



Date: April 22, 2021
To: Dr. Gerald Newton, Development Services Director
From: Elizabeth Somerindyke, Internal Audit Director
Cc: Audit Committee
Douglas J. Hewett, City Manager
Telly Whitfield, Ph.D., Assistant City Manager
Re: Follow-up Permitting and Inspections Compliance Audit (A2016-02F)
Originally Issued October 20, 2016

Objective and Scope

Determine whether management implemented corrective actions to the audit recommendations reported by the Office of Internal Audit related to the Permitting and Inspections Compliance Audit.

The scope of the audit follow-up was limited to the findings and recommendations in the original audit of permitting and inspections. This approach included interviews with personnel and review of electronic files and documents, to include permits issued from July 2019 through June 2020.

Background

The original audit report, dated October 2016, had 35 overall findings with a total of 61 recommendations. The audit provided improvements for management in areas including information systems (Cityworks), compliance, training and quality reviews with ongoing monitoring.

As of the August 8, 2019 Corrective Action Plan provided to the Audit Committee, the Department reported all recommendations were fully implemented.

Summary Results

Testing included an evaluation of 58 agreed upon recommendations to determine if corrective actions were implemented. One additional recommendation was determined to be outside the scope of the original audit objective, and therefore, was not included in follow-up testing. In addition, recommendations were combined if corrective action taken was identical. Some agreed upon recommendations had not been implemented, however, this did not reflect a lack of action.

During the original audit and continuing thereafter, the Department faced significant changes while implementing and working through the challenges of a new software program, turnover in key personnel, departmental reorganization and the ongoing uncertainty due to the COVID-19 pandemic. Through it all, substantial progress was made related to the audit recommendations resulting in 90% being fully implemented, 6% in progress and 4% with implementation that had not started.

| Status of Recommendations: | | | | |
|-----------------------------------|------------------------------|------------------------|----------------------------|-----------------------------------|
| Implemented | Partially Implemented | Not Implemented | Unable to Implement | Unable to Determine Status |
| 44 | 3 | 2 | 4 | 2 |

Appendix A summarizes and provides the current status and steps taken by management to implement the recommendations made in the report.

Information Systems (Cityworks):

| Status of Recommendations: | | | | |
|----------------------------|-----------------------|-----------------|---------------------|---------------------|
| Implemented | Partially Implemented | Not Implemented | Unable to Implement | Percent Implemented |
| 8 | 1 | 0 | 4 | 89% ¹ |

Cityworks, a software program, was implemented with the goal to allow City personnel and contractors/property owners to track and move proposed projects through the approval, permitting and inspection processes. Cityworks was to enable effective management and oversight for permitted projects. The recommendations in the original audit associated with Cityworks identified deficiencies during implementation related to data integrity, maximizing software capabilities, monitoring and oversight of Cityworks functions, and access controls.

Based on Internal Audit inquiry, eight of the thirteen information system recommendations were *implemented*. Through collaboration with the Information Technology Department, the Department maximized the use of the scheduler, addressed the modified by for fees and check marks used in workflows, created standard reports, configured automatic permit status updates and permit expiration notices to permit holders, and developed controls to verify address and PIN information. In addition, the Department reviewed and updated all workflows to create a streamlined inspection process more closely aligned to the specific inspection requirements for each type of permit.

Although recommendations were implemented, Cityworks continues to require additional improvements to be conducive to the Department’s processes; and control weaknesses remain, requiring enhanced departmental quality reviews and an additional evaluation of information obtained through reporting.

The Department made progress related to user access by removing the inspector’s ability to delete inspections with the exception of designated personnel but had not restricted access to modify and delete permit fees. Therefore, one of the thirteen recommendations was *partially implemented*.

Management was *unable to implement* four recommendations. When implementing the Cityworks software approximately seven years ago, customizations were made resulting in data integrity issues when installing software updates. Due to the complexity of data table storage, the magnitude of integrity matters could not be determined. In addition, software solutions within Cityworks were not available to prevent printing a certificate of occupancy or compliance prior to the completion of the final inspection; duplicate permits from being created, and inspectors from backdating inspections.

Compliance (State, Local, Internal Policies and Procedures):

| Status of Recommendations: | | | |
|----------------------------|-----------------------|-----------------|---------------------|
| Implemented | Partially Implemented | Not Implemented | Percent Implemented |
| 27 | 2 | 0 | 93% |

Instances were noted during the initial audit in which formal internal written policies and procedures did not exist. Internal Audit recommended creating or updating departmental procedures, and ensuring internal

¹ Percent implemented calculation does not include recommendations that could not be implemented or determined.

policies and procedures and City Code comply with the North Carolina General Statutes and State Building Codes.

Twenty-seven out of twenty-nine recommendations were *implemented* by updating City Code and creating formal internal policies and procedures to support the achievement of departmental objective and ensure compliance. Policy elements were not tested by Internal Audit.

The Department’s performance goals and service standards were established but reporting used to collect the data was unreliable and could not be reconciled. Management recognizes the importance of collecting and reporting accurate performance information, but due to the inconsistency in data reports, this recommendation was *partially implemented*.

In addition, the Department made yearly incremental changes to the fee schedule; however, exceptions continued to be identified. Therefore, Internal Audit’s recommendation for enhancements and consistency in the fee schedule was *partially implemented*. Due to the exceptions noted, a follow-up on this finding will be included on the Fiscal Year 2021-2022 Annual Audit Plan.

