

---

# **CITY OF SAN ANTONIO**

## **OFFICE OF THE CITY AUDITOR**



Audit of Development Services and Parks and Recreation Departments  
Tree Mitigation and Canopy Investment Funds

Project No. AU17-017

April 23, 2018

Kevin W. Barthold, CPA, CIA, CISA  
City Auditor

---

## Executive Summary

---

As part of our annual Audit Plan approved by City Council, we conducted an audit of Development Services Department (DSD) and the Parks and Recreation Department (Parks), specifically, the Tree Mitigation and Canopy Investment Funds. The audit objective, conclusions, and recommendations follow:

**Determine if oversight of the Tree Mitigation and Canopy Investment Funds is adequate to include allocation of funds.**

DSD and Parks are involved in facilitating tree preservation in the City. DSD ensures land developers maintain appropriate tree preservation by issuing tree permits and collecting Tree Mitigation and Canopy Investment revenues. Parks is responsible for initiating tree adoption events and educating the community regarding tree preservation.

Oversight of the Tree Mitigation and Canopy Investment Funds is adequate to include allocation of tree permitting revenues and expenditures. The Development Services Department has adequate procedures and controls in place over the Tree Mitigation and Canopy Investment Funds tree permitting processes to ensure they were properly supported, inspected and accurately billed to customers. In addition, Parks and Recreation had proper controls in place over the expenditures incurred to mitigate and increase tree canopy coverage.

No findings were identified while conducting this audit. We make no recommendations to the Development Services or Parks and Recreation Departments; consequently, no management responses are required. Development Services and Parks and Recreation's management acknowledgement of these results is in Appendix B on page 5.

# Table of Contents

---

Executive Summary .....	i
Background.....	1
Audit Scope and Methodology .....	2
Audit Results and Recommendations .....	3
A. Tree Preservation Funding .....	3
B. Tree Preservation Expenditures .....	3
Appendix A – Staff Acknowledgement .....	4
Appendix B – Management Response.....	5

## Background

---

Development Services Department (DSD) is responsible for issuing tree permits and collecting Tree Mitigation and Canopy Investment revenues. The Parks and Recreation Department (Parks) is responsible for initiating tree adoption events and educating the community regarding tree preservation.

DSD also maintains, preserves and initiates tree preservation and increased tree canopy coverage. The goals are to enhance the aesthetic environment, to provide health benefits to our community, and provide elements essential to establish and maintain a strong ecosystem.

To maximize tree preservation and increase tree canopy coverage, the city passed the Tree Preservation Ordinance (Ordinance). Based on requirements of the Ordinance, prior to any development of property, a tree permit must be obtained prior to any land development. Land development activities that remove trees and disturb vegetation require a Tree Permit/Affidavit application and an option to submit a Tree Preservation Plan. In addition, land developers have the option to pay mitigation fees if they elect not to preserve trees.

The Tree Mitigation and Canopy Investment Funds were established to account for revenues generated from tree mitigation fees, tree canopy fees and civil penalties. Tree mitigation fees are \$200/inch and a 1:1 ratio for Significant<sup>1</sup> trees and \$200/inch and a 3:1 ratio for Heritage<sup>2</sup> trees. Tree canopy fees are \$15 per lot (with a max fee of \$2,000) for residential and \$25 per acre for commercial property. Revenues collected from tree mitigation and tree canopy fees are used for funding community tree adoption events and educating the community about tree preservation.

Parks is responsible for using revenues generated from tree mitigation and tree canopy fees on tree adoption events and tree preservation education. For fiscal year 2017, Parks facilitated 32 community adoption events that provided the public an opportunity to adopt trees at no charge. In addition, these events provided education for the public to learn about tree preservation and proper planting of trees.

---

<sup>1</sup> A Significant tree means a tree of six (6) inches or greater diameter at breast height with the exception of certain species as mentioned in the Tree Mitigation and Preservation ordinance.

<sup>2</sup> A heritage tree means a tree of twenty-four (24) inches or greater diameter at breast height with the exception of certain species as mentioned in the Tree Mitigation and Preservation ordinance.

## Audit Scope and Methodology

---

The audit scope was from Fiscal Year 2016 and 2017. The scope included a review of Tree Mitigation and Canopy Investment Funds (Funds) and expenditures.

We interviewed staff from the Development Services Department and obtained an understanding of the tree permitting process and fees collected. In addition, we obtained an understanding of the components of the Tree Mitigation and Canopy Investment Funds. We interviewed staff from the Parks and Recreation Department and obtained an understanding of their processes related to tree adoption community events and educational programs.

