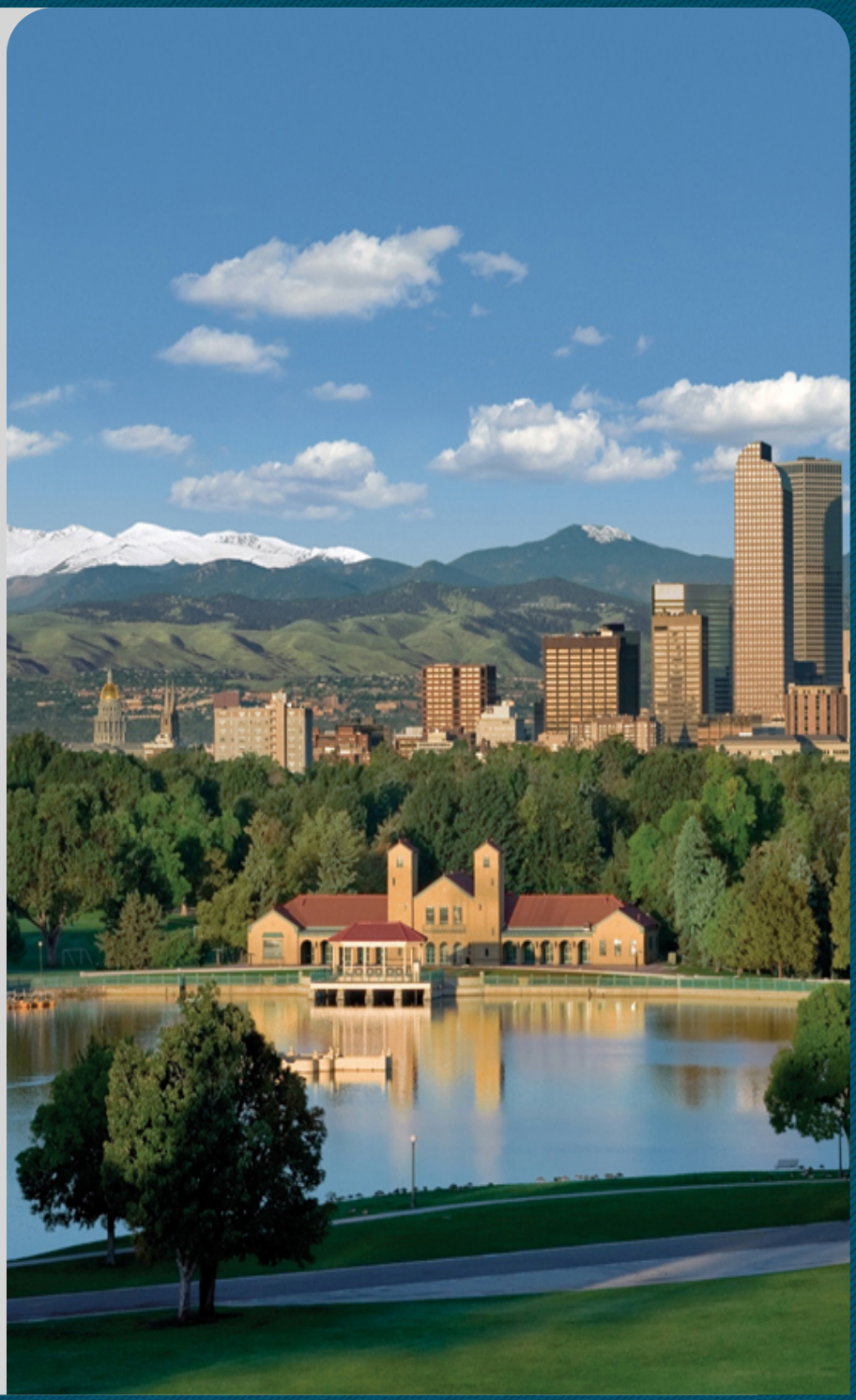
FOLLOW-UP REPORT
Community Planning and Development
Zoning Administration
November 2017