Training:

| Status of Recommendations: | | | |
|----------------------------|-----------------------|-----------------|---------------------|
| Implemented | Partially Implemented | Not Implemented | Percent Implemented |
| 8 | 0 | 0 | 100% |

Internal Audit recommended training to provide personnel with the tools, resources and information to support the accomplishment of job duties and responsibilities.

All recommendations related to training were *implemented*. Based on Internal Audit inquiry, management provided on-going training related to departmental policies and procedures and created how to manuals, to include cross training personnel. As of April 6, 2021, management had distributed policies, procedures and guidelines to personnel for review and acknowledgement. Training included but was not limited to Cityworks, cash receipts, issuing refunds, processing fees, documenting inspections, calculating and validating square footage and callback fees.

Quality Reviews and Ongoing Monitoring:

| Status of Recommendations: | | | | |
|----------------------------|-----------------------|-----------------|---------------------|---------------------|
| Implemented | Partially Implemented | Not Implemented | Unable to Determine | Percent Implemented |
| 1 | 0 | 2 | 2 | 33% ¹ |

Supervision is a control used to achieve departmental objectives through reviews, approvals and continuous monitoring. When improvement is needed in other areas, quality reviews can help mitigate risks by detecting errors and identifying additional policies, procedures and training needs.

The Department established a review process for daily cash receipt reporting. Therefore, one of five recommendations for quality reviews and ongoing monitoring was *implemented*.

One recommendation was *not implemented* because no documentation was created or provided to indicate the established quality review program was implemented by inspection’s departmental management. In addition, there were no quality reviews in relation to reviewing the completed workflows within the Cityworks software, to include inspections that were documented as ‘NA.’ Therefore, one additional recommendation was *not implemented*. However, management recognized the importance of a formal

documentation process and the importance of reviewing the workflows within Cityworks, and on April 9, 2021, a quality control review form was created to allow for consistent execution of the program.

Lastly, two recommendations had a status of *unable to determine* because Internal Audit was unable to perform on-site fieldwork due to the ongoing COVID-19 pandemic. Internal Audit will provide a self-assessment during the fiscal year 2021-2022 risk assessment to ensure the Department is able to fully implement the self-assessment of internal controls. In addition, Internal Audit was unable to complete a walkthrough with permitting staff in relation to the quality control reviews completed on permit applications and the accurate assessment of permit fees, and will follow-up on this recommendation as part of the Fiscal Year 2021-2022 Annual Audit Plan.

Conclusion

Based on the City of Fayetteville Internal Audit Charter, the Office of Internal Audit is responsible for appropriate follow-up and reporting on audit findings and recommendations, and all significant findings will remain open until cleared. Management has communicated efforts to implement outstanding recommendations are in process. Internal Audit has indicated areas with significant findings which will be included on the fiscal year 2021-2022 audit plan to monitor for successful implementation of recommendations.

The Office of Internal Audit expresses appreciation for the efforts demonstrated by departmental management which resulted in a significant number of recommendations progressing to full resolution.

Appendix A:

DEPARTMENT: Development Services

AUDIT: Permitting and Inspections Compliance Follow-up Audit

ORIGINALLY ISSUED: October 20, 2016

The Office of Internal Audit has completed the follow-up on the Permitting and Inspections Compliance Audit Report approved by the Audit Committee on October 20, 2016. Internal Audit’s objective was to determine whether management implemented corrective actions to the audit recommendations reported by the Office of Internal Audit.

Results

| <i>IMPLEMENTED</i> | <i>PARTIALLY IMPLEMENTED</i> | <i>NOT IMPLEMENTED</i> | <i>UNABLE TO IMPLEMENT</i> | <i>UNABLE TO DETERMINE</i> |
|--------------------|------------------------------|------------------------|----------------------------|----------------------------|
| 44 | 3 | 2 | 4 | 2 |

| # | Summary of Recommendation Dated October 20, 2016 | Summary of Finding Dated October 20, 2016 | Current Observation | Implementation Disposition: | |
|---|---|---|---|------------------------------|-----------------------------------|
| | | | | Reported Implementation Date | Status as of March 1, 2021 |
| <i>1. Internal controls need improvement.</i> | | | | | |
| 1 | Periodically perform a self-assessment of internal controls so departmental objectives are achieved and responsibilities are met. <i>(Quality Review & Ongoing Monitoring)</i> | The Department experienced difficulty completing tasks for a number of reasons. <ul style="list-style-type: none"> • New software program; • Impacts of staffing turnover; and • Assignment of authority and responsibility. | On-site fieldwork to review documentation was required to validate implementation related to this recommendation. Due to COVID-19 restrictions, Internal Audit could not perform on-site fieldwork. | <i>10/25/2018</i> | <i>UNABLE TO DETERMINE</i> |
| <i>2. Written policies for the Permitting and Inspections Department were lacking.</i> | | | | | |
| 2 | Written policies and procedures should be developed to set forth requirements; to ensure consistency and | The Department did not have formal written policies to make connections between procedures and how they | Policies and procedures, as recommended by Internal Audit, were written and distributed to employees | <i>10/25/2018</i> | <i>IMPLEMENTED</i> |

