

Audit Committee Meeting
October 20, 2016
1st Floor – LaFayette Room
433 Hay Street, Fayetteville, NC 28301

AGENDA

1. Call to Order
 2. Approval of Agenda
 3. Introduction of Members
 4. Appointment of Officers
 5. Approval of By-laws
 6. Audit Activities:
 - a. Annual Audit Plan Proposed Engagements for FY17
 - b. Permitting and Inspections Audit October 2016 (A2016-02)
 7. Adjournment
-

Attachments:

1. Draft By-laws
2. Annual Audit Plan FY 2017
3. Permitting and Inspections Audit Report A2016-02
4. PPT – Audit Committee 10/20/2016

433 Hay Street
Fayetteville, NC 28301-5537
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www.cityoffayetteville.org



OFFICE OF THE MAYOR

October 14, 2016

Audit Committee Members,

In most private larger companies the Board of Directors engages an independent Audit Committee to oversee the financial workings of the business and set procedures that ensure the company's system of internal controls remain strong enough to detect or prevent fraud or material misuse of corporate assets.

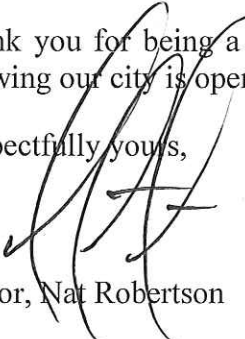
I believe it is even more important for a public entity, like the City of Fayetteville, to have a committee like this engaged to not only evaluate our fiscal accountability but to also look ensure our internal controls remain strong enough to detect or prevent fraud or material misuse of City assets.. This is also consistent with our commitment to cultivate and support a culture of transparency.

Because the City of Fayetteville has not had the benefit of this type of oversight in the past, the first audit reports may be surprising and concerning. In no case should we as the Audit Committee, shy away from or try to be less than transparent with these findings. It is because of our governing board's vision and leadership the Office of Internal Audit and the Audit Committee were formed so these deficiencies are detected and plans for improvement are identified. In fact, it is City Council who demanded accountability and transparency throughout all departments in the City.

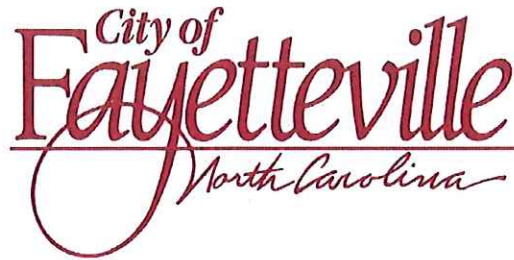
As you are aware, our Audit Committee meets on a quarterly basis to review the progress and process for the Office of Internal Audit. The Audit Committee operates independent of the City Manager and City Attorney so there would be no optics of collusion, interference or tampering with the Committee's findings. However, it is the duty of the City Manager and the City Attorney to ensure compliance with all Federal, State and Local policies and laws. It is management's responsibility, to include the City Manager and City Attorney, to change protocols, practices and cultures to protect the City and our residents with sufficient internal controls, and to be sure those controls are designed to catch and prevent future misuse, abuse and/or fraud.

Thank you for being a part of this committee that will provide our residents the confidence they deserve in knowing our city is operating as efficient and effectively as any municipality can.

Respectfully yours,


Mayor, Nat Robertson

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OFFICE OF INTERNAL AUDIT

MEMORANDUM

October 14, 2016

TO: Audit Committee Members

CC: Doug Hewett, City Manager

FROM: Elizabeth Somerindyke, Internal Audit Director

RE: Audit Committee Meeting on October 20, 2016

A handwritten signature in black ink, appearing to read "E. Somerindyke", is written over the "FROM:" line of the memorandum.

Thank you for accepting the appointment to the Audit Committee!

Before the first committee meeting, I wanted to reiterate the role of the Audit Committee and the Office of Internal Audit. The City of Fayetteville's audit committee will enhance accountability, guarantee the Office of Internal Audit is empowered to report significant issues and prevent management interference with audits and ensure management implements audit recommendations.

A key role of the Office of Internal Audit is to assess the effectiveness of internal controls to mitigate financial, operational, compliance and strategic/business risks. Through its recommendations for improvement of the City's services and programs, the Office of Internal Audit will provide transparency and accountability. The Audit Committee not only ensures the independence of the Office of Internal Audit, but also assists City Council in fulfilling its oversight responsibilities and holds management accountable for implementing audit recommendations.

The first Audit Committee Meeting will include the approval of the Audit Committee Bylaws, FY17 Audit Plan, and presentation of the Permitting and Inspections Audit. The Bylaws are being presented in draft as your comments or suggestions are welcome. The Audit Plan has been drafted through a risk assessment with input from senior management, examination of budget issues and internal knowledge of the organization. The Permitting and Inspections Audit Report being presented represents a six month collaborative effort from the Permitting and Inspections Department, Information Technology Department, Office of Internal Audit and the City Manager's Office and represents how the City can work across departments to achieve a common goal.

If questions arise from your review of the agenda documents we respectfully encourage you to submit them beforehand to esomerindyke@ci.fay.nc.us or call me at (910) 433-1672.

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City of Fayetteville
AUDIT COMMITTEE
Fayetteville, North Carolina

By-Laws

ARTICLE I

PURPOSE

SECTION 1. The Audit Committee has been established as an advisory committee whose primary purpose is to assist the City Council in fulfilling its oversight responsibilities for the overall stewardship of the City's financial affairs.

The responsibilities of the Audit Committee shall be:

- a) Review and reassess the adequacy of this Charter at least every two years, with any revision submitted to the City Council for approval.
- b) Provide an avenue of communication among the City Council, city management, internal audit, and the independent auditors.
- c) Ensure the City's internal control systems are in place and implemented, including information technology security and control.
- d) Ensure City management implements internal audit report recommendations.
- e) Approve the annual audit plan and all major changes to the plan.
- f) Review the internal audit charter, activities, staffing, and organizational structure of the internal audit function with the City Manager and the Internal Audit Director and recommend any changes to the City Council.
- g) Submit an Annual Report of Audit Committee actions and recommendations to the City Council.
- h) Recommend to the City Council the selection of the independent auditors.
- i) Continually evaluate the independence of the independent auditors.
- j) Review the City's CAFR, management letter and management's response and forward findings to the City Council.

ARTICLE II

MEMBERSHIP

SECTION 1. The City Council of the City of Fayetteville shall appoint three City Council members, one member from the Fayetteville Public Works Commission and two members of the business community to be voting members of the Audit Committee. The City Manager and Internal Audit Director shall be an ex-officio non-voting member of the Audit Committee.

SECTION 2. Members from the business community shall be appointed for a term of two years. The member from the Fayetteville Public Works Commission shall be appointed for a two year term. The terms of the City Council members shall be appointed for a two year term consistent with their terms of election.

ARTICLE III

OFFICERS

SECTION 1. *Enumeration of Offices* The officers of the Committee shall be a Chairperson and Vice-Chairperson. The Mayor shall serve as the Chairperson.

SECTION 2. *Election of Officers and Term of Office.* The officers shall each be elected at the regularly scheduled meeting held in July, take office immediately upon election, and serve a one year term or until a successor is elected at the subsequent years quarterly meeting held in July.

SECTION 3. Vacant terms of officers may be filled through action taken by the Committee. An officer appointed to fill a vacancy shall be appointed for the unexpired term of his predecessor in office.

SECTION 4. The Chairperson shall preside at all meetings of the Committee and perform such other duties as may be directed by the Committee.

SECTION 5. The Vice Chairperson shall serve as the Chairperson in the absence of the Chairperson.

SECTION 6. The officers shall serve without compensation for their services.

ARTICLE IV

RESIGNATIONS

SECTION 1: In the event that a member chooses to resign from the Audit Committee, such member should notify the Chairperson, in writing. The Chairperson will then immediately notify the members of the Committee of any such resignations. The resignation shall be effective when the notification is received by the Chairperson unless the notification specifies a later time.

ARTICLE V

QUORUM

SECTION 1. Four members, excluding the City Manager and Internal Audit Director, shall constitute a quorum.

ARTICLE VI

MEETINGS

SECTION 1. *Regular Meeting.* A regular meeting of the Committee shall be held quarterly on the third Thursday during the months of January, April, July, and October at a time and place to be designated by the Committee. All meetings will be open to the public, to the extent required by North Carolina General Statute 143-318.10.

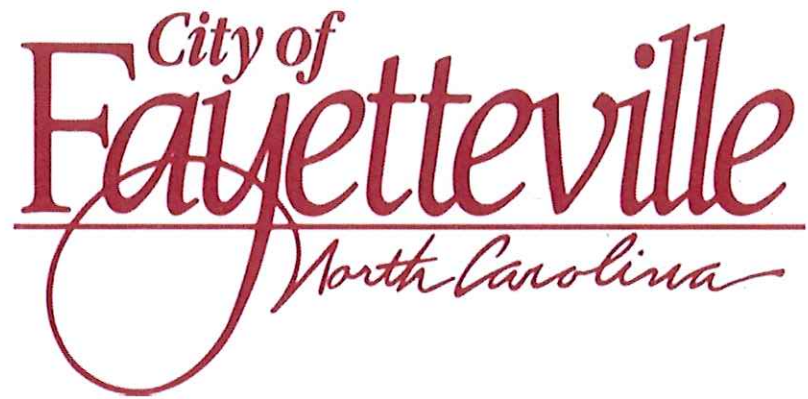
SECTION 2. *Special Meetings.* Special meetings may be called by the Chairperson, or the Vice Chairperson in the absence of the Chairperson, as deemed necessary or desirable. All Special Meetings will be noticed in accordance with North Carolina General Statute.

SECTION 3. The Deputy City Clerk will keep minutes of each meeting and offer them for Committee approval as the first item on the subsequent meeting agenda. The minutes should be distributed to Committee members in draft form within a reasonable time after the meeting and in advance of the subsequent meeting. A copy of the approved minutes will be submitted to the Office of Internal Audit.

SECTION 4. The Chairperson shall approve an agenda in advance of each meeting. The Committee may request any employee of the City or the independent auditors to attend a meeting of the Committee.

ARTICLE VII

AMENDMENTS



Office of Internal Audit

Annual Audit Plan

Fiscal Year 2017

Director of Internal Audit
Elizabeth Somerindyke

Senior Internal Auditor
Rose Rasmussen

Internal Auditor
Traci Carraway

City of Fayetteville
Office of Internal Audit
Audit Work Plan 2017

A. Audit Projects Carried Forward from 2016 Work Plan		Estimated Hours	Total
A.1.	In Progress		
	Building Permits and Inspections to include Callback Revenues	640	
	CityWorks Permitting and Inspection Implementation ¹		
	Finance Department Balance Sheet and Grant Review	120	
A.2.	For Completion		
	Kronos Time Reporting Implementation Phase 1	480	
	Contracting Practices and Procedures	240	
	Parks and Recreation Nonresidential Fees Implementation*	670	
	Total Hours for Audit Projects Carried Forward from 2015 Work Plan		2150
<i>* Project will be started but not completed during this fiscal year</i>			
B. New Audit Projects for 2016-2017			
	Employee Development Travel and Training Expenditures	240	
	Police Department Confidential Funds	240	
	Total Hours for New Audit Projects for 2016-2017		480
C. Follow-up Projects for 2016-2017			
	Procurement Card Program	120	
	Petty Cash and Change Funds	120	
	Tags and Titles (CoF only)	120	
	Total Hours for Follow-up Projects for 2016-2017		360
D. Audit Management and Administration			
	Other City Auditor Duties	400	
	Office Management/Support	1742	
	Staff Development	480	
	Approved Employee Leave	264	
	Approved Holidays	412	
	Total Audit Management and Administration		<u>3298</u>
	Total Hours		<u><u>6288</u></u>
E. For Future Audit Projects 2017-2019			
	<i>Citywide Payroll Processes**</i>	960	
	<i>Community Development Housing Rehabilitation Program**</i>	960	
	<i>Republic Parking Contract**</i>	240	
	<i>Solid Waste Fees for Multi Family**</i>	640	
	<i>Small Asset Management**</i>	240	
	<i>Downtown Parking Collection**</i>	960	
	Code Enforcement Abatement	960	
	City's New Purchasing Process	960	
	Firehouse Billing and Receipting	640	
	Kronos Time Reporting Implementation Phase 2	640	
	Retiree Healthcare Program	640	
	Total Hours for Future Audit Projects		<u><u>7840</u></u>

*** Reflects project from prior year audit plan. Due to limited resources, project will be considered in future audit plans.*

Audit Work Plan 2017

A. Audit Projects Carried Forward from 2016 Work Plan

A.1. In Progress

Building Permits and Inspections to include Callback Revenues	The objectives of this audit were to determine if permits and inspections were in compliance with the North Carolina General Statutes, North Carolina State Building Code, Fayetteville City Code and other regulations; and ensure effective management oversight, adequacy of controls and quality reviews were being conducted.
CityWorks Permitting and Inspection Implementation¹	Determine if CityWorks data was reliable for managing workload, supporting decision-making, and tracking permit status.
Finance Department Balance Sheet and Grant Review	The scope of the review was to determine if the quarter ending March 31, 2016 detailed balance sheet reconciliations reconciled to the actual balance in JDEdwards. Additionally, Internal Audit provided a report to Finance Department management on whether it appeared a grant draw was needed or a potential overdraft existed for the quarter ending March 31, 2016.

A.2. For Completion

Kronos Time Reporting Implementation Phase 1	The anticipated scope of this review will focus on the identification and effectiveness of automated and manual controls over the FayPay (KRONOS) and JDEdwards Payroll interfaces.
Contracting Practices and Procedures	The audit will assess the adequacy of internal controls; and policy, procedure, laws, rules and regulations compliance of the City's contracting practices. Audit objectives may include ensuring contracts were prepared and executed in accordance with relevant policies and procedures; a fully executed copy of contracts were maintained based on retention requirements, and determining whether the departments were adhering to the signature authority and delegation thresholds adopted by City Council on September 28, 2015.
Parks and Recreation Nonresidential Fees Implementation*	The audit will assess the adequacy of internal controls; and policy, procedure, laws, rules and regulations compliance of the implementation of Parks and Recreation Department's nonresidential fees. Audit objectives may include reviewing and documenting the processes related to nonresidential fees; testing a sample to ensure necessary documents were being received supporting the charge of nonresidential vs residential fees; determining if fees were charged correctly; and ensuring deposits, fees, and revenues assessed and collected were accounted for and all associated general ledger accounts were properly reconciled to existing subsidiary ledgers where appropriate.

* Project will be started but not completed during this fiscal year

B. New Audit Projects for 2016-2017

Employee Development Travel and Training Expenditures	The audit will assess the adequacy of internal controls; and policy, procedure, laws, rules and regulations compliance of the City's Travel and Training program. Audit objectives may include ensuring expenditures were in compliance with relevant policies, procedures, laws, rules and regulations; adequate internal controls were in place to prevent or detect material errors and irregularities; and the departments managed and used resources in a cost-effective manner.
Police Department Confidential Funds	The police department confidential funds are audited on an annual basis due to the sensitive and volatile nature of maintaining large amounts of cash on hand and in accordance with police department policy due to accreditation requirements. Audit objectives may include determining if confidential funds were sufficiently administered in accordance with established laws, regulations, guidelines, policies and procedures; if proper internal controls existed and were working as intended to safeguard confidential funds from loss, theft, or fraud; if expenditures and withdrawals from the funds were properly authorized, approved, and recorded; if complete and accurate manual records were maintained for all deposits, withdrawals, and other transactions affecting the confidential fund accounts; to the extent possible, that security provisions for automated records were operating to provide for separation of duties, data integrity and an audit trail; and review corrective actions taken by management to address the recommendations detailed in Internal Audit report A2016-01 Police Confidential Funds in the prior fiscal year.

C. Follow-up Projects for 2016-2017

Procurement Card Program	The audit will assess the adequacy of internal controls, and policy and procedure compliance of the City's procurement card program. Audit objectives may include assessing the adequacy of segregation of duties, physical security and proper use of the procurement cards; determining if cards users are properly trained, designated and provided policy guidance; and procurement card transactions and approvals are made in accordance with procurement card policies and procedures. In addition, the audit will include a follow up of the previously identified audit findings to ensure they have been remediated by management as stated in management's responses.
Petty Cash and Change Funds	Determine that previously identified audit findings have been remediated by management as stated in management's responses.
Tags and Titles (CoF only)	Determine that previously identified audit findings have been remediated by management as stated in management's responses.

D. Audit Management and Administration

Other City Auditor Duties	This category describes the time that the Office of Internal Audit maintains the Fraud, Waste, and Abuse Hotline and other miscellaneous fraud reports.
Office Management/Support	This category describes the time that the Office of Internal Audit spends attending meetings involving the activities and responsibilities of the Audit Committee.
Staff Development	Professional staff of the City Auditor's Office is required to obtain professional education each year.
Approved Employee Leave	This category describes leave earned and taken each year as personal leave and leave taken for medical purposes.
Approved Holidays	This category of leave is for approved holidays for all staff.

E. Future Audit Projects 2017 - 2019

Citywide Payroll**	To assess the adequacy of the internal controls governing the City's payroll process. The audit will include a review of JDEdward controls and the KRONOS time accounting system.
Community Development Housing Rehabilitation Program**	The audit will assess whether the City had adequate controls for monitoring its Housing Rehabilitation Program sub-recipients and whether HUD rules and regulations were properly followed. Audit objectives may include ensuring loans were originated within defined program criteria, properly set up in the ABS loan-servicing software, and serviced in accordance with the terms of the promissory notes and/or deeds of trust; an appropriate accounting of loan origination and loan servicing activities had occurred; and all associated general ledger accounts were properly reconciled to the subsidiary ledger system.
Republic Parking Contract**	The audit will evaluate whether Republic Parking was abiding by the terms of the contract with the Fayetteville Regional Airport. Audit objectives may include reviewing the effectiveness of the City's contract administration responsibilities; determine whether parking revenue was accurately accounted for; determine if revenues were remitted properly and expenses were reimbursed properly in accordance with the contract; and determine if contract administrative provisions were being followed.
Solid Waste Fees for Multi Family**	To access the internal control environment related to assessing solid waste fees for multi-family parcels.
Small Asset Management**	The audit will assess the adequacy of internal controls, effectiveness, and policy and procedure compliance of the City's small asset management system. Audit objectives may include ensuring processes adequately safeguard assets; selecting a sample to assure accuracy and agreement of inventory records and inventory on hand, and compliance with policies and procedures for multiple electronic devices and air cards.
Downtown Parking Collection**	The audit will assess the efficiency and effectiveness of the City's parking management contract with McLaurin Parking. Audit objectives may include an assessment of the collection program related to leased parking and parking citations, internal controls for cashier activities, and bad debt write-off policies.

Audit Work Plan 2017

Code Enforcement Abatement	The audit will evaluate whether the City's lot cleaning abatement process complies with applicable policies, rules and regulations. Audit objectives may include determining if code enforcement activities for lot cleaning abatement were performed consistently in accordance with relevant laws, regulations and established policies; applicable code enforcement costs and fees were properly and completely invoiced following established City fee schedules and ordinances; contracts complied with applicable policies, rules and regulations; internal controls were sufficient to identify risks; and the process for retaining independent contractors.
City's New Purchasing Process	The City's purchasing processes are no longer performed by the Public Works Commission of the City of Fayetteville and are now performed by newly established positions within the City's Finance Department. Therefore, this audit will assess the adequacy of internal controls, effectiveness, and policy, procedure, laws, rules and regulations compliance of the City's new purchasing processes. Audit objectives may include ensuring processes are in compliance with relevant policies, procedures, laws, rules and regulations; and adequate internal controls are in place to prevent or detect material errors and irregularities.
Firehouse Billing and Receipting	The audit will assess if fire department billing, receipting and aged receivables were managed fairly, efficiently and effectively to recover such receivables and minimize the risk of loss. Audit objectives may include evaluating procedures to ensure compliance with applicable policies and standards; and verify the accuracy and proper tracking of aged receivables and amounts due.
Kronos Time Reporting Implementation Phase 2	The anticipated scope of this review will focus on the identification and effectiveness of automated and manual controls over the Public Safety Telestaff, FayPay (KRONOS) and JDEdwards Payroll interfaces.
Retiree Healthcare Billing and Receipting	The audit will evaluate operations related to the process for billing retirees for health insurance premiums. Audit objectives may include an assessment of procedures to ensure compliance with applicable policies and standards; retiree payments collected were accurate and complied with contractual rates; and proper collection activities were in practice to ensure all monies owed have been collected.

*** Reflects project from prior year audit plan. Due to limited resources, project will be considered in future audit plans.*



Office of Internal Audit

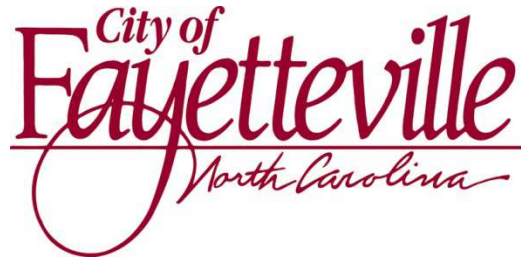
**Compliance Audit 2016-02
Permitting and Inspections**

October 2016

Director of Internal Audit
Elizabeth Somerindyke

Senior Internal Auditor
Rose Rasmussen

Internal Auditor
Traci Carraway



OUR MISSION

Provide independent, objective assurance and consulting services designed to add value and improve the City of Fayetteville’s operations.

Director of Internal Audit

Elizabeth Somerindyke

Senior Internal Auditor

Rose Rasmussen

Internal Auditor

Traci Carraway

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<http://fayettevillenc.gov/government/city-departments/internal-audit>

Mailing Address: 433 Hay Street, Fayetteville, NC 28301

EXECUTIVE SUMMARY

In accordance with the Fiscal Year 2015-2016 Audit Plan, the Office of Internal Audit evaluated the processes and procedures for the issuance and related inspections of permits. Internal Audit first documented the current Permitting and Inspections Department processes to determine if an adequate control environment existed and found no controls in place to reduce risk. In addition, the software program, Cityworks, also known as FayWorx, is not meeting the needs of the department with respect to reliable data for managing workload, supporting decision-making and tracking permit status.

This report is not meant to be an indictment of individuals. Nor is it about assigning blame, but about isolating problems and working to solve them. Dedicated Permitting and Inspections personnel are working in a system needing improvement. Documented and updated processes and procedures are needed to provide direction and facilitate working together more effectively.

The Permitting and Inspections Department is currently at a crossroads with significant turnover in several key positions, including Department Director. This is an opportunity to implement strategic changes within the department and improve upon the City's permitting and inspections processes by addressing the following areas:

1. Internal controls need improvement.
2. Written policies for the Permitting and Inspections Department were lacking.
3. The Permitting and Inspections Department was not in compliance with documentation requirements and records retention rules and regulations.
4. Departmental organizational was not in compliance with the Fayetteville City Code for the Enforcement of the North Carolina State Building Code.
5. Demolition permits were issued without a bond in accordance with Fayetteville City Code.
6. Certificates of occupancy and certificates of compliance were issued before final inspections were completed.
7. Certificates of compliance and certificates of occupancy were not issued pursuant to the North Carolina General Statutes and the North Carolina State Building Code.
8. Enforcement actions to require contractors to comply with the building code were not updated when privilege license was repealed on July 1, 2015.
9. Poor computer system controls existed within the Permitting and Inspections Department.
10. The Permitting and Inspections Department should establish a quality review program for the permitting and inspections process.
11. The Permitting and Inspections Department did not have sufficient data quality and integrity for reliable reporting and tracking purposes.
12. Cityworks 2015 update created further data integrity and accuracy concerns.
13. Permitting and Inspections personnel lack the knowledge to use Cityworks effectively.
14. Permitting and Inspections personnel lack the knowledge to use Cityworks' reporting functionality effectively.
15. Training should be provided to customers for enhanced communications.
16. Permits did not reflect the current status.
17. Permits were not being monitored for expiration.
18. Address information and Parcel Identification Numbers (PIN's) were not being verified.
19. Published Fee Schedules lacked clarity and transparency.
20. Cityworks was not reconciled to the general ledger.
21. Permitting and Inspections personnel did not reconcile Home Owner Recovery Funds.
22. Processes and controls over refunds were inadequate.
23. Segregation of duties was lacking for receiving and recording receipts received via mail.

24. Controls over security of sensitive and confidential information were lacking.
25. Processes and controls over permit issuance were lacking.
26. Permit fees were not always calculated correctly or consistently.
27. The Permitting and Inspections Department did not verify the status of contractor's license status prior to issuing building permits.
28. There was a lack of controls to prevent the issuance of duplicate permits.
29. Controls for backdating and resulting inspections within Cityworks were inadequate.
30. The practice of bypassing system controls was not prohibited, and all required inspections were not documented.
31. The Permitting and Inspections Department should establish a personnel productivity and time measurement system for the inspections function.
32. Demolition projects were not inspected.
33. A final accounting for permit fees based on construction cost or square footage was not done to ensure permit fees were charged correctly.
34. No formal written policy existed to provide guidance when to impose a callback fee.
35. Multi trade combined inspections should be enhanced.

