



Building Inspection Division Audit - #805

Executive Summary

Why CAO Did This Review

Pursuant to Section 5.10 of the Charter of the City of Jacksonville and Chapter 102 of the Municipal Code, we conducted an audit of the Building Inspection Division (BID) of the Planning and Development Department. This area was chosen for the audit based on the periodic City-wide risk assessment performed by our office.

BID is responsible for ensuring that existing and future developments and construction comply with the Florida Building Code and the City's building ordinances. This is achieved through the permitting process and code enforcement operations. BID charges fees for permitting services and has authority to enforce compliance in response to violations. BID also offers an escrow account for contractors to use in remitting their payments.

BID operations are tracked within a separate subfund of the City and, due to recent increases in activity, the fund balance has increased from just under \$300,000 to \$10.7 million in the five year period from October 1, 2011 through September 30, 2016.

What CAO Found

Overall, the Building Inspection Division fees appeared to be properly assessed, collected and deposited, and the escrow accounts properly utilized; however, we did note some issues related to fee assessments and how the escrow funds were maintained. Specifically,

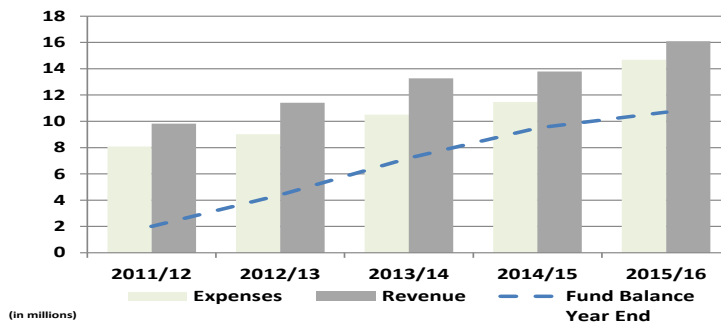
- Re-inspection fees were sometimes waived by inspectors, and the re-inspection fee for private providers was not charged by the Division at all.
- Fees for some permits were adjusted to zero without a clearly documented reason for why.
- Permit fees were not always doubled for violators as required by law.
- Some escrow account applications were incomplete and/or inconsistent with application requirements.

What CAO Recommends

Based on what we found, the Building Inspection Division should:

- Ensure that re-inspection fees are properly charged.
- Retain documentation to evidence why a fee was adjusted, canceled or voided.
- Consistently double the permit fees for projects that were in violation for starting work prior to obtaining a required permit as required by the Municipal Code.
- The Division needs to ensure escrow applications are fully completed prior to allowing an escrow account to be opened.

Summary of BID Activity by Fiscal Year





Council Auditor's Office

Building Inspection Division Audit

February 21, 2017

Report #805

Released on: January 9, 2018

EXECUTIVE SUMMARY

AUDIT REPORT #805

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OFFICE OF THE COUNCIL AUDITOR
Suite 200, St. James Building



February 21, 2017

Report #805

Honorable Members of the City Council
City of Jacksonville

INTRODUCTION

Pursuant to Section 5.10 of the Charter of the City of Jacksonville and Chapter 102 of the Municipal Code, we conducted an audit of the Building Inspection Division (BID). This area is responsible for ensuring that existing and future developments and construction comply with Florida Building Codes and Jacksonville's building ordinances. BID personnel work under the supervision of the Chief of Building Inspection and include assistants, engineers, clerks, inspectors, plan reviewers, code enforcement officers and supervisors.

The FY 2015/16 budget included 97 full time positions and 2,600 part time hours with total revenue collections of \$11.7 million. The FY 2016/17 budget added 3 more full time positions, and revenues totaled \$12.3 million. Revenue was primarily made up of charges for services which were primarily for inspections and plan review. Additionally, there were fines and forfeits which were primarily for reactivation and reinstatement fees related to suspended permits. BID operates within a self-contained subfund of the City that helps track revenue and expenses to ensure the proper use of fees. Due to recent increases in activity, the fund balance has increased from just under \$300,000 to \$10.7 million in the five year period from October 1, 2011 through September 30, 2016.

The Division provides contractors with an option to establish an escrow account that is maintained by the City as a mutual convenience for remitting and collecting payments for fees.

STATEMENT OF OBJECTIVES

The objectives of the audit were as follows:

1. To determine whether BID fees and fines were properly assessed, collected and deposited.
2. To determine whether BID escrow funds were properly maintained and utilized (including the collection and refunding aspects).

STATEMENT OF SCOPE AND METHODOLOGY

The scope of our audit was for the period October 1, 2014, through February 29, 2016, and included permits, violations and escrow accounts that had activity during that period. To gain an understanding of BID's processes we interviewed personnel, performed observations, analyzed risk factors, and applied various procedures to assess internal controls. We also reviewed the relevant written policies and procedures and applicable laws, rules and regulations. Based on our understanding, we selected two specific audit objectives and further designed tests that would allow us to meet those objectives. We requested and obtained data from the BID Permitting System tables that were maintained by ITD. We also obtained transaction data from the Tax Collector's cash receipt system and the City's General Ledger. From the data we identified the respective populations for testing, including:

- 115,498 permit applications that were finalized during the audit period;
- 793 violations that had activity during the audit period;
- 117 contractor accounts that were reinstated from a suspended status;
- 675 permit fee refunds;
- 17 escrow accounts;
- 35 refunds for escrow account balances.