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| | reliability of information; provide adherence to laws and regulations; and include provisions for performance measure collection, calculation, review and reporting. In addition, these guidelines should include sufficient information to allow an individual who is unfamiliar with the operations to perform the necessary activities. <i>(Compliance)</i> | support the organization's goals and strategic plan. Procedures were outdated, hard to understand and seldom used by department personnel. Procedures should help to ensure management directives are carried out and address identified risks. | through PowerDMS as of April 6, 2021. Policy elements were not tested by Internal Audit. | | |
| 3. The Permitting and Inspections Department was not in compliance with documentation requirements and records retention rules and regulations. | | | | | |
| 3.1 | 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. <i>(Compliance)</i> | The Department did not retain documents as required by the North Carolina Department of Natural and Cultural Resources. | Based on Internal Audit inquiry, electronic files were updated to include all available documentation, and documents are being maintained in accordance with the record retention requirements. Due to COVID-19, Internal Audit did not test for compliance. | 10/25/2018 | IMPLEMENTED |
| 3.2 | Procedures should be outlined for retaining all supporting documentation and where the documentation will be kept, taking into account records | Written procedures were needed to assist departmental personnel to understand their responsibilities within the department and provide accountability related to records retention. | Policy #008-DS, Records Retention, was written to include guidance on records retention. Policy elements were not tested by Internal Audit. | 10/25/2018 | IMPLEMENTED |

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| | retention rules. <i>(Compliance)</i> | | | | |
| 4. Departmental organizational was not in compliance with the Fayetteville City Code for the Enforcement of the North Carolina State Building Code. | | | | | |
| 4 | Ensure compliance with Fayetteville City Code 7-31 and 7-32, 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. <i>(Compliance)</i> | City Council authorized the “Inspections Director” to enforce all aspects of the North Carolina Building Code. However, portions of this enforcement were not under the control of the “Inspections Director.” | The Permitting and Inspection Department and Planning Services and Code Enforcement Department were reorganized and combined into the Development Services Department for compliance. | 10/26/2017 | IMPLEMENTED |
| 5. Demolition permits were issued without a bond in accordance with Fayetteville City Code. | | | | | |
| 5.1 | Ensure compliance with the Fayetteville City Code 7-62 by requiring a bond be posted at the time of demolition permit application. <i>(Compliance)</i> | Demolition permits were issued without a bond posted at the time of application for the permit, as required by City Code. | The City Code 7-62 was updated in March 2021 by deleting the bond requirement for demolitions it in its entirety and substituting with a reference to State Law – Building Permits, G.S. 160D-1110. | 06/26/2018 | IMPLEMENTED |
| 5.2 | City Code 7-62 should be updated to define the amount of the bond; currently the amount is defined as “good and sufficient.” <i>(Compliance)</i> | City Code 7-62 did not define demolition bond amounts, but provided a subjective definition of “good and sufficient”. | The City Code 7-62 was updated in March 2021 by deleting the bond requirement for demolitions it in its entirety and substituting with a reference to State Law – Building Permits, G.S. 160D-1110. | 06/26/2018 | IMPLEMENTED |

| 6. Certificates of occupancy and certificates of compliance were issued before final inspections were completed. | | | | | |
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| 6.1 | Compliance with the North Carolina State Building Code 204.8 by requiring final inspections to be completed before issuing certificates of occupancy and compliance. (Compliance) | Certificates of occupancy and/or compliance were issued before all inspections were completed on permits. | A review of all permits initiated between July 1, 2019 and June 30, 2020 with certificates of occupancy and/or compliance issued had all inspections completed on the workflow within Cityworks. | 06/26/2018 | IMPLEMENTED |
| 6.2 / 25.1 | Utilize automated resources in Cityworks to ensure certificates of occupancy and compliance are not issued or printed before final inspections are completed. (Information Systems Cityworks) | Cityworks did not have the capability to prevent the issuance of certificates of occupancy and/or compliance before all inspections were completed. Handwritten certificates of occupancy and/or compliance were also used. | Cityworks does not have the capability to prohibit issuance without all inspections resulted because certificates of occupancy and/or compliance are considered reports through separate software that does not allow for these controls. Based on Internal Audit inquiry, a certificate printed prior to the final inspection would have an invalid date and lack the signature of designated personnel signifying the certificate is invalid. | 06/26/2018; 10/25/2018 | UNABLE TO IMPLEMENT |
| 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. | | | | | |
| 7.1 | Compliance with the North Carolina General Statutes 160A-423 by requiring the issuance of certificate of compliance for all applicable permits. (Compliance) | The Department only issued a certificate of occupancy to commercial and residential new construction and renovations. Certificates of compliance were not issued. | Based on Internal Audit inquiry, all requirements are met by issuing certificates of compliance for trade permits (electrical, mechanical and plumbing) to include documenting in Cityworks. | 08/23/2018 | IMPLEMENTED |

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| 7.2 | Create formal procedures for the certificate of compliance and certificate of occupancy process. (Compliance) | The Department lacked written procedures to assist personnel to understand responsibilities within the department and provide accountability for their work relating to issuance of certificates of compliance. | Policy #43800-038 was written and included guidance on the issuance of a Certificate of Occupancy, Temporary Certificate of Compliance, and Stocking Certificate of Occupancy. The North Carolina General Statutes and the North Carolina State Building Code use 'occupancy' and 'compliance' interchangeably. Policy elements were not tested by Internal Audit. | 08/23/2018 | IMPLEMENTED |
| 8. Enforcement actions to require contractors to comply with the building code were not updated when privilege license was repealed on July 1, 2015. | | | | | |
| 8 | Update enforcement actions within Fayetteville City Code 7-71 in relation to the July 1, 2015 repeal of privilege license tax to ensure compliance with the North Carolina State Building Code. (Compliance) | The General Assembly repealed the privilege license tax effective, July 1, 2015, but City Code had not been updated and allowed revocation of privilege license as an enforcement provision. | City Code 7-71 was updated, effective May 8, 2017, to replace the authority to revoke a contractor's privilege license with the authority to issue a stop work order. | 08/03/2017 | IMPLEMENTED |
| 9. Poor computer system controls existed within the Permitting and Inspections Department. | | | | | |
| 9.1 | Specialized audit of Cityworks should be considered due to deficiencies revealed during audit. (Information Systems Cityworks) | Testing performed by Internal Audit in Cityworks revealed deficiencies. There were areas where Internal Audit was not able to determine compliance with laws and regulations. | Management considered but did not conduct a specialized audit of Cityworks. | 08/08/2019 | IMPLEMENTED |