BACKGROUND

In 2015, the Development Services Department was functionally realigned into two separate departments: Permitting and Inspections, and Planning and Code Enforcement Services. The Permitting and Inspections Department administers and enforces the North Carolina State Building Code for both residential and commercial construction by providing complete permitting and inspection services, from the application through the issuance of certificates of occupancy. The Permitting and Inspections Department processes building, electrical, mechanical and plumbing permit applications and conducts field inspections to ensure compliance with the City of Fayetteville Municipal Code of Ordinances, North Carolina General Statutes, North Carolina State Building Code and other regulations.

In accordance with the Fiscal Year 2015-2016 Audit Plan, the Office of Internal Audit evaluated the processes and procedures for the issuance and related inspections of permits. The objectives of the Permitting and Inspections Department are:

1. To issue building permits in a friendly, accurate, efficient and timely fashion;
2. To provide for the safety and health of residents by ensuring that all construction meets the North Carolina State Building Code through the performance of high quality inspections, and
3. To achieve timely and accurate review of construction plans.

The majority of submittals to the Permitting and Inspections Department begin with a review by the Planning and Code Enforcement Services Department Zoning Division's personnel. Once released from the Zoning Division, the permitting process begins with either construction documents in plan review to ensure compliance with applicable building codes and standards, or direct submittal of a permit application from the contractor or property owner. A permit is issued allowing work on the project to begin once the permit application and other required documentation are provided to Permitting and Inspections personnel. Once a project has begun, inspectors physically examine the work for compliance with the North Carolina State Building Code and other regulations at set stages during the project. Identified, instances of non-compliance are communicated to the permit holder, and must be alleviated prior to issuance of a certificate of occupancy or a certificate of compliance. The issuance of the appropriate certificate signifies all code requirements have been met, inspections passed, and the structure and/or improvements are suitable for occupancy.

In order to effectively respond to the needs of the community, Cityworks, a software program, was implemented across City departments including the Permitting and Inspections Department. The purpose of Cityworks was to allow City personnel and contractors/property owners to track, and move proposed

projects through the approval and permitting processes. Cityworks should enable effective management and oversight for permitted projects.

The Permitting and Inspections Department is currently at a crossroads due to significant turnover in key positions, including Department Director. This is an opportunity to implement strategic changes within the department and improve upon the City's permitting and inspections processes.

This audit was conducted to examine the oversight, adequacy of controls and enforcement of the City of Fayetteville Municipal Code of Ordinances, North Carolina General Statutes, North Carolina State Building Code and other requirements for the permitting and inspections process; the review and approval of permitting, and related activities, and the assessment and cash receipting of fees. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

AUDIT OBJECTIVES

The objectives of this audit were to:

1. Review and document the current Permitting and Inspections Department processes, providing an independent assessment of whether management has implemented an adequate control environment relative to those processes;
2. Test a sample of issued permits to ensure that information, approvals, and necessary documents in support of the permits are being collected; and that management's goals and objectives for those processes are being achieved;
3. Ensure that the Permitting and Inspections Department is appropriately accounting for all deposits, fees, and revenues assessed and collected; and that all associated general ledger accounts are properly reconciled to existing subsidiary ledgers where appropriate;
4. Determine the presence and effectiveness of any monitoring and control systems that have been put in place by management to measure progress toward achieving identified goals and objectives, and
5. Determine if Cityworks data is reliable for managing workload, supporting decision-making, and tracking permit status.

AUDIT SCOPE

This audit did not include an examination of all functions and activities in the Permitting and Inspections Department. In addition, the activities of other departments, besides the Permitting and Inspections Department, involved in the City's building permit and inspections process were not included in the scope of this audit. Efforts were focused on gathering and analyzing information relative to the permitting process from application through final inspection and collection of related fees. The scope of the audit was limited to permits issued from July 1, 2014 through June 30, 2016. Report findings are based on information taken from a sample of transactions and do not represent an examination of all related transactions and activities.

AUDIT METHODOLOGY

In order to meet the objectives, Internal Audit obtained an understanding of the processes related to permitting and inspections through observations of the processes and discussions with pertinent personnel; testing of revenue transactions; and reviewing applicable forms, documents and reports used to account for permitting and inspections activities. Internal Audit also evaluated the presence and effectiveness of any control systems related to permitting and inspections.

In addition, Internal Audit:

- Reviewed the City of Fayetteville Municipal Code of Ordinances, North Carolina State Building Code and North Carolina General Statutes for compliance;
- Reviewed data from Cityworks and JD Edwards, the City's financial system;
- Reviewed the Permitting and Inspections Department's documented procedures, and
- Conducted a physical walk-through of the permitting and inspections processes.

Internal Audit judgmentally selected a sample size within permits, inspections, cash receipts and callback fees for testing purposes. The samples were selected so they could be projected to the entire population. Due to the lack of hard case files and paper documentation, Internal Audit relied on the accuracy of data reflected in Cityworks, including but not limited to application information; project valuation figures; square footage; and key permitting dates for application, permit issuance, plan review and inspections.

FINDINGS, RECOMMENDATIONS, AND MANAGEMENT'S RESPONSES

Finding 1

Internal controls need improvement.

Internal control is the integration of the activities, plans, attitudes, policies, and efforts of the personnel of a department working together to provide reasonable assurance that the department will achieve its mission. More simply, internal control is what a department does to see that the things they want to happen will happen...and the things they don't want to happen will not happen. Internal controls provide reasonable assurance that a department will be successful and achieve its objectives. This includes the Information Technology environment which when secure, manages processes and protects computerized information.

Effective control over the permitting process requires that a method be established to ensure permits are not issued until all required conditions have been met. Approvals should be obtained before the applications are given to the permitting technician for a permit to be issued. Additionally, there should be a method in place to ensure all required inspections have taken place before a project is closed out and a certificate of occupancy or certificate of compliance is issued for all projects.

The overall purpose of internal control is to help a department achieve its mission and accomplish certain goals and objectives. An effective internal control system helps a department to:

- Promote orderly, economical, efficient and effective operations.
- Produce quality products and services consistent with the department's mission.
- Safeguard resources against loss due to waste, abuse, mismanagement, errors and fraud.
- Promote adherence to statutes, regulations, policies and procedures.
- Develop and maintain reliable data, and accurately report that data in a timely manner.

Accuracy and validity of data are questionable when a business lacks internal control. A lack of or a breakdown in internal control can occur due to simple mistakes or faulty judgments, or controls can be circumvented through collusion or management override. This can create the ideal environment for fraud and increase the likelihood that significant errors or fraud will occur and remain undetected. An inadequate Information Technology environment can have a negative effect on operations that can contribute to the loss of sensitive information, theft, misuse of resources, inefficient use of resources, and inaccurate information for decision makers.

The Permitting and Inspections Department experienced changes during the audit period that caused adjustments to some inherent risks in the internal control structure. These adjustments revolved around: opportunity, such as a mobile or decentralized operation; unfamiliarity, with a new activity or program; complexity, with the learning curve for a new software program; and a change in both personnel and the operating environment. The Department experienced difficulty completing departmental tasks for a

number of reasons. A new software program was implemented challenging continuity of operations because of the lack of proficiency needed to operate the system. Staffing turnover impacted operations in that new personnel needed to be trained not only on permitting and inspections processes but also on a new system that was not well understood by experienced personnel. This staffing issue also increased workloads with operations having to be handled with a decrease in personnel. In addition, some personnel did not have a complete awareness of the rules and regulations that govern permitting and inspections processes. There is no master control list to document the existence and completion of all approvals and other pre-permitting criteria. There is no consistency on who should be giving approvals and what the approval should be. In some cases verbal approvals are given and cannot be documented.

Internal controls are the responsibility of all department personnel. While everyone in a department has responsibility for ensuring the system of internal control is effective, the greatest amount of responsibility rests with the managers of the department.

Recommendation

Permitting and Inspections management should perform a self-assessment of internal controls. Once risk areas are identified, steps should be taken to correct control deficiencies so departmental objectives are achieved and departmental responsibilities are met. Identifying risks and implementing control procedures will not protect assets and produce reliable information if personnel are not following established procedures. To ensure that controls are effective, Permitting and Inspections management should regularly review available documentation to confirm controls are being executed as designed. All documentation should be reviewed and signed off on by a supervisor to ensure completeness and accuracy. In addition, the self-assessment of internal controls should be performed periodically to address additional control deficiencies as they arise.

Finding 2

Written policies for the Permitting and Inspections Department were lacking.

The Permitting and Inspections Department did not have any formal written policies and the procedures provided to Internal Audit during field work were outdated, hard to understand and seldom used by department personnel. Policies can be described as the principles, rules, regulations and guidelines used by an organization to reach its goals and objectives. Without explicit written policies, personnel may not clearly understand their responsibilities within the department, particularly if they are new. It may take more time to find resources to address questions and can result in errors and inconsistent answers. Procedures are the specific actions used to articulate policies into day-to-day operations. Insufficient written procedures can create problems for an organization's cost effectiveness, service consistency, accountability and decision-making. Public confidence in the organization can be undermined when inconsistent services are provided. This can become a perpetuating problem, since the department relies primarily on mentoring to train new personnel, and when there are limited written procedures some experienced personnel develop procedures on their own.

Clearly written, readily-available policies and procedures help both new and experienced personnel be accountable for their work. Formal policies can clearly make the connection between procedures and how they support an organization's goals and strategic plan. Formal policies would set forth requirements, definitions, and procedures for conducting permitting and inspections functions and without them, consistency in the overall process is difficult to achieve. Without properly updated written policies and procedures, compliance cannot be evaluated. Policies and procedures would be an important resource in training new personnel and providing performance expectations for the department.

Recommendation

Written policies for the Permitting and Inspections Department should be developed to set forth requirements; to ensure consistency and reliability of information; provide adherence to laws and regulations, and include provisions for performance measure collection, calculation, review and reporting. The procedures should be updated and include sufficient information to allow an individual who is

unfamiliar with the operations to perform the necessary activities. Policies and procedures should be revised to account for any changes in business processes. This is particularly important when new systems are developed and implemented or other organizational changes occur.

Finding 3

The Permitting and Inspections Department was not in compliance with documentation requirements and records retention rules and regulations.

To carry on an efficient permitting and inspections program, an adequate record-keeping system is essential. Proper source documentation is vital to ensure the accuracy and the appropriateness of information. North Carolina General Statutes, North Carolina State Building Code, North Carolina Department of Cultural Resources Records Retention and Disposition Schedule, the Fayetteville City Code and City of Fayetteville Policies guide documentation activities, which include required information, information type, required documentation and document retention.

The Permitting and Inspections Department has an informal policy that involves scanning documentation into the computer and attaching the documentation to the electronic case file in Cityworks. Internal Audit noted 35 applications had not been scanned into Cityworks. For permits examined in the sample for which an application was present, 49 appeared to be incomplete, whereas, the applications were lacking pertinent information such as number of units; whether the work was commercial or residential; whether the work was new or existing; property owner information; and/or contractor information. When examining the application information, Internal Audit found 97 applications for which the information recorded in Cityworks did not match the information on the application. In some cases the Cityworks electronic file contained information not provided on the application, or there was information on the application not included in Cityworks.

Pursuant to North Carolina General Statute 87-14, for projects with a construction cost of thirty thousand dollars or more, required documentation includes: detailed plans and specifications; work performed by a state licensed general contractor or is owner constructed with an owner exemption affidavit; proof of workers' compensation insurance; and a lien agent certificate. Internal Audit found one application without the required detailed plans and specifications; two applications without the required proof of workers compensation insurance; and one application without the required lien agent certificate.

In addition, the City's Cash Handling Procedures indicate a copy of the daily cash receipts report generated from automated system(s) should be retained by the department and a copy sent to Finance. A copy is not being retained by the Permitting and Inspections Department. Internal Audit also found ten refund transactions in the sample for which there was no documentation of any accounts payable approval.

Cityworks was designed to have all required inspections, re-inspections and defects found for each permit included in the electronic workflow of the permit to ensure all required information was completed and resulted by an inspector before a certificate of occupancy/compliance is issued. Related paperwork and emails should be scanned and retained electronically within Cityworks to document compliance and related issues.

The lack of documentation may be due to weak oversight or to a misunderstanding on the part of those charged with the responsibility. The current process is for Permitting and Inspections personnel to scan documents and attach them in Cityworks only after all approvals have been obtained and the permit has been issued. According to Permitting and Inspections personnel, applications are not required to be retained as hard copies once the application has been scanned into Cityworks. However, the North Carolina Department of Natural and Cultural Resources outlines a records retention and disposition schedule for municipal governments that has been adopted by the City (see Appendix A.) This schedule requires documents to be retained in the same manner as originally produced and before any such records are destroyed, permission must first be obtained. The Permitting and Inspections Department did not

request approval through the North Carolina Department of Natural and Cultural Resources to dispose of paper applications and other documents once scanned into Cityworks.

Recommendation

Permitting and Inspections management should take specific measures to comply with records retention rules as governed by North Carolina General Statutes, North Carolina State Building Code; North Carolina Department of Cultural Resources Records Retention and Disposition Schedule, Fayetteville City Code, and City of Fayetteville Policies. Procedures should be outlined for retaining all supporting documentation and where the documentation will be kept taking into account records retention rules. Cityworks electronic files should be updated to include all available documentation not yet attached to a permit file within the system.

Finding 4

Departmental organizational was not in compliance with the Fayetteville City Code for the Enforcement of the North Carolina State Building Code.

The City of Fayetteville is responsible for issuing or denying permits, making necessary inspections, issuing or denying certificates of occupancy/compliance for completed work, issuing orders to correct violations, bringing judicial actions against actual or threatened violations and keeping records. The General Assembly has given local government’s extreme latitude concerning how they may organize to handle enforcement responsibilities. Pursuant to North Carolina General Statute 143-139 enforcement of the North Carolina Building Code, local officials and local inspectors are duly appointed by the governing body of the municipality to enforce the North Carolina State Building Code.

Pursuant to Fayetteville City Code Chapter 7, Building Code, Article II Inspection Department, Section 7-31, Organization of Department, establishes a department to be called the inspection department and designates the person in charge to be the inspection director. Additionally, Fayetteville City Code Chapter 7, Building Code, Article II Inspection Department, Section 7-32, General Duties of Department and Inspectors gives the duty to enforce the provisions of Chapter 7, Building Code to the inspection director.

Currently, the City of Fayetteville does not have a department titled, “Inspections” as referred to in the Fayetteville City Code. Additionally, the City of Fayetteville does not have an “Inspections Director” position. In October 2015, the Inspections Department (AKA Development Services) went through a reorganization and the planning, zoning and code enforcement functions were split into a separate department titled, the Department of Planning Services and Code and Enforcement with oversight by the Planning and Code Enforcement Services Director. The functions of permitting and inspections resided with the newly titled Permitting and Inspections Director.

Although the North Carolina General Statutes gives extreme latitude for how the City of Fayetteville is to manage the enforcement of the North Carolina State Building Code, the City Council authorized the “Inspections Director” to enforce all aspects of the Code. Whereas, currently the Code Enforcement Division enforces portions of the North Carolina State Building Code but is not under the control of the “Inspections Director”.

In order to comply with the North Carolina State Building Code, clear lines of authority and clarity of roles and responsibilities should be defined. Additionally, the Permitting and Inspections Department needs to have flexibility to adjust capacity and staffing expertise to maintain timelines under changing circumstances. For example, some Code Enforcement Division personnel possess certifications that could provide needed specialty skills when needed.

Recommendation

To ensure compliance with the Fayetteville City Code, senior management should consider reorganizing the structure of the Permitting and Inspection and the Planning Services and Code Enforcement Departments so the Permitting and Inspections Director oversees all matters related to interpretation and

enforcement of North Carolina State Building Code, to include (if applicable) zoning, building plan review, permits, inspections and code enforcement, as provided in the Fayetteville City Code.

Finding 5

Demolition permits were issued without a bond in accordance with Fayetteville City Code.

The Permitting and Inspections department issued 224 demolition permits without a bond posted at the time of application for the permit, as required by City Code.

Pursuant to Fayetteville City Code Chapter 7, Building Code, Part II, Article III Enforcement, Section 7-62(a)(1) Permits Required, “No person shall commence or proceed with the construction, reconstruction, alteration, repair, removal or demolition of any building or other structure, or any part thereof, without a written permit therefor from the inspection department.

In all cases of removal or demolition of a building or structure a good and sufficient bond shall be posted by the property owner or by his contractor at the time of application for a permit, to ensure complete removal or demolition, including all rubble and debris. Failure on the part of the property owner or his contractor to completely demolish, remove and clear the premises, after 30 days' notice by the appropriate inspector, shall be cause for forfeiture of such bond.”

Based on an Internal Audit inquiry, Permitting and Inspections personnel stated they were unaware the City Code required the department to collect a bond in all cases of removal or demolition of a building or structure. Therefore, bonds were not posted to ensure the demolitions were complete and the lots were completely clear of all debris, rubble and other health hazard materials.

Recommendation

Permitting and Inspections personnel should ensure compliance with the Fayetteville City Code Chapter 7, Building Code, Part II, Article III Enforcement, Section 7-62(a)(1) Permits Required, by requiring a bond be posted at the time of demolition permit application. Additionally, the City Code should be updated to define the amount of the bond, whereas; currently the amount is defined as “good and sufficient”.

However, if Permitting and Inspections management determine bonding requirements for demolition permits are not required as provided in the Fayetteville City Code Chapter 7, Building Code, Part II, Article III Enforcement, Section 7-62(a)(1) Permits Required, then the Fayetteville City Code should be updated to reflect current requirements.

Finding 6

Certificates of occupancy and certificates of compliance were issued before final inspections were completed.

Internal Audit noted multiple certificates of occupancy and certificates of compliance issued without all inspections resulted on the permit workflows. The inspections process should ensure all required inspections are completed according to the North Carolina State Building Code. All inspections should be documented before a project is finalized. By allowing Permitting and Inspections personnel to “work around” system controls, management introduces the possibility of inferior quality of work or the likelihood of not performing the required inspections.

Of the permits in the sample, there were ten with certificates of occupancy or certificates of compliance issued in Cityworks and one certificate of compliance issued manually outside of Cityworks. Manually issued certificates of occupancy/compliance should not be allowed. Of these permits, Internal Audit found six with a final inspection and/or certificates of occupancy/compliance resulted with a previously failed inspection that was not later resulted as “PASS”.

Based on an Internal Audit inquiry, Permitting and Inspections personnel were not resulting inspections on-site due to the lack of iPad compatibility with Cityworks. Therefore, a “work around” was used to issue certificates of occupancy/compliance without resulting all inspections on the respective permits. There was one permit which reflected a status of CO-ISSUED, however; the workflow did not show the final building inspection completed or the certificate of occupancy issued. A certificate of occupancy was attached to the permit within Cityworks. This permit also had a child permit that had not been finalized. In addition to the “work around”, when temporary certificates of occupancy are issued, the only documentation notated in Cityworks is in the notes. Without a status in Cityworks that would indicate the issuance of a temporary certificate of occupancy, the likelihood increases that matters pertaining to the temporary issuance will go uncorrected.

Per Information Technology personnel, certificates of occupancy/compliance are reports printed from the Sql Server Reporting Services software. Therefore, Cityworks did not have the capability to prohibit the issuance of a certificate of occupancy/compliance until all inspections are passed on both the child and parent permits. Additionally, it appears that any mitigating controls in place can be overridden by the use of a handwritten certificate of occupancy or certificate of compliance.

Recommendation

Internal Audit recommends the Permitting and Inspections Department work with the Information Technology Department to develop and implement a process to ensure certificates of occupancy/compliance are not issued prior to all inspections being documented as finalized. Permitting and Inspections management should also streamline and automate documentation for certificate of occupancy and certificate of compliance and encourage appropriate utilization of automated resources to promote efficiency and accountability in the inspection approval process for temporary and final certificates of occupancy and certificates of compliance.

Finding 7

Certificates of compliance and certificates of occupancy were not issued pursuant to the North Carolina General Statutes and the North Carolina State Building Code.

The Permitting and Inspections Department conducts field inspections to monitor compliance with the North Carolina State Building Code. The inspection process culminates with the issuance of a certificate of compliance. Certificates of compliance are required to be issued for all permits pursuant to North Carolina General Statutes and the North Carolina Building Code.

Pursuant to North Carolina General Statute 160A-423 Certificate of Compliance, “At the conclusion of all work done under a permit, the appropriate inspector shall make a final inspection, and if he finds that the completed work complies with all applicable State and local laws and with the terms of the permit, he shall issue a certificate of compliance. A temporary certificate of compliance may be issued permitting occupancy for a stated period of specified portions of the building that the inspector finds may safely be occupied prior to final completion of the entire building. Violation of this section shall constitute a Class 1 misdemeanor.”

Although, North Carolina General Statute 160A-423 and North Carolina State Building Code 204.8 state that at the conclusion of all work done under any building, electrical, mechanical or plumbing permit, the appropriate inspector shall make the final inspection and if all work completed complies with all state and local laws and with the terms of the permit, a certificate of compliance shall be issued, the Permitting and Inspections Department did not issue a certificate of compliance for all permits.

Based on an Internal Audit inquiry, the Permitting and Inspections Department only issued a certificate of occupancy to commercial and residential new construction and renovations.

Recommendation

The Permitting and Inspections Department should ensure compliance with North Carolina General Statutes and the North Carolina State Building Code and create formal procedures for the certificate of compliance and certificate of occupancy process.

Finding 8

Enforcement actions to require contractors to comply with the building code were not updated when privilege license was repealed on July 1, 2015.

Pursuant to Fayetteville City Code Chapter 7, Building Code, Part II, Article III Enforcement, Section 7-71, Failure to Comply with Building Code; Extension of Time; Revocation of Privilege License. Whenever an inspector shall find that a provision of the building code has not been complied with, and the failure to comply is by a contractor, whether or not the building permit was issued in the name of the contractor, the contractor shall be given a reasonable opportunity to correct the failure to comply with the building code depending upon the nature of the noncompliance. If the contractor fails to correct the violation within the time given, which in no event shall exceed 30 days, then the building inspector shall have the authority to revoke the privilege license of the contractor until the deficiencies are corrected.

The General Assembly repealed the privilege license tax effective, July 1, 2015. Therefore, the Permitting and Inspections department lacks the ability to ensure contractors comply with the North Carolina State Building Code by revoking privilege license.

Recommendation

Update enforcement actions within Fayetteville City Code to ensure contractors comply with the North Carolina State Building Code.

Finding 9

Poor computer system controls existed within the Permitting and Inspections Department.

The Cityworks implementation project for the Permitting and Inspections Department was initiated in December 2014 with the primary objective of transitioning the permitting related functions from the current system MAGNET to Cityworks.

Testing performed in Cityworks revealed the following deficiencies in need of correction:

1. Cityworks was implemented without the capability to notify the user when a permit was being created for a location outside the City limits. However, Permitting and Inspection personnel had the ability to review the map within Cityworks to determine if addresses were in the City limits. Based on an Internal Audit inquiry, a feature to notify the user was recently added and is functioning. Internal Audit did not test this newly added functionality. (*see finding #18*)
2. Cityworks was implemented without the capability to prohibit issuing and printing a permit without the required approvals (plan review, zoning, code enforcement, etc). Instead, the system allowed a permit to be printed at any time in the process without the necessary approvals. (*See finding #25*)
3. Cityworks had the capability to record the date and time of an inspection request which could be used by management to track Permitting and Inspections Department performance measures. Based on an Internal Audit inquiry, the scheduler function was cumbersome for the Permitting and Inspections personnel, therefore scheduling was done manually. During the audit, Internal Audit noted Permitting and Inspections personnel were using EXCEL spreadsheets to manually track inspection scheduling. Manually tracking information can be more time consuming and less

reliable than information tracked by a software program. Internal Audit understands this feature is being enhanced by the software developer.

