUDIT OF THE CITY OF  
SAN JOSE BUILDING DIVISION'S  
CASH HANDLING AND REFUND  
PROCESS**

**Additional Improvements Are Needed In  
The Building Division's Cash Handling  
Section**

**The Building Division Staff Needs To  
Process Refunds In Accordance With City  
And Department Policies**

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**Report 01-04  
June 2001**



# CITY OF SAN JOSÉ, CALIFORNIA

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City Auditor

June 14, 2001

Honorable Mayor and Members  
of the City Council  
801 North First Street, Room 600  
San Jose, CA 95110

Transmitted herewith is a report on *An Audit Of The City Of San Jose Building Division's Cash Handling And Refund Process*. This report is in accordance with City Charter Section 805.

An Executive Summary is presented on the blue pages in the front of this report. The City Administration's response is shown on the yellow pages before the Appendices.

I will present this report to the Finance and Infrastructure Committee at its June 27, 2001, meeting. If you need additional information in the interim, please let me know. The City Auditor's staff members who participated in the preparation of this report are Mike Edmonds, Gitanjali Mandrekar, and Eduardo Luna.

Respectfully submitted,

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## Executive Summary

In accordance with the City Auditor's 2000-01 Audit Workplan, we have audited the Building Division (Division) cash handling and refund process. The Division is part of the Department of Planning, Building, and Code Enforcement (Department). This audit is the third in a series of audit reports on the Division. We conducted this audit in accordance with generally accepted government auditing standards and limited our work to those areas specified in the Scope and Methodology section of this report.

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### Finding I

### **Additional Improvements Are Needed In The Building Division's Cash Handling Section**

In 1999-00, the Building Division (Division) collected about \$50 million in building-related permit fees and taxes. We found that the Division has generally collected this revenue in accordance with applicable City policies and procedures. We found that the Division can improve certain aspects of cash handling by implementing additional controls to ensure proper collection of building-related permit revenue. Specifically, we found that the Division needs to:

- Address Division staff performing incompatible cash handling duties;
- Develop procedures on processing voids and holding cash receipts for future payments; and
- Ensure that Division staff follow City guidelines on safe security.

In our opinion, the Division should 1) address issues of incompatible cash handling activities; 2) update and formalize procedures including supervisory review of all voided transactions; 3) develop a strategy for reducing the number of add-ons; and 4) ensure that Division staff comply with City guidelines on safe security. By so doing, the Division will improve the security and effectiveness of its cash handling function.

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## RECOMMENDATIONS

We recommend that the Building Division:

- Recommendation #1**      **Improve supervisory oversight of cash handling activities, to include review of the Account Clerks' counting and reconciliation activities. (Priority 2)**
- Recommendation #2**      **Update and formalize its procedures and guidelines for processing voids, including supervisory approval of all voided transactions and the retention of all voided receipts and provide training for cashiers on these procedures. (Priority 2)**
- Recommendation #3**      **Develop formal procedures for processing add-on transactions and explore ways to reduce the number of add-on transactions. (Priority 2)**
- Recommendation #4**      **Ensure that Division staff follows all City guidelines regarding safe security and strictly enforces the Division's policy of restricting access to the cashiering area. (Priority 2)**

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## **Finding II      The Building Division Staff Needs To Process Refunds In Accordance With City And Department Policies**

Between January 1999 and December 2000, the Building Division (Division) refunded a total of \$3.1 million to Division customers due to such reasons as permit overpayments, overcharges, and permit cancellations. The Municipal Code has established parameters that the Division must follow for processing refunds. We found that the Division has generally complied with its refund policy, but in some situations the Division staff did not process refunds in accordance with established procedures. We found that Division staff:

- Processed 600 percent more in refunds due to overcharging customers in 2000 than in 1999;
- Issued refunds without proper approval;
- Refunded the incorrect amount to customers; and

- Refunded permit fees even though inspectors had performed inspections.

We also found that the Division needs to make sure that its refund checking account is used only for appropriate transactions. In our opinion, many of the refund problems resulted from poor adherence to Division policy and procedures, and Division Supervisors “rubberstamping” refund approvals. Division staff needs to adhere to Division procedures concerning refunds, and supervisors need to thoroughly review refund applications before approving them. By so doing, the Division will be assured that all refund transactions are properly processed and that it refunds the correct amount to its customers.

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## RECOMMENDATIONS

We recommend that the Building Division:

- Recommendation #5**    **Require supervisors to properly review all refunds to ensure that they are issued in accordance with the Division’s refund policy. (Priority 2)**
- Recommendation #6**    **Ensure that its staff is aware of and follows the City’s policy regarding special checking accounts. (Priority 2)**

# Introduction

In accordance with the City Auditor's 2000-01 Audit Workplan, we have audited the Building Division (Division) cash handling and refund process. The Division is part of the Department of Planning, Building, and Code Enforcement (Department). This audit is the third in a series of audit reports on the Division. We conducted this audit in accordance with generally accepted government auditing standards and limited our work to those areas specified in the Scope and Methodology section of this report.

The City Auditor's Office thanks the Department, and Division staff, who gave their time, information, insight, and cooperation during the audit process.

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## **Mission And Activities**

The Division's mission is to protect the lives and safety of the citizens of San Jose and contribute to the City's economic development. This is accomplished through implementation and enforcement of the Building, Plumbing, Mechanical, and Electrical Codes (Codes). The Division also implements Engineering, Energy, and Disabled Access regulations, and local and state laws for new construction.

The Division's role in the development process begins by reviewing all construction plans for all new residential, commercial, and industrial buildings and alterations to those buildings. Plan Check Engineers review the plans to verify that the proposed construction project is designed to meet the minimum safety requirements specified in the Codes. When the Division determines that the building plans comply with applicable Codes, the Division issues building permits authorizing construction. During a structure's construction phase, Division inspectors will perform on-site inspections to verify compliance with the approved building plans, and applicable local and state regulations. After a final inspection, the Division is supposed to issue certificates of occupancy for each new building or when a change of use occurs. This certifies that the building is ready to be occupied for its stipulated use.

A building permit is required for any building, structure, or building service equipment that is regulated by the Uniform Building Code, Uniform Plumbing Code, Uniform Mechanical Code, or the National Electrical Code. A separate permit is required to erect, construct, enlarge, alter, repair, move,



## Building Division Cash Handling

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improve, convert or demolish a building, structure, or any building service equipment.

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### **Budget And Staffing**

In 2000-01, the Division's budget is \$14.4 million, which includes \$12.9 million in personal services and \$1.5 million in non-personal services (including equipment). Building-related permit fees fund almost all of the Division's operating costs.

The Chief Building Official heads the Division, which is organized into three main sections: Permit Center, Plan Check Section, and Inspection Section. In 2000-01, the Division is authorized 144 full-time equivalent positions.

The Division Analyst supervises the cashiering section, which includes two Account Clerks and an Accounting Technician. The Account Clerks are responsible for collecting, reconciling and recording the daily receipts. Of the two Account Clerks, one is also responsible for the quality assurance process, timekeeping, and processing refunds. The Accounting Technician is responsible for posting transactions into the City's Financial Management System (FMS) and processing refunds.

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### **Audit Objective, Scope, And Methodology**

The objective of the audit was to evaluate the adequacy of the Building Division's internal controls regarding its cash handling practices and refund process. We also assessed and reviewed the effectiveness of the internal controls over the accuracy of the Division's cashiering practices.