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| 9.2 | <p>Establish access controls within Cityworks to provide <i>key personnel</i>* the ability to add, modify and delete fees, inspections and permits. Overriding setup controls should be considered an exception and not the rule. (<i>Information Systems Cityworks</i>)</p> | <p>Cityworks was implemented to allow personnel to add, modify and delete fees, permits and inspections on workflows as a “work around” to perform their job duties.</p> | <p>Based on a review of access controls in Cityworks, the ability to delete tasks from workflows was removed from inspectors but was retained by designated personnel for exceptions.</p> <p>No changes were made to access controls related to the ability to change / delete fees based on need by Development Services. A review of fees showed when the ‘auto recalculate’ box was not checked, permit fees could be modified as this indicated a manual fee calculation took place. This resulted in fees billed and collected incorrectly with no controls preventing manual fee calculations.</p> <p>Subsequently, based on Internal Audit inquiry with Departmental management, the ability to change / delete fees will be reduced to designated personnel.</p> | 08/08/2019 | PARTIALLY IMPLEMENTED |
| 9.3 | <p>Ensure Permitting and Inspections personnel read and understand the <i>City of Fayetteville Policy # 114 Information Technology</i></p> | <p>Internal Audit noted during the original audit that a user was given the approval to use someone else’s access due to a problem with their own access.</p> | <p>The <i>City of Fayetteville Policy # 114 Information Technology Appropriate Usage</i>, was changed to Policy #603 Information Technology Acceptable Use</p> | 08/08/2019 | IMPLEMENTED |

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| | <i>Appropriate Usage</i> policy. (Compliance) | | Policy with a revised date of July 1, 2018. This policy was distributed to City personnel on July 19, 2018 through PowerDMS, a policy management software. | | |
| 9.4 | Cityworks software should be used to its maximum efficiency as it related to the scheduler function. (Information Systems Cityworks) | Cityworks had the capability to record the date and time of an inspection request. However, personnel were using EXCEL spreadsheets to manually track inspection scheduling and not using the Cityworks software. | Based on Internal Audit inquiry, customers have the ability to request inspections through the on-line portal. However, there is no limit to the number of inspection requests allowed by permit holders for a particular day. Inspection requests must be manually assigned to applicable Inspectors. Overall, the software requires additional improvements to be conducive to the Department's processes. Based on Internal Audit inquiry, Cityworks scheduler has been implemented to its maximum potential but does not bring efficiency to the process. | 08/08/2019 | IMPLEMENTED |
| 9.5 | Ensure the deficiencies revealed in Cityworks are remedied and will provide an adequate level of control ("modified by" field and check mark resulting | There were instances when Cityworks allowed for an inspection to be resulted on the workflow with only a check mark which also allowed personnel to move to | Based on Internal Audit review, all inspections were properly resulted on workflows within Cityworks with no evidence of being resulted with a checkmark. | 08/08/2019 | IMPLEMENTED |

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| | workflows). (<i>Information Systems Cityworks</i>) | the next milestone of inspections. Cityworks reflected personnel names in a “modified by” field, but was not always reliable. | Based on Internal Audit inquiry, Cityworks has an audit function that identifies changes and the user name that modified the information. | | |
| 9.6 | Implement controls within Cityworks to prevent backdating inspection activity. (<i>Information Systems Cityworks</i>) | Inspectors would result tasks during late afternoon office hours or the following morning, increasing the risk that the inspection would not be properly recorded. | Cityworks software does not have the functionality to stop the ability to backdate inspections. Without a mitigating control in place, inspections may be resulted for prior periods which can skew information used for performance measures and individual performance evaluations. (see Finding #11) | <i>08/08/2019</i> | <i>UNABLE TO IMPLEMENT</i> |
| <i>10. The Permitting and Inspections Department should establish a quality review program for the permitting and inspections process.</i> | | | | | |
| 10.1 | Develop a work quality review program for inspections, to include an adequate number of appropriate reviews be conducted in a timely manner. (<i>Compliance</i>) | The Department lacked processes that outlined the requirement for quality reviews to ensure consistency and compliance with laws and regulations. | A quality review program was established for trade supervisors in Policy #43800-025 to include a defined number of reviews. Policy elements were not tested by Internal Audit. | <i>08/23/2018</i> | <i>IMPLEMENTED</i> |
| 10.2 | Quality reviews should be documented, maintained and utilized as measures of effectiveness during performance evaluations. (<i>Quality Review & Ongoing Monitoring</i>) | Monitoring for compliance with standards, as well as managers reviewing inspectors work for consistency with North Carolina State Building Code and meeting minimum | No documentation was created or used to report quality reviews performed by management. Subsequently a quality control review form was | <i>08/23/2018</i> | <i>NOT IMPLEMENTED</i> |