We selected the following samples and reviewed the respective City and BID records to determine whether or not the related fees had been properly assessed, collected and deposited:

- A random sample of 94 permit applications that were finalized during the audit period;
- A judgmental sample of 20 violations that had activity during the audit period;
- A judgmental sample of 11 contractor accounts that were reinstated;
- A judgmental sample of 12 permit fee refunds that were issued during the audit period.

We selected the following samples and reviewed the respective City and BID records to determine whether or not the Division's escrow account funds were properly maintained and utilized, including the collection and refunding aspects:

- All escrow accounts (17) that were opened from October 1, 2014, through March 31, 2016;
- All permit applications (30) from our random sample of 94 permit applications that had at least one payment from an escrow account which resulted in us testing 37 payments;
- A judgmental sample of 15 account balance refunds;

Finally, we applied various analytical procedures that included reviewing the BID Permitting System data for reasonableness and unexpected anomalies.

REPORT FORMAT

Our report is structured to identify Internal Control Weaknesses, Audit Findings, and Opportunities for Improvement as they relate to our audit objectives. Internal control is a process implemented by management to provide reasonable assurance that they achieve their objectives in relation to the effectiveness and efficiency of operations and compliance with applicable laws and regulations. An Internal Control Weakness is therefore defined as either a defect in the

design or operation of the internal controls or is an area in which there are currently no internal controls in place to ensure that management objectives are met. An Audit Finding is an instance where management has established internal controls and procedures, but responsible parties are not operating in compliance with the established controls and procedures. An Opportunity for Improvement is a suggestion that we believe could enhance operations.

SUGGESTED ADDITIONAL AUDIT WORK

In limiting the scope of this audit, we did not pursue the following area, and as such it should be considered for future audit work:

- Tree mitigation revenue assessment, collection and usages.

STATEMENT OF AUDITING STANDARDS

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.

AUDITEE RESPONSES

Responses from the auditee have been inserted after the respective finding and recommendation. We received these responses from the Building Inspection Division, via Tom Goldsbury, Chief of Building Inspection in a memorandum dated December 1, 2017.

AUDIT CONCLUSIONS

By Objective:

1. Overall, the BID's fees and fines appear to have been properly assessed, collected and deposited; however, we did note some issues with how fees were assessed and control issues that need to be addressed by BID.
2. Overall, BID's escrow funds appeared to be properly utilized; however, we did note concerns with the controls surrounding how the funds are maintained.

AUDIT OVERALL

Overall Internal Control Weakness – 1 *Access Rights Documentation*

The BID Permitting System was developed by the City’s Information Technologies Division (ITD) and users were assigned to one or more of the system’s 118 user groups to gain access. We requested supporting documentation from ITD to assess the appropriateness of the system’s access rights for users; however, there was no existing documentation that identified which specific capabilities were intended to be assigned to each of the user groups or which capabilities the groups actually had.

The user group capabilities had been programmed into the system’s code language instead of maintained in an information system table that could be easily edited. Code language is typically extensive and complex so, given the design and the lack of documentation, determining what any particular user group could or could not do within the system would require ITD to perform a time consuming analysis.

To determine whether or not access rights seemed appropriate we requested that ITD analyze the code language for two selected user groups, and then we performed various observations with staff that had access for other select user groups. Our audit procedures disclosed that some users had excessive access rights. See examples:

1. Users with read only access could cancel fees;
2. Users from other City divisions had been granted access to sign off on certain requirements related to their responsibilities; however, the user group also allowed them to change BID inspector assignments and inspection or plan review status;
3. Division inspectors could remove holds that had been placed on a permit because outstanding documentation was required to be submitted before the permit should be finalized.

Recommendation to Overall Internal Control Weakness – 1

We recommend that ITD ensure that proper documentation of access rights is maintained for any future information systems. We also recommend correcting any excessive access rights.

Auditee Response to Overall Internal Control Weakness – 1

Agree Disagree Partially Agree

The initiation of procurement of a new permitting system was approved in the FY17/18 budget. ITD and the Building Inspection Division (BID) agree that proper documentation be included in that system and other future systems. The current system will be reviewed for excessive access rights and corrections made where possible.

Overall Opportunity for Improvement – 1 *Information System Efficiency*

The Division would benefit from a more reliable and efficient audit log and method of updating components such as fees and access rights within their system. Details are below:

1. The system audit log was set up as a series of comment fields, and we observed instances where the log records did not accurately represent the user's actions. In other instances the records indicated that a permit had been modified without any details on what exactly had changed.
2. The permit record included a check box feature that was intended to 1) double the fees for permits that were tied to a code enforcement violation and 2) connect that permit to the specific violation record. However, staff stopped using the feature because it calculated the fees incorrectly and as a result the system no longer provided documentation for which permits and violations were related.
3. Transaction details were not always available. For example, when a transaction was voided the system overwrote the transaction amount with \$0 and the original transaction date with the date of the void. In addition, transaction totals related to project suspensions sometimes lacked details on what comprised the total because a system glitch dropped one or more line items from the record.
4. Most fees were maintained within the applications programming language instead of in a table. As a result, every time a fee needed to be changed the City's systems developers had to examine the language to determine where and how the update should be applied. This is not efficient and also represents an increased risk for errors.
5. Similar to the fees, access rights were also maintained in the programming language, and this contributed to the internal control weakness reported above regarding access rights documentation. In addition to this, users who were not City employees were also provided access to the City's remote access server because it was the only way for them to log in to the BID Permitting System. This represents an increased risk of unauthorized access to other City applications.