In order to evaluate the Division's cash handling practices, we analyzed transactions processed between September, 11, 2000 and November 17, 2000. We randomly selected three two-week periods within that time period for testing. We analyzed transactions processed between September 11 and 22, 2000; October 2 and 13, 2000; and November 6 and 17, 2000. We reviewed cut-off cash receipt reports, cash adjustment receipts, and Automated Building Permit Information Systems reports, to verify that:

- Division personnel complied with City guidelines regarding cashiering transactions;
- Division personnel accurately processed voided transactions;

- Adequate segregation of duties existed for cashiering functions; and
- The Division had adequate controls in place to prevent misappropriation and mishandling of monies.

Additionally, we also interviewed and observed Division staff to ensure that cash-on-hand was properly secured and reviewed internal memoranda, reports and other documents related to cash handling in the Division.

In order to evaluate the refund process, we tested refund transactions made in 2000 for compliance with the Division's Refund Policy. We did not test any refunds made in 1999 because we wanted to test only those transactions that occurred after November 1999, the date that the Division revised its refund policy. In 2000, the Division processed 533 refund transactions that totaled \$1.9 million. Of these transactions, 499 refunds were for less than \$10,000 and 34 refunds were for more than \$10,000. Further, of the refunds made for less than \$10,000, 176 refunds resulted from Division staff overcharging customers.

We judgmentally selected and tested 86 refund transactions that totaled \$1.6 million. The transactions represented 85 percent of the amount refunded in 2000. Specifically, we selected all 34 refunds greater than \$10,000, 35 refunds less than \$10,000, and 17 refunds less than \$10,000 resulting from Division staff overcharging customers. We reviewed the refunds to assess the adequacy of internal controls to ensure that Division staff:

- Complied with Division policies;
- Treated customers fairly and consistently; and
- Refunded the correct amounts to customers.

We also interviewed Division officials and staff responsible for processing refunds, and reviewed City and Division refund policies, guidelines, and internal memoranda.

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**Major Accomplishments Related to This Program**

In Appendix B, the Building Division informs us of its major accomplishments.



## Finding I

### **Additional Improvements Are Needed In The Building Division's Cash Handling Section**

In 1999-00, the Building Division (Division) collected about \$50 million in building-related permit fees and taxes. We found that the Division has generally collected this revenue in accordance with applicable City policies and procedures. We found that the Division can improve certain aspects of cash handling by implementing additional controls to ensure proper collection of building-related permit revenue. Specifically, we found that the Division needs to:

- Address Division staff performing incompatible cash handling duties;
- Develop procedures on processing voids and holding cash receipts for future payments; and
- Ensure that Division staff follow City guidelines on safe security.

In our opinion, the Division should 1) address issues of incompatible cash handling activities; 2) update and formalize procedures including supervisory review of all voided transactions; 3) develop a strategy for reducing the number of add-ons; and 4) ensure that Division staff comply with City guidelines on safe security. By so doing, the Division will improve the security and effectiveness of its cash handling function.

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#### **Building Permit-Related Revenue Collected**

In 1999-00, the Division collected almost \$50 million in building permit fees and tax-related revenue. We found that the Division generally collected this revenue in accordance with applicable City policies and procedures.

Of the almost \$50 million collected, the Division collected \$19 million in revenue from Plan Check, Permit (Building, Plumbing, Electrical, and Mechanical), Record Retention, and miscellaneous fees assessed for residential, commercial, and industrial projects. This was an 11.4 percent or \$1.9 million increase from the previous fiscal year. The Division also collected \$30.9 million in development tax revenue from building-related applicants. Specifically, these included about \$12.2 million from the Building and Structure Tax, \$17.6

million from the Commercial, Residential and Mobile Home Parks Tax, \$361,000 from the Residential Construction Tax, and \$709,000 from the Construction Tax.

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**Incompatible Cash Handling Duties Need To Be Addressed**

We found that Division staff perform incompatible cash handling duties. The cashier (Account Clerk) is responsible for the daily collection and processing of all revenue and taxes for the Division. The Automated Building Permit Issuance System (ABPIS) generates cash receipts and the cashier verifies that the money collected matches the receipt total. At the end of the day, the cashier counts the cash and checks collected, and reconciles them, along with the cash receipts, to the register tape. The cashier then reconciles the register tape to the cut-off cash receipt reports. The Accounting Technician enters the revenue information into the City's Financial Management System (FMS). The Division analyst approves the FMS entries.

The Division cashiering practices conflict with cash management principles that advise against cashiers counting register receipts and reconciling transactions<sup>1</sup>. This is especially true in the Division because cashiers manually input and remove transactions like voided receipts from the computer generated reports. The ideal segregation of duties would include having different employees performing the counting and reconciling functions. Division officials told us that they submitted a budget proposal for 2001-02 that included an additional Account Clerk position. According to Division staff, the Budget Office approved this position and is presenting this position to the City Council for the 2001-02 budget. In our opinion, an additional Account Clerk position could improve the segregation of duties in the Division's cash handling function.

Given the Division's current staffing in the cashiering section, it may not be possible to have the ideal segregation of duties between collecting cash and reconciling receipts. In the absence of proper segregation of duties, the City's Finance Administrative Manual recommends that management oversight must be increased. In our opinion, the cashiers' supervisor should monitor, review, and scrutinize the collection, reconciling, and posting of daily cash transactions.

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<sup>1</sup> Source: Occupational Fraud And Abuse-Joseph T. Wells CFE, CPA

Increased supervisory review will help mitigate the Division's current lack of adequate segregation of duties.

We recommend that the Building Division:

**Recommendation #1:**

**Improve supervisory oversight of cash handling activities, to include review of the Account Clerks' counting and reconciliation activities. (Priority 2)**

**The Division Needs To Update Its Procedures For Processing Voids And Holding Cash Receipts For Future Payment**

The Division can improve its cash handling by developing proper controls over voiding transactions and holding cash receipts for future payments. We found that Division staff voided transactions without supervisory approval and the practice of holding cash receipts caused extra work and may have led to reconciliation errors. The Division needs to take steps to ensure that supervisors approve voided transactions and explore ways to reduce the number of cash receipts that are held for future payments.

*Procedures For Voiding Transactions Need Updating*

City policy requires the Division to send copies of voided receipts to the Finance Department. We found that the Division was in general compliance with the City guidelines regarding the distribution of voided receipts. According to the cashiers, they transmit two copies of a voided receipt to the Finance Department and keep one copy for their records. In addition, the Accounting Technician maintains a list of voided receipt numbers, based on the cut-off cash receipt report. At the end of the day, the Accounting Technician also sends a copy of the receipts to the Division programmers who enter the information into the KEA database. The Accounting Technician does not verify the reasons for and/or the validity of the voids.

The cashiers always void transactions directly from the cash registers. If the transaction needs to be voided at the day's end because a customer canceled a permit, then the cashier manually voids the receipts on the cut-off cash receipt report. Accurately recording the voids is entirely dependent upon the Account Clerks correctly entering this information in the reports. For example, we found a transaction that the Account Clerk had mistakenly entered as a void when in fact it was a live permit and it should have actually been recorded as the next transaction.