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| | | standards for effective inspections was not performed. | created to allow for consistent documenting of inspection quality reviews and provided to Internal Audit on April 9, 2021. | | |
| 11. The Permitting and Inspections Department did not have sufficient data quality and integrity for reliable reporting and tracking purposes | | | | | |
| 11 | Permitting and Inspections management should establish measurable and achievable performance goals and standards. Formal processes should be established to collect data, and training should be provided to ensure accurate input of the data used. <i>(Compliance)</i> | Performance measurement data was unreliable, misleading and comprised of duplicated information; it was not inclusive of all relevant information or data that had not yet been defined within the department or was not currently being tracked. It was unclear how work was to be evaluated for the performance metrics and data was manually maintained from various sources with differing understandings of the information. | Based on Internal Audit inquiry, the Department established performance goals and service standards. However, Internal Audit inquiry revealed that reports used for measuring performance were unreliable and did not reconcile to reported data. Management has subsequently notified the Information Technology department regarding the observation and has requested further review and correction to ensure precise data is reported. | 10/25/2018 | PARTIALLY IMPLEMENTED |
| 12. Cityworks 2015 update created further data integrity and accuracy concerns. | | | | | |
| 12 | Data integrity and accuracy concerns created by the 2015 update of Cityworks should be reviewed, 'cleaned' and corrected if considered necessary. <i>(Information Systems Cityworks)</i> | The 2015 update implemented in Cityworks on June 29, 2016 created outstanding balances for permits that had been finalized causing fee data within Cityworks to be unreliable. It is unclear how many other undiscovered | Consultation was performed related to the impact of the 2015 update. However, the extent of undiscovered data integrity matters could not be determined due to the complexity of data table storage within Cityworks. Therefore, the City does not | 08/23/2018 | UNABLE TO IMPLEMENT |

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| | | data integrity problems the update created. | know the extent of data integrity problems the 2015 update created. However, testing was enhanced for future updates. | | |
| 13. Permitting and Inspections personnel lack the knowledge to use Cityworks effectively | | | | | |
| 13 | Formal training on the Cityworks software program should be instituted to provide familiarity with the system. <i>(Training)</i> | Personnel were 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 Internal Audit inquiry, management provided on-going training related to departmental policies and procedures, created how to manuals and provided cross training to personnel. Training on the Cityworks software program was distributed to employees through PowerDMS as of April 6, 2021. Internal Audit did not test if training needs of personnel had been met. | 08/23/2018 | IMPLEMENTED |
| 14. Permitting and Inspections personnel lack the knowledge to use Cityworks' reporting functionality effectively. | | | | | |
| 14 / 20.3 | Standard Cityworks reports should be improved and made available to ensure reliable, relevant and complete information for managing the permitting and inspections processes. In addition, reporting should be provided by subsidiary ledger for fees charged to customers which | Personnel were not proficient with the reporting functionality within Cityworks and were using a limited amount of reports within Cityworks and manually updated information for reporting purposes. | Reports were identified and created in Cityworks to include reporting by subsidiary ledger used to reconcile to the City's general ledger. Although reports were created, it is recommended to ensure the information obtained from Cityworks | 10/25/2018; 8/23/2018 | IMPLEMENTED |

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| | could be used to reconcile to the City's general ledger. <i>(Information Systems Cityworks)</i> | | reporting is reliable and complete. | | |
| 15. Training should be provided to customers for enhanced communications. | | | | | |
| 15 | Coordinate and develop routine customer training sessions to be held at least annually. <i>(Training)</i> | Training sessions were not being offered to customers to allow for an easier transition through the permitting and inspections process. | Training videos were available on the Department's webpage on how to use the customer portal. In addition, when a permit was issued, Cityworks automatically generated an email to the customer with information to assist in the inspection process. | 08/23/2018 | IMPLEMENTED |
| 16. Permits did not reflect the current status. | | | | | |
| 16.1 | Cityworks should be configured to automatically update the status of permits as they move through the permitting and inspections process. <i>(Information Systems Cityworks)</i> | Cityworks did not have the capability to auto populate the status during the workflow and had to be manually changed. Although permits had been finalized, over 80% issued since implementation of Cityworks had a status of "ISSUED". | Based on Internal Audit inquiry, Cityworks was updated to automatically change the permit status based on codes used to result inspections and the length of time the permit has been in an issue status with no scheduled inspections. | 06/26/2018 | IMPLEMENTED |
| 16.2 | Written policies and procedures should include practices for closing or otherwise terminating permits that have been abandoned past a certain time threshold. <i>(Compliance)</i> | Written procedures assist both new and experienced personnel clearly understanding their responsibilities within the department and provide accountability for their work. | Internal written policies and procedures were not developed. The Department follows the North Carolina Administrative Code Title 21 that requires contractors to request final inspections. | 06/26/2018 | IMPLEMENTED |

| 17. Permits were not being monitored for expiration. | | | | | |
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| 17.1 | Cityworks should be configured to send a notice to the permit holder advising of the permit expiration due to lack of activity as well as automatically update the status of expired permits based on specific criteria. <i>(Information Systems Cityworks)</i> | Cityworks has the capability to automatically expire permits based on specified guidelines, but Cityworks was implemented without the function operational. This was a manual process done by Permitting and Inspections personnel. Internal Audit found evidence of expired permits that did not have a status of "EXPIRED" and had resulted inspections after the date of expiration. | Based on Internal Audit inquiry, Cityworks was configured to automatically expire permits based on the length of time the permit was opened with no scheduled inspections. Due to the potential impact, the historical permits were not expired. | <i>08/03/2017</i> | IMPLEMENTED |
| 17.2 | Establish controls and a process to ensure failed inspections are followed to conclusion so the permit holder and/or contractor seek and receive final approval of the project. <i>(Compliance)</i> | Failed inspections were not always re-inspected allowing the permit to expire without proper final approval. Therefore, the permit holder and property owner could not be assured of the project met the provisions of the North Carolina State Building Code. | According to the North Carolina Administrative Code Title 21, the contractor was required to request final inspections. Therefore, processes were not required for the City to ensure inspections are followed to conclusion. Although the above mentioned processes were not required for the Department, it was still recommended that management consider follow-up action on failed inspections to ensure the remediation steps necessary to pass the inspection have | <i>08/03/2017</i> | IMPLEMENTED |