4. Cityworks did not have the capability to notify the user when entering an incorrect parcel identification number (PIN). Based on an Internal Audit inquiry, this is not a function of Cityworks but a GIS function, whereas; the data comes from the Cumberland County Tax Records. (*see finding #18*)
5. Cityworks was implemented without the capability to automatically expire permits based on specified guidelines. Based on an Internal Audit inquiry, Cityworks does have this function and is being configured by the software developer. (*see finding #17*)
6. Cityworks did not have the capability to prohibit issuance of a certificate of occupancy or certificate of compliance until all inspections were passed on both the child and parent permits. However, based on an Internal Audit inquiry, this function is being configured by the software integrator. (*see finding #6*)
7. Cityworks did not have the capability to prohibit resulting inspections on expired permits. Without this capability, inspections may have been completed on invalid permits. Based on an Internal Audit inquiry, once permits automatically expire the Permitting and Inspections personnel will not have the capability to result an expired permit.
8. During fieldwork, Internal Audit personnel's names appeared in the "modified by" field in the fee table on permits within Cityworks. This made it appear that Internal Audit personnel were modifying data within Cityworks. However, Internal Audit personnel were only provided inquiry access to Cityworks. Therefore, "modified by" information is unreliable. Based on an Internal Audit inquiry, anytime an existing case is open within Cityworks for any purpose regardless of permissions, the "modified by" field in the fee table is updated when the auto recalculate is turned on for fees. The Cityworks support team recommended turning off the auto recalculate field. Per Information Technology personnel, the auto recalculate field is required within Cityworks and cannot be turned off due to fee calculations based on quantities and square footage that require fees to be recalculated if updated within Cityworks.
9. There were instances when Cityworks allowed for an inspection to be resulted; however, the result was reflected on the workflow with only a check mark. The system allowed Permitting and Inspection personnel to move to the next milestone of inspections. Based on an Internal Audit inquiry, this observation was forwarded to the software developer for follow up.
10. Cityworks was implemented to allow Permitting and Inspections personnel to add and delete inspections to permit workflows as a "work around" to perform their job duties. Without controls over adding and deleting, inspections could be bypassed creating health and safety concern for our citizens. (*see finding #30*)
11. Cityworks was implemented with a lack of controls over fees, whereas, Permitting and Inspections personnel were given access to add, modify and delete as a "work around" in order to perform their job duties. Without controls over adding, deleting and modifying, there is a risk that correct fees were not billed and collected causing the City's customers to be over or undercharged for permits. (*see finding #26*)
12. Cityworks was implemented allowing Permitting and Inspections personnel to backdate inspection activity. Initially, iPads were purchased for all inspectors, but due to the City server performance causing Cityworks to "time out" and the iPad incompatibility with Cityworks, the Inspectors would result tasks/inspections during late afternoon office hours or the following

morning. By allowing inspection results to be backdated and not resulted in Cityworks at the time of the inspection, the risk that the inspection will not be recorded increases. Implementing this control will contribute to a higher integrity of inspections data. (see finding #29)

13. Internal Audit noted that a user was given the approval to use someone else's access due to problems with their own access. Per the *City of Fayetteville Policy # 114 Information Technology Appropriate Usage*, "All Users shall have the applicable user profile and password/access code to access resources on the City IT Network. These profiles and passwords/access codes are not to be shared with any other person at any time. Each User is responsible for all action taken while using his/her user profile, password, access code, therefore, signing on for another person with your password is not permitted at any time." Violations of this policy could result in suspension of access or termination of employment. Therefore, Permitting and Inspections personnel should not allow others to use their access, and all passwords should be appropriately protected.

Recommendation

Testing performed by Internal Audit in Cityworks revealed deficiencies, whereas, there were areas where Internal Audit was not able to determine compliance with laws and regulations. Therefore, Permitting and Inspections management should consider having a specialized audit of the Cityworks software to ensure the deficiencies revealed in Cityworks are remedied and will provide an adequate level of control, ensure processes are put in place to address controls in which Cityworks is unable to perform, and the software is utilized to its maximum efficiency.

The Office of Internal Audit recommends Permitting and Inspections management review the permitting and inspections process to determine key personnel who will have the ability to override the Cityworks system setup by adding, modifying and deleting fees, inspections and permits within Cityworks. Prior to developing and implementing a process related to access controls, Permitting and Inspections management should assess Cityworks setup related to Permitting and Inspection fees and inspection workflows to ensure consistency with current practice while taking compliance to North Carolina General Statutes, the North Carolina Building Code and the Fayetteville City Code into consideration. Alignment of the required processes with the setup in Cityworks should mean that overriding Cityworks setup by adding, modifying and deleting is an exception and not the rule.

Permitting and Inspections management should ensure Permitting and Inspections personnel read and understand the *City of Fayetteville Policy # 114 Information Technology Appropriate Usage*, and stress the importance of not allowing others to use their access, and protecting all passwords. In addition, written policies and procedures should be documented on how accesses will be requested, who will approve the access and how access will be removed when it's no longer needed.

Finding 10

The Permitting and Inspections Department should establish a quality review program for the permitting and inspections process.

Permitting and Inspections has one building official and four inspection supervisors. Based on an Internal Audit inquiry, the building official and inspection supervisors were not able to provide documentation reflecting supervision of inspectors, to include probationary personnel. Monitoring for compliance with standards, as well as managers reviewing inspectors work for consistency with North Carolina State Building Code and meeting minimum standards for effective inspections should be performed.

Based on an Internal Audit inquiry, supervisors usually had full operational workloads that did not allow time for quality reviews to ensure consistency and compliance with laws and regulations and training as needed. In this situation, inferior quality of work or lack of performing assigned work may not be detected and addressed in a timely manner.

An important element of internal control involves the continuous monitoring of activities through supervision. Supervision is the ongoing oversight, management and guidance adopted by management to help ensure the objectives are efficiently and effectively achieved. One aspect of supervision involves monitoring, reviewing, and approving the work of those performing an activity to ensure the work is performed correctly.

Recommendation

Internal Audit recommends a work quality review program be developed and an adequate number of appropriate quality reviews of all permits and inspections be conducted in a timely manner. Documented results should be maintained and utilized as measures of effectiveness during performance evaluations.

Finding 11

The Permitting and Inspections Department did not have sufficient data quality and integrity for reliable reporting and tracking purposes.

The analysis of performance results identifies opportunities to improve the quality, efficiency and effectiveness of the services provided and can help the City develop budgets based on realistic costs and benefits, not just historical patterns. Performance measures help focus decision making and convey to citizens what the City plans to achieve, what it is actually achieving and what it costs. This can only be conveyed if the information used is accurate, and the integrity of the data can be relied upon.

Data integrity/data quality can be defined as the state of completeness, consistency, timeliness, accuracy and validity that makes data appropriate for a given use. Per the Mayor's Message in the City's strategic plan document: "The City's Strategic Plan, sets direction, guides decision-making and resource allocation, and enables Fayetteville to be a leader in providing excellent municipal services. The Strategic Plan is a critical component of a larger system of planning for our organization's success, which includes the annual budget process, resident input, capital and technology prioritization and financial planning." Data quality is key to managers making informed decisions and for long range strategic planning.

Based on an Internal Audit inquiry and observation, data entered into Cityworks was not reviewed. All permit applications should be reviewed by an appropriate level inspector before a permit is issued (see finding #25). Instead, permitting technicians were required to "review" applications as received and enter the data while not fully recognizing the relationship between what is initially input into Cityworks and how this information affects permitting and inspections processes.

The organizational structure of the Permitting and Inspections Department also played a role in the quality and integrity of data with additional data quality issues occurring as data was moved through the permitting process (see finding #4). According to Permitting and Inspections personnel, the permitting process begins in the Zoning Division of the Department of Planning Services and Code Enforcement, yet the Zoning Division did not enter the initial information into Cityworks. There was also no indication if additional information was obtained prior to presentation to the permitting technician. Information should not be isolated by departmental boundaries. Cityworks has the capability to integrate data across departmental boundaries, but this functionality was not being capitalized upon. The quality of a process is only as good as the quality of the data used in the process. If all needed data is not transferred accurately throughout, then problems occur. Proper reviews can help ensure problems are detected and can usually be remedied easily once the source of the problem is identified; but these reviews were not being performed (see finding #10).

The Permitting and Inspections Department had documented performance metrics to monitor department performance, but lacked written policies and procedures for these performance metrics, so it was unclear how work was to be evaluated (see finding #11). Permitting and Inspections Department performance metrics are reported periodically to City Council via the Manager's Messenger. Internal Audit determined the information presented for these periodic reports was obtained from manually maintained reports and was unreliable. What was being reported was either misleading; comprised of duplicated information,

comprised of data that was not all inclusive because not all relevant information is input to Cityworks; comprised of data for which there was no quality review (see finding #10); comprised of data provided manually from several different sources with differing understandings of the information to be provided; or the metric was measuring data that has not yet been defined within the department or was not currently being tracked.

Recommendation

The Permitting and Inspections Department should establish measurable and achievable performance goals and service standards. Permitting and Inspections management should establish formal processes to collect performance information and provide adequate training to ensure accurate input of the data used to quantify each performance measure. Once appropriate performance information is available it should be used to better inform management for decision-making and should also enable the Permitting and Inspections Department to better manage its operations and determine the appropriate balance between service level and resources.

Finding 12

Cityworks 2015 update created further data integrity and accuracy concerns.

Data within Cityworks should be accurate and complete. However, the 2015 update implemented in Cityworks on June 29, 2016 caused a data integrity issue. Internal Audit noted an instance in which the permit showed no outstanding fees due from contractors/homeowners based on the review on June 17, 2016. However, when Internal Audit accessed the permit in Cityworks on July 12, 2016, there was an outstanding balance. Based on an Internal Audit inquiry, Information Technology personnel indicated the 2015 Cityworks update included a fix which automatically recalculated the fees when the 'Auto Recalculate' box was checked and the square footage had been modified. Prior to this update, Permitting and Inspections personnel would manually calculate any change in fees due to a change in square footage and add the difference owed as a separate fee in Cityworks. When the update was implemented, the original fees Cityworks calculated based on the original square footage automatically recalculated based on the modified square footage causing permits to show an outstanding balance for the fee amounts Permitting and Inspections personnel had manually calculated and added to the permits.

This update created outstanding balances for permits that had been finalized causing fee data within Cityworks to be unreliable. Permitting and Inspections and Information Technology personnel were unaware the update had this affect until Internal Audit brought it to their attention. Therefore, it is unclear how many other undiscovered data integrity problems the update created.

Recommendation

The Office of Internal Audit recommends Permitting and Inspections management consult with Information Technology personnel to review the impact on Cityworks regarding this instance and any other changes made by the 2015 update. Any data integrity issues should be reviewed to determine if any data needs 'cleaned' and fix any 'clean up' considered necessary.

Finding 13

Permitting and Inspections personnel lack the knowledge to use Cityworks effectively.

Personnel should be provided the necessary training, tools, resources and information to support the accomplishment of their duties and responsibilities. Personnel are expected to learn on the job from supervisors and experienced personnel. During implementation of Cityworks, formal training was provided by the software developer; however, there was no evidence of who received this training. Based on an Internal Audit inquiry, users of the Cityworks system receive on the job training; however, this type of training can be ineffective and create problems. When training is ineffective, personnel could lack the sufficient knowledge needed to effectively do their jobs resulting in departmental and/or City goals not being met. This may also lead to low morale, which can result in personnel turnover.

Additionally, without sufficient knowledge, personnel could spend considerable time seeking help to perform their jobs, or they could perform tasks to their understanding, to the detriment of the work process. This could lead to errors with supervisors and more experienced personnel being required to spend time monitoring unskilled workers, which detracts from their work and increases the amount of time necessary to complete tasks.

An entity that does not properly train its personnel can expect a possible increase in miscellaneous expenses, which could include the cost associated with problems sustained from unskilled use of equipment, supplies and software; compensation for additional time to complete assigned tasks; compensation to customers for mistakes made; and the cost of defending the City against lawsuits. Untrained personnel also lack adequate knowledge and skills to provide satisfactory customer service, which can result in dissatisfied customers.

Recommendation

While inspector training may be driven by certification requirements, non-inspector personnel training needs are not. Conduct a personnel training assessment and develop or provide training opportunities to meet the needs identified. Permitting and Inspections management should dedicate the appropriate resources and time to ensure proper training for department personnel. An important part of any training program includes basic product knowledge. Each member of the department should be familiar with the services offered in order to competently satisfy customer needs by providing accurate information and good customer service. Training should also include an understanding of the entire permitting and inspections process and how activities in each area of the Permitting and Inspections Department affect actions taken in other areas both within the department and across other departments. In addition, formal training on the Cityworks software program should be instituted to provide familiarity with the system.

Finding 14

Permitting and Inspections personnel lack the knowledge to use Cityworks' reporting functionality effectively.

Permitting and Inspections Department personnel were not proficient with the reporting functionality within Cityworks. During implementation of Cityworks, formal training was provided; however, there was no evidence of who received this training. Based on an Internal Audit inquiry, reporting requests are made by Permitting and Inspections personnel to Information Technology personnel who then either build a report or contact the software developer for the Cityworks program to build reports. Reporting capability should be available to evaluate performance at all stages of the permitting and inspections process. In addition, the capability to edit and/or create reports should be available to personnel and management as needed for changes in reporting requirements.

The Permitting and Inspections Department does not have written policies and procedures that outline how information is to be tracked and reported and does not maintain information that is readily available in a convenient form for performance measurement, permit application review, permit issuance, fee calculations, refunds, compliance issues, inspections review, enforcement actions, inspector certifications or access controls. Permitting and Inspections personnel are currently using a limited amount of reports within Cityworks and manually updated information for reporting purposes.

With the lack of processes to record, track or review information, it is difficult for the Permitting and Inspections Department to monitor the level of performance in the department or to track the department's effectiveness. Increased reporting capabilities for permit holder non-compliance with North Carolina General Statutes, North State Carolina State Building Code and the Fayetteville City Code could help to identify trends for inconsistencies that could help with customer training. Improved reporting for performance metrics would help analysis of departmental efficiency and effectiveness.

Additionally, without adequate information and reporting the Permitting and Inspections Department cannot identify where possible inconsistencies exist within the Department and what trending issues are

occurring. Reliable, relevant and complete reporting capability supports organizational efficiency and is a cornerstone of sound decision-making.

Recommendation

Permitting and Inspections management should identify the kinds of reporting information needed in order to adequately track and assess the efficiency of the permitting process. Internal Audit recommends Permitting and Inspections management work with the Information Technology Department and/or the software developer to improve standard reports that can be used on an ongoing basis to ensure the information needed to manage the permitting and inspections processes will be available to those charged with the responsibility.

Finding 15

Training should be provided to customers for enhanced communications.

Based on an Internal Audit inquiry, Permitting and Inspections personnel indicated a plan review board meets periodically to allow customers the opportunity to ask questions and present their plans for review with all applicable City departments in the meeting. In addition, Internal Audit noted Planning and Code Enforcement Services Department conducts training sessions for their customers. However, no training sessions were being offered to customers on the entire Permitting and Inspections process. Customer training sessions should be offered periodically to allow for an easier transition through the permitting and inspections process. Without training for customers, applications are completed incorrectly and lack required documentation; failed inspections are repeated; and personnel time is needed to answer questions via phone calls and office visits.

Recommendation

The Office of Internal Audit recommends Permitting and Inspections management collaborate with all departments involved in the City's permitting and inspections process to develop routine customer training sessions to be held at least annually. These sessions should, at a minimum, cover information within the entire permitting and inspections process which cause the most customer confusion, such as re-inspections and frequently asked questions. In addition, any new laws, regulations, and requirements should be included in the training sessions.

Finding 16

Permits did not reflect the current status.

The Permitting and Inspections Department promotes public safety by requiring building permits for construction projects within the city limits and conducting timely inspections of residential and commercial structures for which those permits are provided. The Permitting and Inspections Department's mission states one of its main purposes is "protecting the health, safety and welfare of the community." In order for the Department to achieve this goal, effective control over the permitting process is essential. An integral part of effective control over the permitting process is to ensure continuous monitoring of activities through supervision. One aspect of responsible supervision includes monitoring, reviewing and approving the work of those performing an activity to ensure the work is performed correctly, including accurate reporting of permit status (see finding #10). Without proper scrutiny of permit status projects may not comply with the most current building codes, which makes the project unsafe for the customer and the community.

Over 80% of permits issued since implementation of Cityworks currently have a status of "ISSUED". Internal Audit found 82 permits within the sample with a status of "OPEN" "ISSUED" "CLOSED" "CANCELLED" or "EXPIRED" but the permits had no inspections documented in Cityworks. Approximately 90% of these permits did not have a status change to reflect the current status of the permit, but instead still held a status of "OPEN" or "ISSUED". In addition, Internal Audit found 20 permits that do not appear to have been issued in Cityworks. According to Permitting and Inspections personnel, an explanation why a particular permit was never issued in Cityworks could not be given if

there were no notes in Cityworks to indicate such. Permitting and Inspections personnel did indicate that a permit not being issued could have been the result of a variety of reasons such as: duplication, contact never made for payment; the customer changed their mind before issuance; the customer never submitted a permit application for child permits; or the wrong permit type was created by the technician and would have had to be redone with the correct type and subtype.

Internal Audit understands Cityworks does not have the capability to auto populate the status during the workflow and must be manually changed. According to Permitting and Inspections personnel, there is no review process for permits issued with no activity and no quality reviews are being performed (see finding #10). Permits that do not reflect an accurate status could potentially cause negative impacts to public safety, oversight, and program efficiency and effectiveness.

Recommendation

The written policies and procedures recommended in Finding 2 should include practices for closing or otherwise terminating permits that have been abandoned past a certain time threshold as such jobs may require the project to comply with newer, safer building codes and would help protect the public safety. Permitting and Inspections management should continue working with the Information Technology Department and the software developer to implement changes that would update a permit status as it is moved through permitting and inspections processes. Once these changes have been completed and thoroughly tested, the impact on historical information that may occur should be assessed before implementing such changes.

Finding 17

Permits were not being monitored for expiration.

Expiration of permits is governed by the North Carolina State Building Code and the Fayetteville City Code. An expired permit can be an indication the contractor may not have completed the permitted work or the work performed may not have been inspected and/or the inspection has not been recorded in Cityworks. Internal Audit found evidence of expired permits that did not have a status of “EXPIRED” and had resulted inspections after the date of expiration.

For expired permits, the applicant has to reapply and repay all associated fees. A new permit is issued in Cityworks with reference in the comments section made to the old permit. Cityworks does not automatically expire permits, instead this is a manual process done by Permitting and Inspections personnel. Based on an Internal Audit inquiry, Permitting and Inspection personnel do not monitor when permits/permit applications expire, and there is no documented process in place to verify that a new permit is issued when a permit has expired before any work can be done. Without monitoring of expired permits, there is the risk that an unsafe building will be occupied. According to Information Technology personnel, Cityworks has the capability to automatically expire permits based on specified guidelines, but Cityworks was implemented without the function operational. However, this function has been prioritized to become functional, and there are plans to put into production in the near future. Lack of monitoring for expiration increases the risk that the permitted project could be completed without the oversight of an inspection, possibly resulting in unsafe conditions.

Additionally, failed inspections are not always re-inspected and the permit expires. Without proper final approval, the permit holder and property owner cannot be assured of the project meeting the provisions of the North Carolina State Building Code. It is crucial that Permitting and Inspections management take every reasonable action to ensure permits with failed inspections are followed to conclusion.

Pursuant to Fayetteville City Code Chapter 7, Building Code, Part III, Article III Enforcement, Section 7-68, Time Limitations on Validity of Permits. “All permits issued under this chapter shall expire by limitation 60 days after the date of issuance if the work authorized by the permit has not been commenced”. Based on an Internal Audit inquiry, Permitting and Inspection personnel consider a permit

to be expired at six months after the date of issuance if the work authorized by the permit has not been commenced.

Recommendation

Allowing permits to expire should not be an easy method to avoid inspection and circumvent established controls. Permitting and Inspections management should establish controls to ensure failed inspections are followed to conclusion so the permit holder and/or contractor seek and receive final approval of the project.

The Cityworks software should be configured to automatically expire permits based on specific criteria. A risk assessment should be prepared before permits within Cityworks are automatically expired, whereas, implementing this program could have a significant impact on permits.

A report should be created and run at some stated interval to resolve expired permits and impose a terminal status of EXPIRED. Some consideration should also be given to sending a notice to the permit holder advising of the expiration of the permit due to lack of activity and giving the permit holder an opportunity to respond.

Permitting and Inspections personnel should ensure compliance with the Fayetteville City Code Chapter 7, Building Code, Part II, Article III Enforcement, Section 7-68, Time Limitations on Validity of Permits, by expiring permits 60 days from issuance if the work authorized by the permit has not been commenced or update the Fayetteville City Code to be consistent with the North Carolina State Building Code requiring the time limitation for a permit to expire as six months after the date of issuance if the work authorized by the permit has not been commenced.

Finding 18

Address information and Parcel Identification Numbers (PIN's) were not being verified.

In order for timely inspections to take place accurate information is needed. In addition, the PIN on the application should match the PIN in Cityworks and the Cumberland County tax records. Internal Audit found 231 permits for which the PIN was not the same on the application, within Cityworks and in the County tax records and noted permits for which the address in Cityworks did not match the address indicated in Cumberland County tax records. Additionally, permits were being issued in Cityworks for locations outside the City limits. Cityworks initially did not appear to have controls to prevent issuing a permit for a location outside the City limits. However, Permitting and Inspection personnel had the ability to review the map within Cityworks to determine if addresses were in the City limits. An update to Cityworks was implemented on June 29, 2016. According to Information Technology personnel, a custom code feature to notify Permitting and Inspections personnel when a permit was created for an address outside the City limits was implemented as part of the 2015 upgrade and is functioning properly. Internal Audit did not test this newly added functionality.

Based on an Internal Audit inquiry, there is no process for verifying the validity of PIN's to addresses within Cityworks. Cityworks does not appear to have the capability to notify the user when the PIN and address do not match. Additionally, there is no review process for applications before permits are issued. An appropriate level inspector should be reviewing the applications before a permit is issued, at which time the address and PIN could be verified (see finding #25). Information from building permits is provided to the Cumberland County Tax Administration for ad valorem tax billing purposes. Although, the Cumberland County Tax Administration does their own assessment of values for tax purposes, it is imperative that accurate information be provided to ensure address information is correct for accurately assessing ad valorem taxes.

Recommendation

Permitting and Inspection management should coordinate with the Information Technology Department and/or the software developer to develop controls within Cityworks to verify the correct PIN is present on

permit records. Should Cityworks not have this capability, Permitting and Inspections management should develop mitigating controls to ensure the validity of PIN's during the review and approval process for permit applications. In addition, Permitting and Inspections management should develop a process for consistent and accurate input of address information and work with the Information Technology Department and/or the software developer to fully integrate the GIS mapping function within Cityworks. In the interim it may be beneficial to enter information in the "Notes" section of a permit to indicate that the address will not match the County records and why. Thorough testing of all upgrades should be performed to ensure the product is performing at an acceptable level to achieve departmental goals.

Finding 19

Published Fee Schedules lacked clarity and transparency.

The Fee Schedule should be clear and transparent for the user. Without a clear and transparent fee schedule, citizens and contractors are unable to determine what fee should be charged without asking Permitting and Inspections personnel for clarification which could cause frustration for the customer. In addition, asking for clarification not only takes up the contractor/citizen's time, but also Permitting and Inspections personnel's time.

In order to re-calculate the permit fees for the selected sample, Internal Audit utilized the City's published fee schedules for Fiscal Year 2014/2015 and Fiscal Year 2015/2016. While utilizing the fee schedules, Internal Audit noted not all fees were disclosed and fees lacked clarity; therefore, fees were charged based on individual interpretation which means customers may have been over or under charged. In addition, there was a lack of consistency between the Fee Schedule, permit applications, Cityworks and the Fayetteville City Code.

There was one demolition permit in which the fee was charged at four times the rate. The Fee Schedule for both Fiscal Year 2014/2015 and Fiscal Year 2015-2016 said the charge for 'Work Without a Required Permit' is '4 times all applicable permit fees'. However, the Fayetteville City Code Section 7-70 stated, "If a project is commenced prior to obtaining a permit that is required, the total cost of the permit will be increased 100 Percent." Therefore, the Fee Schedule and Fayetteville City Code were not in agreement.

In addition, the Fayetteville City Code Chapter Section 7-70 stated, "Fees for building-zoning permits shall be based upon the total estimated cost of the proposed work in accordance with the building valuation data adopted by city council, and the Fee Schedule listed the fees for 'Interior or Exterior Construction or Renovation Projects without Square Footage Basis' by 'Construction Cost'. However, there were 13 permits in the sample which the application or *Zoning Compliance Form* asks for the 'value of improvement' or 'project valuation', and not the 'construction cost'.

Internal Audit identified 21 permit fees in which the item needing inspection was specifically listed on the application, but not specifically listed on the Fee Schedule. Therefore, Internal Audit was unable to determine the correct fees to use from the Fee Schedule without clarification from Permitting and Inspections personnel. These items included: Meter Base/Riser, Bathtub, Lavatory, Washing Machine, Low Voltage Security Alarms, Low Voltage Telephone, Low Voltage Data Cable/TV, Condensing Unit, Exhaust Fan, Gas Flue, Generator, A.T.S – Automatic Transfer Equipment and Cell Phone Tower Control Cabinets.

There were 34 instances in which the fee could not be determined for a permit in the sample selection because the Fee Schedule did not list the factor used to calculate the fee. For example: if an 'Electric Sign Connection' be charged per sign, connection, location, project, etc. The Fee Schedule only says, "Electric Sign Connection" "\$30.00". Of the 90 fees under the Permitting and Inspections areas of the Fee Schedule 77 (86%) did not list the factor the fees should be based on.

For the 70 heating, ventilation, and air conditioning (HVAC) change out permits, the *Mechanical Permit Application Form* requested the '# of Systems'. However, the Fee Schedule and Cityworks refer to the number of units. In addition, there are several instances on the *Mechanical Permit Application Form* that refer to units. Changing these to be consistent and/or providing clarification on the Fee Schedule and applications could alleviate confusion on the part of the citizens and contractors as well as Permitting and Inspection personnel.

A minimum fee was not listed on the Fee Schedule for insulation or building permits. However, customers were charged \$30 for 14 building and /or insulation permit fees in which the fee calculated to be less than \$30.

Internal Audit noted a plan review fee had been charged and paid for a cancelled permit. Based on an Internal Audit inquiry, Permitting and Inspections personnel indicated that the plan review fee was not refunded to the customer because plan review fees are nonrefundable. However, the Fee Schedule did not state the plan review fee is nonrefundable.

There were two fees charged in Cityworks which weren't listed on the Fee Schedule. 'Gas flue penetrations through the roof' was charged on two permits, and 'Mechanical - Misc Mech Items' was charged on five permits.