A stronger audit trail should enhance management's ability to identify the cause of unexpected anomalies and demonstrate compliance with laws, rules and regulations. Maintaining the fees and access rights within information system tables would facilitate more reliable updates for any necessary changes and better monitoring capabilities. Finally, providing access in a way that does not route non-employee users through the City's private server should assist in keeping overall security risks at a minimum.

Recommendation to Opportunity for Overall Improvement – 1

We recommend that the City carefully consider the audit log features of any information systems that are considered for any future operations. This should include the Division's assistance in identifying which details are necessary to be captured, as well as assurance that those details will be complete and provided in a way that is useable. In addition, fees and access rights should be maintained in tables, and ITD should avoid giving non-employees access to the City's remote access server.

Auditee Response to Overall Opportunity for Improvement – 1

Agree Disagree Partially Agree

The initiation of procurement of a new web based permitting system was approved in the FY17/18 budget. ITD and BID have discussed the issues noted and will ensure that Audit Logs, and Fee and Access Rights tables will be a requirement of the new system that will be designed in a different manner than the present system, providing better control.

Overall Opportunity for Improvement – 2 *Better Organization for Bulletins*

The Division’s website included a series of hyperlinks to individual bulletins that provide technical guidance and other information about BID. Based on our review of the bulletins, a better method of organization would benefit the Division and the users. Specifically, we noted that:

- Bulletins were categorized by year before discipline; therefore, users must sort through over 15 years of material to locate the relevant information for their project.
- Although it is possible to search the website for key words, search results would be limited to the hyperlinked title.
- Revisions were not always uploaded to the website in a timely manner.
- Some bulletins were outdated, but not marked as superseded.
- Some hyperlinks opened up bulletins that had been marked as superseded, and there was no information on how to find the updated bulletin that superseded it.
- Some bulletins included BID policies and procedures; however, the bulletins are for citizens and there were no written policies and procedures for staff to the same effect.

Recommendation to Overall Opportunity for Improvement – 2

We recommend that the Division develop a clear referencing methodology that includes an index and search function that will allow for easy and effective updates and searches.

Auditee Response to Overall Opportunity for Improvement – 2

Agree Disagree Partially Agree

We will request ITD's assistance to develop this

Overall Opportunity for Improvement – 3 *Update Written SOPs for Building Code Operations*

Although the Division provided written standard operating procedures (SOPs) for building code enforcement operations, including permitting, the SOPs had not been updated in the past ten years and were outdated in places. Written SOPs promote compliance with applicable laws, rules, and regulations in a way that is consistent and in alignment with management’s objectives.

Recommendation to Overall Opportunity for Improvement – 3

We recommend that BID review the written SOPs for accuracy and revise as necessary to reflect current policies and procedures. Also, BID should make staff aware that the review is taking place and notify them when the SOPs have been updated.

Auditee Response to Overall Opportunity for Improvement – 3

Agree Disagree Partially Agree

We will review/update all SOPs, and when complete notify employees and provide access.

AUDIT OBJECTIVE #1

To determine whether BID fees and fines were properly assessed, collected and deposited.

Finding 1 – 1 *Inspectors Waived Re-inspection Fees*

During our testing of 94 permits, we found that the inspection records for 11 of the 17 permits that required a re-inspection indicated that at least one re-inspection fee was effectively waived. Section 320.408(d) of the City Ordinance imposes a \$45 fee on permit holders when extra inspection trips are made due to any of the following circumstances:

- 1) *Wrong address given on the call for inspection.*
- 2) *Work not ready for inspection at the time specified, including failed inspections.*
- 3) *Required corrections not made within the time specified.*
- 4) *Failure to request required inspections.*
- 5) *Additional work done after the inspection has been made.*

During the 11 instances we encountered, the inspectors cancelled those inspections in the system instead of changing the status to “failed” and, as a result, the permit holders were not required to pay the re-inspection fee.

Recommendation to Finding 1 – 1

The Division should ensure that re-inspection fees are properly charged in the appropriate circumstances.

Auditee Response to Finding 1 – 1

Agree Disagree Partially Agree

Please note that all inspection trips should not result in only a PASS or FAIL, there are many times where a CANCEL is appropriate. Example, on an apartment complex there are electrical permits for each unit. The electrical contractor may call in the ROUGH inspection for several

units for the same day. The inspector may find something wrong in the first unit, and FAIL that inspection, but if the same item is going to be wrong in all the other units, he's not going to fail all of those inspections since he only made one trip. BID will provide training to all inspectors on when to pass/fail/cancel and inspection.

Finding 1 – 2 *Fees Adjusted to Zero*

During our analytical procedures we identified 42 finalized permits that do not appear to have generated corresponding revenue. Section 320.408 of the City Ordinance states that building construction permits are not valid until a payment is made for the fees prescribed in the fee schedule and Section 553.80(7) of the Florida Statutes requires the Division to consistently apply fees.

Due to the work it took to research and trace the issue for each (see Overall Opportunity for Improvement – 1 above for issues with the audit log) we selected six for further research. For the six permits selected, the Division’s explanations appeared to be reasonable for three, but the potential explanations that the Division offered for the other three could not be confirmed. Without a valid and well documented reason we are unable to determine if these permits were properly processed.

Recommendation to Finding 1 – 2

We recommend that the Division clearly document for retention purposes why it is necessary to adjust, cancel or void the fees for any permit.