We also found some problems with a \$14,000 transaction the Division processed on September 8, 2000. Specifically, the cut-off cash receipt report for September 11, 2000 showed that this transaction had been voided. When we asked the Division for a copy of the voided receipt that the Division programmers maintain, we were told the receipt could not be found. We finally got a copy of the voided receipt from the Finance Department. However this cash receipt showed that it had been voided on September 29, 2000. The cash receipt also showed that the Account Clerk had accepted payment for this transaction. Neither the Account Clerk who processed the transaction nor the Accounting Technician could explain why the Account Clerk voided this transaction because the invoice showed that the customer had paid for a permit. As such, the Account Clerk should never have treated this transaction as a void. According to the cashiers, sometimes the permit technician prints the invoices but asks the cashiers not to cash the customers' checks. If that occurred in this instance, it would have been contrary to the City's policy of immediately depositing all checks over \$10,000. The Accounting Technician agreed that the Division did not have adequate safeguards to prevent misappropriation of payments with respect to voids. For instance, the cashier could manually void a transaction and remove all information about it from the records. The lack of formal guidelines over voids causes balancing and record keeping difficulties for the Division's cashiers. At the end of our audit, the Division analyst showed us copies of informal procedures for voids. However, neither the cashiers nor the Accounting Technician were aware of these procedures. Moreover, the procedures did not address the issue of supervisory review of all voids. In our opinion, the Division should update and formalize its procedures and guidelines for processing voids and provide training to its cashiers on these procedures. These procedures and guidelines should include improved supervisory approval of all voided transactions and the retention of all voided receipts.

We recommend that the Building Division:

**Recommendation #2**

**Update and formalize its procedures and guidelines for processing voids, including supervisory approval of all voided transactions and the retention of all voided receipts and provide training for cashiers on these procedures. (Priority 2)**

*The Division Does Not Have Any Policies Or Guidelines For Processing Cash Receipts That Are Used As Invoices For Future Payments*

Division cashiers primarily use cash receipts for processing payments. However, cashiers also use cash receipts as “invoices” for future payments. These transactions are known as add-ons. Add-ons occur when 1) customers drop off or mail in permits and still have to pay for and pick up the permits or 2) customers do not have adequate funds to cover the cost of their already-processed invoices. We found that most of the add-ons occurred because customers dropped off or mailed in permits and still had to pay for and pick up the permits. Add-ons cause extra work for the Account Clerks and may lead to reconciliation errors. The Division does not have any formal policies or guidelines for processing add-ons, such as the number of days cashiers should hold these invoices. Division staff informed us that they usually hold these invoices until the end of the month. At that time, staff calls the customers and reminds them that they need to pick up and pay for the permits. Division staff agreed that it is extremely difficult keeping track of these invoices. In our opinion, the Division should examine alternatives to holding invoices for future payments.

The Automated Building Permit Issuance System (ABPIS), which generates the cash receipts, currently does not have a way of holding off on the permit processing for add-ons and it would be tedious for a customer to go through the permit process again. As a result, the Account Clerks hold the invoices until the customer returns to get the permit.

This practice of holding permits causes the Account Clerks to do extra reconciliation work. Specifically, the Account Clerks have to manually remove the add-ons from the cut-off cash receipt reports. The Account Clerks then have to manually add the add-ons to the cut-off cash receipt reports when the customer comes back to pay for the permit. When the cut-off cash register receipt does not balance, the Account Clerks need to search for the unpaid permits. In some instances, the customers do not return for the permits for a few weeks and sometimes even change their mind about paying for the permit. When the customer cancels a permit the Division retains twenty percent of the permit fees for work already done. However, if the customer cancels an add-on before paying for it, the Division does not retain any of the permit fees.

We were also told that customers sometimes cancel permits because they lack sufficient funds to pay for the permits. In our opinion, a good practice would be for Permit Technicians to provide customers with permit cost information prior to



printing out the permit receipt. This could reduce the number of add-on transactions caused by customers lacking sufficient funds to pay for the permits.

We recommend that the Building Division:

**Recommendation #3**

**Develop formal procedures for processing add-on transactions and explore ways to reduce the number of add-on transactions. (Priority 2)**

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**Division Staff Do Not Follow City Guidelines On Safe Security**

We found that the Division should take immediate steps to ensure that its staff complies with all City guidelines regarding safe security. The Division maintains a safe to secure daily cash receipts that is locked with a combination and a key. According to City guidelines, the Division needs to secure the safe and ensure that all cash-on-hand is kept locked up at all times. However, we found that the Division safe is kept unlocked during the day. We observed that the safe door was kept partly open, and, in at least one instance, the safe door was kept wide open. According to a Division staff person, the safe is locked on a nightly basis and there is no need to lock the safe during the day since there is always someone present in the vicinity of the safe. The Division has a policy specifying that the cashiering section is a restricted area with access limited to only the Division accounting staff and their supervisor. However, on two separate occasions we observed non-accounting staff entering the restricted cashier area.

City guidelines require the Division to maintain a written list of all personnel who have access to the safe. Division staff told us that they do not maintain such a written list of the personnel with access to the safe combination.

The Finance Department (Finance) conducted a review of the Division's cash handling section. On February 12, 1999, Finance issued a memorandum that expressed concerns regarding the Division's lack of a written list of personnel with access to the safe combination. In addition, Finance recommended that the Division also change the safe combination when there is staff turnover. We found, however, that Division staff did not change the safe combination when the previous Account Clerk transferred to another position outside the Division. According to the Division analyst, the

safe is new and cannot be opened unless someone knows the combination and has a key.

We recommend that the Building Division:

**Recommendation #4**

**Ensure that Division staff follows all City guidelines regarding safe security and strictly enforces the Division’s policy of restricting access to the cashiering area. (Priority 2)**

**CONCLUSION**

The Division needs to make improvements to ensure its cashiering section is managed in a secure and effective manner. The Division also needs to address issues of incompatible cash handling activities; develop procedures for processing voided and add-on transactions; and ensure that Division staff comply with City guidelines on safe security.

**RECOMMENDATIONS**

We recommend that the Building Division:

**Recommendation #1**

**Improve supervisory oversight of cash handling activities, to include review of the Account Clerks’ counting and reconciliation activities. (Priority 2)**

**Recommendation #2**

**Update and formalize its procedures and guidelines for processing voids, including supervisory approval of all voided transactions and the retention of all voided receipts and provide training for cashiers on these procedures. (Priority 2)**

**Recommendation #3**

**Develop formal procedures for processing add-on transactions and explore ways to reduce the number of add-on transactions. (Priority 2)**

**Recommendation #4**

**Ensure that Division staff follows all City guidelines regarding safe security and strictly enforces the Division’s policy of restricting access to the cashiering area. (Priority 2)**



## **Finding II**

### **The Building Division Staff Needs To Process Refunds In Accordance With City And Department Policies**

Between January 1999 and December 2000, the Building Division (Division) refunded a total of \$3.1 million to Division customers due to such reasons as permit overpayments, overcharges, and permit cancellations. The Municipal Code has established parameters that the Division must follow for processing refunds. We found that the Division has generally complied with its refund policy, but in some situations the Division staff did not process refunds in accordance with established procedures. We found that Division staff:

- Processed 600 percent more in refunds due to overcharging customers in 2000 than in 1999;
- Issued refunds without proper approval;
- Refunded the incorrect amount to customers; and
- Refunded permit fees even though inspectors had performed inspections.

We also found that the Division needs to make sure that its refund checking account is used only for appropriate transactions. In our opinion, many of the refund problems resulted from poor adherence to Division policy and procedures, and Division Supervisors “rubberstamping” refund approvals. Division staff needs to adhere to Division procedures concerning refunds, and supervisors need to thoroughly review refund applications before approving them. By so doing, the Division will be assured that all refund transactions are properly processed and that it refunds the correct amount to its customers.

