

Metropolitan King County Council

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MEMORANDUM

DATE: November 27, 2002

TO: Metropolitan King County Councilmembers

FROM: Cheryle A. Broom, ^{cb} County Auditor

SUBJECT: DDES Billing Practices

This memorandum is in response to a request by the Metropolitan King County Council for our office to review new permit review standards developed by the Department of Development and Environmental Services (DDES). Prompted by constituents' complaints about DDES billing practices, the council requested that we review the implementation status of the standards this year and conduct a performance audit in 2003. The objective of this review was therefore limited to determining the progress made by DDES in implementing the standards. We plan to evaluate the impact of the standards in the audit next year.

DDES began implementation of permit review standards this year, with the goal of improving the timeliness of review activities. Standards have been implemented for a limited number of permits and are used to help monitor the time spent on them. DDES will update the standards annually to reflect improved performance and plans to expand their use to more permits.

A summary report by DDES on billing complaints to the department is attached, as requested by the council.

BACKGROUND

The permit review standards are standards for the number of hours spent on specific permit functions. Functions are the major reviews that a permit must undergo, depending on permit type. The standards are used to monitor the number of hours that are spent on a permit and billed to the permit holder. So far, standards have been developed only for land use permits. This is because most land use permit charges are billed hourly, while most charges for building permits are set fees.

DDES developed the standards in 2002 based on their performance over the previous two years. They calculated the average number of hours spent on specific functions for land use permits. The average was set as the "yellow alert" and the average plus one standard deviation was the "red alert." This means that 50 percent of permits with a given function's hours charged to them are expected to be below the yellow alert status and the other 50 percent would be in either the yellow or red alert.

Permits that exceed the standards are flagged for supervisory review. A weekly report of permits on red or yellow alert is circulated to management and the supervisors of the review functions. Supervisors are supposed to analyze the work that remains on all of these permits and report to the division manager on the status or proposed resolution of every permit in red alert.

SCOPE OF OUR REVIEW

We selected a random sample of 100 permits out of approximately 1,000 land use permits that are covered by the standards. (The standards are used for all applicable land use permits, not just those that were received after the standards were adopted.) We used the department's time recording system to look up the number of hours recorded to each function of each permit. We then determined for each permit if any functions were in yellow or red alert and looked those up in the weekly report to verify that they were listed accurately. We also requested a summary report on the status of selected red alert permits.

We found that to date the standards have been implemented for eight out of twelve billable land use functions and approximately 53 percent of all land use permits that are billed hourly. According to DDES management, the functions and permits covered by the standards are the most commonly used functions and all of the key land use permit types. A weekly report tracks which permits meet or exceed the standards. It appears that management is monitoring those permits, although there are no regular reports summarizing their status. Our audit next year will review and analyze the percentage of permits exceeding standards.

FUTURE ISSUES

As noted above, the standards do not apply to all land use permits or functions. DDES management said that they focused initially on the functions that account for the most billable hours, but that there will eventually be standards for all permit functions that are billed hourly. We will review the progress made in expanding the standards in our 2003 audit.

In basing the standards on historical data, DDES has essentially set past performance as its goal. However, management indicated their intent to improve permit processing efficiency by reevaluating the standards annually. The idea is that as standards result in less time spent by each function, the average time will decrease and the standards, which are based on the average, will decrease as well. DDES will conduct their first evaluation and update of the standards at the end of this year. Our audit will include a review of the impact on the standards.

The standards are one phase of a process for improving efficiency in permit processing. The second phase, which DDES also began this year, is developing a scope of review for the various review functions in order to increase consistency in the type and amount of work performed in each function. If successfully implemented, this effort should decrease the time spent in permit reviews and billed to permit applicants, which, again, should be reflected in lower permit standards. We plan to review the impact of this phase in our audit as well.

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We would like to express our appreciation to the management and staff at DDES for their cooperation.

If you have any questions about the issues discussed in this letter, please contact Nancy McDaniel, Bert Golla, or me at 296-1655.

Attachment

CB:NM:jl:g\DDES Billing\AMemorandum Final

cc: Ron Sims, King County Executive
Calvin Hoggard, Chief of Staff, King County Executive Office
Rod Brandon, Assistant County Executive, King County Executive Office
Stephanie Warden, Director, DDES
Michael Frawley, Administrative Services Division Manager, DDES
Joe Miles, Land Use Services Division Manager, DDES



**King County
Department of Development
and Environmental Services**

November 26, 2002

To: Nancy McDaniel
Senior Auditor, King County Auditor's Office

From: Michael J. Frawley 
Manager, Administrative Services Division

Subject: Billing Hotline and Fee Waiver Analysis

Two primary customer service tools that DDES provides to customers who wish to discuss or dispute their permit fees are: 1) the Billing Hotline, and 2) the Fee Waiver Request form.