In addition, 'Duct Work ONLY' was listed on the mechanical application, but the Fee Schedule had two separate fees listed for duct work, (1) Duct Extensions and Alterations and (2) Commercial Exhaust and Duct System. It was unclear which fee should be used when 'Duct Work ONLY' was selected on an application for a commercial project.

With all these inconsistencies, the City is at risk of losing customer and taxpayer confidence.

Recommendation

The Office of Internal Audit recommends Permitting and Inspections management review the existing Fee Schedule to determine whether enhancements would provide additional transparency and clarity for citizens and contractors. In addition, Permitting and Inspections management should ensure consistency among the permit application, Fayetteville City Code and the Fee Schedule.

Finding 20

Cityworks was not reconciled to the general ledger.

Permitting and Inspections currently issues permits using Cityworks software. Cityworks was implemented in December 2014, replacing Magnet. Both Magnet and Cityworks cash receipts fell within the scope of this audit. Since, neither Cityworks nor Magnet are credit card systems, after a permit is entered into Cityworks/Magnet, the payment is processed through Point of Sales (POS). Once the POS transaction is complete, Permitting and Inspections personnel should ensure the permit payment is reflected in Cityworks/Magnet. On a daily basis, transactions entered into POS are uploaded into JD Edwards to the City's general ledger. At regular intervals Permitting and Inspections personnel should ensure the financial data in all these systems related to Permitting and Inspections reconciles. Reconciliations are an internal control used to identify errors. Unidentified errors over time could lead to material misstatements in financial reporting. Requiring routine custodial fund reconciliations is an important step to ensure City assets are properly accounted for and recorded. To reduce the possibility of fraud and error, procedures should be established to ensure reconciliations are conducted and periodically checked by an authorized individual independent of the fund. A proper reconciliation process ensures that Permitting and Inspection revenues received from customers are recorded to the City's general ledger system and posted to the correct account number. Without a reconciliation process, there is an increased risk that City monies may not be deposited and recorded properly.

Based on an internal Audit Inquiry, Permitting and Inspections personnel indicated a reconciliation was done each day between Cityworks/Magnet and POS, and then uploaded from POS to the general ledger. However, in the cash receipting review, Internal Audit noted Cityworks/Magnet did not agree with the general ledger for four (40%) of the 10 days reviewed in the cash receipting sample.

The difference noted for two of the days was due to refunds not being recorded in Cityworks/Magnet. There was a refund of \$25 posted to the general ledger on August 6, 2014 not recorded in Magnet, and a \$30.31 refund posted to the general ledger on July 28, 2015 not recorded in Cityworks.

Based on an Internal Audit inquiry, Permitting and Inspections personnel indicated if a refund was made the same day the permit was issued; then the refund was recorded in Cityworks/Magnet. However, if the permit was not issued on the same day the refund was done, Permitting and Inspections personnel did not record the refund in Cityworks/Magnet.

Based on further inquiries into this matter, Permitting and Inspection personnel indicated if a transaction was completed in POS, the transaction should stay in Cityworks/Magnet because it's a completed transaction. Permitting and Inspections personnel stated a permit technician should only be refunding fees in Cityworks/Magnet if the wrong fee was initially charged in Cityworks/Magnet or a credit card was declined in POS. Without ensuring all financial transactions related to revenues are recorded, including refunds, financial reports in Cityworks/Magnet will not be complete and accurate.

The difference for the other two days was due to a register not being closed out within POS. All daily transactions input into a register will not upload into the general ledger until it has been closed out for the day. In the review, Internal Audit noted a register was not closed out on May 27, 2015; therefore, the general ledger appeared to be understated by \$922.80 when comparing it to the Cityworks daily revenue report. However, the register was closed out the next day, and the general ledger for May 28, 2015 appeared overstated when comparing it to the Cityworks daily revenue report. Finance Department personnel indicated registers are not always closed out timely, and regular reminders were sent to all applicable City departments on the importance of closing out the registers as an integral part of the closing procedure. In addition, Finance Department personnel requested and now have the ability to monitor the status of terminals in all locations and have the ability to close them out, if necessary.

Recommendation

Permitting and Inspections management should determine if Cityworks has the capability to provide reports by subsidiary ledger for fees charged to customers, which could be used to reconcile to the City's general ledger.

Permitting and Inspections management should develop written procedures which should be followed to ensure a documented reconciliation between the amounts billed/refunded in Cityworks and actual revenue posted in the general ledger is performed at regular intervals. The reconciliation should be completed with verification of the balances by a second authorized individual including initialing and dating reports to document a review and reconciliation was performed.

In addition, Permitting and Inspections management should develop written policies and procedures to document the process and the importance of closing the POS register nightly.

Once these processes are established, Permitting and Inspections management should ensure personnel are adequately trained on them.

Finding 21

Permitting and Inspections personnel did not reconcile Home Owner Recovery Funds.

Payments were submitted quarterly to the North Carolina Licensing Board; however, a "homeowner recovery fee report" from Cityworks was not reconciled to the general ledger before processing the

payment to the North Carolina Licensing Board causing an overpayment due to permit refunds of the Homeowner Recovery Fund fee.

The \$10.00 homeowner recovery fee when collected is currently recognized as revenue, however, \$9.00 is payable to the North Carolina Licensing Board quarterly. Without proper accounting of the Homeowner Recovery Fund fee, \$9.00 should be reflected as payable and \$1.00 recognized as revenue, the general ledger will not reflect the true revenue of the fee collected.

When permits are cancelled within Cityworks, refunds paid to the customer should be entered into Cityworks in order for the financial information in Cityworks to be consistent with the general ledger.

Recommendation

Permitting and Inspections personnel should ensure, when submitting payment to the North Carolina Licensing Board on a quarterly basis, that correct amounts are submitted based on a reconciliation of information in Cityworks and the general ledger. Any Homeowner Recovery Fund fee refunds should be taken into consideration when completing the reconciliation.

Finding 22

Processes and controls over refunds were inadequate.

Permitting and Inspections personnel issue permits using Cityworks which is not a credit card system. Therefore, Permitting and Inspections personnel must issue the permit in Cityworks and then run the credit card payment through the cash receipting system, Point of Sales (POS). These systems currently do not interact; therefore, monies refunded to the customer need to be entered in both Cityworks and POS.

Pursuant to the *City of Fayetteville Financial Procedure Subject: Cash Handling General Procedures* “Refunds must be paid through the regular accounts payable or petty cash process.” However, during review of refunds, six cash refunds were processed by Permitting and Inspections personnel without documentation reflecting the customer received the refunds.

During the cash receipting review, nine (41%) of the twenty-two refunds reviewed in the sample should have been voided instead of refunded.

Internal Audit found four permits which had either not been issued or the permit was cancelled, and the fee was not refunded to the customer. This does not include insulation permits which are addressed in Policies and Procedures Finding 2.

- For two child trade permits which the trade fee was paid, the child permits were never issued. The parent building permit for each of these trade permits were expired at the time of the audit. Based on an Internal Audit inquiry, Permitting and Inspections personnel indicated since a \$30 permit fee was charged, no refund would be due after charging the \$30 ‘Processing Fee for Permit Fee Refunds’ per the Fee Schedule. Based on the current process, the permit technicians would create all the child trade permits for a building permit after the building permit was issued. Typically, the general contractor would pay all the permit fees, and the trade permits would be issued once Permitting and Inspections received the trade permit application from the trade contractor. No trade permit applications were scanned into Cityworks for these trade permits.
- For two permits which the fees were paid, the permits had been cancelled. Based on an Internal Audit inquiry, a \$6.00 refund was due on one permit, but the plan review fee charged on the other permit was nonrefundable. Permitting and Inspections was unable to provide anything in writing showing that plan review fees are nonrefundable. See finding 19 regarding nonrefundable plan review fees.

Based on an Internal Audit inquiry, Permitting and Inspections personnel indicated there was no follow up done to ensure applicants received refunds when applicable except:

- If it was discovered that certain trade permits were paid, but work was never done before the permit technician issues the Certificate of Occupancy/Certificate of Compliance, the permit technician should have advised the contractor/citizen a refund was due.
- When the permit technician received a contractor/citizen call or walk-in requesting a permit be cancelled, the fees would be refunded minus the \$30 refund fee per trade.

Internal Audit noted refunds were not always entered into Cityworks. Initially, Internal Audit was informed by Permitting and Inspections personnel that refunds could not be entered into Cityworks. Information Technology personnel indicated there was not a reason why the refund function could not be used in Cityworks. After further Internal Audit inquiries, Permitting and Inspections personnel indicated a refund could be entered into Cityworks, but should only be entered if a credit card did not go through in POS or if the contractor no longer wanted the permit. If monies are refunded to the customer, but not entered as a refund in Cityworks then accurate and complete financial reports would not be available in Cityworks.

During the cash receipting review, Internal Audit determined four credit card refunds and six cash refunds in the cash receipting sample had no documentation showing accounts payable approval. According to the *City of Fayetteville Financial Procedure Subject: Cash Handling General Procedures* (p) “Refunds by credit card must be charged back to the original card that made the sale and approved by authorized individuals”. Permitting and Inspections personnel indicated the process for voids and refunds was the same; the permit technician would fill out a *Request for Void Point of Sale Receipt* form and obtain the approver’s signature. However, these forms were not provided for the four credit card refunds. In addition, these forms were only provided for three of the seven voids reviewed in the sample. Having the proper written prior approvals for a refund is an internal control in place to ensure fraudulent payments are not made, and the payments issued are for the correct amounts.

Records reflect the Permitting and Inspections personnel were required to read and sign a *City of Fayetteville Cash Handling Procedures Acknowledgment Log* was June 2014, but have not been required to sign acknowledging compliance with the policy since this time. Since June 2014, Permitting and Inspections personnel that have been hired and have cash handling duties should read, understand and sign an acknowledgment log prior to performing cash handling functions for the City. In addition, the Permitting and Inspections Department should have their cash handling personnel read, understand and sign an acknowledgment at least annually.

Since Cityworks and POS currently do not have the ability to interact with each other, refunds paid to the customer through POS should also be entered into Cityworks in order for the financial information in Cityworks to be up to date and accurate. There were no written policies and procedures for refunds, and no quality reviews were being done. Permitting and Inspections personnel did not seem to have a clear understanding of the difference between a void and a refund or when to use them. Permitting and Inspections personnel also did not seem to have knowledge of good internal controls related to cash handling. Cityworks cannot be used for accurate financial reporting related to permit fees.

Recommendation

Permitting and Inspections management should require, annually, all personnel who handle cash receipts to read the *Cash Handling General Procedures* and sign acknowledging receipt and understanding of the procedures.

A formal written refund policy to provide guidance and direction on how to process refunds should be developed. In addition, Permitting and Inspections personnel should be trained on these policies.

Permitting and Inspections management should ensure quality reviews are done for all cash receipt processes.

Finding 23

Segregation of duties was lacking for receiving and recording receipts received via mail.

Proper segregation of duties at the most basic level means no single individual should have control over two or more phases of a transaction or operation. Based on an Internal Audit inquiry, Permitting and Inspections personnel indicated the permit technicians opened the mail, recorded checks received in Cityworks and POS, and endorsed the checks using the automated receipt machine. To strengthen the controls over opening the mail and recording the cash receipts, the responsibilities should be separated to allow for detection of loss or misappropriation. In addition, opening mail in dual custody would further strengthen these controls. A lack of separation of duties provides the opportunity for cash receipts to be lost or misappropriated without detection. A lack of separation of duties also compromises the integrity of information, permits errors and omissions to go uncorrected, and creates opportunity for possible fraudulent activity.

Prior to reorganization in 2015, the Senior Administrative Assistant supervised the permit technicians, and after the reorganization, an Administrative Assistant supervised the permit technicians. The job description for the Senior Administrative Assistant and Administrative Assistant positions do not require any education, experience or knowledge related to internal controls. However, since the permit technicians handle cash receipts, personnel in these positions should have a sufficient understanding of internal controls to ensure the controls over cash handling are adequate.

Recommendation

Internal Audit recommends Permitting and Inspections personnel responsibilities be reassigned in order to achieve an effective separation between opening the mail and recording transactions. In addition, Permitting and Inspections management should consider checks being opened in dual custody to further strengthen controls.

Additionally, Permitting and Inspections management should assess the Administrative Assistant's job description and determine if additional education, experience or knowledge related to internal controls is needed due to the supervision of cash handling functions and update the job description or position as deemed appropriate.

Finding 24

Controls over security of sensitive and confidential information were lacking.

In accordance with the City's Policy # 311 - *Security of Sensitive and Confidential Information and Breach Response Plan*, City personnel are required to safeguard certain customer information which includes credit card numbers. Without controls in place to protect such information, credit card numbers, could be obtained and fraudulent charges could be made.

Based on an Internal Audit inquiry, information faxed into the Permitting and Inspections Department, which may include contractor/owner credit card numbers were retrieved from the fax machine by Permitting and Inspections personnel as time allowed. Although the fax machine is behind the Permitting and Inspections Department's front desk where the permit technicians work, the fax machine could be unsecured if no one is at the desk. In addition, if the information is faxed in after the front desk personnel leave for the day, the faxes remain on the fax machine until the next business day.

Permitting and Inspections personnel indicated the Information Technology Department had previously been contacted to request a process which would provide more security over the faxes. However, to date a control has not been implemented.

Recommendation

The Office of Internal Audit recommends Permitting and Inspections management work with the Information Technology Department to establish a process for security of faxed information. Such a process could include faxes being printed only when the appropriate security code is entered or having a dedicated fax machine for the Permitting and Inspections Department in a secure location with limited access. Permitting and Inspections management should ensure the faxes are destroyed in accordance with City's Administrative Policy # 311 - *Security of Sensitive and Confidential Information and Breach Response Plan*.

Finding 25

Processes and controls over permit issuance were lacking.

Pursuant to the North Carolina State Building Code 204.6, "A permit shall not be issued until the fees prescribed by the local governing authority have been paid." Although Permitting and Inspections personnel advised Internal Audit that a "child" permit cannot be issued until the "parent" permit has been paid and issued, Internal Audit understands a permit can be printed at any time, even in the "CREATED" stage. Historically, when the permit is printed, the status reflected on the permit was always "ISSUED" no matter the status of the permit within Cityworks.

Internal Audit understands that "ISSUED" had been hardcoded to the printed permit within the Sql Server Reporting Services and the status did not change within Cityworks as the permit moved through the permitting process. Printing a permit at any stage in the report process is essentially an override of system controls and could result in fraudulent activities that may go undetected.

Pursuant to Fayetteville City Code, Chapter 7, Article III, a written application shall be made for all permits required by this chapter, and shall be made on forms provided by the inspection department. Such application shall be made by the owner of the building or structure affected or by his authorized agent or representative, and, in addition to such other information as may be required by the appropriate inspector so that a determination may be made whether or not the permit applied for should be issued, the application shall show the following: (1) Name, residence and business address of owner; (2) Name, residence and business address of authorized agent or representative, if any; (3) Name and address of the contractor, if any, together with evidence that all requirements for licensing and bonds have been obtained; and (4) Sufficient fees have been paid for inspections and processing of the permit.

Based on an Internal Audit inquiry, permit applications were not reviewed by the appropriate inspector before issuance to ensure all requirements pursuant to the NCGS and Fayetteville City Code are satisfied.

Recommendation

Permitting and Inspections management should coordinate with the Information Technology Department and/or the software developer to develop controls within Cityworks to ensure permits are not printed before all pre-permitting requirements are met and the hardcoded status on the permit should read the status within Cityworks.

Additionally, Internal Audit recommends the appropriate inspector review all written applications as defined by NCGS and Fayetteville City Code, Chapter 7, Article III before a permit is issued.

Finding 26

Permit fees were not always calculated correctly or consistently.

Fayetteville City Code Chapter Section 7-70 states, "Fees for building-zoning permits shall be based upon the total estimated cost of the proposed work in accordance with the building valuation data adopted by city council. The permit fee shall include all contracts relative to the structure or building, and in no case

shall the total estimated cost be less than the market value of similar completed work in the city as determined by the appropriate inspector or inspectors. A schedule of all permit fees and building valuation data shall be maintained in the office of the city clerk and the inspections director. If a project is commenced prior to obtaining a permit that is required, the total cost of the permit will be increased 100 Percent.” In addition, permit fees should be calculated consistently and accurately to ensure customers are not overcharged.

Internal Audit attempted to recalculate the fees for each child and parent permit associated with the sample of 193 parent/standalone permits. However, the fees could not be accurately calculated for 109 (56%) of the 193 parent/standalone permits, and at least one fee was calculated incorrectly for 26 (13%) of the parent/standalone permits.

Of the 193 parent/standalone permits, 70 (36%) were for heating, ventilation and air conditioning (HVAC) change out permits. Internal Audit reviewed for compliance with NCGS 160A-417 which states, “A city shall not require more than one permit for the complete installation or replacement of any natural gas, propane gas, or electrical appliance on an existing structure when the installation or replacement is performed by a person licensed under NCGS 87-21 or NCGS 87-43. The cost of the permit for such work shall not exceed the cost of any one individual trade permit issued by that city, nor shall the city increase the costs of any fees to offset the loss of revenue caused by this provision.” Based on this statute, Internal Audit looked to ensure the cost of permits did not exceed the cost of any one individual trade permit. Internal Audit noted a mechanical and electrical permit was associated with each HVAC change out. In order to conform to the statute, only mechanical fees were charged for 57 (81%) of the 70 HVAC parent/standalone permits. However, the remaining 13 permits (19%) had additional charges.

- There were electrical fees charged for seven (10%) of the 70 HVAC change out permits because Cityworks’ design was inconsistent with actual practice. Based on the way Cityworks was set up, a parent mechanical and a child electrical permit had to be manually created. When the child electrical permit was created, Cityworks automatically populated the electrical permit fees on the child electrical permit which had to be manually deleted from the child electrical permit to ensure the customer was charged in compliance with the statute. The electrical fees were not deleted for these seven permits. However, Cityworks only showed payment for the mechanical fees. Therefore, in these instances it appeared the customer did not overpay.
- There were seven (10%) HVAC change out permits for which Permitting and Inspections personnel indicated the eight additional fees charged were correct for gas piping, duct work, AMPs and motors because it was work that was in addition to the HVAC change out. However, there were two instances in which either duct work or gas piping was on the application but no additional fee was charged.

Internal Audit also attempted to recalculate fees for HVAC change outs to determine if they were charged correctly. In order for Cityworks to calculate the fee, quantity, total number of British thermal units (BTUs) and kilowatts (KW) were entered for each appliance being changed out. The *Mechanical Permit Application Form* has places for the applicant to provide this information. Fees could not be recalculated due to the following:

- Two (3%) HVAC change out permit fees could not be calculated because the applications were not scanned into Cityworks nor provided by Permitting and Inspections personnel; therefore, Internal Audit could not determine if the information entered into Cityworks was correct. The permits with creation dates of April 1, 2015 and April 29, 2015 had not been issued in Cityworks. Permitting and Inspections personnel indicated applications are attached after permit issuance. When an application is received via fax, the permit is created, but will not be issued until permit fees are paid.
- The remainder of permit fees could not be calculated due to information necessary for fee calculation not always being consistently completed on the permit applications by contractors and/or inconsistently entered by permit technicians into Cityworks. There were no notes, initials

or signatures documented by Permitting and Inspections personnel for clarification on any of these instances.

- a. An issue which affected all HVAC permits was the inconsistent use and interpretation of the words “systems” and “units” on the applications and Fee Schedule. See finding 19 for more information.
- b. The application asks for the ‘# of Systems’ but was not provided by the applicant on eight (11%) of the 70 HVAC change out permits on either the mechanical or electrical permit application.
- c. The current version of the *Mechanical Permit Application Form* asks for the “Size” in BTUs for each appliance and in the block next to it, the application asks for the “Amount of Tonnage Per Unit”. Since the application does not specify, applicants inconsistently listed the BTUs under “Size” as per unit, total BTUs per appliance or the total BTUs for all appliances. Therefore, the BTUs were entered into Cityworks based on Permitting and Inspections personnel’s interpretation.
- d. The *Mechanical Permit Application Form* for six (9%) of the 70 HVAC permits had handwritten amounts which appeared to be added by someone other than the applicant in the “Size” column for BTUs. There were no notes, initials or signatures indicating who wrote the additional information and/or why it was written. In all instances, the customer was charged for the additional BTUs handwritten on the application.
- e. Four (6%) of the 70 HVAC permits, had a \$35 mechanical miscellaneous items fee charged. However, there was not a miscellaneous items fee listed on the Fee Schedule under the Mechanical section. In addition, three of the applications were for condensing units which was listed under the ‘Type of Appliances and Mechanical Items’ section of the *Mechanical Permit Application Form*. The fees charged for all other items listed under this section were based on a per unit and BTU charge. It is unclear why condensing units were not charged this way. The remaining permit was for an exhaust fan which falls under ‘Miscellaneous Mechanical Items’ on the application.
- f. One (1%) of the 70 HVAC permits, in which the permit was modified, had a mechanical and electrical application scanned into Cityworks on September 23, 2015 and another set on January 4, 2016 with different appliance, BTU and KW information listed. It is unclear based on these applications and the notes in Cityworks exactly what appliances, BTUs and KWs were actually changed out.
- g. One (1%) of the 70 HVAC permits was charged as a residential permit at a total cost of \$62.71, but an internet search showed a business address at this location. In addition, a Cumberland County Tax Records Search lists the property class as a commercial property. Based on an Internal Audit inquiry, Permitting and Inspections personnel indicated this was an error. The permit should have been entered into Cityworks as commercial at a total cost of \$75.41.
- h. Another inconsistency noted was information listed in the wrong place on the application (BTUs, KW, # of systems); therefore, fees were charged based on Permitting and Inspections personnel’s interpretation.

In addition to quality reviews not being performed, there were several reviews Permitting and Inspections personnel could have used to ensure correct information was entered:

- The current version of the *Mechanical Permit Application Form* has a block for ‘Total BTUs & KWs Input and/or Listing’ which could have been verified against the ‘Appliance Specs (BTUs) Group Sum’ in Cityworks. A discrepancy would be the result of either a data entry error or incomplete and/or incorrect information provided by the applicant on the application. Any discrepancy should have been addressed prior to issuing the permit. However, this block was only completed on 12 (17%) of the 70 HVAC change out permit applications. This block on the *Mechanical Permit Application Form* is highlighted in green, so applicants may not be aware they should be completing this information. In addition, the areas in green on the application were sometimes hard to read when scanned into Cityworks.

- If the applicants listed the BTUs and the amount of tonnage per unit on the application, the amount of tonnage per unit when converted into BTUs should have equaled the BTUs per unit listed on the application. However, only 25 (36%) of the 70 HVAC change out permits, listed the BTUs in the ‘Size’ column as if it were per unit.

Based on an Internal Audit inquiry, Permitting and Inspections personnel indicated an accurate representation of what is being installed is needed by the inspector which includes: all appliances and equipment being installed; the BTUs and KW demand of the appliances; gas piping and the appliances being piped to include the BTUs of appliances, and the location of installation.

Internal Audit also attempted to recalculate the fees for the remaining 123 (64%) of the parent/standalone permits to determine if they were charged correctly. However, the fees could not be recalculated for 40 (21%) of the 193 parent/standalone permits due to the applications, manual calculations, data entry and the Fee Schedule as detailed below.

In addition to the permit fees that could not be calculated based on the fee schedule (See finding 19), there were six permits that could not be calculated for the following reasons:

- Four permits in which the fees could not be calculated because applications were not scanned into Cityworks or provided by Permitting and Inspections personnel; therefore, Internal Audit could not determine if the information entered into Cityworks was correct. Permitting and Inspections personnel identified one permit as a ‘test permit’ created in the live environment in error. Two permits with creation dates of June 3, 2015 and September 11, 2015 had not been issued, and Permitting and Inspections personnel indicated the applications were attached after permit issuance. The remaining permit application could not be located.
- There were two permits missing information on the application needed to calculate the fees.
 - a. One demolition application did not list the cost of demolition. The *Demolition Permit Application Form* did not have a place on the application requesting this information.
 - b. One permit in which the cost was calculated based on the renovated square footage but was not provided on the application. The applicant used an old version of the Building Permit Application which did not have a place requesting the renovated square footage. However, the newest version of the Building Permit Application Form available on the City’s website did have a place on the application requesting this information.

There were 26 fees on 25 (13%) of the 193 parent/standalone permits that appeared to be charged incorrectly.