We selected a random sample of 25 Mitigation Fund tree permits and 25 Canopy Investment Fund tree permits to determine if they were properly supported, adequately reviewed and the fees were accurate.

We selected a random sample of 25 Mitigation Fund and 25 Canopy Investment Fund expenditures in SAP to determine if they were allowable. We obtained the support documentation for the expenditures from SAP to verify they were related to developing tree preservation and educational efforts within the City of San Antonio. In addition, we reviewed tree inventory controls to determine if inventory was properly safeguarded. Finally, we reviewed documentation to verify community events were performed and tree adoptions occurred.

Testing criteria included tree preservation and canopy requirements as written in the Tree Preservation Ordinance.

We relied on computer-processed data in SAP to validate the Tree Mitigation and Canopy Investment Funds expenditures. Our reliance was based on performing direct tests on the data rather than evaluating the system's general and application controls. Our direct testing included verifying expenditures were allowable per Tree Preservation Ordinance requirements. We do not believe that the absence of testing general and application controls had an effect on the results of our audit.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## Audit Results and Recommendations

---

### A. Tree Preservation Funding

The Development Services Department had adequate procedures and controls in place over the Tree Mitigation and Canopy Investment Funds tree permitting processes. Tree permits generated for each fund were properly supported and accurately billed to customers. We reviewed 25 tree permits from each fund for fiscal years 2016 and 2017, valued at approximately \$886,000, and determined they were properly supported with complete tree applications and tree preservation plans. In addition, we verified inspections occurred throughout the duration of the tree permitting process. Finally, we were able to verify the tree permits were accurately billed based on the tree preservation plans.

#### Recommendations

None

### B. Tree Preservation Expenditures

Parks and Recreation had proper controls in place over the expenditures incurred to mitigate and increase tree canopy coverage. We reviewed 25 expenditures from the Tree Mitigation and Canopy Investment Funds from fiscal years 2016 and 2017, valued at approximately \$207,000, and determined they were allowable based on Tree Preservation ordinance requirements. Parks initiated community events throughout the year that provided the public the opportunity to adopt trees and learn about tree preservation. Finally, we confirmed tree inventory used for community events had adequate controls in place to ensure proper safeguarding.

#### Recommendation

None

## **Appendix A – Staff Acknowledgement**

---

Baltazar Vargas, CIA, CFE Audit Manager  
Danny Zuniga, CPA, CIA, Auditor in Charge  
Lorenzo Garza, CFE, Auditor

## Appendix B – Management Response

---



### CITY OF SAN ANTONIO

SAN ANTONIO TEXAS 78283-3966

March 26, 2018

Kevin W. Barthold, CPA, CIA, CISA  
City Auditor  
San Antonio, Texas

RE: Management's Acknowledgement of its Review of Audit of Development Service and Parks and Recreation Departments Tree Mitigation and Canopy Investment Funds

Development Services has reviewed the audit report and provided its comments to the auditors. As there are no recommendations for management, no management responses are required.

Development Services:

☒ Fully Agrees

☐ Does Not Agree (provide detailed comments)

Sincerely,

Michael Shannon  
Director  
Development Services Department

Date

Roderick Sanchez  
Assistant City Manager  
City Manager's Office

Date



Audit of Development Services and Parks and Recreation Departments  
Tree Mitigation and Canopy Investment Funds



**CITY OF SAN ANTONIO**

SAN ANTONIO TEXAS 78283-3966

April 16, 2018

Kevin W. Barthold, CPA, CIA, CISA  
City Auditor  
San Antonio, Texas

RE: Management's Acknowledgement of its Review of Audit of Development Service and Parks and Recreation Departments Tree Mitigation and Canopy Investment Funds

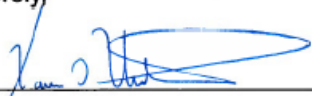
Parks and Recreation has reviewed the audit report and provided its comments to the auditors. As there are no recommendations for management, no management responses are required.

Parks and Recreation:

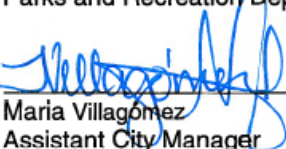
☒ Fully Agrees

☐ Does Not Agree (provide detailed comments)

Sincerely,

  
\_\_\_\_\_  
Xavier Urrutia  
Director  
Parks and Recreation Department

04/16/18  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Maria Villagomez  
Assistant City Manager  
City Manager's Office

4/18/18  
\_\_\_\_\_  
Date