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#### **The Division Processed \$3.1 Million Refund Transactions In 1999 And 2000**

Between January 1999 and December 2000, the Division refunded \$3.1 million to Division customers due to such reasons as permit overpayments, overcharges, and permit cancellations. Specifically, as shown in Exhibit 1, in 1999, the Division made 477 refunds that totaled \$1.2 million, and in 2000, the Division made 533 refunds that totaled \$1.9 million. Between 1999 and 2000, the number of refunds increased 12 percent and the amount refunded increased 64 percent. Each business day in 2000, the Division processed 2.2 refund transactions and refunded about \$7,900.

**Exhibit 1 Number Of Refund Transactions Processed  
In 1999 And 2000**

<b>Refund Reason</b>	<b>Number Of Refunds Made In 1999</b>	<b>Amount Refunded In 1999</b>	<b>Number Of Refunds Made In 2000</b>	<b>Amount Refunded In 2000</b>
Overpayment	153	\$535,349	167	\$1,018,863
Overcharge	107	106,962	189	766,910
Cancelled Permit	122	320,510	112	118,979
Duplicate	17	1,286	20	14,018
Other not stated	78	212,985	45	13,925
<b>Total</b>	<b>477</b>	<b>\$1,177,092</b>	<b>533</b>	<b>\$1,932,695</b>

Source: Auditor analysis of Division data.

About half of the money the Division refunded in 1999 and 2000 was due to customer overpayments. Division staff told us that customers routinely bring in pre-printed checks to pay for permit transactions. The pre-printed checks are based on the customers' estimates of building-related permit fees and taxes. However, when the Division calculates the actual permit fees and taxes, the total bill is often a lower amount than the customers' estimates. Consequently, many customers prefer to pay for the building-related permits with the pre-printed checks and apply for a refund. The Division then processes a refund for the difference between the pre-printed check and the correct amount. The Division also makes refunds when customers cancel permits and apply for a refund.

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**Building Division  
Refund Policy**

The Municipal Code allows the Building Official to refund any building-related permit fee erroneously paid or collected; refund no more than 80 percent of the permit fee paid when no work has been done under the permit; and no later than 180 days after permit issuance. These specific rules are listed on the refund application. On November 10, 1999, the Division modified its Refund Policy to include the following:

1. Begin processing refunds within 48 hours (two working days) of receipt.
2. A Permit Center Supervisor, prior to granting approval or denial of refund request, will research the validity of the refund request. If the refund is denied, the Permit

Center Supervisor will contact the applicant and explain the reasons for the denial.

3. The Permit Center Manager must review and approve all requests greater than \$10,000.
4. Completed refund requests must be returned to the cashier for processing.

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**The Division Processed 600 Percent More In Refunds Due To Customer Overcharges In 2000 Than In 1999**

In 1999 and 2000, the number of refund transactions the Division processed because its staff overcharged customers was 107 and 189, respectively—a 77 percent increase. In addition, the amount the Division refunded because its staff overcharged customers increased from \$107,000 in 1999 to \$767,000 in 2000—a 600 percent increase. The Division overcharged customers primarily because of staff error. For example, we found one refund transaction dated May 10, 2000, where the Division charged a customer the Commercial, Residential And Mobile Home Parks Tax (CRMP) even though the property was located in an industrial use location and was exempt from those taxes. The Division subsequently refunded about \$20,000 to this customer.

According to the Division analyst, an increase in the number of refunds due to customer overcharging may be attributed to permit technician turnover. The analyst indicated that in 2000, the Division hired four new permit technicians. In 2001, refunds due to overcharges are tracking lower than the previous year, and by year-end refunds should total about \$183,000.

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**The Division Needs To Ensure Supervisory Review of All Refunds**

We found that the Division has generally complied with its refund policy but in some situations the Division staff did not process refunds in accordance with established procedures. We found that the Division needs to ensure supervisory approval of all refunds. Increased supervisory review of all refunds will ensure that customers are refunded the correct amount and that no refunds are issued for permits where inspectors have already performed work.

*Refunds Were Issued Without Proper Approval*

We found that Division staff issued refunds to customers without appropriate supervisory approvals. In half of the refund transactions over \$10,000 examined, we found that the Division analyst or the Permit Center Manager did not approve the refunds as required. Specifically, the Division's Refund Policy requires that the Division analyst approve all refund

applications and the Permit Center Manager approve refund requests over \$10,000.

*Refunded Incorrect Amounts To Customers*

We found that Division staff also made incorrect refunds to customers. For example, on January 19, 2000, the Division refunded \$75,000 to a customer, located in an industrial use zone, because the Division had incorrectly charged the Commercial, Residential and Mobile Home Parks Tax. Based on our review of the refund application, we found that the Division neglected to refund the customer an additional \$12,500 that resulted from an incorrect Building and Structure Tax (B&S) assessment. The Division Account Clerk, who processes refunds, indicated that she was not aware of the requirement to refund the B&S Tax, even though there are different rates depending on structure use. In our opinion, the Division Supervisor, who approved this refund should have noted this error and refunded the correct amount to the customer. Accordingly, the Division needs to improve upon the supervisory review of refunds made to customers.

*Refunded Permit Fees Even Though Inspection Work Had Been Performed*

Another problem that we identified was that Division staff refunded building permit fees to customers even though inspection work had been performed. For example, on April 20, 2000, Division staff refunded \$800 to a customer, even though the customer had informed staff that Building Inspectors had already performed inspection work and that the permit was expired. The Division refund policy allows refunds only when no work has been done under the permit and only within 180 days after permit issuance.

*Division Supervisors Do Not Always Thoroughly Review Refund Requests*

We found that some of the Division supervisors merely rubber stamp refund requests without actually reviewing them. A former Division analyst told us that when she approved refunds she actually verified the amount and the purpose of the refunds. In our opinion, the Division should require proper supervisory review of all refunds to ensure compliance with the Division's refund policy.

We recommend that the Building Division:

**Recommendation #5**

**Require supervisors to properly review all refunds to ensure that they are issued in accordance with the Division's refund policy. (Priority 2)**

---

**The Division Did Not Always Follow City Procedures For Special Checking Accounts**

According to Division staff, the Division maintains a separate checking account to process refunds less than \$250, pay for employee subscriptions, and purchase supplies and other necessary items less than \$250. City guidelines and procedures for department checking accounts<sup>2</sup>, specify that these type of accounts should be used for the following purposes:

- Customer refunds;
- Customer overpayments;
- Subscriptions and books of \$100 or less;
- Items under \$250 that cannot be obtained through Central Stores or Boise Cascade catalog; and
- Invoice payments under \$250 when the City will realize a discount with immediate payment.

City guidelines also prohibit writing checks to individual employees because the accounts are not petty cash accounts and have account balances less than \$5,000.

We found that the Division used a special checking account for writing checks to individual employees within the Department. The Division analyst told us that he was not aware of any written procedures for the special checking account and that he decided on most of the reimbursements. According to the analyst, the purpose of the account is to reduce the time required to process refunds for less than \$250 through the Finance Department. However, as stated above there are special checking account procedures which the Division should follow.

We also found one instance when the special checking account was used to reimburse a supervisor within the Department for a membership in a professional organization. This is clearly a violation of the City policy on special checking accounts.

*Unauthorized Personnel Sometimes Sign-Off On Refund Checks*

We found instances in our refund sample when unauthorized personnel signed refund checks. On at least two occasions, the Planning Division analyst had signed and approved the refund checks for Division customers. However, according to the list of approved employees with signing authority, the Planning

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<sup>2</sup> Source: Procedure Manual, City of San Jose-Department of Planning And Building. Effective Date: March 9, 1995.



Division analyst did not have signature authority on this account.

