



Internal Audit

Special Project – Public Works Design Review Fees

November 2012

Bernalillo County Internal Audit Special Project – Public Works Design Review Fees

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Bernalillo County Internal Audit Special Project – Public Works Design Review Fees Report

INTRODUCTION

Public and private utilities use County rights-of-way to provide various services to the public. Before beginning construction projects, utility companies are required to submit plans to the County so that Public Works can perform a design review. This includes an inspection of the construction plans and the job site which helps to ensure that County rights-of-way are not misused or damaged and that the project will not interfere with public safety. The reviews also help ensure that the work is done properly and in accordance with County codes.

The County charges a fee for the design review. Recently, Administrative Instruction AR-2012-95 changed the design review fee to a flat \$250 per instance. In order to estimate a fee that will reimburse the County for all review costs, Public Works developed a spreadsheet which calculates the costs associated with a typical design review.

We performed the services described below solely to assist Bernalillo County in evaluating the costs associated with a typical design review. We performed this special project at the request of the County management who determined the nature and extent of our procedures. Although we have included management's responses in our report, we do not take responsibility for the sufficiency of these responses.

PURPOSE AND OBJECTIVES

An evaluation of the franchise fee was not part of this audit.

We evaluated the design review cost spreadsheet prepared by Public Works to ensure the tasks, costs, and time requirements were accurate. Additionally, we compared the fees previously charged, the current \$250 flat fee, and an actual cost recovery fee.

SCOPE AND PROCEDURES PERFORMED

In order to gain an understanding of the tasks involved in the design review process and the associated costs, we interviewed the following personnel:

- Jarvis Middleton, Deputy County Manager, Public Works

- Roger Paul, Technical Services Department Director, Public Works
- Kevin Grovet, Development Review Manager, Public Works
- Tiequan Chen, Engineer, Public Works
- Deanna Miglio, Right of Way Manager, Public Works

We performed the following test work:

- We gained an understanding of the design review process and how the cost spreadsheet was prepared by walking through the process with the personnel involved.
- We tested the spreadsheet for reasonableness based on our understanding of the tasks involved, the salaries and benefits of the personnel involved, and the amount of overhead allocated to each direct labor hour. Based on our analysis of the spreadsheet provided by Public Works, the estimated cost for the design review process is approximately \$762 for the typical project.
- We obtained a listing of all utility construction projects that required a design review to be performed in the last two years (October 1, 2010 through October 31, 2012). There were 67 projects during this time, or approximately 34 per year. We used this historical data to compare the amounts actually received to what would have been received with the \$250 flat fee structure and with a cost recovery fee structure.

	Estimated Projects per year	Design Review Fees	Estimated Design Review Costs	Variance
Previous Fee Structure	34	\$ 11,717	\$ 25,908	\$ (14,191)
\$250 Set Fee Structure	34	\$ 8,500	\$ 25,908	\$ (17,408)
Cost Recovery Fee Structure	34	\$ 25,908	\$ 25,908	\$ -

RECOMMENDATIONS AND MANAGEMENT RESPONSES

The following are suggestions for improvement relating to the Bernalillo County Public Works fee processes:

1) Actual Cost and Time Tracking

There was not a process in place to capture and track the actual time and costs incurred in the design review process. The department collects other fees for various services provided to the public and there was no tracking done to determine the actual cost incurred. In order to gain a better understanding of the actual time spent and costs involved in the various processes, the department should monitor and track actual time and costs incurred for a couple months. This will allow the department to better understand the actual cost associated with each process and update the fee schedules accordingly.

Management Response

Since Fall 2012, the Technical Services Department, Development Review Section has been tracking staff time expended on utility construction projects for review, administration, coordination, site investigations, and project closeout. As of February 7, 2013, 47 projects are being tracked with 7 projects being completed. This data will be used to compare the projected time expenditures versus actuals and provide a basis for comparison during future design review fee evaluations.

2) Design Review Fee Structure

Management should determine if a flat fee or a tiered fee structure based on the project size would best meet county and utility requirements for easily administered and equitable full recovery of county review costs.

Management Response

At this point, discussions with various utility companies have led to the conclusion that a tiered fee structure may be the preferred method for administering the design review fee process. As the franchise fee review moves forward through 2013, it appears that a flat rate for small, typical projects with a tiered rate based on project size for larger projects may be the proposed approach.

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This report is intended for the information and use of Bernalillo County management, the audit committee, members of the Board of Commissioners of Bernalillo County and others within the organization. However, this report is a matter of public record, and once accepted its distribution is not limited.

We received excellent cooperation and assistance from the various departments during the course of our interviews and testing. We sincerely appreciate the courtesy extended to our personnel.

REDW LLC

Albuquerque, New Mexico
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