Office of the Auditor
Audit Services Division
City and County of Denver

Timothy M. O'Brien, CPA
Denver Auditor

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Timothy M. O'Brien, CPA
Auditor

November 2, 2017

Brad Buchanan, Executive Director
Department of Community Planning and Development
City and County of Denver

Re: Audit Follow-Up Report

Dear Mr. Buchanan:

In keeping with generally accepted government auditing standards and the Audit Services Division's policy, as authorized by D.R.M.C. § 20-276, our division has a responsibility to monitor and follow up on audit recommendations to ensure that audit findings are being addressed through appropriate corrective action and to aid us in planning future audits.

This report is to inform you that we have completed our follow-up effort for the Department of Community Planning and Development Zoning Administration audit issued October 15, 2015. Our review determined that the Department of Community Planning and Development (CPD) has not adequately implemented the recommendations made in the audit report. Despite the department's efforts, auditors determined that the risks associated with the audit team's initial findings have not been fully mitigated. As a result, the Division may revisit these risk areas in future audits to ensure that appropriate corrective action is taken.

For your reference, this report includes a highlights page that provides background and summary information on the original audit and the completed follow-up effort. Following the highlights page is a detailed implementation status update for each recommendation.

This concludes audit follow-up work related to this audit. I would like to express our sincere appreciation to you and to CPD personnel who assisted us throughout the audit and follow-up process. If you have any questions, please feel free to contact me at 720-913-5000 or LaKeshia Allen Horner, Internal Audit Supervisor, at 720-913-5085.

Denver Auditor's Office

Timothy M. O'Brien, CPA
Auditor

REPORT HIGHLIGHTS

Zoning Administration
October 2017

Status

The Department of Community Planning and Development (CPD) has not implemented the three recommendations made in the October 2015 audit report.

Background

Zoning is a municipal authority used to regulate land use and development. Denver adopted its first zoning code in 1925. As land use evolved to reflect the increasing use of the automobile, Denver's zoning needs evolved as well. The City revised its zoning code accordingly. Chapter 59 of the Denver Revised Municipal Code was adopted in 1956, and an official map showing the various zoning districts in the City was created to reflect the elements of the code. Chapter 59 remained the City's official zoning code until yet another code was adopted in 2010, called the Denver Zoning Code. Currently, Denver administers two zoning codes concurrently.

Purpose

The purpose of the audit was to examine the impact from CPD administering two zoning codes to regulate the planning and development of the City. The audit also assessed the functional challenges associated with maintaining two administrative systems for CPD's planning, regulating, permitting, and inspection operations, including staff training and citizen and stakeholder challenges.

Highlights from Original Audit

The existence of two zoning codes in the City and County of Denver is challenging for City administrators and external stakeholders alike. According to the Department of Community Planning and Development (CPD), these challenges include difficulties associated with the implementation of the City's long-term goals and staff training, as well as citizen inequity. Although we were able to validate some of the challenges that CPD identified, such as those related to citizen equity, we were unable to verify others due to insufficient data and information. During the course of our audit work we also examined certain zoning administration activities to identify potential costs, benefits, and trade-offs resulting from the administration of two zoning codes. Although we were unable to verify a direct relationship in all instances between the trends that we observed and improved administrative efficiency, there is some indication that the New Code may be more efficient to administer.

CPD believes that converting to a single zoning code could help reach established goals and address inequity and inefficiency. However, CPD has not developed a comprehensive strategy for undertaking this conversion. Specifically, CPD has not clearly outlined the costs and benefits of the conversion, analyzed associated risk, or established a framework for evaluating the success of a conversion. In addition to establishing a strong business case for the funds required to move to one code, this type of analysis could also help CPD evaluate and improve its zoning administration operations overall.