- Internal Audit noted 18 fees for 17 parent standalone permits which Permitting and Inspections personnel indicated were applied to both parent and associated child permits in error. The same fee was charged on both the child and parent permit for seven (39%) of the 18 fees. For 15 (88%) of these 17 parent/standalone permits, fees appeared to be charged in error because Cityworks’ design was inconsistent with actual practice. Based on Cityworks set up, Permitting and Inspections personnel had to manually create parent and all applicable child trade permits. Trade fees automatically populated on child trade permits and not the parent building permit. However, based on current practice, all fees should be charged on the parent building permit. Therefore, Permitting and Inspections personnel had to manually add all trade fees to the parent building permit and delete fees from child trade permits to ensure customers were not overcharged for each applicable trade. However, fees were not deleted from child permits for 15 parent/standalone permits. Permitting and Inspections personnel indicated for two permits, fees were charged correctly but should have been charged on the parent permit.
- Four Homeowner Recovery Fees appeared to be charged incorrectly. According to the North Carolina Licensing Board for General Contractors, "When a licensed general contractor files for

and secures a building permit for the construction or alteration of a single-family dwelling unit, the local (city or county) building inspection departments in North Carolina charge an additional fee of the applicant/contractor." Per North Carolina General Statute 87-15.6, "a city or county building inspector shall collect from the general contractor a fee in the amount of ten dollars (\$10.00) for each dwelling unit to be constructed or altered under the permit." When determining if the fee was charged correctly, Internal Audit examined each residential building permit to see if The North Carolina Licensing Board for General Contractors showed a valid license for the general contractor listed on the application.

The Homeowner Recovery Fee was charged for one permit issued on January 5, 2015 for new residential home construction in which the general contractor's license was last renewed on May 16, 2014. North Carolina General Statute 87-10 (e) states, "A certificate of license shall expire on the thirty-first day of December following its issuance or renewal and shall become invalid 60 days from that date unless renewed, subject to the approval of the Board." This contractor's license expired on December 31, 2014 and would have been invalid on March 2, 2015. The contractor's license was still valid when the permit was issued but was invalid at the time of Internal Audit's review. Based on an Internal Audit inquiry, Permitting and Inspections personnel indicated the contractor's license is verified for new contractors to determine if the license is valid. However, Permitting and Inspections personnel did not check licenses with each permit application to ensure contractor's licenses were valid.

In addition, Internal Audit found three building permits in which the contractors appeared to have a valid general contractor's license, yet a Homeowner Recovery Fee was not charged. For two of the permits, Permitting and Inspections personnel indicated the Homeowner Recovery Fee should have been assessed. For the remaining permit, Permitting and Inspections personnel indicated if the general contractor's license number was not listed on the application, then it was assumed the contractor was not a licensed general contractor.

Based on an Internal Audit inquiry, Permitting and Inspections personnel indicated a contractor's license was only checked for a contractor who was being entered into Cityworks for the first time and not every time a permit was issued. Information Technology personnel stated Cityworks does not currently have the capability to validate contractor license status and expiration date on the State's database and use the information to update contractor information in Cityworks.

- There were four additional incorrect fee calculations due to data entry error and manual fee calculations.

Internal Audit also noted one building permit in which the original building permit was modified in Cityworks and fees appeared to be charged correctly based on square footage and value of improvement. However, Cityworks could not have correctly calculated the permit fees based on both square footage and construction cost. It appears the contractor/homeowner paid the correct amount, though, Internal Audit identified two concerns with this permit:

- The permit information originally entered into Cityworks was overridden by the information entered into Cityworks when it was modified. Internal Audit was unable to determine what was originally entered into Cityworks because the audit trail function within Cityworks was turned off. Information Technology personnel indicated this was turned off and never turned back on because it was causing the system to run slow.
- Cityworks does not have the capability to calculate fees based on square footage and value of improvement for the same permit. Therefore, Permitting and Inspections personnel would need to manually calculate and enter some of the fees into Cityworks. The *Permit Technician Procedure Manual* did not provide any guidance on whether a separate building permit should have been issued in this instance.

Based on inconsistencies with the completion of applications, it appeared applications could be unclear and confusing. Permitting and Inspections personnel stated the contractor's office personnel completing the applications may not have the knowledge required to complete applications correctly. In addition, Permitting and Inspections personnel issuing permits did not have the technical knowledge to know if the permit applications were complete or if the information was correct. In addition, there was no review performed by personnel with the necessary technical knowledge to ensure correct and thorough completion (see finding #25).

Information entered into Cityworks was based on information from incorrect, incomplete and inconsistent applications. In addition, the entry of information into Cityworks was based on Permitting and Inspections personnel interpretation as there were no written policies and procedures to ensure fees were charged consistently and correctly.

Some fees were being manually calculated by Planning and Code Enforcement Services Department's Zoning Division or Permitting and Inspections personnel and were not always calculated correctly or consistently. The information entered into Cityworks was not always correct, and there were no control activities designed to prevent or detect errors in permit fee calculations formally present. The current permitting process does not include formal control activities to review or validate interpretations or judgments made by Permitting and Inspections personnel or Zoning Division personnel. According to Permitting and Inspections personnel, quality reviews were not performed to ensure information entered into Cityworks was accurate and fees were charged correctly (see finding #10).

In addition, the Fee Schedule, applications and Cityworks were not always consistent with one another.

Recommendation

Internal Audit recommends Permitting and Inspections management review applications, the Fee Schedule and Cityworks, and ensure they are consistent with one another. In addition, Permitting and Inspections management should review all permit applications to ensure all necessary information is required on the applications, applications are clear, and assess whether any unnecessary information should be removed from the applications. Once the applications are updated and made available to the contractors/homeowners, their use should be enforced.

In order to be in compliance with North Carolina General Statutes, Inspectors should issue permits. However, prior to permit issuance, Permitting and Inspections personnel should ensure permit applications are completed with all information necessary to calculate fees. If information on the application is unclear, Permitting and Inspections personnel should ask the applicant for clarification. Any updated information should be clearly documented for future reference.

Permitting and Inspections management should establish a quality review process for the Permitting and Inspections Department. Due to the high volume of applications, the likelihood of finding an exception by spot checking is statistically low. Therefore, when establishing a quality review process, Permitting and Inspections management could consider exception-based reporting from Cityworks which could identify unusual transactions, such as a residential building permit without a homeowner recover fee charged.

Policies and procedures should be written to provide clear guidance on accurate and consistent application of fees. Training should be given to Permitting and Inspections personnel to ensure understanding and adherence to policies and procedures.

Finding 27

The Permitting and Inspections Department did not verify the status of contractor's license status prior to issuing building permits.

North Carolina General Statute 87-14(a) states, unless entitled to claim exemption under NCGS 87-1(b)(2), any person, firm, or corporation requesting a permit for the construction of any building,

highway, sewer, grading, or any improvement or structure where the cost is to be thirty thousand dollars or more shall furnish satisfactory proof to the inspector or authority that the person seeking the permit or another person contracting to superintend or manage the construction is duly licensed to carry out or superintend the construction or is exempt from licensure under NCGS 87-1(b). In addition, NCGS 87-14(b) states, it is unlawful for the building inspector or other authority to issue or allow the issuance of a building permit unless and until the applicant has furnished evidence that the applicant is either exempt or is duly licensed to carry out or superintend the work for which permit has been applied.

Internal Audit found one permit issued on January 5, 2015 for a new residential home construction in which the general contractor's license was last renewed on May 16, 2014. North Carolina General Statute 87-10 (e) states, "A certificate of license shall expire on the thirty-first day of December following its issuance or renewal and shall become invalid 60 days from that date unless renewed, subject to the approval of the Board." Which means this contractor's license expired on December 31, 2014 and would have been invalid on March 2, 2015. Therefore, the contractor's license was still valid when the permit was issued. However, the final building inspection does not show in Cityworks as passed until April 19, 2016 at which time the license would have been invalid.

Additionally, NCGS 160A-417 states, "A city shall not require more than one permit for the complete installation or replacement of any natural gas, propane gas, or electrical appliance on an existing structure when the installation or replacement is performed by a person licensed under G.S. 87-21 or G.S. 87-43. The cost of the permit for such work shall not exceed the cost of any one individual trade permit issued by that city, nor shall the city increase the costs of any fees to offset the loss of revenue caused by this provision." Based on an Internal Audit inquiry, North Carolina State Department of Insurance (DOI) personnel recommended the City's legal team provide guidance on the interpretation of the statute. However, Department of Insurance personnel stated the statute applies to both residential and commercial permits; and both mechanical and electrical contractors would have to be licensed in their respective area.

Therefore, Internal Audit tested to ensure there was a valid mechanical and electrical license for the respective contractors listed on permit applications for HVAC change outs and determined a current electrical license couldn't be validated for two electrical contractors, and one electrical contractor in which a valid license couldn't be found during Internal Audit's initial search. However, another search to document at a later date pulled up an active license issued on March 6, 2016 with an expiration date of March 5, 2017. Internal Audit was unable to determine from the license search if the contractor had an active license at the time the permit was pulled on March 10, 2015. Based on an Internal Audit inquiry, Permitting and Inspections personnel indicated based on word of mouth the contractor was licensed at the time the permit was issued, but legal matters occurred causing the license to be invalid.

Based on an Internal Audit inquiry, Permitting and Inspections personnel indicated the contractor's license was checked on the applicable North Carolina website (State Board of Examiners of Plumbing, Heating and Fire Sprinkler Contractor, North Carolina State Board of Examiners for Electrical Contractors and North Carolina Licensing Board for General Contractors) by the permit technician when a new contractor applies for a permit to determine whether the contractor has a valid license. However, Permitting and Inspections personnel did not check licenses every time a permit application was entered into Cityworks to ensure the contractor's license was still valid.

Recommendation

Internal Audit recommends the appropriate inspector review all written applications as defined by NCGS and Fayetteville City Code, Chapter 7, Article III before a permit is issued. This review should include the status of the contractor's license.

Additionally, Internal Audit recommends Permitting and Inspections personnel establish and follow written procedures to ensure each contractor's license is valid when issuing a permit. Since permits expire December 31 each year and become invalid 60 days from that date unless renewed, Permitting and Inspections should establish and follow written procedures to ensure all general contractors with active

permits still have valid licenses in March of each year. For any active permits determined to be issued to general contractors with invalid licenses, Permitting and Inspections personnel should establish written procedures to comply with NCGS 160-422 relating to the revocation of permits.

Finding 28

There was a lack of controls to prevent the issuance of duplicate permits.

Based on an Internal Audit inquiry, Cityworks did not notify the user when trying to create a permit that already exists because multiple permits can be issued for the same address. It appears duplicate permits could be entered into Cityworks, and there did not appear to be any mitigating controls in place to prevent the duplications. Permit technicians were to search addresses before issuing permits to ensure duplication did not take place. Accurate and reliable data is essential to all business processes and is valuable to managers for making informed decisions and long range strategic planning. Entering duplicated information in a system damages the reliability of the data used to make those decisions (see finding #11).

Internal Audit found 16 permits that appeared to be duplicates. Of these, one permit had a status of “CANCELLED”. Based on an Internal Audit inquiry, the remaining 15 permits were either keyed in error or were duplicates created during system malfunctions, when Cityworks would “freeze” while trying to create a permit. The 15 permits were still in an “ISSUED” status. Permitting and Inspections personnel also explained that one permit was issued because an existing permit had expired. The permit technician did not “EXPIRE” the existing permit before issuing a new one. According to Permitting and Inspections personnel, the permit technicians should be searching addresses before issuance of permits to hinder duplication and determine if any permits of the same kind are already open and not expired. When this search is performed by the permitting technicians, a review of the scope of work is not done, only the address search.

Duplicate permits inflate the numbers reported for performance metrics. With no quality review process in place, these errors could result in fraud with work being allowed without payment on these duplicate permits. The risk is also present that acts of fraud will go undetected.

Recommendation

Permitting and Inspections management should coordinate with the Information Technology Department and/or the software developer to develop controls within Cityworks to prevent creating duplicate permits. Should Cityworks not have this capability; Permitting and Inspections management should work with personnel within the department on mitigating controls to ensure duplicate permits are not being created. All permit applications should be reviewed by an appropriate level inspector before a permit is issued at which time, the inspector can verify that a duplicate permit is not being created.

Finding 29

Controls for backdating and resulting inspections within Cityworks were inadequate.

When inspectors reach the inspection location, they were not required to note the time of day within the permit tracking system, Cityworks or an inspection log; nor were completion times required to be recorded before leaving the site to begin the next inspection. Based on an Internal Audit inquiry, Permitting and Inspections personnel stated inspections were not resulted on-site due to the lack of iPad compatibility with Cityworks. In addition, based on discussion with Information Technology personnel, the connection “timed out” due to City server performance related matters. Initially, iPads were purchased for all inspectors at the request of Permitting and Inspections management for use in the field but were determined not to be feasible for this process. The iPads have since been replaced with laptops which have a stronger cellular signal and should result in improved performance of Cityworks.

Due to the City server performance causing Cityworks to “time out” and the iPad incompatibility with Cityworks, inspectors would result tasks/inspections during late afternoon office hours or the following morning. When these inspections are resulted, both the start and end times of the inspection show as the

same time. Without controls over resulting tasks/inspections within Cityworks, whereas; the inspections can be backdated, Internal Audit was unable to determine when the inspection was completed. By allowing inspection results to be backdated and not resulted in Cityworks at the time of the inspection, the risk that the inspection will not be recorded increases.

When the inspector reaches the inspection location, they should be required to note the time of day within Cityworks. Additionally, the results of the inspection should be entered into Cityworks at the completion of the inspection before leaving the site. Each inspector has an assigned laptop and a cell phone. The laptops allow inspectors to access City systems as well as to post the results of inspections to Cityworks. This process would allow the permit holder to utilize the Web Portal System, when implemented, to verify if an inspection had been completed and obtain results.

Recommendation

Procedures should be established requiring inspectors to document within Cityworks when the inspector reaches the location and the results of the inspection before going to the next assignment. Cityworks should be configured, if necessary, to facilitate this type of documentation. Training should be provided to improve inspectors' documentation, to establish parameters and guidelines and the use of laptops in the field to result the inspections.

Finding 30

The practice of bypassing system controls was not prohibited, and all required inspections were not documented.

The permit tracking system, Cityworks was designed for the City of Fayetteville to manage permits, projects, inspections, and other activities related to permitting, planning, and engineering review. The software developers and appropriate City personnel that managed and maintained the City's permitting and inspections processes participated in the development of the permit tracking system, including workflows. These workflows should accurately track the process from application or request through departmental plan reviews, fee collection, inspections, regulatory meetings, hearings and more.

Workflows consist of tasks/inspections required for a specific permit. These tasks/inspections are organized into milestones, which dictate the progression of the permit. The result of each task/inspection determines the next step in the workflow. A permit may close at the completion of a task/inspection, open the next milestone or reinsert a task/inspection.

Although the Cityworks system controls have the capability to ensure all inspections/tasks required by the North Carolina State Building Code for the permit are completed before the final task/inspection is resulted for parent and child permits, Internal Audit's review reflected Permitting and Inspections personnel added and deleted tasks/inspections to permit workflows, thereby, allowing the inspectors to bypass all controls.

Based on an Internal Audit inquiry, the workflows were not set up to automatically populate tasks/inspections relevant to each specific type of permit. Some permits had unnecessary tasks/inspections in the workflow, and others were missing applicable task/inspections in the workflow. Therefore, the inspectors could not result appropriate inspections for permits because task/inspections that were not applicable had to be resulted first or omitted inspections had to be added. The manner in which the workflows within Cityworks were implemented caused the need for inspectors to add tasks/inspections that didn't automatically populate in the workflow and delete tasks/inspections that weren't necessary for the permits.

The milestones within the workflows require the tasks/inspections to be completed in a specific order before allowing the next milestone available for completion. Cityworks was implemented to allow the inspectors to add task/inspections at different milestones within the workflow, bypassing the controls so

the results for final inspection could be entered in Cityworks and the Certificate of Compliance/Occupancy could be issued in a timely manner.

The Cityworks inspection workflow system allows personnel to work around system controls by deleting inspections within the workflow, and adding inspections at all levels within the workflow.

The inspections process should ensure all required inspections be completed according to the North Carolina State Building Code. By allowing Permitting and Inspections personnel to work around system controls, management introduces the possibility of inferior quality of work or lack of performing the required inspections. Without proper internal controls, Internal Audit was not able to determine if all the required inspections were performed.

Recommendation

Internal Audit recommends the Permitting and Inspections Department prohibit the practice of bypassing system controls by deleting and/or resulting inspections on the workflow as “NA”. Quality reviews should be conducted by management to ensure all inspections are completed and resulted for each type of permit on the workflow. Cityworks workflows should be updated for each permit type to include only required inspections for that permit type.

Finding 31

The Permitting and Inspections Department should establish a personnel productivity and time measurement system for the inspections function.

The Permitting and Inspections Department has 13 inspector positions and four inspection supervisor positions. Work hours were five 8-hour days per week, from 8:00 am to 5:00 pm, with a 1-hour meal period. Not all inspectors reported to City Hall at 8:00 a.m., as several inspectors left their homes to begin their inspection assignments.

Inspectors were furnished a City vehicle to make their daily rounds in completing inspections and a laptop (Revolve) to record inspections activity as it occurred. The laptops allow inspectors to access City systems as well as to post the results of inspections to the permit tracking system, Cityworks.

In general, inspections were required at certain points in the permit process and were the responsibility of the permit holder to request. When a permit was issued, an inspector was assigned to a project based on territory and type of permit issued. When an inspection was requested by the permit holder, the request would show up on the inspector’s daily (assignment) scheduling log.

Additionally, Automatic Vehicle Locator (AVL) technology was available to assist in monitoring inspector activity as needed but was attached to the vehicles such that the AVL unit could be unplugged. During Internal Audit’s review of scheduling logs and AVL reports for the month of April 2016, some scheduled inspections did not appear on the AVL reports and in some cases, stops on the AVL report were not scheduled inspections. It was also noted some inspectors work hours were questionable and did not appear to be the actual hours worked per the inspector’s time cards.

Guidelines were not established to instruct the inspectors where and what time to begin their assigned inspections. One of the standard internal control procedures includes having a formal written policy and procedure manual (see finding #2). Written procedures provide guidance to personnel to perform their duties consistently in conformance with policies.

The time required to conduct inspections, coupled with the number of inspections completed, is a valuable measure of individual productivity. Based on an Internal Audit inquiry, the time required for an inspection varies and can be influenced by a number of factors, such as the complexity of the inspection, number of individual inspections covered by one permit number, and wait time for someone to grant

access. A review of the AVL technology would identify if City inspectors are spending inadequate time performing their duties. An inadequate inspection could result in approving an unsafe structure.

Recommendation

Permitting and Inspections management should develop procedures to clarify expectations, including established start times and locations to begin inspections for the workday. The procedures should also give general guidance on how to conduct inspections. Once these procedures are established, Permitting and Inspections management should ensure personnel are adequately trained on them.

The AVL technology should be fitted and fully operational on all Permitting and Inspections Department vehicles. This data should be used by management in conjunction with monitoring inspector output as a measure of overall productivity.

Finding 32

Demolition projects were not inspected.

Pursuant to Fayetteville City Code, permits expire after 60 days of inactivity. During Internal Audit's review, it was determined 20% of the residential demolition permits issued for an "entire demolition" reflected the permit status as issued and no final inspection was reflected on the workflow. At the time of the review the permits were expired. During an Internal Audit inquiry, the demolition process appeared unclear and the responsibility for demolition inspections was not specified. While Internal Audit could not determine the validity of work performed under all issued permits, the completion of demolition projects could be verified. A sample of residential demolition permits found the structure or building had been demolished.

Permitting and Inspections personnel indicated there was no process in place to monitor expired permits. The practice of allowing permits to expire should not be used as a method to avoid inspections and circumvent controls. Inspections provide assurance the work performed was allowed under the permit, and the work completed met minimum standards of the North Carolina State Building Code.

Permitting and Inspections personnel depend upon the permit holder or his agent, as required by North Carolina State Building Code 105.6, to give notice when permitted work is available for inspection. Timely and properly executed inspections reduce the risk that demolition projects could be completed without the oversight of an inspection, possibly resulting in unsafe conditions.

Recommendation

Permitting and Inspections management should develop procedures to ensure all permitted projects are inspected or permits are properly cancelled if the permitted work is not commenced.

Finding 33

A final accounting for permit fees based on construction cost or square footage was not done to ensure permit fees were charged correctly.

Square footage and construction cost should be verified prior to issuing the permits and a final accounting should be completed prior to the issuance of the certificate of compliance/occupancy to ensure the correct fees were charged. Any adjustments should be made in Cityworks and any fee discrepancies should be collected/refunded prior to issuance of the certificate of compliance/occupancy. Without a proper validation process, permits may be over or undercharged.

The permitting process for most permits starts in the Planning and Code Enforcement Services Department's Zoning Division. Based on an Internal Audit inquiry, Planning and Code Enforcement Services personnel indicated the Zoning Division verifies square footage on sheds and interior house renovations, and look for reasonableness of square footage and construction costs for all other building permits. Planning and Code Enforcement personnel calculate the permit costs, based on the square

footage the contractor/owner provided, in an EXCEL spreadsheet which is taken to Permitting and Inspections personnel to issue the permits. Of the permits sampled, the fees for 68 (35%) of the 193 parent/standalone permits were based on either square footage or construction cost. For all 68, Internal Audit noted either some form of signature and/or initials by Permitting and Inspections and/or Planning and Code Enforcement personnel on the permit applications and/or the Zoning Compliance Form.

Permitting and Inspections personnel indicated a final accounting was not done for permit fees based on construction cost or square footage to ensure permit fees were charged correctly. In addition, the contractor/owner was not required to sign an affidavit certifying the square footage or construction costs.

Based on an Internal Audit inquiry, Cumberland County Tax Administration personnel indicated the square footage information provided by the City's Permitting and Inspection Department is used as a guideline for assessed property tax value, and the County appraisers follow up to determine the correct value to be used.

Recommendation

Internal Audit recommends Permitting and Inspections management develop processes to ensure square footage and construction costs are validated prior to permit issuance and again prior to issuance of the certificate of occupancy/compliance. The process should include recording adjustments in Cityworks and collecting or refunding any fees based on these adjustments. These processes should be documented in written policies and procedures and personnel should be trained on them.

Finding 34

No formal written policy existed to provide guidance when to impose a callback fee.

In the fiscal year 2011 adopted budget, an "extra inspection" fee of \$50 established or last changed in fiscal year 2008 for building, electrical, mechanical and plumbing permits. On June 13, 2011, the fiscal year 2012 Fee Schedule was presented to City Council with changes removing the "extra inspection" fee and adding an "Extra Inspections for Each Applicable Permit" fee of "\$100 for the first extra inspection, \$200 for subsequent extra". However, there was no direction presented to City Council on the intent of imposing this fee. Therefore, Internal Audit was unable to determine how the fee should be imposed. The fee, as presented to Council on June 13, 2011, is reflected in the adopted fiscal year 2012 Fee Schedule.

On April 23, 2012, the council action memo for fee schedule amendments taken to City Council by Development Services read, "A modified extra inspections fee is proposed to change the first re-inspection fee to the cost of the original permit or \$100, whichever is less, rather than a flat \$100 fee; it seemed excessive to charge more than the original permit cost. This was suggested at a focus group of homebuilders." Again, there was no direction presented to City Council on how the fee would be imposed.

The fiscal year 2015 and 2016 Fee Schedules adopted by City Council reflected "callback inspections for each applicable permit" "\$100 or original permit fee, whichever is lower, for the 1st extra inspection, \$200 for subsequent extra inspections," established or last changed in fiscal year 2012.

Based on an Internal Audit inquiry, a previously failed inspection requires a re-inspection. The City has established re-inspection fees that are identified in the City's Fee Schedule as "callback inspections for each applicable permit". Internal Audit found no clarity on imposing the fee when adopted by City Council. Based on an Internal Audit inquiry, each type of inspection on a permit is allotted two inspections, unless it is a large construction project and the inspection(s) would have a part-pass due to the steps taken to complete the project and the need for the inspector to see each step.

Currently, callback fees are imposed at the discretion of the inspector. If callback fees are not consistently charged, the City incurs inspection costs that are not reimbursed, and the public could perceive inequitable treatment of contractors.

Since the Permitting and Inspections Department did not have a formal policy to impose callback fees and there was no clarity presented to City Council when the fee was imposed, Internal Audit was not able to determine compliance.

Recommendation

A formal written callback policy to provide guidance and direction on how to impose callback fees should be developed and communicated to contractors/home owners. In addition, Permitting and Inspections personnel should be trained on this new policy.

Finding 35

Multi trade combined inspections should be enhanced.

Inspectors in some trades were capable of performing multi-trade inspections; however, some inspectors limited their inspections to one trade.

During Internal Audit’s review of permits with an “ISSUED” status, whereas, the inspection task on the workflow reflected the inspection was not completed. Internal Audit noted final inspections were completed on mechanical permits for heating, ventilating, and air conditioning (HVAC) by the mechanical inspectors, but no inspection was completed on the child electrical permit.

It is likely that there are several variations in how operations are carried out that could contribute to a more successful performance. Inspectors with multi-trade inspection capabilities could allow for flexibility in scheduling and reduce drive time as inspectors cover smaller geographical areas.

Recommendation

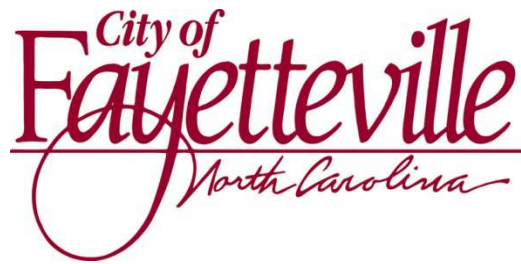
Consider implementing multi-trade inspections, specifically HVAC permits, to enhance scheduling flexibility, reduce drive times and improve response times.