According to the Division analyst, when he was unavailable, the Planning Division analyst signed refund checks to reduce the refund cycle time.

We recommend that the Building Division:

**Recommendation #6**

**Ensure that its staff is aware of and follows the City's policy regarding special checking accounts. (Priority 2)**

---

**CONCLUSION**

We found that the Division has generally complied with its refund policy in refunding \$3.1 million between 1999 and 2000. However, in some situations the Division staff did not process refunds in accordance with established procedures. We found that 1) the Division processed 600 percent more in refunds due to overcharging customers in 2000 than in 1999 and 2) Division staff issued refunds without proper approval, refunded the incorrect amount to customers, and refunded permit fees even though inspection work had been performed. We also found that Division staff need to adhere to Division procedures concerning refunds and supervisors need to thoroughly review refund applications before approving them. By so doing, the Division will be assured that all refund transactions are properly processed and that it refunds the correct amount to its customers.

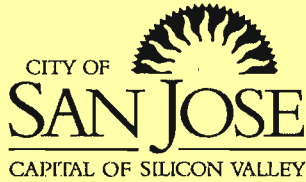
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**RECOMMENDATIONS**

We recommend that the Building Division:

**Recommendation #5**    **Require supervisors to properly review all refunds to ensure that they are issued in accordance with the Division's refund policy. (Priority 2)**

**Recommendation #6**    **Ensure that its staff is aware of and follows the City's policy regarding special checking accounts. (Priority 2)**



RECEIVED

JUN 12 2001

CITY AUDITOR

# Memorandum

**TO:** GERALD SILVA  
CITY AUDITOR

**FROM:** James Derryberry

**SUBJECT:** RESPONSE TO BUILDING-  
CASH HANDLING AND  
REFUND PROCESS AUDIT  
REPORT

**DATE:** June 8, 2001

Approved

*Kay Winer*

Date

*6/11/01*

## BACKGROUND

The Department of Planning, Building and Code Enforcement has reviewed the final draft report of *An Audit of the City of San Jose Building Division's Cash Handling and Refund Process*. The Department is generally in agreement with the results and recommendations of the report. A number of the issues in the report that raised concerns were the result of staff turnover and insufficient training of new staff. This problem is being addressed. The Department appreciates the professional manner in which your staff has conducted the audit. We will undertake action to comply with the audit recommendations within the required time frames. Specific responses to the audit recommendations are provided below.

**RECOMMENDATION #1:** *Improve supervisory oversight of cash handling activities, to include review of the Account Clerk's counting and reconciliation activities. (Priority 2)*

The Department concurs in principle with this recommendation. The Building Division currently has two Account Clerks who handle cashiering functions, with one person designated as the primary cashier. Each cashier is responsible for balancing her own drawer's total for the day. The cashier's activities are clerical in nature to assure the accuracy of the collection. The primary cashier's role is to combine the balances of the two drawers and prepare a daily deposit that is equal to the register totals. The Accounting Technician is responsible for the reconciliation and posting of the collected amounts to the proper revenue accounts in FMS. Using a daily FMS cash collection spreadsheet, the Accounting Technician's cash revenue total must agree with the reported cash deposits total tallied by the cashiers. In response to a request by the Division, Treasury has reviewed the current work arrangement in the cashier's area and found no conflict.

Notwithstanding Treasury's assessment, the Division realizes the need for an additional full-time cashier, and an additional Account Clerk II is included in the 2001-02 Proposed Operating Budget. The addition of another Account Clerk will help the Division meet the increased demands on cashiering services that will result from the implementation of the Integrated Development Tracking System (IDTS). Additional staff will also reduce the need for the Accounting Technician to provide backup for cashiering functions due to vacation or illness. This will help reduce any potential source of conflict in the cash handling functions.

To improve the oversight of cash collection activities, the Accounting Technician will review the full documentation of voided receipts in accordance with the following recommendation.

**RECOMMENDATION #2:**            *Update and formalize its procedures and guidelines for processing voids, including supervisory approval of all voided transactions and the retention of all voided receipts and provide training for cashiers on these procedures. (Priority 2)*

The Department concurs with this recommendation. This has been accomplished. The Division already had a procedure and guideline for processing voids, including the retention of voided receipts. However, the Division had not specified the requirements for supervisory approval of all voided transactions. The Division has amended and formalized the voided receipt procedures to correct this omission (see Attachments A, A1-A5).

**RECOMMENDATION #3:**            *Develop formal procedures for processing add-on transactions and explore ways to reduce the number of add-on transactions. (Priority 2)*

The Department concurs with this recommendation. This recommendation has been implemented. The Division has developed procedures to identify and process add-on transactions, including assigning a time limit for processing and completing add-on transactions (see Attachment B).

Since add-on transactions are part of the enhanced customer service, the Division cannot arbitrarily limit the number of add-on transactions. Although customers are generally informed about the costs of permits at the time of application, not all customers have the financial flexibility to pay for the full costs of the permit at the time of issuance. Additionally, the division will have add-ons due to drop-in and mail-in permits which are processed daily but there are no payments on the same day the permits are issued. Add-ons will also come from tract housing permits since there are no receipts of payment until all permits are issued for the property.

Presently counter service add-ons are very hard to control because the Automated Building Permit Issuance System (ABPIS) does not have a way of holding off the permit processing for add-ons. In the near future when the Application Management and Data Automation

(AMANDA) system replaces ABPIS, the Division will be able to reduce substantially the add-ons since AMANDA allows invoices or charges to be stored in the system prior to payment.

**RECOMMENDATION #4:**        *Ensure that Division staff follows all City guidelines regarding safe security and strictly enforces the Division's policy of restricting access to the cashiering area.  
(Priority 2)*

The Department concurs with this recommendation and changes have already been implemented. Procedures governing safe maintenance and restricted access to cashier area by authorized personnel have been formalized. Specific concerns as reported in the audit report have been addressed. The safe is now kept up locked at all times. Staff has been instructed not to enter the restricted area unless accompanied by a member of the cashiering staff or the Analyst in charge of the Accounting Section. It is not possible to completely restrict access to non-accounting staff entering the restricted area when the purpose of this entry is to facilitate the processing of customer permits, or to meet with the timekeeper to resolve time sheet issues. A list of people having access to the safe combination has been established. The safe combination will be changed when there is staff turnover in the Accounting Section (see Attachment C).

**RECOMMENDATION #5:**        *Require supervisors to properly review all refunds to ensure that they are issued in accordance with the Division's refund policy. (Priority 2)*

The Department concurs with this recommendation. This is being accomplished. The Division already has a Refund Policy and Procedures. The Accounting Technician has been instructed not to process any refund for payment without the appropriate authorization signatures from either the Permit Supervisor or the Permit Center Manager (for refunds in excess of \$10,000), and the signature of the Analyst in charge of the Accounting Unit. The Permit Center Manager will instruct all Permit Center staff to strictly adhere to refund procedures including the requirement for supervisory review and approval of all refunds prior to issuance. For information, a copy of the refund form is enclosed as Attachment D.

**RECOMMENDATION #6:**        *Ensure that its staff is aware of and follows the City's policy regarding special checking accounts. (Priority 2)*

The Department concurs with this recommendation. This is being accomplished. Building Division accounting staff has been instructed not to issue checks for any other purposes than those stated in the City guidelines and procedures for the department checking accounts.