Auditee Response to Finding 1 – 2

Agree Disagree Partially Agree

We agree, this feature will be included in the new permitting system.

Finding 1 – 3 *Permit Fees Were Not Doubled For Violators*

We found that the Division was not always doubling fees for code violations. The Division has a Code Enforcement section with officers who respond to complaints or indications that work requiring a permit is being done without one. To respond to such violations officers often performed research related to the property address or contractor history and drove to the work site to observe, inquire, and deliver written notices or citations as necessary. We noticed that follow up visits were often required. The officers have authority to enforce certain corrective actions, which often included requiring the respective parties to obtain the necessary permits for his or her project. In such instances, Section 320.408(c) of the City Ordinance requires the Division to double the permit fees, and this serves to recover the cost of the officer’s efforts.

We tested 20 code enforcement violations to determine whether or not the fees and fines were properly assessed, collected and deposited. The corrective actions for 11 of those violations

included obtaining one or more permits. We found that of the 11 violations which required a permit:

- One properly had the permit fee doubled.
- One that required two permits had the permit fee properly doubled for one permit, while the fees for the other permit were improperly tripled.
- One had the permit fee increased, but not by the correct amount.
- Eight did not have any of their permit fees increased at all.

Recommendation to Finding 1 – 3

We recommend that the Division comply with the Municipal Code and consistently double the permit fees for projects that were in violation for starting work before obtaining the permit.

Auditee Response to Finding 1 – 3

Agree Disagree Partially Agree

During the review of our SOP's we will ensure they meet the intent of the Municipal Code and provide appropriate training to staff.

Finding 1 – 4 *Re-inspection Fees for Private Provider Audits Were Not Charged*

Under certain conditions, Section 553.791, Florida Statutes, allows permit-holders to choose a private provider to inspect their project instead of using the Division’s inspectors. The Division includes a Quality Assurance (QA) section with inspectors who selectively audit the private provider’s services for compliance consistent with Florida Statutes. The City’s fee schedule includes a QA re-inspection fee for instances when audits disclose one or more violations that the private provider failed to identify and, as a result, one of the QA inspectors must follow up with an inspection trip to verify that corrective action had resolved the issue. However, the Division did not charge this fee in practice and therefore failed to collect revenues that were prescribed by the fee schedule. We were unable to determine how many times this fee could have been applied because the Division did not maintain a record of all QA inspections.

Recommendation to Finding 1 – 4

We recommend that the Division consistently apply the QA re-inspection fee in accordance with the City’s fee schedule and maintain a record of QA inspections.

Auditee Response to Finding 1 – 4

Agree Disagree Partially Agree

While BID agrees that the Q/A staff spends time on inspecting/re-inspecting the work of a private provider, we have included the cost of that time when computing the fees charged when a permit applicant choses to use a private provider. This also eliminates the potential for disagreements/arguments from a private provider that would be back charged from the

contractor. We will seek the elimination of this fee from the municipal code. We have been keeping records of all Deficiency Reports, and have started keeping records of all audited Q/A inspections.

Finding 1 – 5 *System Errors for Coding Revenue*

We found issues with how certain revenues were coded in the BID system, which impacts where the funds were deposited. Examples were:

1. Portions of the plan review fee that were above the minimum amount initially required were coded in a way that tied them to the cost of the Division’s inspectors instead of the plan reviewers who were actually completing the work. This issue resulted in future payments, above the amount initially required for the plan review, of \$112.50 and \$67.50 being improperly coded in the two instances we encountered during our testing.
2. When permit fees were doubled based on a Code Enforcement violation, the total was tied to the cost of the Division’s inspectors instead of allocating half to the cost of the Code Enforcement officers. This occurred in the three instances where we saw the fees increased for permits related to violations.
3. When escrow account transactions were refunded back to the escrow account, the system applied the credit against plumbing revenues, regardless of whether or not the original transaction was for plumbing, mechanical, electrical or building permit fees.

In addition, our audit procedures disclosed that one permit holder was refunded for an amount that was more than what he actually paid for the permit fee as a result of the plan review coding error. Specifically, the staff member who calculated the refund relied on the reported permit fee amount instead of subtracting out the plan review portion first.

Recommendation to Finding 1 – 5

We recommend that the Division perform a cost/benefit analysis to determine whether or not the system errors should and could be corrected. In addition, as long as the errors remain, the Division needs to keep this in mind and be careful when preparing estimates and processing refunds to ensure accuracy.

Auditee Response to Finding 1 – 5

Agree Disagree Partially Agree

We strongly agree this should be reviewed/corrected, however, with the new permitting system being budgeted to start this fiscal year and the time it would take to review and reprogram the present system, we believe it is not worth the time and expense to try to correct the existing system at this time. For the present time we will ensure that refunds are correctly issued.

Finding 1 – 6 *Unauthorized Code Enforcement Methods*

Section 320.303 of the City Ordinance outlines the duties and powers of the Chief of the Building Inspection Division to include enforcing the provisions of the building code and all applicable laws and regulations pertaining to the Division. The section states that in circumstances where the mere existence of a code violation was for a failure to secure the appropriate permits, the Chief may initiate any enforcement process authorized by law. Section 320.703 provides the enforcement processes that are authorized:

1. Municipal Code Enforcement Board or Special Magistrate;
2. Citations for civil penalties;
3. Issuance of a notice to appear in court;
4. An action for injunctive relief, civil penalties, or both through a court of competent jurisdiction;
5. Referring violators that hold a contractor’s certification or license to the Construction Trades Qualifying Board, and/or the appropriate State licensing board, for further enforcement; and,
6. If a violation notice or order is not properly complied with, the Division may notify the City’s Office of General Counsel to institute the appropriate action or proceeding.