CONCLUSION

The Permitting and Inspections Department is responsible for an important aspect of public safety because it oversees residential and commercial construction within the City. The Department manages the process by requiring certain pre-construction prerequisites be met, including plan reviews, issuing various permits and conducting timely on-site inspections.

Internal Audit found lack of compliance with the North Carolina General Statutes, North Carolina State Building Code, Fayetteville City Code and other regulations, insufficient management oversight, management practices, and documentation of policies and procedures in the Permitting and Inspections Department. Improvement in these areas will help the Department achieve program objectives and meet the City’s strategic goals now and in the future. In the current environment of increased public scrutiny and fiscal restraint, the Permitting and Inspections Department needs to clearly and transparently report to Council on its performance and ensure permit fees are charged accurately and consistently. The implementation of the report recommendations will move the Department closer to achieving this.

Internal Audit appreciates the cooperation and assistance we received from Permitting and Inspections, and Information Technology personnel as we conducted this audit.



MANAGEMENT'S RESPONSE

Date: October 12, 2016

Memo to: Elizabeth Somerindyke, Internal Audit Director

From: Scott Shuford, Planning & Code Enforcement Director
Mike Bailey, Permitting and Inspections Building Official

Subject: **Management's Response**
Permitting and Inspections Compliance Audit – Audit Report A2016-02

The following is the management's response to the Permitting and Inspections Compliance Audit.

Recommendation #1:

Permitting and Inspections management should perform a self-assessment of internal controls. Once risk areas are identified, steps should be taken to correct control deficiencies so departmental objectives are achieved and departmental responsibilities are met. Identifying risks and implementing control procedures will not protect assets and produce reliable information if personnel are not following established procedures. To ensure that controls are effective, Permitting and Inspections management should regularly review available documentation to confirm controls are being executed as designed. All documentation should be reviewed and signed off on by a supervisor to ensure completeness and accuracy. In addition, the self-assessment of internal controls should be performed periodically to address additional control deficiencies as they arise.

Management's Response:

We concur. Management is in full agreement with the recommendation

Workflow processes will be mapped and application-specific permitting procedures will be identified and placed in a checklist format that will be included in a manual of standard operating procedures. Weekly testing by the Building Official, Inspection Supervisors, and the Senior Administrative Assistant will be conducted and documented to identify any risk areas and to correct control deficiencies. Follow-up training will be provided in areas where control problems are identified.

As it relates to the deficiencies that address the Cityworks PLL software, the City Manager has authorized a project assessment to evaluate the current state of Cityworks and make recommendations on whether to continue implementation and refinement efforts or seek another PLL solution. Until the assessment is completed, only issues already identified as a part of Permitting and Inspections and Information Technology's project priority list will be completed. All other efforts to refine Cityworks will be discontinued.

Responsible Party: Building Official; Senior Administrative Assistant

Implementation Date: 06/30/2017

Recommendation #2:

Written policies for the Permitting and Inspections Department should be developed to set forth requirements; to ensure consistency and reliability of information; provide adherence to laws and regulations, and include provisions for performance measure collection, calculation, review and reporting. The procedures should be updated and include sufficient information to allow an individual who is unfamiliar with the operations to perform the necessary activities. Policies and procedures should be revised to account for any changes in business processes. This is particularly important when new systems are developed and implemented or other organizational changes occur.

Management's Response:

We concur. Management is in full agreement with the recommendation.

A comprehensive review of the existing Standard Operating Procedures for both the Permitting and Inspections divisions is currently underway because of major adjustments to procedures and work flows resulting from a substantial effort to simplify procedures and to more fully implement Cityworks, including the scheduling and online permit application functions. Upon completion of the review and revisions, each division's procedural manuals will include step-by-step instructions and resources in order for existing and new staff to effectively perform their daily functions. This effort will take some time as it will require coordination with two vendors, in addition to multiple departments. Similarly, departmental policies will be developed in conjunction with this effort to govern issues identified in this Compliance Audit in Recommendations 1, 3 7, 9, 16, 20, 22, 26, 29, 31 and 32.

The ultimate plan will be to expand this initiative to the inter-departmental level, with policies and procedures in place in order to provide consistent and positive customer service that is seamless across departmental lines. This will be pursued after the development of department policies and procedures and is not considered a direct response to this Audit.

As it relates to the deficiencies that address the Cityworks PLL software, the City Manager has authorized a project assessment to evaluate the current state of Cityworks and make recommendations on whether to continue implementation and refinement efforts or seek another PLL solution. Until the assessment is completed, only issues already identified as a part of Permitting and Inspections and Information Technology's project priority list will be completed. All other efforts to refine Cityworks will be discontinued.

Responsible Party: Senior Administrative Assistant (for Permitting); Building Official (for Inspections)

Implementation Date: 06/30/2017

Recommendation #3:

Permitting and Inspections management should take specific measures to comply with records retention rules as governed by North Carolina General Statutes, North Carolina State Building Code; North Carolina Department of Cultural Resources Records Retention and Disposition Schedule, Fayetteville City Code, and City of Fayetteville Policies. Procedures should be outlined for retaining all supporting documentation and where the documentation will be kept taking into account records retention rules. Cityworks electronic files should be updated to include all available documentation not yet attached to a permit file within the system.

Management's Response:

We concur. Management is in full agreement with the recommendation.

A departmental policy has been drafted to provide clear guidance to all staff members with regard to relevant records retention matters. Documentation of records retention will be consistent with State law and City policy and will be managed by the Senior Administrative Assistant. Permission to utilize digital records as the primary method of retaining documents for building permit applications, building permits, construction plans, and associated correspondence will be sought from the NC Division of Cultural Affairs. Assuming permission is granted, hardcopy applications, plans, and correspondence will be retained in Permitting and Inspections Department files until testing confirms the security and accessibility of digital records in the Cityworks system and/or the records retention dates are exceeded. If permission is not granted by the NC Division of Cultural Affairs for digital records retention, hardcopy files will be retained in Permitting and Inspections Department files or in remote file storage in accordance with the departmental policy.

As it relates to the deficiencies that address the Cityworks PLL software, the City Manager has authorized a project assessment to evaluate the current state of Cityworks and make recommendations on whether to continue implementation and refinement efforts or seek another PLL solution. Until the assessment is completed, only issues already identified as a part of Permitting and Inspections and Information Technology's project priority list will be completed. All other efforts to refine Cityworks will be discontinued.

Responsible Party: Senior Administrative Assistant

Implementation Date: 06/30/2017

Recommendation #4:

To ensure compliance with the Fayetteville City Code, senior management should consider reorganizing the structure of the Permitting and Inspection and the Planning Services and Code Enforcement Departments so the Permitting and Inspections Director oversees all matters related to interpretation and enforcement of North Carolina State Building Code, to include (if applicable) zoning, building plan review, permits, inspections and code enforcement, as provided in the Fayetteville City Code.

Management's Response:

We concur. Management is in agreement with the recommendation.

The NC Building Code must be interpreted by someone certified to perform such interpretations, but this training may not qualify the individual to manage the enforcement of City codes regarding code enforcement and zoning. We believe it is imperative that the management of these related functions should be centralized to enhance customer service but such centralization may not be best handled through the structure proposed by Internal Audit due to the complex nature of the various laws and codes. Once a determination is made regarding reorganization, the PCE Director will take responsibility for amending the City Code as needed to reflect the organizational structure as necessary. As of November 15, 2016, departmental personnel will coordinate all NC Building Codes through the City's Building Official. A review of the City's entire development review process will be conducted on the organizational structure and an implementation of the recommendation is anticipated to be completed in early 2017 with the FY18 budget.

Responsible Party: City Manager

Implementation Date: 07/01/2017

Recommendation #5:

Permitting and Inspections personnel should ensure compliance with the Fayetteville City Code Chapter 7, Building Code, Part II, Article III Enforcement, Section 7-62(a)(1) Permits Required, by requiring a bond be posted at the time of demolition permit application. Additionally, the City Code should be updated to define the amount of the bond, whereas; currently the amount is defined as “good and sufficient”.

However, if Permitting and Inspections management determine bonding requirements for demolition permits are not required as provided in the Fayetteville City Code Chapter 7, Building Code, Part II, Article III Enforcement, Section 7-62(a)(1) Permits Required, then the Fayetteville City Code should be updated to reflect current requirements.

Management’s Response:

We concur. Management is in full agreement with the recommendation.

The City Code provides for a requirement that is no longer generally needed. Small-scale demolitions are currently managed through contracts that require the contractor to carry liability insurance sufficient to cover any claims that result. We will propose revising the City Code to delete the bonding requirements except in unusual circumstances, such as where the structure to be demolished shares a common wall with another structure or for larger projects that go through the formal bid process.

Responsible Party: Planning and Code Enforcement Director

Implementation Date: 04/30/2017

Recommendation #6:

Internal Audit recommends the Permitting and Inspections Department work with the Information Technology Department to develop and implement a process to ensure certificates of occupancy/compliance are not issued prior to all inspections being documented as finalized. Permitting and Inspections management should also streamline and automate documentation for certificate of occupancy and certificate of compliance and encourage appropriate utilization of automated resources to promote efficiency and accountability in the inspection approval process for temporary and final certificates of occupancy and certificates of compliance.

Management’s Response:

We concur. Management is in full agreement with the recommendation.

While report creation is part of the Information Technology Department’s top priorities for Cityworks “fixes,” locking out the report is a customization that will require additional funding to complete. Information Technology has completed the process of watermarking the reports in question with a watermark that says INVALID if the report is printed before all the required inspections, payments, or documents are completed.

As it relates to the deficiencies that address the Cityworks PLL software, the City Manager has authorized a project assessment to evaluate the current state of Cityworks and make recommendations on whether to continue implementation and refinement efforts or seek another PLL solution. Until the assessment is completed, only issues already identified as a part of Permitting and Inspections and Information Technology’s project priority list will be completed. All other efforts to refine Cityworks will be discontinued.

Responsible Party: Information Technology Project Manager

Implementation Date: 11/30/2016 for the workaround. TBD for the ultimate resolution.

Recommendation #7:

The Permitting and Inspections Department should ensure compliance with North Carolina General Statutes and the North Carolina State Building Code and create formal procedures for the certificate of compliance and certificate of occupancy process.

Management's Response:

We concur. Management is in full agreement with the recommendation.

Management has reached out to the Supervisor of the Code Inspections Section of the Department of Insurance for clarification on this finding. Section 204.8 Certificate of Compliance of the Administration Code gives a guideline for issuing Certificates of Compliance and Certificates of Occupancy. The Inspections Department is meeting all requirements for the issuance of Certificate of Compliance for Electrical, Mechanical, and Plumbing by issuing a final sticker notice that is placed at the jobsite. We also meet the requirements for the issuance of the Certificate of Occupancy for the Building trade. The referenced General Statute was written in 1993 whereas the referenced code sections are updated every three years.

Responsible Party: Building Official

Implementation Date: 10/05/2016

Recommendation #8:

Update enforcement actions within Fayetteville City Code to ensure contractors comply with the North Carolina State Building Code.

Management's Response:

We concur. Management is in full agreement with the recommendation.

Management will recommend to the City Council that the City Code be revised to eliminate this section since privilege licenses are no longer required. The Inspections Department uses Section 204.10 Stop Work Orders of the Administration Code to ensure the contractors comply with the Building Code.

Responsible Party: Planning and Code Enforcement Director

Implementation Date: 04/30/2017

Recommendation #9:

Testing performed by Internal Audit in Cityworks revealed deficiencies, whereas, there were areas where Internal Audit was not able to determine compliance with laws and regulations. Therefore, Permitting and Inspections management should consider having a specialized audit of the Cityworks software to ensure the deficiencies revealed in Cityworks are remedied and will provide an adequate level of control, ensure processes are put in place to address controls in which Cityworks is unable to perform, and the software is utilized to its maximum efficiency.

The Office of Internal Audit recommends Permitting and Inspections management review the permitting and inspections process to determine key personnel who will have the ability to override the Cityworks system setup by adding, modifying and deleting fees, inspections and permits within Cityworks. Prior to developing and implementing a process related to access controls, Permitting and Inspections management should assess Cityworks setup related to Permitting and Inspection fees and inspection

workflows to ensure consistency with current practice while taking compliance to North Carolina General Statutes, the North Carolina Building Code and the Fayetteville City Code into consideration. Alignment of the required processes with the setup in Cityworks should mean that overriding Cityworks setup by adding, modifying and deleting is an exception and not the rule.

Permitting and Inspections management should ensure Permitting and Inspections personnel read and understand the *City of Fayetteville Policy # 114 Information Technology Appropriate Usage*, and stress the importance of not allowing others to use their access, and protecting all passwords. In addition, written policies and procedures should be documented on how accesses will be requested, who will approve the access and how access will be removed when it's no longer needed.

Management's Response:

We concur. Management is in full agreement with the recommendation

While a number of the aspects of this finding have been addressed, the Permitting and Inspections Department will seek assistance from the Information Technology department in order to fulfill this recommendation in its totality. In particular, Information Technology will work with all PLL user areas and Internal Audit Staff to ensure that the necessary controls and permissions are in place.

As it relates to the deficiencies that address the Cityworks PLL software, the City Manager has authorized a project assessment to evaluate the current state of Cityworks and make recommendations on whether to continue implementation and refinement efforts or seek another PLL solution. Until the assessment is completed, only issues already identified as a part of Permitting and Inspections and Information Technology's project priority list will be completed. All other efforts to refine Cityworks will be discontinued.

Responsible Party: Senior Administrative Assistant (for Permitting); Building Official (for Inspections); PCE Director (for code changes); Information Technology Director; Assistant and Deputy City Manager

Implementation Date: 06/30/2017

Recommendation #10:

Internal Audit recommends a work quality review program be developed and an adequate number of appropriate quality reviews of all permits and inspections be conducted in a timely manner. Documented results should be maintained and utilized as measures of effectiveness during performance evaluations.

Management's Response:

We concur. Management is in full agreement with the recommendation.

The Senior Administrative Assistant will collect samples of work of a variety of permits issued by the Permitting Technicians on a quarterly basis. The reviews will be to ensure that the Permit Technicians are applying the requested work via the permit application within the generated permit issued by the technicians. The review of fees will also be observed ensuring that fee calculations are correct and applied to the proper revenue account. The Senior Administrative Assistant will also conduct monthly reviews of the cash drawers by randomly choosing dates, and times, to count down cash drawers of Permit Technicians that carry out an open cash drawer. A report of such reviews will be created to serve as backup for future auditing purposes.

The Building Official has adjusted Inspections Supervisors workloads to allow for field-checking for work performed by subordinate inspectors. Until Cityworks can be configured to track and report on these field-checks, the Building Official will instruct the Inspections Supervisors to document the

inspections which have been checked in a spreadsheet format. Additionally, Inspections Supervisors are providing one-hour weekly training sessions for subordinate personnel (non-inspector personnel also attend these sessions; see management response to Recommendation 13.)

As it relates to the deficiencies that address the Cityworks PLL software, the City Manager has authorized a project assessment to evaluate the current state of Cityworks and make recommendations on whether to continue implementation and refinement efforts or seek another PLL solution. Until the assessment is completed, only issues already identified as a part of Permitting and Inspections and Information Technology's project priority list will be completed. All other efforts to refine Cityworks will be discontinued.

Responsible Party: Senior Administrative Assistant (Permitting); Building Official (Inspections)

Implementation Date: 11/30/2017

Recommendation #11:

The Permitting and Inspections Department should establish measurable and achievable performance goals and service standards. Permitting and Inspections management should establish formal processes to collect performance information and provide adequate training to ensure accurate input of the data used to quantify each performance measure. Once appropriate performance information is available it should be used to better inform management for decision-making and should also enable the Permitting and Inspections Department to better manage its operations and determine the appropriate balance between service level and resources.

Management's Response:

We concur. Management is in full agreement with the recommendation.

The Building Official is working with Information Technology's project manager and our Cityworks vendors to develop an accurate and efficient system for gathering reporting information. This information may require adjustment to ensure that accurate, obtainable, and reliable information is measured and that this information represents appropriate performance measurement and service standards. Once these reports are installed in Cityworks, we will be able to analyze workload efficiency and effectiveness performance measures to utilize in management and reporting. The Strategy and Performance Analytics Office will be utilized as a resource moving forward. This initiative is part of Information Technology's priority project list.

As it relates to the deficiencies that address the Cityworks PLL software, the City Manager has authorized a project assessment to evaluate the current state of Cityworks and make recommendations on whether to continue implementation and refinement efforts or seek another PLL solution. Until the assessment is completed, only issues already identified as a part of Permitting and Inspections and Information Technology's project priority list will be completed. All other efforts to refine Cityworks will be discontinued.

Responsible Party: Senior Administrative Assistant (for Permitting); Building Official (for Inspections)

Implementation Date: 06/30/2017

Recommendation #12:

The Office of Internal Audit recommends Permitting and Inspections management consult with Information Technology personnel to review the impact on Cityworks regarding this instance and any

other changes made by the 2015 update. Any data integrity issues should be reviewed to determine if any data needs 'cleaned' and fix any 'clean up' considered necessary.

Management's Response:

We concur. Management is in full agreement with the recommendation.

This will require a great deal of input and assistance from Information Technology.

As it relates to the deficiencies that address the Cityworks PLL software, the City Manager has authorized a project assessment to evaluate the current state of Cityworks and make recommendations on whether to continue implementation and refinement efforts or seek another PLL solution. Until the assessment is completed, only issues already identified as a part of Permitting and Inspections and Information Technology's project priority list will be completed. All other efforts to refine Cityworks will be discontinued.

Responsible Party: IT Project Manager

Implementation Date: 06/30/2017

Recommendation #13:

While inspector training may be driven by certification requirements, non-inspector personnel training needs are not. Conduct a personnel training assessment and develop or provide training opportunities to meet the needs identified. Permitting and Inspections management should dedicate the appropriate resources and time to ensure proper training for department personnel. An important part of any training program includes basic product knowledge. Each member of the department should be familiar with the services offered in order to competently satisfy customer needs by providing accurate information and good customer service. Training should also include an understanding of the entire permitting and inspections process and how activities in each area of the Permitting and Inspections Department affect actions taken in other areas both within the department and across other departments. In addition, formal training on the Cityworks software program should be instituted to provide familiarity with the system.

Management's Response:

We concur. Management is in full agreement with the recommendation.

Training for non-inspector personnel will consist of the following training types, to be implemented as funding and operational considerations allow:

- Annual training conducted by the Building Official regarding the administrative requirements and standards of the North Carolina Building Code.
- Non-inspector personnel currently participate in the weekly one-hour training of inspectors by the Inspections Supervisors.
- Periodic non-inspector personnel "ride-alongs" with inspectors to establish familiarity with the practical challenges of construction inspection from the perspective of certified inspectors.
- Formal training in the administration of construction permitting through the Certified Permit Technician coursework developed by the NC Department of Insurance.
- Continuation of prior training in customer service "soft skills" provided by an outside consultant chosen by the Interim Department Director. In the prior training, each staff member was provided an "Inspector Skills" training guide booklet and a study guide questionnaire. Upon completion of the questionnaire, the consultant held employee training of both inspectors and permitting staff on the related materials.

- Cityworks-specific training in the form of online courses, on-site training, and webinars offered by the software integrator and the software developer.
- Annual review of relevant City and departmental policies conducted by the Senior Administrative Assistant.
- Personnel from the State Licensing Board can be requested to provide periodic training on licensing issues.
- The Building Official is compiling a portfolio of photographs illustrating various inspection types that will be used to help familiarize non-inspector personnel with different inspection types.

As it relates to the deficiencies that address the Cityworks PLL software, the City Manager has authorized a project assessment to evaluate the current state of Cityworks and make recommendations on whether to continue implementation and refinement efforts or seek another PLL solution. Until the assessment is completed, only issues already identified as a part of Permitting and Inspections and Information Technology's project priority list will be completed. All other efforts to refine Cityworks will be discontinued.

Responsible Party: Interim Permitting and Inspections Director

Implementation Date: 06/30/2017

Recommendation #14:

Permitting and Inspections management should identify the kinds of reporting information needed in order to adequately track and assess the efficiency of the permitting process. Internal Audit recommends Permitting and Inspections management work with the Information Technology Department and/or the software developer to improve standard reports that can be used on an ongoing basis to ensure the information needed to manage the permitting and inspections processes will be available to those charged with the responsibility.

Management's Response:

We concur. Management is in full agreement with the recommendation.

We will perform a comprehensive review of existing policies and procedures and make the necessary adjustments to comply with the purpose and intent of this audit. Reporting will be a component of this initiative. Reporting is part of the Information Technology Department's priority "fix" list. As modifications to the case types, workflows, and data groups are complete, we will be able to develop the necessary reports for daily and management use.

As it relates to the deficiencies that address the Cityworks PLL software, the City Manager has authorized a project assessment to evaluate the current state of Cityworks and make recommendations on whether to continue implementation and refinement efforts or seek another PLL solution. Until the assessment is completed, only issues already identified as a part of Permitting and Inspections and Information Technology's project priority list will be completed. All other efforts to refine Cityworks will be discontinued.

Responsible Party: Information Technology Project Manager

Implementation Date: 06/30/2017

Recommendation #15:

The Office of Internal Audit recommends Permitting and Inspections management collaborate with all departments involved in the City's permitting and inspections process to develop routine customer

training sessions to be held at least annually. These sessions should, at a minimum, cover information within the entire permitting and inspections process which cause the most customer confusion, such as re-inspections and frequently asked questions. In addition, any new laws, regulations, and requirements should be included in the training sessions.

Management's Response:

We concur. Management is in full agreement with the recommendation.

We will coordinate with other departments to establish a program of customer training sessions. There are a variety of existing models to choose from in implementing customer training, including webinars, presentations before trade or homebuilders organizations, and online tutorials to help train our customers. Some of the timing for this initiative will depend upon when the Public Portal and plan review software is implemented by Information Technology.

As it relates to the deficiencies that address the Cityworks PLL software, the City Manager has authorized a project assessment to evaluate the current state of Cityworks and make recommendations on whether to continue implementation and refinement efforts or seek another PLL solution. Until the assessment is completed, only issues already identified as a part of Permitting and Inspections and Information Technology's project priority list will be completed. All other efforts to refine Cityworks will be discontinued.

Responsible Party: Interim Permitting and Inspections Director

Implementation Date: 06/30/2017

Recommendation #16:

The written policies and procedures recommended in Finding 2 should include practices for closing or otherwise terminating permits that have been abandoned past a certain time threshold as such jobs may require the project to comply with newer, safer building codes and would help protect the public safety. Permitting and Inspections management should continue working with the Information Technology Department and the software developer to implement changes that would update a permit status as it is moved through permitting and inspections processes. Once these changes have been completed and thoroughly tested, the impact on historical information that may occur should be assessed before implementing such changes.

Management's Response:

We concur. Management is in full agreement with the recommendation.

The Information Technology Department is currently working on implementing an automated expiration process for permits that have not received an inspection within six months or that exceed the expiration date after issuance of the permit. Until the automation of expiring permits is implemented, the Permit Technicians are able to query a report to manually expire permits, as well as, export an excel report capturing the number of cases that were manually expired per Permit Technician. The Senior Administrative Assistant will draft a written procedure and policies as set forth in the recommendation and for compiling data for performance measuring purposes.

As it relates to the deficiencies that address the Cityworks PLL software, the City Manager has authorized a project assessment to evaluate the current state of Cityworks and make recommendations on whether to continue implementation and refinement efforts or seek another PLL solution. Until the assessment is completed, only issues already identified as a part of Permitting and Inspections and Information

Technology's project priority list will be completed. All other efforts to refine Cityworks will be discontinued.

Responsible Party: Senior Administrative Assistant

Implementation Date: 11/30/2017

Recommendation #17:

Allowing permits to expire should not be an easy method to avoid inspection and circumvent established controls. Permitting and Inspections management should establish controls to ensure failed inspections are followed to conclusion so the permit holder and/or contractor seek and receive final approval of the project.

The Cityworks software should be configured to automatically expire permits based on specific criteria. A risk assessment should be prepared before permits within Cityworks are automatically expired, whereas, implementing this program could have a significant impact on permits.

A report should be created and run at some stated interval to resolve expired permits and impose a terminal status of EXPIRED. Some consideration should also be given to sending a notice to the permit holder advising of the expiration of the permit due to lack of activity and giving the permit holder an opportunity to respond.

Permitting and Inspections personnel should ensure compliance with the Fayetteville City Code Chapter 7, Building Code, Part II, Article III Enforcement, Section 7-68, Time Limitations on Validity of Permits, by expiring permits 60 days from issuance if the work authorized by the permit has not been commenced or update the Fayetteville City Code to be consistent with the North Carolina State Building Code requiring the time limitation for a permit to expire as six months after the date of issuance if the work authorized by the permit has not been commenced.

Management's Response:

We concur. Management is in full agreement with the recommendation.

Cityworks procedure changes are necessary to effectuate compliance with this finding. Permits that have not had an inspection within 6 months will be automatically expired and the status changed to Closed - Expired. An email will be sent to the applicant 30 days prior to the expiration and then again up on expiration. If a permit has had at least one inspection, the permit expiration will be extended for 12 months in keeping with the NC Building Code. This feature is currently in test and will be moved into production shortly.

Staff will propose revisions to the City Code to ensure compliance with the NC Building Code.