Regarding checks not being signed by authorized personnel, that oversight has been corrected. The example cited in the audit report was an isolated instance when the Planning Analyst forgot to register his name with the bank handling the special account. Since then, all Analysts in the

GERALD SILVA

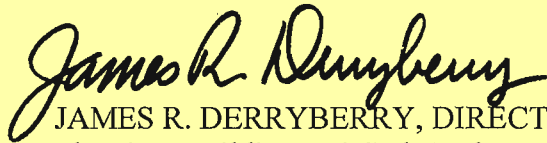
June 11, 2001

**Subject: Cash Handling and Refund Process Response**

Page 4

department have had their signatures registered with the bank. A list of currently authorized signatures is maintained in Treasury.

In summary, the Department appreciates the effort that the Auditor's Office devoted to conduct this audit, as well as the preparation of this report. We feel that the recommendations in this audit will further strengthen our ability to safeguard City funds, and improve the operating effectiveness of the Department's Building Division.



JAMES R. DERRYBERRY, DIRECTOR  
Planning, Building and Code Enforcement



**City of San Jose  
Building Division**

**VOIDED RECEIPTS PROCEDURES**

**OVERVIEW**

The Building Division issues more than one hundred thousand receipts per year. There are times when receipts must be voided because of errors, computer re-programming or other reasons. The following procedures will be followed when a receipt is voided.

**PROCEDURES:**

Computer-generated cash receipts

1. All computer generated cash receipts will have the control number printed on the three-part form. These control numbers are generated internally by computer. When a permit is issued, the cash receipt number is the same as the permit number. When a service is rendered, the cash receipt number is a generic number. In all situations, the computer-generated cash receipt numbers are unique and cannot be duplicated.
2. Whenever a receipt is voided, the permit technician or the cashier doing the voiding will write the word "Void" and the reason for voiding on the form. The white and pink copies will be submitted to Treasury, Finance Department as part of the daily pay-in, and the yellow copy will be retained in the division.
3. For all computer generated cash receipts that are voided, the cashier will also need to log in to the Permits module on KEA, locate the receipt number and void it in the cash collection system.

Samples of computer voided receipts are attached.

4. All voided computer-generated cash receipts will be reviewed and initialed by the Accounting Technician for accuracy. Unusually voided cases should be reported to management for follow-up action.

Manual cash receipts

4. Manual cash receipts are pre-printed receipts with control numbers in a series. They are used whenever the computer system is down, or unavailable because of maintenance work. Each manual cash receipt number is unique. Refer to attached Policy PCPP-7 issued on 9-23-99 for more details on manual receipt processing procedures.

## Attachment A

5. Whenever a receipt is voided, the permit technician or the cashier doing the voiding will write the word "Void" and the reason for voiding on the form. The white and pink copies will be submitted to Treasury, Finance Department as part of the daily pay-in, and the yellow copy will be retained in the division.
6. For all manual cash receipts that are voided, the cashier will enter the number of the voided cash receipt into a Manual Permit Issuance Log book (red cover) kept in a locked cabinet in the Permit Center, and initial the entry by date.
7. All voided manual receipts will be reviewed and initialed by the Accounting Technicians for accuracy.
8. All voided receipts, whether computer generated or manually written, should be analyzed to identify the causes, and in-service training should be conducted to help staff reduce the voided receipts where necessary.
9. All copies of voided receipts will be maintained by the Division for a period of one year. Voided receipts beyond a year can be destroyed.

Revised 5/7/2001

DEPARTMENT OF PLANNING AND BUILDING  
BUILDING DIVISION, 801 N. FIRST ST., RM 200  
SAN JOSE, CA 95110  
(408) 277-4541

CR# 01-03224

Date: 31-May-2001

Project #: 0105630 000 00 000 000 000  
Issued by: JS

*VOID*  
*customer changed*  
*his mind*

CASH RECEIPT

Received from : DENTAL FOR TODAY  
5332 BEACMONT CAILION  
Inspection Area : 7A

Check# : 1557

Amount : \$ 63.00

For : MISC  
PLAN RETRIEVAL 14 PAGES  
\$4.50 A PAGE

Receipt of payment is hereby acknowledged:

*[Signature]*  
CASHIER

*ok*  
*Jeanette*  
*5/31/01*

MAY 31 2001

CHECK

63.00  
1557



**SEARCH RECEIPT TO VOID/RESTORE**

BRING CURSOR TO DESIRED RECEIPT:		TAB/N - TO VOID	*	TAB/E TO RESTORE
C A S H R E C E I P T				
TYPE NUMBER	DATE	RECEIVED FROM	CHECK NUMBER	AMOUNT
CR 0103224	31-May-2001	DENTAL FOR TODAY	1557	\$ 63.00
CR 0103225	31-May-2001	BEDROSIANS	237	50.00
CR 0156748	30-May-2001	OLD COUNTRY ROOFING	VISA	123.00
CR 0156749	30-May-2001	OLD COUNTRY ROOFING	VISA	123.00
CR 0156750	30-May-2001	OLD COUNTRY ROOFING	VISA	123.00
CR 0156751	30-May-2001	OLD COUNTRY ROOFING	VISA	123.00
CR 0156752	30-May-2001	HARMONY SOLAR	0115	73.00
CR 0156753	31-May-2001	RAY DAVIS ROOFING	CASH	123.00
CR 0156754	31-May-2001	RAY DAVIS ROOFING	CASH	123.00
CR 0156755	31-May-2001	CPR SERVICES INC	7418	305.00
CR 0156756	31-May-2001	WOODY'S HANDYMAN SERVICE	2328	1,314.26
CR 0156757	31-May-2001	J.E.B. INVESTMENTS	1413	647.75

**CASH RECEIPT TO VOID**

-----  
CASH RECEIPT TYPE . . . . CR      RECEIPT FOR OTHER THAN PLAN CHECK  
CASH RECEIPT NUMBER . . 0103224 31-May-2001  
CUSTOMER . . . . . DENTAL FOR TODAY  
CHECK NUMBER . . . . . 1557  
RECEIPT AMOUNT . . . . . \$ 63.00  
-----  
REASON FOR VOIDING . . . CUSTOMER CHANGED HIS MIND  
-----

**ALL SET TO VOID - Y/N?**

**SEARCH RECEIPT TO VOID/RESTORE**

BRING CURSOR TO DESIRED RECEIPT: TAB/N - TO VOID \* TAB/E TO RESTORE

C A S H R E C E I P T

TYPE	NUMBER	DATE	RECEIVED FROM	CHECK NUMBER	AMOUNT
CR	0103224	31-May-2001	DENTAL FOR TODAY	VOID	\$ .00
CR	0103225	31-May-2001	BEDROSIANS	237	50.00
CR	0103226	31-May-2001	KBHOME	60253	104,663.5
CR	0103228	31-May-2001	TERESA R. FOUNTAIN	5640	263.76
CR	0156748	30-May-2001	OLD COUNTRY ROOFING	VISA	123.00
CR	0156749	30-May-2001	OLD COUNTRY ROOFING	VISA	123.00
CR	0156750	30-May-2001	OLD COUNTRY ROOFING	VISA	123.00
CR	0156751	30-May-2001	OLD COUNTRY ROOFING	VISA	123.00
CR	0156752	30-May-2001	HARMONY SOLAR	0115	73.00
CR	0156753	31-May-2001	RAY DAVIS ROOFING	CASH	123.00
CR	0156754	31-May-2001	RAY DAVIS ROOFING	CASH	123.00
CR	0156755	31-May-2001	CPR SERVICES INC	7418	305.00



**CITY OF SAN JOSE**

**Building Division Processing Procedural**

**Permit Issuance Procedure When Processing  
Manual Receipts**

Policy No.           PCPP – 7  
Effective             9-23-99

**Processing Procedures**

**Supervisors Duty**

- Obtain manual receipts and issuance tracking logs and make available for processing.
- Enter current date adjacent to receipt number that processing will start at.
- Once ABPIS system is operational again, assign task to staff of manual data entry. Have staff initial and date under "Entered into ABPIS" field the transaction they processed.
  - Permit transaction are entered into the manual-posting module.
  - Plan check transactions will be entered as a regular intake and the plan check number generated by ABPIS will be the assigned number. The applicant will need to be notified by phone to be given the plan check number and the receipts will need to be mailed to them.
- Have copies of manual receipts and permit application forms made and given to IT for cleanup processing.
- Route (original) office copy of receipts and permits to Imaging for processing.
- Once IT has completed cleanup, document completion on manual issuance log and file copies of receipts for later retrieval. Copies only need to be kept for 180 days.