We tested 19 Code Enforcement violations to determine whether fees and fines were properly assessed, collected and deposited. While reviewing the records for our sample items, we noticed instances where the Division had used an enforcement process that did not appear to be consistent with the six methods outlined in the municipal code. Specifically we found:

- A “Utility Hold” is also tied to the property address. Upon inquiry the Division explained that when this setting is activated, the system sends notice to the City’s utility provider that any future interruptions in the property’s electrical service should be extended until the utility provider receives further notice from the Division.
- For three sample items, a code enforcement officer issued a verbal notice instead of a written notice before issuing a citation for civil penalties.

Recommendation to Finding 1 – 6

We recommend that the Division rely on an authorized method when enforcing the code. In the event that a violator refuses to comply, we recommend that the Division seek guidance from the City’s Office of General Counsel.

Auditee Response to Finding 1 – 6

Agree Disagree Partially Agree

We agree that the City's Municipal Code offers various alternatives for enforcement many of which require legal assistance from the Office of General Counsel (OGC) and will meet and seek their guidance.

Internal Control Weakness 1 – 1 * Cash Handling Policy Inconsistent with City SOPs*

The Division is not handling cash in a manner that is consistent with the City’s SOPs. The Division has a policy for cash receipts that allows staff to accept payments from customers under certain circumstances. Based on a comparison of the policies and our observations during the audit, there are weaknesses in the Division’s policy and procedures related to cash receipts:

1. Receipts were not provided to customers when payments were accepted;
2. A log was not used to track custody of the payments;
3. The Division’s instructions to customers for making the payment did not always specify who the check should be addressed to;
4. The Division did not restrictively endorse checks immediately that were received by mail;
5. The Division utilizes a safe to store cash receipts that cannot be immediately deposited with the Tax Collector; however, they do not maintain a log to document each time the safe is accessed.

Recommendation to Internal Control Weakness 1 – 1

The Division should ensure compliance with the City’s SOPs and properly document cash receipts, including checks, in addition to safeguarding the assets until they can be deposited with the Tax Collector.

Auditee Response to Internal Control Weakness 1 – 1

Agree Disagree Partially Agree

The Building Inspection Division has reviewed the City’s SOP for cash handling, concurs with it and shall comply with it. Specifically, the Division will do the following:

1. *Receipts will be provided to customers*
2. *A log will be maintained to track custody of payments*
3. *Instructions to customers will include “payment to” information*
4. *The Division will restrictively endorse checks immediately*
5. *A log will be maintained to document each time the safe is accessed.*

Internal Control Weakness 1 – 2 *Lack of Accountability Over Citation Tickets*

We found issues with the controls surrounding citation tickets. The Division has Code Enforcement Officers who are authorized to issue citations to individuals who have violated a City ordinance. The citations carry a fine that starts at \$250 and increases for repeat violations. The Division provides their code enforcement officers with booklets that contain a series of pre-numbered citation tickets to be issued under that officer’s name. The Division also maintains a

log book to record who each book was assigned to and when. We compared the log to the record of issued citations and noted the following issues:

1. Gaps in the log disclosed that two citation booklets were not accounted for;
2. Gaps in issued citation numbers disclosed that three tickets were not accounted for;
3. Booklets were sometimes traded without the transfer being logged, such as in the event of an employee termination;
4. Booklets were not always assigned in order.

Pre-numbering the citation tickets is an internal control that allows the City to determine whether or not revenue was properly collected and deposited for all tickets assessed. Also, logging the transfer of possession will allow the Division to more accurately determine accountability in the event that a missing ticket is detected and assigning the books in sequential order will aid in identifying missing booklets.

Recommendation to Internal Control Weakness 1 – 2

We recommend that the Division assign the citation books in sequential order, document any transfer of possession in a way that identifies which specific tickets the previous holder was responsible for, and periodically reconcile the log with issued citations to identify unused tickets. If a ticket was not used for a valid reason, this should be clearly documented as well, including evidence that the ticket was voided.

Auditee Response to Internal Control Weakness 1 – 2

Agree Disagree Partially Agree

We agree, the Code Enforcement Supervisor now has a log of the citation books and is issuing the books in order. As the new computer system is developed we will ensure that system includes citation and citation book tracking.

Opportunity for Improvement 1 – 1 *Fee Schedule Improvements*

The Division's current fee schedule is essentially a hyperlink on their website that refers to the City's Municipal Code section for permit fees. However, certain adjustments are documented elsewhere or not at all. In other words, there is not a comprehensive document that includes all fees that are being charged by the Division.

In addition, certain fees listed in the Municipal Code may have an outdated basis. For example:

1. Fees associated with services that were performed by third party providers were designed around a previous fee structure and no longer functioned in a way that made sense;
2. Minimum permit fees for buildings were based on the number of inspections that were required for the respective project; however, the system included the landscape inspection in the calculation of a minimum despite the fact that it also charged a separate landscape fee to cover the costs of that inspection;

3. The Division has adjusted fees for certain permits that they believe are more reasonable; however, the fee schedule has not been updated for these variances.
4. Permit fees for 4 residential permits that we tested were based on the commercial section of the fee schedule, although there was a fee from the residential section that seemed to match the project description. In considering the project details it appeared that the fees from the commercial section could have been the more reasonable dollar amount between the two.