As it relates to the deficiencies that address the Cityworks PLL software, the City Manager has authorized a project assessment to evaluate the current state of Cityworks and make recommendations on whether to continue implementation and refinement efforts or seek another PLL solution. Until the assessment is completed, only issues already identified as a part of Permitting and Inspections and Information Technology's project priority list will be completed. All other efforts to refine Cityworks will be discontinued.

Responsible Party: IT Project Manager for permit expiration notices; Planning and Code Enforcement Director for changes to City Code.

Implementation Date: 04/30/2017

Recommendation #18:

Permitting and Inspection management should coordinate with the Information Technology Department and/or the software developer to develop controls within Cityworks to verify the correct PIN is present on permit records. Should Cityworks not have this capability, Permitting and Inspections management should develop mitigating controls to ensure the validity of PIN's during the review and approval process for permit applications. In addition, Permitting and Inspections management should develop a process for consistent and accurate input of address information and work with the Information Technology Department and/or the software developer to fully integrate the GIS mapping function within Cityworks. In the interim it may be beneficial to enter information in the "Notes" section of a permit to indicate that the address will not match the County records and why. Thorough testing of all upgrades should be performed to ensure the product is performing at an acceptable level to achieve departmental goals.

Management's Response:

We concur. Management is in full agreement with the recommendation.

Cityworks procedure changes are necessary to effectuate compliance with this finding. Permitting and Inspections will require considerable assistance from Information Technology in the testing of Cityworks upgrades.

This was an issue that was discussed during a December meeting and there was no clear resolution because the GIS Data that contains the PIN information is provided by Cumberland County GIS because the Register of Deed and the County GIS use different systems. The update from the Register of Deed to the County GIS is not always as timely as the city would like it. City and County GIS have been working together to resolve this, the city receives a nightly update from the county, and as long as the Register of Deed has updated County GIS then the City GIS and Cityworks will be correct. City GIS also has a GIS Road Map project to develop a collaborative GIS Environment with the county to help with this.

As it relates to the deficiencies that address the Cityworks PLL software, the City Manager has authorized a project assessment to evaluate the current state of Cityworks and make recommendations on whether to continue implementation and refinement efforts or seek another PLL solution. Until the assessment is completed, only issues already identified as a part of Permitting and Inspections and Information Technology's project priority list will be completed. All other efforts to refine Cityworks will be discontinued.

Responsible Party: Chief Information Officer

Implementation Date: 06/30/2017

Recommendation #19:

The Office of Internal Audit recommends Permitting and Inspections management review the existing Fee Schedule to determine whether enhancements would provide additional transparency and clarity for citizens and contractors. In addition, Permitting and Inspections management should ensure consistency among the permit application, Fayetteville City Code and the Fee Schedule.

Management's Response:

We concur. Management is in full agreement with the recommendation.

Management is currently reviewing the permit fees and the permit applications for all four trades. Once we have corrected our fee schedule and permit applications, we will write the policy and procedures to make sure all permits are accurately issued and valued.

Responsible Party: Building Official

Implementation Date: 06/30/2017

Recommendation #20:

Permitting and Inspections management should determine if Cityworks has the capability to provide reports by subsidiary ledger for fees charged to customers, which could be used to reconcile to the City's general ledger.

Permitting and Inspections management should develop written procedures which should be followed to ensure a documented reconciliation between the amounts billed/refunded in Cityworks and actual revenue posted in the general ledger is performed at regular intervals. The reconciliation should be completed with verification of the balances by a second authorized individual including initialing and dating reports to document a review and reconciliation was performed.

In addition, Permitting and Inspections management should develop written policies and procedures to document the process and the importance of closing the POS register nightly.

Once these processes are established, Permitting and Inspections management should ensure personnel are adequately trained on them.

Management's Response:

We concur. Management is in full agreement with the recommendation.

There is a lack of integration between the accounting software programs that the City uses that requires manual procedures to reconcile revenues across Cityworks, JDE, and the Point of Sale program. The reconciliation process of this report is completed by the Senior Administrative Assistant and, upon completion of the reconciliation, the Senior Administrative Assistant records her signature and has an employee unassociated with cash handling, approve the reconciliation report. The Senior Administrative Assistant will develop written procedures on the processes of this reconciliation procedure.

The Permit Technicians have previously trained on the reset procedures of the Point of Sale cash drawers. A draft procedure on "Reconciliation Cash Drawers" has been prepared for review and approval by the Interim Permitting and Inspections Director. Compliance with these procedures will be included as a performance measure.

Responsible Party: Senior Administrative Assistant

Implementation Date: 06/30/2017

Recommendation #21:

Permitting and Inspections personnel should ensure, when submitting payment to the North Carolina Licensing Board on a quarterly basis, that correct amounts are submitted based on a reconciliation of information in Cityworks and the general ledger. Any Homeowner Recovery Fund fee refunds should be taken into consideration when completing the reconciliation.

Management's Response:

We concur. Management is in full agreement with the recommendation.

The Information Technology Department created a new Account Payables subsidiary code to capture the \$9 fee that is paid to the NC Licensing Board. The existing revenue account captures the remaining \$1 recognized as revenue. The recent segregation of the Homeowner Recovery Fee was implemented October 3, 2016.

The Senior Administrative Assistant will continue to submit quarterly payments to the N.C. Licensing Board but, beforehand, the Senior Administrative Assistant will ensure that the payment is accurately reconciled amongst the Cityworks Revenue Report and General Ledger within JDE.

The same will apply to refunds. The Senior Administrator will ensure refunds of the Homeowner Recovery Fee are properly processed and applied to the appropriate fund accounts within JDE and revenue accounts with Cityworks.

Responsible Party: Senior Administrative Assistant

Implementation Date: 10/03/2016

Recommendation #22:

Permitting and Inspections management should require, annually, all personnel who handle cash receipts to read the Cash Handling General Procedures and sign acknowledging receipt and understanding of the procedures.

A formal written refund policy to provide guidance and direction on how to process refunds should be developed. In addition, Permitting and Inspections personnel should be trained on these policies.

Permitting and Inspections management should ensure quality reviews are done for all cash receipt processes.

Management's Response:

We concur. Management is in full agreement with the recommendation.

The Senior Administrative Assistant provided Permit Technicians copies of the city's Cash Handling General Procedures. Each of the technicians received, reviewed, and signed the Cash Handling General Procedures Acknowledgement form. A copy of the Cash Handling General Procedures is readily accessible to the Permit Technicians and such policy will be reviewed and signed on an annual basis as recommended by the Finance Department.

The Senior Administrative Assistant prepared a department Refund Procedures & Policy. Upon review and approval by the Permitting and Inspections Director, the Senior Administrative Assistant will conduct mandatory training for all Permit Technicians in two weeks following the policy adoption.

The Senior Administrative Assistant will conduct quarterly quality reviews of the issuance process which will include cash handling procedures. This process will begin the third quarter of FY17.

Responsible Party: Senior Administrative Assistant

Implementation Date: 06/30/2017

Recommendation #23:

Internal Audit recommends Permitting and Inspections personnel responsibilities be reassigned in order to achieve an effective separation between opening the mail and recording transactions. In addition, Permitting and Inspections management should consider checks being opened in dual custody to further strengthen controls.

Additionally, Permitting and Inspections management should assess the Administrative Assistant's job description and determine if additional education, experience or knowledge related to internal controls is needed due to the supervision of cash handling functions and update the job description or position as deemed appropriate.

Management's Response:

We concur. Management is in full agreement with the recommendation.

Personnel duties will be defined to require the front line permit technicians assigned to permit issuance to record transactions, and daily dispatch permit technicians will have mail duties to address this issue. The Senior Administrative Assistant will supervise and ensure compliance.

Management is reviewing a vacant Permitting and Inspections position against the recommendation and will request a study from the Human Resource Department. Once the study is complete, management will recruit for this position in November 2016.

Responsible Party: Interim Permitting and Inspections Director

Implementation Date: 09/30/2017

Recommendation #24:

The Office of Internal Audit recommends Permitting and Inspections management work with the Information Technology Department to establish a process for security of faxed information. Such a process could include faxes being printed only when the appropriate security code is entered or having a dedicated fax machine for the Permitting and Inspections Department in a secure location with limited access. Permitting and Inspections management should ensure the faxes are destroyed in accordance with City's Administrative Policy # 311 - *Security of Sensitive and Confidential Information and Breach Response Plan*.

Management's Response:

We concur. Management is in full agreement with the recommendation.

The fax machine vendor programmed the Permitting Multi- Functional Device (fax machine) so permit applications received can only be printed by means of entering a security code. Faxes are secured within the device until the security code is applied. Permit Technicians and the Senior Administrative Assistant are only privy to such code, and if at any time the code may be breached, a new security code can be reassigned.

The Finance Department provided the Senior Administrative Assistant a copy of the city's policy #311, Security of Sensitive and Confidential Information and Breach Response Plan. Each technician received, reviewed, and signed the Acknowledge form. The Senior Administrative Assistant also prepared a draft policy of a Security and Confidential Information for review by the Permitting and Inspection Director. Upon review and approval of the policy, the Senior Administrative Assistant will conduct mandatory training to all Permit Technicians within two weeks following adoption. The Senior Administrative

Assistant will also conduct quarterly quality reviews of the Security and Confidential Information. Additionally, and in accordance to the Security of Sensitive and Confidential Information and Breach Response Plan, the Permit Technicians destroy (shred) faxes that contain confidential financial information following the completion of the issuance process of every permit.

Responsible Party: Senior Administrative Assistant

Implementation Date: 09/30/2016

Recommendation #25:

Permitting and Inspections management should coordinate with the Information Technology Department and/or the software developer to develop controls within Cityworks to ensure permits are not printed before all pre-permitting requirements are met and the hardcoded status on the permit should read the status within Cityworks.

Additionally, Internal Audit recommends the appropriate inspector review all written applications as defined by NCGS and Fayetteville City Code, Chapter 7, Article III before a permit is issued.

Management's Response:

We concur. Management is in full agreement with the recommendation.

While report creation is part of the Information Technology Department's top priorities for Cityworks "fixes," locking out the report is a customization that will require additional funding to complete. IT has completed the process of watermarking the reports in question with a watermark that says INVALID if the report is printed before all the required inspections, payments, or documents are completed.

We will coordinate with the Department of Insurance to determine the need for building inspectors to issue trade permits.

As it relates to the deficiencies that address the Cityworks PLL software, the City Manager has authorized a project assessment to evaluate the current state of Cityworks and make recommendations on whether to continue implementation and refinement efforts or seek another PLL solution. Until the assessment is completed, only issues already identified as a part of Permitting and Inspections and Information Technology's project priority list will be completed. All other efforts to refine Cityworks will be discontinued.

Responsible Party: IT Project Manager

Implementation Date: 11/30/2016 for the workaround. TBD for the ultimate resolution.

Recommendation #26:

Internal Audit recommends Permitting and Inspections management review applications, the Fee Schedule and Cityworks, and ensure they are consistent with one another. In addition, Permitting and Inspections management should review all permit applications to ensure all necessary information is required on the applications, applications are clear, and assess whether any unnecessary information should be removed from the applications. Once the applications are updated and made available to the contractors/homeowners, their use should be enforced.

In order to be in compliance with North Carolina General Statutes, Inspectors should issue permits. However, prior to permit issuance, Permitting and Inspections personnel should ensure permit applications are completed with all information necessary to calculate fees. If information on the

application is unclear, Permitting and Inspections personnel should ask the applicant for clarification. Any updated information should be clearly documented for future reference.

Permitting and Inspections management should establish a quality review process for the Permitting and Inspections Department. Due to the high volume of applications, the likelihood of finding an exception by spot checking is statistically low. Therefore, when establishing a quality review process, Permitting and Inspections management could consider exception-based reporting from Cityworks which could identify unusual transactions, such as a residential building permit without a homeowner recover fee charged.

Policies and procedures should be written to provide clear guidance on accurate and consistent application of fees. Training should be given to Permitting and Inspections personnel to ensure understanding and adherence to policies and procedures.

Management's Response:

We concur. Management is in full agreement with the recommendation.

We will coordinate with the Department of Insurance to determine the need for building inspectors to issue trade permits. Staffing and workload issues may preclude quality control by inspection supervisors without additional resources as has been noted in responses to prior findings. Staff will work with Information Technology to see if exceptions can be identified for quality control purposes. Once these issues are resolved, policies and procedures will be developed and training conducted to ensure subordinate staff adherence to the policies and procedures.

As it relates to the deficiencies that address the Cityworks PLL software, the City Manager has authorized a project assessment to evaluate the current state of Cityworks and make recommendations on whether to continue implementation and refinement efforts or seek another PLL solution. Until the assessment is completed, only issues already identified as a part of Permitting and Inspections and Information Technology's project priority list will be completed. All other efforts to refine Cityworks will be discontinued.

Responsible Party: Building Official; Senior Administrative Assistant

Implementation Date: 06/30/2017

Recommendation #27:

Internal Audit recommends the appropriate inspector review all written applications as defined by NCGS and Fayetteville City Code, Chapter 7, Article III before a permit is issued. This review should include the status of the contractor's license.

Additionally, Internal Audit recommends Permitting and Inspections personnel establish and follow written procedures to ensure each contractor's license is valid when issuing a permit. Since permits expire December 31 each year and become invalid 60 days from that date unless renewed, Permitting and Inspections should establish and follow written procedures to ensure all general contractors with active permits still have valid licenses in March of each year. For any active permits determined to be issued to general contractors with invalid licenses, Permitting and Inspections personnel should establish written procedures to comply with NCGS 160-422 relating to the revocation of permits.

Management's Response:

We concur. Management is in full agreement with the recommendation.

The Planning and Code Enforcement Director will review the City Code and propose any modifications that are necessary to modernize and ensure consistency between the City Code, the NC Building Code, and departmental procedures and policies.

Management has reached out to the Supervisor of the Code Inspections Section of the Department of Insurance for clarification on inspector issuance of permits. The Permitting and Inspections Department is meeting all requirements for the issuance of trade and building permits in our current practice.

Management is currently reviewing the permit fees and the permit applications for all four trades. Once we have corrected our fee schedule and permit applications, we will write the policy and procedures to make sure the permit is accurately issued and valued.

The Permit Technicians are currently following procedures of verifying contractors licenses prior to the issuance of permits. The Senior Administrative Assistant will draft a policy and procedures to ensure that this process is being validated. The Senior Administrative Assistant will complete monthly random quality control checks to ensure that this recommendation is followed through.

In speaking with the North Carolina Licensing Board for General Contractors, they are looking into developing a Webservice with which we would be able to programmatically interface with in order to validate the contractor in real time. At this time there is no ETA for the availability of this Webservice. Such an arrangement with other trades is being explored. Currently Information Technology has investigated other methods of automatically validating the Contractor License, however, there would be additional funding needed to do this.

As it relates to the deficiencies that address the Cityworks PLL software, the City Manager has authorized a project assessment to evaluate the current state of Cityworks and make recommendations on whether to continue implementation and refinement efforts or seek another PLL solution. Until the assessment is completed, only issues already identified as a part of Permitting and Inspections and Information Technology's project priority list will be completed. All other efforts to refine Cityworks will be discontinued.

Responsible Party: Planning and Code Enforcement Director (code changes); Senior Administrative Assistant (procedures)

Implementation Date: 09/30/2017

Recommendation #28:

Permitting and Inspections management should coordinate with the Information Technology Department and/or the software developer to develop controls within Cityworks to prevent creating duplicate permits. Should Cityworks not have this capability; Permitting and Inspections management should work with personnel within the department on mitigating controls to ensure duplicate permits are not being created. All permit applications should be reviewed by an appropriate level inspector before a permit is issued at which time, the inspector can verify that a duplicate permit is not being created.

Management's Response:

We concur. Management is in full agreement with the recommendation.

Cityworks cannot currently prevent the creation of duplicate permits, however, it will allow you to see all the existing permits, cases, service requests and work orders at a given address.

Resolution of this issue is dependent on a vendor's schedule. Additionally, consideration should be given to distinguishing between a trade permit and a building permit with regard to the qualifications of the issuing authority. If inspectors have to sign off on all permits prior to their issuance, a significant resource issue will be created due to permit volume. If this is the direction of the Interim City Manager, we will produce a plan for implementation for consideration during the FY18 budget cycle.

Information Technology is working with software developer to bring a Cityworks PLL trainer on site to provide specialized PLL training.

As it relates to the deficiencies that address the Cityworks PLL software, the City Manager has authorized a project assessment to evaluate the current state of Cityworks and make recommendations on whether to continue implementation and refinement efforts or seek another PLL solution. Until the assessment is completed, only issues already identified as a part of Permitting and Inspections and Information Technology's project priority list will be completed. All other efforts to refine Cityworks will be discontinued.

Responsible Party: Interim Permitting and Inspections Director and Information Technology Director

Implementation Date: 11/15/2016

Recommendation #29:

Procedures should be established requiring inspectors to document within Cityworks when the inspector reaches the location and the results of the inspection before going to the next assignment. Cityworks should be configured, if necessary, to facilitate this type of documentation. Training should be provided to improve inspectors' documentation, to establish parameters and guidelines and the use of laptops in the field to result the inspections.

Management's Response:

We concur. Management is in full agreement with the recommendation.

Permitting and Inspections has purchased laptop computers for all the field inspectors to eliminate the problem of limited or no connectivity in some areas of the City. Since that time, the inspectors have been trained and directed by management to log into Cityworks and do all of their inspection postings at the jobsite. Management is working with Cityworks to be able to have this measurable data extracted in several types of reports. This will give management valuable information that we will be able to use in determining if the department is adequately staffed.

As it relates to the deficiencies that address the Cityworks PLL software, the City Manager has authorized a project assessment to evaluate the current state of Cityworks and make recommendations on whether to continue implementation and refinement efforts or seek another PLL solution. Until the assessment is completed, only issues already identified as a part of Permitting and Inspections and Information Technology's project priority list will be completed. All other efforts to refine Cityworks will be discontinued.

Responsible Party: Building Official

Implementation Date: 06/30/2017

Recommendation #30:

Internal Audit recommends the Permitting and Inspections Department prohibit the practice of bypassing system controls by deleting and/or resulting inspections on the workflow as "NA". Quality reviews

should be conducted by management to ensure all inspections are completed and resulted for each type of permit on the workflow. Cityworks workflows should be updated for each permit type to include only required inspections for that permit type.

Management's Response:

We concur. Management is in full agreement with the recommendation.

The inspections workflows are currently under modification. It is the intent to modify and simplify each of the workflows per permit type. Until this occurs, an "N/A" will be placed on inspections tasks not related to the inspection. The Permitting and Inspections department is working closely with the IT department as well as with Cityworks in order to address this issue.

As we modify the case types and workflows additional security will be added which will prohibit the addition or deletions of task in the workflow.

As it relates to the deficiencies that address the Cityworks PLL software, the City Manager has authorized a project assessment to evaluate the current state of Cityworks and make recommendations on whether to continue implementation and refinement efforts or seek another PLL solution. Until the assessment is completed, only issues already identified as a part of Permitting and Inspections and Information Technology's project priority list will be completed. All other efforts to refine Cityworks will be discontinued.

Responsible Party: Building Official

Implementation Date: 06/30/2017

Recommendation #31:

Permitting and Inspections management should develop procedures to clarify expectations, including established start times and locations to begin inspections for the workday. The procedures should also give general guidance on how to conduct inspections. Once these procedures are established, Permitting and Inspections management should ensure personnel are adequately trained on them.

The AVL technology should be fitted and fully operational on all Permitting and Inspections Department vehicles. This data should be used by management in conjunction with monitoring inspector output as a measure of overall productivity.

Management's Response:

We concur. Management is in full agreement with the recommendation.

The Permitting and Inspections Department will implement policies and procedures to ensure that inspections staff have clear and concise instruction regarding daily expectations, standards for training new staff, and policies as it relates to enforcement of the NC Building Code. The AVL systems are currently installed in all inspectors' assigned vehicles. The existing AVL system could not be permanently installed without voiding the manufacturer's warranty. Reporting is currently being addressed by the Information Technology Project Manager. The inspections staff will receive training on how to review and monitor the AVL system. Additionally, the real-time resulting of inspections will help confirm inspector location.

Responsible Party: Building Official

Implementation Date: 06/30/2017

Recommendation #32:

Permitting and Inspections management should develop procedures to ensure all permitted projects are inspected or permits are properly cancelled if the permitted work is not commenced.

Management's Response:

We concur. Management is in full agreement with the recommendation.

All full demolition permits are inspected by the Code Enforcement Division of the Planning and Code Enforcement Department. Cityworks has been modified to notify the contractor when a permit is about to expire. This modification reflects the standards of the NC Building Code with regard to permit expiration. A procedure will be developed in order to provide clear and concise instruction on how to post inspections once the permit is completed, voided, or expired. An amendment to the City Code will be proposed to reflect the standards of the NC Building Code with regard to permit expiration.

As it relates to the deficiencies that address the Cityworks PLL software, the City Manager has authorized a project assessment to evaluate the current state of Cityworks and make recommendations on whether to continue implementation and refinement efforts or seek another PLL solution. Until the assessment is completed, only issues already identified as a part of Permitting and Inspections and Information Technology's project priority list will be completed. All other efforts to refine Cityworks will be discontinued.

Responsible Party: Senior Administrative Assistant (for Permitting); Building Official (for Inspections); PCE Director (for code changes and PCE policies and procedures)

Implementation Date: 11/15/2016, with the City Code Changes to occur in January 2017

Recommendation #33:

Internal Audit recommends Permitting and Inspections management develop processes to ensure square footage and construction costs are validated prior to permit issuance and again prior to issuance of the certificate of occupancy/compliance. The process should include recording adjustments in Cityworks and collecting or refunding any fees based on these adjustments. These processes should be documented in written policies and procedures and personnel should be trained on them.

Management's Response:

We concur. Management is in full agreement with the recommendation.

We agree that enhancements can be made to better confirm fee calculations from various measures, however, the proposed redundancy is unnecessary as any deviations will be caught during the inspection process. We agree that adjustments to the Fee Schedule need to be made to simplify calculation procedures; this will require coordination with Information Technology, and such changes will be made at midyear, if possible, or proposed as part of the FY18 budget.

As it relates to the deficiencies that address the Cityworks PLL software, the City Manager has authorized a project assessment to evaluate the current state of Cityworks and make recommendations on whether to continue implementation and refinement efforts or seek another PLL solution. Until the assessment is completed, only issues already identified as a part of Permitting and Inspections and Information Technology's project priority list will be completed. All other efforts to refine Cityworks will be discontinued.

Responsible Party: Building Official

Implementation Date: 06/30/2017

Recommendation #34:

A formal written callback policy to provide guidance and direction on how to impose callback fees should be developed and communicated to contractors/home owners. In addition, Permitting and Inspections personnel should be trained on this new policy.

Management's Response:

We concur. Management is in full agreement with the recommendation.

Management is writing a formal callback policy. Once this policy is completed, we will modify Cityworks so that a callback fee will be automatically issued in accordance to the policy. Once this callback policy is completed, then management will notify the contractors and train the inspectors.

As it relates to the deficiencies that address the Cityworks PLL software, the City Manager has authorized a project assessment to evaluate the current state of Cityworks and make recommendations on whether to continue implementation and refinement efforts or seek another PLL solution. Until the assessment is completed, only issues already identified as a part of Permitting and Inspections and Information Technology's project priority list will be completed. All other efforts to refine Cityworks will be discontinued.

Responsible Party: Building Official

Implementation Date: 06/30/2017

Recommendation #35:

Consider implementing multi-trade inspections, specifically HVAC permits, to enhance scheduling flexibility, reduce drive times and improve response times.

Management's Response:

We concur. Management is in full agreement with the recommendation.

The Permitting and Inspections Department is now performing multi-trade inspections for two permit types. One is the mechanical change out permit when the mechanical inspector inspects both the mechanical and electrical installations. The other is the gas water heater permit when the plumbing inspector inspects the water heater, vent piping and the gas piping. A policy and procedure will be written to ensure both permits are ready before the inspector goes on the inspection. Management also utilizes this cross training when a trade section is shorthanded. Out of a department of 18 inspectors, we have 7 inspectors who have more than one standard certification. Management hopes to expand this concept to more permit types as we get more inspectors certified.

Responsible Party: Building Official

Implementation Date: 10/01/2016

*****END OF MANAGEMENT RESPONSES*****

APPENDIX A

STANDARD-5. BUILDING INSPECTION RECORDS

Official records and materials created and accumulated during the conduct of municipal building inspection programs.

In accordance with G.S. §153A-373, "The inspection department shall keep complete, and accurate records in convenient form of each application received, each permit issued, each inspection and reinspection made, and each defect found, each certificate of compliance granted, and all other work and activities of the department. These records shall be kept in the manner and for the periods prescribed by the North Carolina Department of Cultural Resources. The department shall submit periodic reports to the Board of Commissioners and to the Commissioner of Insurance as the Board or the Commissioner may require." (1969, s. 1: c.822, s.1; 1983, c.377, s.6.)