**Permit Technician Function**

- Determine if transaction will be for a permit or plan intake.
- Check out a Manual Cash Receipt from the supervisors by placing your initials next to the number of the form that is being checked out. If processing a Plan intake, write "PC" in voided field in log.
- Calculate the appropriate fees by using the Manual Fee Schedule. Don't forget all applicable plan check fees, taxes, code compliance fees, permit processing fees, and record retention.
- Completely fill in the Manual Cash Receipt form.
- Permits transactions will use manual cash receipts number as the permit number which will be entered into ABPIS once operational again. The transactions will be placed in a folder and given to the cashier for processing completion.
- Plan check transactions will be documented on a manual cash receipt, but the number will not be used nor will the transaction be processed through the cash register. The plan check fee will be calculated and a check collected for the calculated amount. The transactions will be placed in a folder and given to the cashier to be stored in the safe until ABPIS is operational again.

**Manual Data Entry into ABPIS for Permit Transaction Only**

- On main screen of Kea press 7 (building section)
- On building division-Residential Property screen press MR (manual receipt)
- Type in property address or press Tab N
- On manual receipt input screen fill in all highlighted areas with data from the manual receipt (example of format for date to be entered 16-Aug-1999)

The screenshot shows a software window titled "KEAL420 - PERMITS" with a menu bar (File, Edit, Transfer, Options, Connection, Macro, Window, Help) and a toolbar. The main window displays a "MANUAL CASH RECEIPT INPUT 1/2" screen. At the top, there are input fields for "9909854 00 00 000 000 000 RECPT#: 0000000 PERMIT#: 0000000 DATE". Below this is a section for "Proj address:" with columns for "NUMBER DIR STREET NAME TYPE SUITE". A "Paid by:" field is also present. The main body of the screen is a table of charges:

Item	Amount	Item	Amount
Plan Check Fee .....	\$ .00	CRMP Tax .....	.00
Fire Plan Check Fee ..	.00	Construction Tax .....	.00
Elec Plan Check Fee ..	.00	Residential Constr Tax.	.00
Plum Plan Check Fee ..	.00	Site Inspection Fee ...	.00
Mech Plan Check Fee ..	.00	Energy Inspection Fee .	.00
Bldg Permit Fee .....	.00	PERMIT Processing, Bldg	.00
Elec Permit Fee [TAB/E]	.00	" " , Elec	.00
Plum Permit Fee [TAB/P]	.00	" " , Plum	.00
Mech Permit Fee [TAB/M]	.00	" " , Mech	.00
S.M.I.P.A. Tax .....	.00	Record Reten/Automation	.00
B & S Tax .....	.00		.00
		<b>TOTAL</b>	<b>.00</b>

At the bottom of the screen, it says "1(003,003)".

When all items have been entered,  
 press I to input another or  
 press X to end.

**Cashier**

- Process permit transaction and validate manual cash receipt.
- Place plan intake transactions in safe for later processing completion.
- Once ABPIS system is operational again, give permit/plan check folders containing yellow copies of manual cash receipt and permit/plan intake forms to supervisor for assignment of manual permit data entry or plan check processing.
- Reconcile manual transactions with total transactions for daily closing justification.
- Once plan check transaction have been processed through ABPIS and validated through the cash register, mail receipts to applicant.

**IT Transaction Cleanup**

- Verify that all of the transactions have been entered into the ABPIS system. Notify permit center Supervisor of missing transactions.
- Cleanup the dollar amounts. Input the fields into the proper data files for evening processing.
- Assign the task to staff to enter missing items and make corrections using the ABPIS correction screen.

**Archival of Manual transactions**

- Manual receipts and permits are sent to imaging for processing.
- Permits not validated by ABPIS are returned to permit center for proper processing.
- Imaged permits can be destroyed.

Initiated by:  
Scott Troyer

Approved by:

Amal Sinha  
Chief Building Official



**City of San Jose  
Building Division**

**ADD-ON TRANSACTION PROCEDURES**

**OVERVIEW**

Add-on transactions are part of the enhanced customer service program instituted by the Building Division to process permits when payment is not received at the same time as the permits are issued.

**WHEN ADD-ONS ARE GENERATED**

Add-ons are developed in the following cases:

- Cash receipts are on hold for previous days and customers will make payments
  1. Drop-in / mail-in permits which are processed daily but no payments are received on the day permits are issued.
  2. Tract housing permits are processed but there are no receipts of payment until all permits are issued for the same property
- Permits are processed on the counter but customers do not have sufficient money to pay for the transaction.

**KEEPING TRACK OF ADD-ONS**

1. For drop-in/mail-in permits and tract housing permits:

Add-ons are added on the cashier checkout form and manually added to the ABPIS daily summary. These add-ons will be kept in a folder marked "Drop-in/Mail-in/Tracts".

2. For regular transactions where customers do not have sufficient funds:

When customers do not have sufficient funds to pay for the permits the same day they are issued, the associated permit revenue must be omitted from ABPIS total revenue when making entries to FMS.

Later on, when customers pay for the permits, the transactions are treated as add-ons, and the funds are manually added to the ABPIS daily summary. Adjustments to FMS revenue are also made in the same day.



These regular counter-service add-on transactions will be kept in a separate folder marked "Financing arrangement needed".

**ADD-ON TRANSACTIONS TIME LIMIT**

All add-on transactions must be completed within one week of being initiated. Customers who do not have sufficient funds to pay for permits at time of issuance must make arrangement to pay for their permits within a week, or forfeit the permits. All permit specialists and cashier personnel should remind customers of this policy.

Cashiers should date the add-on transaction folders so that this policy can be enforced. The Accounting Technician will be responsible for the maintenance of this policy.

05/30/01

**City of San Jose  
Building Division**

**SAFE MAINTENANCE PROCEDURES**

**PURPOSE**

To ensure that City guidelines regarding safe security are followed, the following procedures will be observed by all Building personnel.

**PROCEDURES**

1. There will be no cash acceptance after 4 P.M. (see attached Chief Building Official memo dated October 24, 2000)
2. The Cashier areas are restricted to authorized personnel only such as Account Clerks, Accounting Technician and Analyst in charge of the Accounting Unit.
3. All other personnel are not allowed into the cashier area unless accompanied by one of the authorized personnel, or called into the area at the request of the authorized personnel for consultation regarding time sheets, customer fees calculation, computer repairs etc.(see attached Chief Building Official memo dated October 22, 1999).
4. The safe door must be locked at all times.
5. A list of authorized personnel with access to the safe key and combination will be maintained in the Accounting Procedures Handbook maintained by the Accounting Technician.
6. Current Accounting Staff and the Analyst in charge of the Accounting Unit are the only authorized personnel entrusted with knowledge to the location of the safe key.
7. Safe combination will be changed every time there is a staff turnover in the Accounting unit.