Lastly, a required State surcharge was not applied to re-inspection fees because they were not considered to be permit fees. However, the re-inspection fees are coded as permit fees in the City's general ledger, according to the State's uniform account code for financial reporting, and therefore it appears that the surcharge should apply.

Recommendation to Opportunity for Improvement 1 – 1

The Division should consider whether or not updating the current fees could better align the revenues with the Division's current level of services and associated costs. In addition, we recommend that the Division retain a comprehensive list of all applicable fees and make that list available to the public. Lastly the Division should make a determination as to whether or not the re-inspection fees are permit fees and adjust either the general ledger coding or surcharge application accordingly.

Auditee Response to Opportunity for Improvement 1 – 1

Agree Disagree Partially Agree

Regarding the comprehensive list of fees, the administration presently has a bill proceeding through Council (2017-665) that moves all City fees to one location. BID also has a Bill ready to be introduced to correct some of the permit fees as required by recent changes in the Florida Statutes and Florida Building Code. We will work with the Council Auditor's Office to correct any misaligned fees at that time.

Being that re-inspection fees are only required by a local ordinance and not addressed in the FBC or State Statute on Surcharge, BID believes re-inspection fees should not be charged a surcharge.

We will pursue changing the Subobject for Reinspections fees so there is no confusion that they should include a State Surcharge.

Opportunity for Improvement 1 – 2 *Refund Efficiency*

We reviewed 10 refunds that were provided by check and noted the original transactions for 5 of them were payments made by credit card or escrow account. The City would gain additional assurance that refunds were legitimate and provided to the appropriate party if they were provided by the same method that was used for the original transactions.

Recommendation to Opportunity for Improvement 1 – 2

We recommend that the City explore obtaining the capability of applying refunds back in the same form as the payment received (e.g. refund a credit card payment back to the original credit card).

Auditee Response to Opportunity for Improvement 1 – 2

Agree Disagree Partially Agree

When a refund is due on a payment made by an open escrow account, it is our policy that the refund it goes back to the escrow account. If the account is closed at the time, a check will be issued. We will look into refunding credit card payments back to the credit card.

AUDIT OBJECTIVE #2

To determine whether BID escrow funds were properly maintained and utilized (including the collection and refunding aspects).

Internal Control Weakness 2 – 1 *Flaws with Escrow Account Applications*

The Division provides contractors with the option of opening an escrow account with the City as a convenient way to remit their payments for permit-related fees. The City’s Office of General Counsel assisted in developing the Division’s escrow account application, which was intended to protect the City as well as the contractor. We requested and reviewed the application records for 17 escrow accounts that were opened during the audit period and noted the following weaknesses:

1. Two of the 17 (or 12%) accounts did not have an agreement on file and we could not locate a payment for the \$50 administrative fee that was required to open those accounts;
2. The initial deposit for 1 of the 17 (or 6%) accounts was less than the \$300 required minimum;
3. Our review of the 15 applications that were on file disclosed other issues:
 - 7 (or 47%) applications did not appear to be executed by a person with the appropriate company title;
 - 3 (or 20%) applications were completed after the first deposit had posted;
 - 1 (or 7%) application was completed by a store front instead of a contractor;
 - 1 (or 7%) application listed a qualifying agent that was not properly licensed;
 - 1 application named a qualifying agent and included a signature, but the signature clearly belonged to someone other than the named agent (7%);
 - 1 application was incomplete because it did not include a company address (7%).

We also tested payments made from 22 other escrow accounts and refunds to 11 other escrow accounts and identified a total of two additional accounts that did not have an agreement on file. Overall, 4 out of 50 escrow accounts (or 8%) that we tested did not have an agreement on file.

Recommendation to Internal Control Weakness 2 – 1

We recommend that the Division consistently apply the escrow account agreement requirements and work with the Tax Collector’s office to ensure that agreements are completed before any deposits are accepted. In the meantime, going forward the Division needs to notate why deposits are made prior to an application being completed and what actions are being taken to address the issue.

In addition the Division should consult with the City’s Office of General Counsel to determine how to handle the inconsistencies related to the requirements for who should execute the agreement.

Auditee Response to Internal Control Weakness 2 – 1

Agree Disagree Partially Agree

The Division audited all company escrow agreements and found six (6) agreements were not on file. Blank agreements will be sent to the companies for execution. If agreements are not returned in thirty (30) days, the escrow account will be closed and remaining funds will be sent to the contractor. The \$300 minimum deposit is now being enforced and agreements are being reviewed for correctness and completeness. At this time the cost to add the controls in the existing computer system would be expensive and cause delays in implementing the new computer system. We will ensure that the new computer system includes these controls.