Findings at Follow-up

CPD has taken some steps toward assessing whether converting to a single zoning code would improve the consistency and efficiency of zoning administration. As part of the department's 2017 budget planning, CPD assessed the staffing and infrastructure that would be needed to move forward with a cost-benefit analysis and risk assessment. However, CPD has not identified the funding required to secure additional resources to complete the analyses recommended. Furthermore, CPD has developed a performance evaluation process that it relies on to assess the effectiveness of the Denver Zoning Code in achieving the City's planning goals. Although the City has not yet adopted a single zoning code, CPD officials stated that the department would continue to rely on this system to evaluate the extent to which future conversion efforts are achieving the anticipated benefits or results.

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Recommendations: Status of Implementation

Recommendation		Auditee Action	Status
FINDING: Community Planning and Development Should Assess Whether Converting to a Single Zoning Code Would Improve Consistency and Efficiency of Zoning Administration			
1.1	**Benefit Cost Analysis**—Community Planning and Development should collect and analyze data that would allow it to obtain measurable evidence to understand the costs and benefits of converting to a single zoning code or continuing to administer two codes.	As part of CPD's 2017 budget planning process, the department assessed the staffing and infrastructure that would be needed to complete a benefit cost analysis for converting to a single zoning code or continuing to administer two codes. The department determined that a one-year limited planner position would be needed to complete the analysis. However, CPD was unable to secure funding for this position. To date, CPD has not identified the resources required to complete the recommended analysis. CPD officials state that the department will continue to evaluate the prioritization of innovations and initiatives within the department and look for future opportunities to advance this work.	**Not Implemented** **Original target date for completion: December 31, 2017**

Recommendations: Status of Implementation

	Recommendation	Auditee Action	Status
1.2	**Risk Assessment**—To ensure that the City has a holistic understanding of its exposure to adverse consequences stemming from changes to the zoning administration framework, Community Planning and Development should conduct a risk assessment. Such an assessment should include an evaluation of potentially adverse events, define steps to reduce the likelihood that adverse events will occur, and determine steps that can be taken to deal with potentially adverse events should they occur.	CPD planned to leverage the limited planner position identified during the department's 2017 budget planning process to assess the risk associated with changing the zoning administration framework. CPD was unable to secure funding for this position in 2017, and the department has not identified alternative resources to complete the recommended assessment. As is the case with the benefit cost analysis, CPD officials state that the department will continue to evaluate the prioritization of innovations and initiatives within the department and look for future opportunities to advance this work.	**Not Implemented** **Original target date for completion: December 31, 2017**
1.3	**Performance Evaluation**—If a single code is adopted, Community Planning and Development should develop a performance evaluation framework that addresses stated challenges, and achieves anticipated benefits or results. Specifically, the framework should clarify the goals and objectives of the conversion, identify data sources to obtain credible information, and include plans to analyze information to draw valid conclusions about the effectiveness of conversion efforts.	CPD has developed a performance evaluation process that it relies on to assess the effectiveness of the Denver Zoning Code in achieving the City's planning goals. Although the City has not yet adopted a single zoning code, CPD officials stated that the department would continue to rely on this system to evaluate the extent to which future conversion efforts are achieving the anticipated benefits or results.	**Not Implemented** **Original target date for completion: December 31, 2017**

Conclusion

The Department of Community Planning and Development (CPD) has taken steps to identify the resources required to understand the costs, benefits, risks, and results associated with converting to a single zoning code. However, CPD officials acknowledge that the department will be unable to implement the recommendations made in the CPD Zoning Administration audit report by the original December 31, 2017 target date, and have identified December 31, 2019 as the department's new target date for completion. Accordingly, we determined that the risks associated with the audit team's initial findings have not been mitigated. As a result, the Audit Services Division may revisit these risk areas in future audits to ensure that appropriate corrective action is taken.

On behalf of the citizens of the City and County of Denver, we thank staff and leadership from CPD for their cooperation during our follow-up effort and their dedicated public service.