05/30/01



**PERMIT FEE REFUND**  
**DEPARTMENT OF PLANNING, BUILDING, AND CODE ENFORCEMENT**  
**BUILDING DIVISION**

**INSTRUCTIONS:**

1. Building Fees: (SJMC1.17.040, UBC 1991, Section 304(f))

- A. Full refund is given only when the cancelled plan check and/or permit was issued due to staff error.
- B. 80% of the permit fee is refunded if the job is cancelled before work has begun and no inspection have been performed, 80% of the plan review fee is refunded if the job is cancelled or withdrawn before any plan reviewing is done. The permit processing fee is not refunded.
- C. No refund shall be given if the work has begun and/or inspections have been made on the project, or if the refund request is received more than 6 months from the date of the original permit/cash receipt.

2. Construction Related Taxes: (SJMC 4.64.080) Full refund is given if the permit expires or is before the building or structure is constructed. No refund shall be given if the refund request was received more than one year from the date of the original permit/cash receipt.

3. This form is to be completed and signed by the Account Clerk or Senior Account Clerk, forwarded to the Supervisor (Division Analyst) and the Section Chief (Permit Center Supervisor) for approval, along with 1) a letter from the applicant explaining why he or she is requesting a refund: and 2) the original cash receipt. (If the original receipt has been lost, the applicant must include in the letter a statement confirming that it has been lost.)

4. After approval, the Account Clerk or Senior Account Clerk processess the refund according to Department guidelines.

Request Date: \_\_\_\_\_

Refund Case #: \_\_\_\_\_

**REASON:**

Plan Check/Permit #: \_\_\_\_\_

- Cancelled Permit
- Duplicate
- Overpayment \_\_\_\_\_
- Other \_\_\_\_\_

- Not in City
- Overcharge

Cash Receipt #: \_\_\_\_\_

Applicant Name: \_\_\_\_\_

Phone#: \_\_\_\_\_

Mailing Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_

Site Location: \_\_\_\_\_

	FEE(S) PAID	CORRECT FEES	REFUND:
FIRE P/C	_____	_____	_____
PLAN CHECK (NR/AO)	_____	_____	_____
BLDG (NR/AO)	_____	_____	_____
PLUMBING (NR/AO)	_____	_____	_____
MECH (NR/AO)	_____	_____	_____
ELECT (NR/AO)	_____	_____	_____
PROCESSING FEE	_____	_____	_____
ENERGY FEE	_____	_____	_____
RECORD RETENTION	_____	_____	_____
SMIPA (RES/COM)	_____	_____	_____
CONSTRUCTION TAX DIST _____	_____	_____	_____
RESIDENTIAL CONST TAX	_____	_____	_____
BLDG & STRUCTURE TAX	_____	_____	_____
CRMP TAX (RES/COM)	_____	_____	_____
MISC (OVER PMT)	_____	_____	_____
<b>TOTAL</b>	_____	_____	_____

Processed By: \_\_\_\_\_

Approved: \_\_\_\_\_  
(Section Supervisor)

Permit Center Mgr. \_\_\_\_\_

Analyst: \_\_\_\_\_

Refund Over \$10,000.00

Full Refund                     
  Partial Refund                     
  Denied

RV Batch #: \_\_\_\_\_

A/P Batch #: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Vendor #: \_\_\_\_\_

## APPENDIX A

### DEFINITIONS OF PRIORITY 1, 2, AND 3 AUDIT RECOMMENDATIONS

The City of San Jose's City Administration Manual (CAM) defines the classification scheme applicable to audit recommendations and the appropriate corrective actions as follows:

<b>Priority Class<sup>1</sup></b>	<b>Description</b>	<b>Implementation Category</b>	<b>Implementation Action<sup>3</sup></b>
1	Fraud or serious violations are being committed, significant fiscal or equivalent non-fiscal losses are occurring. <sup>2</sup>	Priority	Immediate
2	A potential for incurring significant fiscal or equivalent fiscal or equivalent non-fiscal losses exists. <sup>2</sup>	Priority	Within 60 days
3	Operation or administrative process will be improved.	General	60 days to one year

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<sup>1</sup> The City Auditor is responsible for assigning audit recommendation priority class numbers. A recommendation which clearly fits the description for more than one priority class shall be assigned the higher number. (CAM 196.4)

<sup>2</sup> For an audit recommendation to be considered related to a significant fiscal loss, it will usually be necessary for an actual loss of \$25,000 or more to be involved or for a potential loss (including unrealized revenue increases) of \$50,000 to be involved. Equivalent non-fiscal losses would include, but not be limited to, omission or commission of acts by or on behalf of the City which would be likely to expose the City to adverse criticism in the eyes of its citizens. (CAM 196.4)

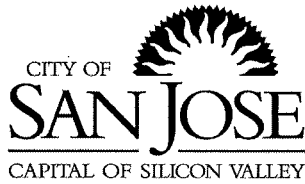
<sup>3</sup> The implementation time frame indicated for each priority class is intended as a guideline for establishing implementation target dates. While prioritizing recommendations is the responsibility of the City Auditor, determining implementation dates is the responsibility of the City Administration. (CAM 196.4)

**RECEIVED**

JUN 14 2001

CITY AUDITOR

**APPENDIX B**



*Memorandum*

**TO: GERALD A. SILVA  
CITY AUDITOR**

**FROM: James Derryberry**

**SUBJECT: BUILDING DIVISION  
ACCOMPLISHMENTS**

**DATE: June 14, 2001**

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Approved

Date

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This memorandum responds to your request, in the audit of our Building Division cash handling and refund process, for program accomplishments of the Building Division, Department of Planning, Building and Code Enforcement.

The Building Division has continued to lead the Silicon Valley Uniform Code Interpretation Program among 31 jurisdictions. Building staff actively participate in the periodic update of the Uniform Building Code and are on committees working on the 2003 International Building Code. Staff also participate in the legislative process on matters related to building code adoption. Building staff have worked closely with the California Building Officials organization to promote building safety in San Jose.

The Building Division experienced a record level of activity in calendar year 2000 approving \$1.65 billion dollars of construction. This previous high for a one year period was a valuation of \$1.4 billion dollars in fiscal year 1997-98.

The Division places a high priority on the training and education of staff, our most valuable asset. Staff members have attended an average of 100 hours of training annually to keep up with changing codes. The Division has a highly trained professional staff of 25 licensed Professional Engineers, the majority of whom are also certified as Structural Engineers and Plans Examiners. All of the 70 inspectors are certified in at least one specialty (such as Building, Mechanical, Plumbing and Electrical), and the majority are combination inspectors certified in all fields. This level of professionalism is outstanding when compared to other jurisdictions in the county.

Division personnel are innovative, and have made creative uses of new technology, including a document imaging system, on-line permitting, and an up-to-date Web page. The Division is currently in the final phase of implementing the new Integrated Development Tracking System that will allow development related information, including plans and permits, to be shared by City departments and the public via the internet.

Gerald Silva  
June 14, 2001

**Subject: Cash Handling and Refund Audit Accomplishments**

Page 2

In recognition of its outstanding service record, the City of San Jose's Building Division was recently given the Building Division of the Year Award by the California Building Officials (CALBO). Annually, there are 500 municipalities and counties vying for this award. It is a special tribute to the Building Division's staff and improvement efforts to be recognized by their professional colleagues and peers throughout California.



JAMES R. DERRYBERRY, DIRECTOR  
Planning, Building and Code Enforcement