Internal Control Weakness 2 – 2 *Flaws with Escrow Account Reconciliations*

The Division’s procedures included periodic reconciliations of escrow account activity to the City’s general ledger. If differences were identified the Division would submit a journal entry to City Accounting for adjusting the general ledger, or submit a help desk ticket to ITD for adjusting the BID Permitting System records. We reviewed the supporting documentation for the Division’s reconciliations and noted the following weaknesses:

1. The reconciliations were not signed and dated by the person who completed them;
2. The person that completed the reconciliations was also responsible for the day to day escrow account responsibilities, and the reconciliations were not reviewed by another person for accuracy, completeness and reasonableness;
3. The supporting documentation did not include what the ending balances were for the Permitting System and general ledger, so we were unable to determine whether all differences had been completely identified;
4. Although notes on the reconciliation sometimes indicated that a difference existed, there was not always evidence for whether or not it had been resolved or how. It seems that many of the items were resolved many periods later, if at all. An example of the lag

would be the quarterly reconciliation for October 2015 which included a \$20 adjustment to the Permitting System to add a transaction that was in the general ledger and dated 3 years prior.

Recommendation to Internal Control Weakness 2 – 2

We recommend that the Division consult with City Accounting to develop their reconciliation process in a way that ensures completeness and proper documentation to facilitate an effective secondary review and also evidence of who was accountable for the reconciliation and any resulting adjustments.

Auditee Response to Internal Control Weakness 2 – 2

Agree Disagree Partially Agree

1. *Reconciliations will be signed and dated by the person who completes them.*
2. *The Division Chief will review reconciliations for accuracy, completeness, and reasonableness.*
3. *Notes will be placed in reconciliations for how differences will be solved.*
4. *Division will confirm the above procedure is appropriate with City Accounting.*

SUPPLEMENTAL

Supplemental Finding – 1 *Licensed Violators Not Sent to the Appropriate Board*

Section 320.703(5) of the City Ordinance provides that, to enforce the requirements of the City’s building code, violators holding a contractor’s certification or license shall in all instances be referred to the Construction Trades Qualifying Board and/or the appropriate State licensing board for further enforcement. The Division was unable to provide a list of violators that had been referred to the respective boards during the audit period and further confirmed that only selected contractors were referred, based on the severity or frequency of his or her violations. During our inquiries the Division indicated that past efforts to report every licensed violator were time consuming and did not effectively result in further enforcement for those individuals.

Recommendation to Supplemental Finding – 1

We recommend that the Division seek guidance from the City’s Office of General Counsel regarding the intent of Section 320.703(5) and determine whether or not the wording needs to be revised. In the meantime we recommend that the Division establish procedures to ensure compliance with the requirement.

Auditee Response to Supplemental Finding – 1

Agree Disagree Partially Agree

BID refers all egregious offenders to the appropriate board. In discussions with the local Construction Trades Qualifying Board (CTQB), they have stated they prefer not to hear the one-time minor offenses. The CTQB has also stated that in their discussions with the State Attorney's Office (SAO), the SAO has stated that the SAO must handle cases referred to them by the CTQB, as well as cases referred to them by the Department of Business and Professional Regulation (DBPR), and that the SAO does not have sufficient staffing to handle a large number of cases.

We will meet and discuss this with the General Counsel's Office and the Construction Trades Qualifying Board and the update our SOP's accordingly.

Supplemental Finding – 2 *Non-Compliance with Municipal Code*

Parts of the Construction Regulations and Building Codes (Title VIII) portion of the Municipal Code appear to be no longer relevant and/or are contrary to state law. Examples include:

1. Section 342.113, Construction Trades Regulations, requires the Division to post trade certification exam schedules; however, we were informed that scheduling is primarily done by the individual applicants online through examination vendors who oversee the testing.
2. Section 324.302, Safeguards During Construction, requires the Division to obtain bonds for certain building permits; however, the Division indicated that the bonds were no longer necessary and they do not require them.
3. Section 320.408(b), Permits, exempts work on government property from the Division's fees; however, this is no longer in practice by the Division as it is prohibited by section 553.80(7)(b) of the Florida Statutes.

Recommendation to Supplemental Finding – 2

We recommend that the Division comply with the law and seek changes, where necessary, to the municipal code to adjust and remove provisions that are no longer relevant or are inconsistent with state law.

Auditee Response to Supplemental Finding – 2

Agree Disagree Partially Agree

We agree and will discuss with OGC and the CTQB concerning removing/correcting outdated language.

Supplemental Finding – 3 *Wrong Forms Used for Private Providers*

The Florida Statutes allow private providers to complete inspections within the City’s jurisdiction under certain circumstances, including notifying the Division at time of application or no later than 7 business days before the first inspection. The notification is to be provided through submission of a form that was established by the Florida Building Commission (FBC) in an effort to promote statewide uniformity. However, the Division required private providers to submit a different form that was developed in-house and the form was not required to be filed with each inspection as required by Florida Statutes. The Division’s form had a secondary purpose, which was to establish the private provider’s access to the BID Permitting System so that he or she could enter the inspection results. After obtaining system access the private providers were not required to provide any further information because their inspections could be scheduled online. Although the online access provided the Division with transparency to see which private provider would be completing the inspection, the credentials of the providers were not regularly verified because the FBC form was not provided for each inspection. In addition, we requested access to review one or more completed forms and the Division stated that they were unable to locate them.

Recommendation to Supplemental Finding – 3

We recommend that the Division either require private providers to submit the FBC form each time or obtain written consent from FBC for the in-house form. If the in-house form is the method utilized to address the issue, the Division should also establish an alternate method for regularly verifying that the providers are properly credentialed.

Auditee Response to Supplemental Finding Supplemental – 3

Agree Disagree Partially Agree

Forms have already been corrected and are presently in use.