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| | | | been completed prior to the permits expiration date. | | |
| 17.3 | 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. (Compliance) | 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. | Based on Internal Audit inquiry, Cityworks automatically generates email notifications to permit holders 30 days before permit expiration. Additionally, Cityworks was configured to automatically expire permits. | 08/03/2017 | IMPLEMENTED |
| 18. Address information and Parcel Identification Numbers (PIN's) were not being verified. | | | | | |
| 18 | Develop controls within Cityworks to verify the address is located within the City limits, and the correct PIN was identified before issuance of permits. (Information Systems Cityworks) | Processes to verify the accuracy and validity of PIN's to addresses within Cityworks were lacking. | Based on Internal Audit inquiry, PIN information came from the County and was updated within Cityworks nightly. A process was in place for new construction PINs, and Cityworks provided a notice to the permit issuer if the permit location was outside City limits. | 04/27/2017 | IMPLEMENTED |
| 19. Published Fee Schedules lacked clarity and transparency. | | | | | |
| 19 / 26.1 | Develop a process to review the Fee Schedule and make enhancements to ensure consistency and clarity among the permit applications, Fayetteville City Code and the Fee Schedule. (Compliance) | The fee schedule was not clear and transparent for personnel, citizens and contractors to determine the applicable fee charges without asking Permitting and Inspections personnel for clarification. | Incremental fee changes were made annually to the Fee Schedule. However, based on Internal Audit testing, 39% of a .6% sample of fees charged were determined to be exceptions based on the fiscal year ended June 30, 2020 Fee Schedule. Due to the exceptions noted, a follow-up audit on this | 08/23/2018 | PARTIALLY IMPLEMENTED |

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| | | | finding will be included on the Fiscal Year 2021-2022 Annual Audit Plan. | | |
| 20. Cityworks was not reconciled to the general ledger. | | | | | |
| 20.1 | Develop written policies and procedures outlining the process of closing the POS register nightly and reconciliation of amounts billed/refunded in Cityworks and actual revenue posted in the general ledger. <i>(Compliance)</i> | Cityworks did not agree with the general ledger on all days reviewed due to unrecorded refunds in Cityworks and not closing the POS system nightly. | Policy #204 and Policy #43800-032 was created to provide guidance on reconciling and resetting terminals. Policy elements were not tested by Internal Audit. | 08/23/2018 | IMPLEMENTED |
| 20.2 | Ensure personnel were adequately trained on cash receipt procedures. <i>(Training)</i> | Cash receipt processes, to include reconciliations was not clearly understood by departmental personnel. | Based on Internal Audit inquiry, management provided on-going training related to departmental policies and procedures, created how to manuals and provided cross training to personnel. The Permitting 'how to manuals' and policies on cash receipt processes were distributed to personnel through PowerDMS as of April 6, 2021. Internal Audit did not test if training needs of personnel had been met. | 08/23/2018 | IMPLEMENTED |
| 20.3 | Combined under Recommendation #14 | | | | |

| 21. Permitting and Inspections personnel did not reconcile Home Owner Recovery Funds. | | | | | |
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| 21 | Based on North Carolina General Statutes 87-15.6, ensure the Homeowner Recovery Fund fees are submitted based on a reconciliation of information in Cityworks and the general ledger to the North Carolina Licensing Board on a quarterly basis. (Compliance) | 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. | A Home Owner Recovery Fee report was created in Cityworks which reflected refunds. Internal Audit was able to reconcile the Home Owner Recovery Fees assessed in Cityworks to the amount paid to the State for the period of July 1, 2019 to June 30, 2020. | 06/26/2018 | IMPLEMENTED |
| 22. Processes and controls over refunds were inadequate. | | | | | |
| 22.1 | Annually acknowledge Cash Handling General Procedures* and develop written policy related to refund processes. (Compliance) | Instances were noted where refunds were not “paid through the regular accounts payable or petty cash process” in violation of Cash Handling General Procedures. | Policy #43800-024 was created and provided guidance on voids and refunds. Policy elements were not tested by Internal Audit. *The Finance Department no longer requires employees to sign off on the procedure yearly. | 08/23/2018 | IMPLEMENTED (NO LONGER APPLICABLE*) |
| 22.2 | Ensure quality reviews were completed for all cash receipt processes. (Quality Review & Ongoing Monitoring) | Refunds and voids were not reviewed and approved by a supervisor. | Based on Internal Audit observation, daily cash receipt reports were reviewed for accuracy and signed off by two employees, the preparer and the reviewer. In addition, based on Internal Audit inquiry and internal Policy #4380-024, voids and refunds were signed by a | 08/23/2018 | IMPLEMENTED |