ITEM #	STANDARD-5: BUILDING INSPECTION RECORDS		
	RECORD SERIES TITLE	DISPOSITION INSTRUCTIONS	CITATION
1.	<p>BLUEPRINTS AND SPECIFICATIONS Blueprints, drawings, and specifications submitted when applying for a building permit for new construction. Used in determining code compliance and enforcement of building code.</p>	<p>a) Destroy in office residential blueprints and specifications when administrative value ends. † Agency Policy: Destroy in office after _</p> <p>b) Destroy in office commercial blueprints and specifications 1 year after issuance of certificate of occupancy.</p> <p>c) Retain governmental blueprints and specifications for life of structure.</p>	<p>Comply with applicable provisions of G.S. §132-1.7 regarding confidentiality of government building detailed plans and drawings.</p>
2.	<p>BUILDING AND FIRE CODE VIOLATIONS CASES Includes complaints, notices, and other information created or compiled during the course of investigation and resolution of each alleged violation. May include appeals.</p>	<p>Destroy in office 3 years after verification of correction.</p>	

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ITEM #	STANDARD-5: BUILDING INSPECTION RECORDS		
	RECORD SERIES TITLE	DISPOSITION INSTRUCTIONS	CITATION
3.	BUILDING INSPECTION REPORTS Records concerning existing building inspections.	a) Destroy in office inspections with no defects after 6 years. b) Destroy in office inspections with noted defects 6 years after defect is corrected.	
4.	BUILDING PERMITS AND APPLICATIONS Applications from property owners to erect new structures or to make structural modifications to existing ones and permits allowing the construction. May include contractor change forms.	a) Destroy in office 6 years after issuance of certificate of occupancy and/or expiration of permit. b) Destroy in office applications for which a permit was never issued when administrative value ends.† Agency Policy: Destroy in office after _	
5.	BUILDING PERMIT LOG Record showing permit number, date, name of owner, cost of construction, permit date, and receipts.	Destroy in office after 6 years.	
6.	BUILDING PERMIT RECEIPT BOOKS	Destroy in office after 3 years.*	
7.	BUILDING TRADES CERTIFICATIONS	Destroy in office when superseded or obsolete.	
8.	BURNING PERMITS (BUILDING INSPECTIONS) Records concerning permits issued during the site construction.	a) Destroy in office after 3 years. b) Destroy in office applications for which a permit was never issued when administrative value ends.† Agency Policy: Destroy in office after _	
9.	CERTIFICATES OF OCCUPANCY Records indicating buildings in the city which have been inspected and approved for occupancy.	Destroy in office after 6 years.	

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ITEM #	STANDARD-5: BUILDING INSPECTION RECORDS		
	RECORD SERIES TITLE	DISPOSITION INSTRUCTIONS	CITATION
10.	CONSTRUCTION REPORTS	Destroy in office when administrative value ends.† Agency Policy: Destroy in office after _	
11.	CONTRACTORS LICENSING	Destroy in office when superseded or obsolete.	
12.	DEMOLITION FILE. Records relating to demolition and clearance of buildings deemed unfit for habitation. File includes building inspection reports, letter to property owners, and demolition documents.	Destroy in office after 6 years.*	
13.	ENCROACHMENTS OF RIGHT-OF-WAY APPLICATIONS AND PERMITS	c) Destroy in office 3 years after case is resolved. d) Destroy in office applications for which a permit was never issued when administrative value ends.† Agency Policy: Destroy in office after _	
14.	INSPECTIONS Inspection requests, notices of violations, denial reports, sketches, plans, correspondence, including email, and similar records concerning the construction, modification or demolition of existing and new buildings, or the installation of plumbing, electrical or mechanical systems.	Destroy in office 6 years after completion of project.	
15.	INSPECTOR WORKSHEETS	a) Destroy in office 6 years after completion of project if worksheet is only record of inspections. b) Destroy in office remaining records when administrative value ends.† Agency Policy: Destroy in office after _	

APPENDIX A

ITEM #	STANDARD-5: BUILDING INSPECTION RECORDS		
	RECORD SERIES TITLE	DISPOSITION INSTRUCTIONS	CITATION
16.	<p>MAPS, PLATS AND DRAWINGS Maps, blueprint drawings and plats of subdivisions generally showing roads, bodies of water, dimensions of lots, sewage and lines, etc.</p>	<p>a) If filed in Register of Deeds or similar agency, destroy in office when administrative value ends.† Agency Policy: Destroy in office after _</p> <p>b) Retain in office all other records permanently.</p>	
17.	<p>MANUFACTURED HOME PERMITS</p>	<p>a) Destroy in office 6 years after issuance of certificate of occupancy and/or expiration of permit.</p> <p>b) Destroy in office applications for which a permit was never issued after 3 years.</p>	
18.	<p>MINIMUM HOUSING FILE Records of rental properties containing information relative to violations and complaints. May include certified return receipts, zoning violation notices, municipal court ordinance complaints, summons, decisions, copy permits and photographs.</p>	<p>Destroy in office 3 years after verification of correction.*</p>	
19.	<p>MISCELLANEOUS (BUILDING) APPLICATIONS AND PERMITS Applications and permits regarding sign installation, fencing, swimming pools, driveways or similar activity required by local ordinance.</p> <p>See also MISCELLANEOUS (NON-BUILDING) APPLICATIONS AND PERMITS item 45, page 11.</p>	<p>a) Destroy in office 3 years after completion of project.</p> <p>b) Destroy in office applications for which a permit was never issued when administrative value ends.† Agency Policy: Destroy in office after _</p>	

APPENDIX A

ITEM #	STANDARD-5: BUILDING INSPECTION RECORDS		
	RECORD SERIES TITLE	DISPOSITION INSTRUCTIONS	CITATION
20.	<p>MONTHLY BUILDING PERMITS AND CONSTRUCTION REPORTS Customized reports used for statistical analysis of current development trends within the municipality. This information also is submitted to the U. S. Department of Commerce & Bureau of the Census.</p>	Destroy in office after 3 years.	
21.	<p>NORTH CAROLINA SEDIMENTATION AND POLLUTION CONTROL COMMISSION File contains documentation of sedimentation control measures to be used on individual projects.</p>	Destroy in office after 3 years.	
22.	<p>PERIODIC INSPECTION REPORTS</p>	Destroy in office 6 years from date of inspection.	
23.	<p>SEWAGE DISPOSAL SYSTEM INSPECTION REPORTS Reports show home structure and water line diagram. Reports are used to indicate sewage hookups and to comply with municipal code.</p>	Destroy in office 2 years after inspection.	
24.	<p>STANDARD BUILDING CODES</p>	Destroy in office when superseded or obsolete.	
25.	<p>STREET ADDRESS LOG A master list of current streets and house numbers.</p>	Destroy in office when superseded or obsolete.	
26.	<p>STREET INFORMATION</p>	Destroy in office when superseded or obsolete.	
27.	<p>SUBSTANDARD HOUSING INSPECTIONS REPORTS</p>	Destroy in office after 6 years.	

APPENDIX A

ITEM #	STANDARD-5: BUILDING INSPECTION RECORDS		
	RECORD SERIES TITLE	DISPOSITION INSTRUCTIONS	CITATION
28.	TRADE PERMITS (ELECTRICAL, GAS, MECHANICAL, AND PLUMBING)	a) Destroy in office 6 years after issuance. b) Destroy in office applications for which a permit was never issued when administrative value ends. † Agency Policy: Destroy in office after	
29.	UNSAFE BUILDINGS FILE Notification to owner of unsafe conditions relative to a particular structure.	Destroy in office after 6 years provided all issues have been resolved.*	

*See **AUDITS, LITIGATION, AND OTHER OFFICIAL ACTIONS**, page vi.

† See signature page. The agency hereby agrees that it will establish and enforce internal policies setting minimum retention periods for the records that Cultural Resources has scheduled with the disposition instruction "destroy when administrative value ends." Please use the space provided.



Office of Internal Audit

Audit Committee

October 20, 2016

3:30 pm

Presented by: Elizabeth Somerindyke, Internal
Audit Director



Agenda

October 20, 2016 Audit Committee Meeting

1. Annual Audit Plan Proposed Engagements for FY17
2. Permitting and Inspections Audit October 2016 (A2016-02)



FY17 Audit Plan

Fiscal Year 2017

Annual Audit Plan Proposed Engagements




FY17 Audit Plan

Methodology for Developing Audit Plan

Many factors are considered when selecting City departments, programs, and activities to be included on the audit plan:


- The risks associated with the City's various activities
- Input and concerns from City Council and city management

There are 10 projects listed on the FY17 Audit Plan.



FY17 Audit Plan


A. Audit Projects Carried Forward from 2016 Work Plan			
Work Plan No.	Audit Title	Description/Preliminary Objective	Audit Hours
	A.1.	In Progress	
A2016-02	Building Permits and Inspections to include Callback Revenues	The objectives of this audit were to determine if permits and inspections were in compliance with the laws and regulations; and ensure effective management oversight, adequacy of controls and quality reviews were being followed.	640
A2016-02	CityWorks Permitting and Inspection Implementation¹	Determine if CityWorks data was reliable for managing workload, supporting decision-making, and tracking permit status.	
R2016-01	Finance Department Balance Sheet and Grant Review	The scope of the review was to determine if balance sheet reconciliations reconcile to the actual balance in JDEdwards; and if the appearance of a grant draw was needed or a potential overdraft exists.	120



FY17 Audit Plan


A. Audit Projects Carried Forward from 2016 Work Plan			
Work Plan No.	Audit Title	Description/Preliminary Objective	Audit Hours
	A.2.	For Completion	
A2016-03	Kronos Time Reporting Implementation Phase 1	The anticipated scope of this review will focus on the identification and effectiveness of automated and manual controls over the FayPay (KRONOS) and JDEdwards Payroll interfaces.	480
A2016-04	Contracting Practices and Procedures	The audit will assess the adequacy of internal controls; and policy, procedure, laws, rules and regulations compliance of the City's contracting practices.	240
A2016-05	Parks and Recreation Nonresidential Fees Implementation*	The audit will assess the adequacy of internal controls; and policy, procedure, laws, rules and regulations compliance of the implementation of Parks and Recreation Department's nonresidential fees.	670

* Project will be started but not completed during this fiscal year



FY17 Audit Plan

B. New Audit Projects for 2016-2017			
Work Plan No.	Audit Title	Description/Preliminary Objective	Audit Hours
A2017-01	Employee Development Travel and Training Expenditures	The audit will assess the adequacy of internal controls; and policy, procedure, laws, rules and regulations compliance of the City's Travel and Training program.	240
A2017-02	Police Department Confidential Funds	Audit objectives may include determining if confidential funds were sufficiently administered in accordance with established laws, regulations, guidelines, policies and procedures. Review corrective actions taken by management to address the recommendations detailed in Internal Audit report A2016-01 Police Confidential Funds in the prior fiscal year.	240



FY17 Audit Plan

C. Follow-up Projects for 2016-2017			
Work Plan No.	Audit Title	Description/Preliminary Objective	Audit Hours
A2015-03F	Procurement Card Program	The audit will assess the adequacy of internal controls, and policy and procedure compliance of the City's procurement card program.	120
A2015-04F	Petty Cash and Change Funds	Determine that previously identified audit findings have been remediated by management as stated in management's responses.	120
A2016-04F	Tags and Titles (CoF only)	Determine that previously identified audit findings have been remediated by management as stated in management's responses.	120



FY17 Audit Plan

We ask the Audit Committee consider
and accept the Office of Internal
Audit's FY 2017 Audit Plan



Permitting and Inspections Audit

Permitting and Inspections Audit

Dated: October 2016



Permitting and Inspections Audit

Process

- Planning: March 2016
- Fieldwork: March 2016 to July 2016
- Report Development: July 2016 to August 2016
- Management Responses: August 2016 to October 2016
- Audit Committee: October 20, 2016



Permitting and Inspections Audit

Background

- Audit plan for FY16 approved the audit of building permits and inspections, to include callback revenues.
- The Permitting and Inspections Department is currently at a crossroads due to significant turnover in key positions, including Department Director.
- Opportunity to implement strategic changes within the department and improve upon the City's permitting and inspections processes.
- Cityworks, a software program, was implemented across City department including the Permitting and Inspections Department.



Permitting and Inspections Audit

Objectives

- Review current processes to determine if adequate internal controls were implemented.
- Information, approvals and documents to support permits were collected.
- Ensure deposits, fees, and revenues were appropriately assessed and collected and Cityworks and POS reconcile to the City's general ledger (JDEdwards)
- Monitoring and control system for measuring progress to achieve departmental goals and objectives
- Determine if Cityworks data is reliable.



Permitting and Inspections Audit

Scope

- Permits issued from July 1, 2014 through June 30, 2016
- Findings based on sample of transactions



Permitting and Inspections Audit

Methodology

In order to accomplish the objectives of this audit, the following steps and procedures were performed:

- Reviewed City code, NC State Building Code and NCGS;
- Reviewed data from Cityworks and JDEdwards, the City's financial system;
- Reviewed the Permitting and Inspections Department's documented procedures;



Permitting and Inspections Audit

Methodology

- Interviewed appropriate personnel to conducted walkthroughs of the permitting and inspections processes; and
- Judgmentally selected a sample of permits, inspections, cash receipts and callback fees.

The audit staff were also aware of the potential existence of fraud during the engagement.



Permitting and Inspections Audit

Summary of Findings and Audit Results

Finding #1

- Internal controls needed improvement

Recommendation #1

- Self-assessment of internal controls to identify risks area
- Implement control procedures – objectives and responsibilities
- Regularly review documentation to ensure the controls are being executed
- Continually review internal controls to address additional control deficiencies as the arise

Management response: Concur



Permitting and Inspections Audit

Summary of Findings and Audit Results

Finding #2

- Written policies were lacking

Recommendation #2

- Develop written policies to set forth requirements
- Update procedures to ensure individuals not familiar with operations can perform the duties
- Continually update policies and procedures for changes in business processes

Management response: Concur



Permitting and Inspections Audit

Summary of Findings and Audit Results

Finding #3

- Compliance violation with documentation requirements and records retention rules and regulations

Recommendation #3

- Compliance with records retention rules and regulations
- Procedures for retaining documentation and storage taking into account records retention rules
- Cityworks electronic files should be updated to include all available documentation not yet attached to a permit file within the system

Management response: Concur



Permitting and Inspections Audit

Summary of Findings and Audit Results

Finding #4

- Departmental organizational was not in compliance with the Fayetteville City Code for the Enforcement of the North Carolina State Building Code

Recommendation #4

- Reorganizing to ensure compliance with the Fayetteville City Code
 - Permitting and Inspections Director oversee all matters related to interpretation and enforcement of North Carolina State Building Code, as provided in the Fayetteville City Code

Management response: Concur



Permitting and Inspections Audit

Summary of Findings and Audit Results

Finding #5

- Demolition permits were issued without a bond in accordance with Fayetteville City Code

Recommendation #5

- Compliance with Fayetteville City Code by requiring a bond be posted at the time of demolition permit application and define the amount of bond
- If bonding requirements for demolition permits are not required update the Fayetteville City Code to reflect current requirements

Management response: Concur



Permitting and Inspections Audit

Summary of Findings and Audit Results

Finding #6

- Certificates of occupancy and certificates of compliance were issued before final inspections were completed

Recommendation #6

- Develop and implement a process to ensure certificates of occupancy/compliance are not issued prior to all inspections being documented as finalized within Cityworks
- Automate resources to promote efficiency and accountability in the inspection approval process for temporary and final certificates of occupancy/compliance

Management response: Concur



Permitting and Inspections Audit

Summary of Findings and Audit Results

Finding #7

- Certificates of compliance/occupancy were not issued pursuant to the North Carolina General Statutes and the North Carolina State Building Code

Recommendation #7

- Compliance with North Carolina General Statutes and the North Carolina State Building Code
- Create formal procedures for the issuance of certificate of compliance/occupancy

Management response: Concur



Permitting and Inspections Audit

Summary of Findings and Audit Results

Finding #8

- Enforcement actions to require contractors to comply with the building code were not updated when privilege license was repealed on July 1, 2015

Recommendation #8

- Update enforcement actions within Fayetteville City Code to ensure contractors comply with the North Carolina State Building Code

Management response: Concur



Permitting and Inspections Audit

Summary of Findings and Audit Results

Finding #9

- Poor computer system controls existed within the Permitting and Inspections Department

Recommendation #9

- Specialized audit of the Cityworks software
- Policies and procedures for access to Cityworks
- Assess Cityworks setup related to fees and inspection workflows
- Enforce the *City of Fayetteville Policy # 114 Information Technology Appropriate Usage*
- Management response: Concur



Permitting and Inspections Audit

Summary of Findings and Audit Results

Finding #10

- Establish a quality review program for the permitting and inspections process

Recommendation #10

- Develop and implement a work quality review program for permitting and inspections
- Maintain and utilize results as measures of effectiveness during performance evaluations

Management response: Concur



Permitting and Inspections Audit

Summary of Findings and Audit Results

Finding #11

- Data quality and integrity for reliable reporting and tracking purposes was insufficient

Recommendation #11

- Establish measurable and achievable performance goals and service standards
- Establish formal processes to collect performance information and provide adequate training to ensure accurate input of the data used to quantify each performance measure

Management response: Concur



Permitting and Inspections Audit

Summary of Findings and Audit Results

Finding #12

- Cityworks 2015 update created further data integrity and accuracy concerns

Recommendation #12

- Review and determine impact on Cityworks due to the 2015 update
- Data integrity issues should be reviewed to determine if data needs 'cleaned' and fix any 'clean up' considered necessary

Management response: Concur



Permitting and Inspections Audit

Summary of Findings and Audit Results

Finding #13

- Personnel lacked the knowledge to use the Cityworks system effectively

Recommendation #13

- Conduct a personnel training assessment and develop or provide training opportunities to meet the needs identified
- Formal training on the Cityworks software program should be instituted to provide familiarity with the system

Management response: Concur



Permitting and Inspections Audit

Summary of Findings and Audit Results

Finding #14

- Personnel lack the knowledge to use Cityworks' reporting functionality effectively

Recommendation #14

- Identify the reports information needed in order to adequately track and assess the efficiency of the permitting process
- Improve standard reports to be used to manage processes

Management response: Concur



Permitting and Inspections Audit

Summary of Findings and Audit Results

Finding #15

- Training should be provided to customers for enhanced communications

Recommendation #15

- Collaborate with all departments involved in the City's permitting and inspections process to develop routine customer training sessions to be held at least annually

Management response: Concur



Permitting and Inspections Audit

Summary of Findings and Audit Results

Finding #16

- Permits did not reflect the current status

Recommendation #16

- Written policies and procedures for closing or terminating permits past a certain time threshold
- Implement changes within Cityworks that would update a permit status as it is moved through permitting and inspections processes
- Assess impact on historical information that may occur within Cityworks

Management response: Concur



Permitting and Inspections Audit

Summary of Findings and Audit Results

Finding #17

- Permits were not being monitored for expiration

Recommendation #17

- Implement controls that detects failed inspections and monitors for their resolution
- Cityworks software configured to automatically expire permits
- Monitor with reports and send notice to permit holder advising of the expiration
- Ensure compliance with the Fayetteville City Code and NC Building Code

Management response: Concur



Permitting and Inspections Audit

Summary of Findings and Audit Results

Finding #18

- Address information and Parcel Identification Numbers (PIN's) were not being verified

Recommendation #18

- Develop controls within Cityworks to verify correct PIN is present
- Develop process for consistent and accurate input of address information
- Integrate the GIS mapping function within Cityworks
- Perform testing of upgrades to ensure product is at an acceptable level

Management response: Concur



Permitting and Inspections Audit

Summary of Findings and Audit Results

Finding #19

- Published Fee Schedules lacked clarity and transparency

Recommendation #19

- Review existing Fee Schedule to determine whether enhancements would provide additional transparency and clarity for citizens and contractors
- Ensure consistency among the permit application, Fayetteville City Code and the Fee Schedule

Management response: Concur



Permitting and Inspections Audit

Summary of Findings and Audit Results

Finding #20

- Cityworks was not reconciled to the general ledger

Recommendation #20

- Cityworks to provide reports by subsidiary ledger and reconcile to City's general ledger
- Develop written policies and procedures for reconciliations and closing the POS register nightly
- Personnel trained on processes

Management response: Concur



Permitting and Inspections Audit

Summary of Findings and Audit Results

Finding #21

- Permitting and Inspections personnel did not reconcile Home Owner Recovery Funds

Recommendation #21

- Reconcile Cityworks to the general ledger when submitting payment to the North Carolina Licensing Board on a quarterly basis
- Homeowner Recovery Fund fee refunds should be taken into consideration when completing the reconciliation

Management response: Concur



Permitting and Inspections Audit

Summary of Findings and Audit Results

Finding #22

- Processes and controls over refunds were inadequate

Recommendation #22

- Cash Handling General Procedures review and acknowledgment of procedures
- Develop a written refund policy to process refunds and train personnel
- Quality reviews done for all cash receipt processes

Management response: Concur



Permitting and Inspections Audit

Summary of Findings and Audit Results

Finding #23

- Segregation of duties were lacking for receiving and recording receipts received via mail

Recommendation #23

- Reassign personnel to achieve an effective separation between opening the mail and recording transactions
- Checks opened in dual custody to further strengthen controls.
- Assess the Administrative Assistant's job description

Management response: Concur



Permitting and Inspections Audit

Summary of Findings and Audit Results

Finding #24

- Controls over security of sensitive and confidential information were lacking

Recommendation #24

- Establish process for security of faxed information
- Ensure the faxes are destroyed in accordance with City's Administrative Policy # 311 - Security of Sensitive and Confidential Information and Breach Response Plan

Management response: Concur



Permitting and Inspections Audit

Summary of Findings and Audit Results

Finding #25

- Processes and controls over permit issuance were lacking

Recommendation #25

- Develop controls to ensure permits are not printed before all pre-permitting requirements are met
- Status on the permit should read the status within Cityworks.
- Appropriate inspector review applications before permit issuance

Management response: Concur



Permitting and Inspections Audit

Summary of Findings and Audit Results

Finding #26

- Permit fees were not always calculated correctly or consistently

Recommendation #26

- Ensure Cityworks, Fee Schedule and applications are consistent
- Permit applications are completed with appropriate information to calculate fees
- Policies and procedures written to provide clear guidance
- Training to ensure understanding and adherence to policies and procedures

Management response: Concur



Permitting and Inspections Audit

Summary of Findings and Audit Results

Finding #27

- The Permitting and Inspections Department did not verify the contractor's license status prior to issuing building permits

Recommendation #27

- Establish and follow written procedures to ensure each contractor's license is valid when issuing a permit
- Establish procedures to ensure all general contractors with active permits still have valid licenses in March of each year

Management response: Concur



Permitting and Inspections Audit

Summary of Findings and Audit Results

Finding #28

- There was a lack of controls to prevent the issuance of duplicate permits

Recommendation #28

- Develop controls within Cityworks to prevent creating duplicate permits
- Mitigating controls to ensure duplicate permits are not being created

Management response: Concur



Permitting and Inspections Audit

Summary of Findings and Audit Results

Finding #29

- Controls for backdating and resulting inspections within Cityworks were inadequate

Recommendation #29

- Establish procedures requiring inspectors to document within Cityworks while onsite
- Training provided to improve inspectors' documentation, to establish parameters and guidelines and the use of laptops in the field to result the inspections

Management response: Concur



Permitting and Inspections Audit

Summary of Findings and Audit Results

Finding #30

- The practice of bypassing system controls was not prohibited, and all required inspections were not documented

Recommendation #30

- Prohibit the practice of bypassing system controls by deleting and/or resulting inspections on the workflow as "NA"
- Quality reviews to ensure all inspections are completed and resulted for each type of permit on the workflow
- Cityworks workflows should be updated for each permit type to include only required inspections for that permit type

Management response: Concur



Permitting and Inspections Audit

Summary of Findings and Audit Results

Finding #31

- The Permitting and Inspections Department should establish a personnel productivity and time measurement system for the inspections function

Recommendation #31

- Develop procedures to clarify expectations, including established start times and locations to begin inspections for the workday
- Ensure personnel are adequately trained
- AVL technology should be fitted and fully operational on vehicles
- AVL data monitored as a measure of overall productivity

Management response: Concur



Permitting and Inspections Audit

Summary of Findings and Audit Results

Finding #32

- Demolition projects were not inspected

Recommendation #32

- Develop procedures to ensure all permitted projects are inspected or permits are properly cancelled if the permitted work is not commenced

Management response: Concur



Permitting and Inspections Audit

Summary of Findings and Audit Results

Finding #33

- A final accounting for permit fees based on construction cost or square footage was not done to ensure permit fees were charged correctly

Recommendation #33

- Develop validation processes for square footage and construction costs
- Record adjustments in Cityworks -collect or refund fees
- Processes documented in written policies and procedures and personnel trained

Management response: Concur



Permitting and Inspections Audit

Summary of Findings and Audit Results

Finding #34

- No formal written policy existed to provide guidance when to impose a callback fee

Recommendation #34

- Develop a formal written callback policy to provide guidance and direction and communicated to contractors/home owners
- Personnel should be trained on this policy

Management response: Concur



Permitting and Inspections Audit

Summary of Findings and Audit Results

Finding #35

- Multi trade combined inspections should be enhanced

Recommendation #35

- Implement multi-trade inspections, specifically HVAC permits, to enhance scheduling flexibility, reduce drive times and improve response times

Management response: Concur



Permitting and Inspections Audit

We ask the Audit Committee consider and accept the Permitting and Inspections Audit A2016-02



Questions?

Thank You!



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