Supplemental Internal Control Weakness – 1 *Records Not Properly Safeguarded*

Section 119.071(3) of the Florida Statutes exempts certain records from public disclosure for security purposes. With respect to the Division, one exemption applies to building plans, blueprints, schematic drawings and diagrams that depict the internal layout and structural elements of a building, arena, stadium, water treatment facility or other structure owned or operated by an agency. A second, similar exemption applies to the same type of documents for an attractions and recreational facility, entertainment or resort complex, industrial complex, retail and service development, office development or hotel or motel development that are held by an agency. The statute requires anyone who receives these records to maintain the exempt status. There are definitions for the second exemption to aid in properly identifying them.

The Division’s permitting responsibilities include reviewing planning documents that are submitted with the permit application and, upon approval, used by contractors to construct their project. These documents are in alignment with the descriptions above (e.g., blueprints) and

often received electronically; however, even paper submissions are scanned into an electronic format to be filed as a Division record.

The Division has an Archives Section with staff who is responsible for scanning the paper documents and subsequently discarding the originals into recycling bins upon completion. Archives staff then attaches the electronic records to the permit record in the BID Permitting System so that users can open the files online. Finally, Archives staff accepts public records requests for the Division and will provide printed or electronic copies upon request for a fee.

The Division's procedures for maintaining the exempt status included Archives staff obtaining management approval before providing copies of the exempt records; however, we were unable to verify the reliability of this process because the approval was allowed to be verbal. Further, this approval process was only required for records that were tied to the first type of exemption, which left records that were tied to the second type of exemption subject to public disclosure by request. In addition, by making the records accessible through the BID Permitting System, the Division allowed unauthorized users to gain access to them. Lastly, the recycling bins for the discarded paper copies were not secure and therefore not suitable for confidential or sensitive records.

Recommendation to Supplemental Internal Control Weakness – 1

We recommend that the Division enhance their efforts to ensure that records with an exempt status are properly safeguarded. This would include limiting electronic access to authorized individuals, documenting the approval and transfer of any copies that are otherwise provided to an authorized individual, and properly disposing of the records in a way that prevents unauthorized access. Additionally, an internal questionnaire to be completed by the employee responding to the request could be created to assist with responding to records requests to help ensure protected information is not provided.

Auditee Response to Supplemental Internal Control Weakness – 1

Agree Disagree Partially Agree

With the assistance of Information Technology Division, BID has already put in place the ability to restrict the viewing of plans by address, and we have already included all City building addresses. We will meet with the General Counsel's Office and the City's Records Management Liaison Officer to review procedures.

Supplemental Internal Control Weakness – 2 *Flaws with Microfilm Conversion*

The state's records retention schedule requires the Division to retain most architectural plans for the life of the structure or 10 anniversary years after the issuance of a certificate of occupancy, whichever is longer. Records with historical value should be retained longer. Before the Division began using electronic records, the process for retaining records of the plans included storing them on microfilm, and the range of microfilms dates back to 1900. Standards for storing

microfilm can be found in the Florida Administrative Code, 1B-26.0021, and include the use of a fireproof vault or temperature controlled room that is separate from an office.

The Division is currently in the process of converting the microfilms into electronic files, and the process is expected to last for several years. We noted some weaknesses in the methodology:

1. There is no policy for how records with historical value should be identified or who is responsible for retaining the record.
2. The current order of operations is to work from most recent microfilms back to the older ones; however, microfilms deteriorate with age.
3. Microfilm records were stored in drawers in the Archives section office across from windows.
4. A cost/benefit analysis was not conducted prior to implementing the conversion.
5. We noted gaps in the microfilm records that indicated some were missing. Upon inquiry, Archives staff indicated that they encountered the gaps but did not maintain a log or other documentation for which ones were missing or damaged.

The electronic plans for two of our sample permits with a completed plan review record could not be retrieved online or by Archives staff.

Recommendation to Supplemental Internal Control Weakness – 2

We recommend that the Division consult with the City’s Records Management Liaison Officer to determine whether or not the conversion process should be reconsidered and how records with potential historical value should be handled. In the meantime, any records that are identified as missing or damaged should be documented as such.

Auditee Response to Supplemental Internal Control Weakness – 2

Agree Disagree Partially Agree

We will consult with the Records Management Liaison Officer

Supplemental Opportunity for Improvement – 1 *Monitor Fuel Charges By Inspector*

The Division’s FY 2015/16 budget included \$200,000 for vehicle parts, oil and gas, and positions for 30 inspectors. To refill their assigned vehicles, inspectors used City fueling stations and were required to enter the vehicle’s odometer reading each time to provide information that the City’s Fleet Management Division relied on to schedule regular maintenance for the vehicles. The Division looks at a monthly expense report from the City’s general ledger system that included total fuel charges by discipline (e.g., building, electrical, mechanical, plumbing). However, they are not reviewing or obtaining more detailed fuel reports by vehicle which would aid in identifying anomalies that could indicate unreasonable expenses.

Recommendation to Supplemental Opportunity for Improvement – 1

We recommend that the Division work with the City’s Fleet Management to obtain these reports so that the Division can periodically review fuel reports by inspector in a way that could identify anomalies and allow them to follow up on any unreasonable expenses.

Auditee Response to Supplemental Opportunity for Improvement – 1

Agree Disagree Partially Agree

We were not aware of the possibility of additional reports from Fleet Management and will contact Fleet to obtain other reports that are available that may be helpful.

We appreciate the assistance and cooperation we received from the Building Inspection Division throughout the course of this audit.

Respectfully submitted,

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