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| | | | supervisor as an indication of their approval. | | |
| 22.3 | Training on processes and controls over refunds needed to be developed and performed. <i>(Training)</i> | Personnel did not seem to have a clear understanding of the difference between a void and a refund or when to use them. | Based on Internal Audit inquiry, management provided on-going training related to departmental policies and procedures, created how to manuals and provided cross training to personnel. The Permitting 'how to manuals' and policies on processes and controls over refunds were distributed to employees through PowerDMS as of April 6, 2021. Internal Audit did not test if training needs of personnel had been met. | <i>08/23/2018</i> | <i>IMPLEMENTED</i> |
| <i>23. Segregation of duties was lacking for receiving and recording receipts received via mail.</i> | | | | | |
| 23 | Processes for cash receipt duties be reassigned in order to achieve an effective separation between opening the mail and recording transactions. <i>(Compliance)</i> | Personnel indicated the permit technicians opened the mail, recorded checks received in Cityworks and POS, and endorsed the checks using the automated receipt machine. | A process was established and documented in Policy #43800-005 which included segregation of duties and guidelines around collecting, depositing, reconciling, and safeguarding checks received in the mail. Policy elements were not tested by Internal Audit. | <i>08/23/2018</i> | <i>IMPLEMENTED</i> |
| <i>24. Controls over security of sensitive and confidential information were lacking.</i> | | | | | |

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| 24 | Establish a process for security of faxed information and ensure the faxes are destroyed in accordance with City's Administrative Policy # 311 - <i>Security of Sensitive and Confidential Information and Breach Response Plan.</i> <i>(Compliance)</i> | Information faxed into the Department, which may contain sensitive information, were retrieved from the fax machine by personnel as time allowed. In addition, faxes remained on the fax machine until the next business day. | Based on Internal Audit inquiry, a process was established which included faxes remaining in a locked status until permit staff entered the security code. | 08/23/2018 | IMPLEMENTED |
| 25. Processes and controls over permit issuance were lacking. | | | | | |
| 25.1 | Combined under Recommendation #6.2 | | | | |
| 25.2 | Appropriate inspectors reviewed all written applications as defined by NCGS and Fayetteville City Code, Chapter 7, Article III before a permit is issued, to include verifying the status of the contractor's license. <i>(Compliance)</i> | Permit applications were not reviewed by the appropriate inspector before issuance to ensure all requirements were satisfied. | The City Code 7-66 was updated to allow designated permitting and inspections staff member to issue permits once the application and the proposed work comply with the provisions of the chapter and the appropriate regulatory codes. | 10/25/2018 | IMPLEMENTED |
| 26. Permit fees were not always calculated correctly or consistently. | | | | | |
| 26.1 | Combined under Recommendation #19 | | | | |
| 26.2 | Training should be given to Permitting and Inspections personnel to ensure understanding and adherence to policies and procedures related to the accurate and consistent application of fees. <i>(Training)</i> | Applications were unclear and confusing resulting in inconsistencies. In addition, some fees were being manually calculated by personnel and were not always correct or consistent. | Based on Internal Audit inquiry, management provided on-going training related to departmental policies and procedures, created how to manuals and provided cross training to personnel. The Permitting 'how to manuals' and policies on | 08/23/2018 | IMPLEMENTED |

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| | | | <p>issuing permits and processing payments were distributed to employees through PowerDMS as of April 6, 2021.</p> <p>Internal Audit did not test if training needs of personnel had been met.</p> | | |
| 26.3 | <p>Establish a quality review process related to the <i>calculation of permit fees (permit applications)</i> and consider establishing exception-based reports from Cityworks identifying unusual transactions. <i>(Quality Review & Ongoing Monitoring)</i></p> | <p>There was no review performed by personnel with necessary technical knowledge, and no control activities designed to prevent or detect errors in permit fee calculations.</p> | <p>Based on Internal Audit inquiry, quality reviews were conducted by reviewing a sample of permit applications and fees paid. Although there was no formal documentation process, Department personnel indicated errors were documented and maintained in folders. However, based on Internal Audit testing, 39% of sampled permit fees were not charged according to the fiscal year ending June 30, 2020 Fee Schedule.</p> <p>Due to COVID-19, a walk-through on the quality review process could not be completed. Internal Audit will include a follow-up on this recommendation as part of the Fiscal Year 2021-2022 Annual Audit Plan.</p> | <i>08/23/2018</i> | <i>UNABLE TO DETERMINE</i> |

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| | | | On April 9, 2021 a quality control review form was subsequently provided to Internal Audit. | | |
| 27. The Permitting and Inspections Department did not verify the status of contractor's license status prior to issuing building permits. | | | | | |
| 27 | Establish and follow written procedures to ensure the validity of contractor's license. (<i>Compliance</i>) | Personnel indicated the contractor's license was checked on the applicable North Carolina website when a new contractor applied for a permit, but personnel did not check licenses every time a permit application was entered to ensure the license was still valid | Policy #43800-511 was created and provides guidance on adding a new contractor and checking for valid license information. Policy elements were not tested by Internal Audit. | 08/23/2018 | IMPLEMENTED |
| 28. There was a lack of controls to prevent the issuance of duplicate permits. | | | | | |
| 28 | Develop controls within Cityworks to prevent creating duplicate permits. (<i>Information Systems Cityworks</i>) | Cityworks did not notify the user when trying to create a permit that already existed because multiple permits can be issued for the same address. There did not appear to be any mitigating controls in place to prevent the duplication. | Based on Internal Audit inquiry, Department personnel indicated a process was established to review the location for permits issued prior to issuance of additional permit. However, this control can only be used for permits issued by Departmental personnel. Cityworks software was not able to review a location prior to permit creation through the online portal. When duplications are discovered, Department personal have to issue refunds. | 08/23/2018 | UNABLE TO IMPLEMENT |
| 29. Controls for backdating and resulting inspections within Cityworks were inadequate. | | | | | |
| 29.1 | Procedures should be established requiring | When inspectors reached the inspection location, they | Policy #43800-034 was created and required | 08/23/2018 | IMPLEMENTED |