DDES encourages customers to call the Billing Hotline to get their questions answered by appropriate DDES staff. During January through September of 2002, there were 2,494 calls to the billing hotline, of which 144 related to disputed fees, and 94 related to disputed finance charges. This represents a 37% improvement in number of calls involving disputed charges compared to 2001.

The Fee Waiver Request form provides an avenue for customers to formally dispute their fees. During January through September of 2002, DDES approved 120 fee waivers for a dollar amount of \$141,274. Of this amount, \$29,168 relates to a single court-mandated settlement agreement on an application that was processed by DDES in 1989-1994. See summary of Hotline Calls and Fee Waivers below.

	January through September 2002	Annualized Total for 2002	2001
Number of billings sent	30,588	40,784	36,395
Number of statements sent	2,703	3,604	0
Number of Billing Hotline calls	2,494	3,325	3,310
Number of above calls involving disputed charges	238	317	503
Number of above calls relating to business licenses	37	49	0
Number of Fee Waivers Granted	120	160	145
Dollar Amount of Fee Waivers Granted	\$ 141,274	\$ 188,366	\$ 112,522
Fee Revenues	\$ 19,747,965	\$ 23,697,558	\$ 24,624,214

The overall volume of Hotline Calls and Waivers has not decreased, due in part to the fact that there has not been adequate time for the permitting standards to show an effect in these areas. In addition, DDES implemented 2 initiatives in May 2002 that increased Hotline calls and Fee Waiver requests: 1) we began sending statements on pre-issued Building permits, and 2) we began a serious effort to collect past due/delinquent accounts. Both of these efforts have generated a noticeable number of additional hotline call and waiver requests. Also, 37 calls regarding King County Business Licenses, which were assumed by DDES on January 1, 2002, came to the Billing Hotline in the first 9 months of 2002. No such calls came to the Hotline in 2001, since DDES did not have responsibility for Business Licenses in 2001.

In May 2002, DDES implemented permitting standards that allow supervisors and managers to monitor and manage projects that take more than an average amount of time to complete. When a project approaches the "yellow zone", i.e. the average amount of hours for a project in that category, reviewers and supervisors are required to report to management with reasons why the project could take longer than average. Wherever possible, a mitigation plan is prepared so the project does not exceed the average, or will exceed it only minimally.

The permitting standards now in place have been developed for Land Use projects only, since these are the projects our customers have indicated are most in need of enhanced standards. Unlike Building projects, which usually turn around very quickly, Land Use projects can take a number of years to complete. There are virtually no types of Land Use projects that can be turned around in a few months or less, given the lengthy process that must be completed. *For this reason, DDES has not been able to realize a noticeable reduction in either the number of calls to the billing hotline or the number of requests for fee waivers since implementation of the permitting standards six months ago, in May 2002.*

At approximately the same time that permitting standards were implemented, two additional process enhancements were also implemented, both of which have increased calls to the billing hotline:

1) *DDES now sends monthly Statements (not billings) on Building permits that are in a pre-issuance status and that have incurred hourly charges.* This gives our customers information concerning charges that are accruing and will be owed when the permit is issued, even though they do not need to pay anything until issuance. We believe that providing more information to our customers is unquestionably a positive step. However more information invariably triggers more questions, and we have experienced more calls and questions to the billing hotline, regarding the information on the Statements, since they were implemented in May.

2) *DDES is pursuing late accounts receivable more rigorously than in the past, and is now regularly sending past due accounts to the KC-contracted collection agency, beginning in May of this year.* Until late 2001, DDES did not have a serious problem in collecting its fees, however by early 2002, a significantly larger proportion of our customers were paying late or not paying. Since we initiated collection efforts with these customers, we have received many calls to the billing hotline from customers that want to find an option other than paying their fees or being sent to Collections. Fortunately, our collection efforts are also curtailing our delinquencies and increasing our collection rate.

In summary, three positive programs have been implemented in 2002, but none have yet resulted in decreases to either the number of fee waiver requests or the number of billing hotline calls.

Permitting Standards -

No decrease to billing hotline calls at this time. Decrease expected by approximately 2004.
No decrease to fee waiver requests at this time. Decrease expected by approximately 2004.

Monthly Statements -

No decrease/ some increase to billing hotline calls at this time. No future decrease expected.
No decrease to fee waiver requests at this time. No future decrease expected.

Collection of delinquent accounts -

No decrease/ some increase to billing hotline calls at this time. No decrease expected.
No decrease/ some increase to fee waiver requests at this time. Fee waiver requests expected to return to usual level next year, after initial surge of collection activity.