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| | inspectors to document within Cityworks when the inspector reaches the location and the results of the inspection before going to the next assignment. (Compliance) | 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. | inspectors to record inspection results immediately in the inspection software or at the nearest location they were able to do so. Policy elements were not tested by Internal Audit. | | |
| 29.2 | Training should be provided to improve inspectors' documentation related to resulting inspections within Cityworks. (Training) | Inspectors have an assigned laptop and a cell phone which allows them to access City systems as well as to post the results of inspections to Cityworks. | Based on Internal Audit inquiry, management provided on-going training related to departmental policies and procedures, created how to manuals and provided cross training to personnel. Inspections policies were distributed to employees through PowerDMS as of April 6, 2021. Internal Audit did not test if training needs of personnel had been met. | 08/23/2018 | IMPLEMENTED |
| 30. The practice of bypassing system controls was not prohibited, and all required inspections were not documented. | | | | | |
| 30.1 | Update workflows within Cityworks for required inspections and prohibit the practice of bypassing system controls by resulting inspections "NA" on the workflows. (Information Systems Cityworks) | Workflows were not set up to automatically populate tasks relevant to each specific type of permit, and personnel were able to add and delete tasks to permit workflows. Inspectors were able to bypass all controls. | Workflows in Cityworks were updated to include all inspections that may be required. The need to result inspections as "NA" could not be completely eliminated. Therefore, it is recommended to ensure quality reviews are conducted (see 30.2). | 08/03/2017 | IMPLEMENTED |

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| 30.2 | Quality reviews should be conducted by management to ensure all <i>inspections</i> are completed and resulted for each type of permit on the workflow. (Quality Review & Ongoing Monitoring) | There was no reviews performed by personnel with necessary technical knowledge, and no control activities designed to prevent or detect alterations and deletions on the workflow. | <p>There were no specific quality reviews completed by management related to reviewing the workflows within Cityworks, to include the inspections resulted on the workflows as “NA”.</p> <p>On April 9, 2021 a quality control review form was subsequently provided to Internal Audit.</p> <p>Although quality reviews of inspections will help address risks, the risk of all necessary inspections not being performed cannot be fully mitigated when inspections can be resulted as “NA”.</p> | 08/03/2017 | NOT IMPLEMENTED |
| 31. The Permitting and Inspections Department should establish a personnel productivity and time measurement system for the inspections function. | | | | | |
| 31 | Finding was outside of the scope of the original audit and the recommendation was not tested. Observation will be considered during annual risk assessments. | | | | |
| 32. Demolition projects were not inspected. | | | | | |
| 32 | Develop procedures to ensure all permitted demolition projects are inspected or permits are properly cancelled if the permitted work is not commenced. (Compliance) | Departmental responsibility related to demolition permits was unclear and the inspection process was not specified. | Policy #43800-0042 on Demolition Permits was provided for guidance on when personnel will be responsible for inspections. | 10/25/2018 | IMPLEMENTED |

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| | | | Policy elements were not tested by Internal Audit. | | |
| <i>33. A final accounting for permit fees based on construction cost or square footage was not done to ensure permit fees were charged correctly.</i> | | | | | |
| 33.1 | 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. <i>(Compliance)</i> | 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 Internal Audit inquiry, if square footage differences are noted, the inspectors notify the permit holder to update the application prior to finalizing the permitted work. This process was not formalized into a written procedure. Elements of this process were not tested by Internal Audit. | <i>10/25/2018</i> | <i>IMPLEMENTED</i> |
| 33.2 | Training should be provided on procedures developed to ensure square footage and construction costs are validated prior to permit issuance and again prior to issuance of the certificate of occupancy/compliance. <i>(Training)</i> | Guidelines were not established to instruct when adjustments in square footage should be recorded in Cityworks or to collect/refund fees prior to issuance of the Certificate of Occupancy or Compliance | Based on Internal Audit inquiry, management provided on-going training related to departmental policies and procedures, created how to manuals and provided cross training to personnel. Process was not formalized into a written procedure. Internal Audit did not test if training needs of personnel had been met. | <i>10/25/2018</i> | <i>IMPLEMENTED</i> |
| <i>34. No formal written policy existed to provide guidance when to impose a callback fee.</i> | | | | | |
| 34.1 | Written callback policy to provide guidance and direction on how to impose callback fees should be developed and | Callback fees were imposed at the discretion of the inspector and not consistently charged. | Policy #43800-027 on Callback Fees was provided and offered guidance on assessing fees. | <i>08/23/2018</i> | <i>IMPLEMENTED</i> |

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| | communicated to contractors/home owners. <i>(Compliance)</i> | | Policy elements were not tested by Internal Audit. | | |
| 34.2 | Training should be provided on the callback policy. <i>(Training)</i> | Guidelines were not established to instruct when callback fees should be assessed. | Based on Internal Audit inquiry, management provided on-going training related to departmental policies and procedures, created how to manuals and provided cross training to personnel. The callback policy was distributed to employees through PowerDMS as of April 6, 2021. Internal Audit did not test if training needs of personnel had been met. | <i>08/23/2018</i> | <i>IMPLEMENTED</i> |
| <i>35. Multi trade combined inspections should be enhanced.</i> | | | | | |
| 35 | Consider implementing multi-trade inspections process, specifically HVAC permits, to enhance scheduling flexibility, reduce drive times and improve response times. <i>(Compliance)</i> | Instances were noted where a final inspection was completed on one permit but not the child permit. Inspectors capable of performing multi-trade inspection limited their inspections to one trade. | Multi-trade permits and applications were created. Based on Internal Audit inquiry, multi-trade inspections were conducted when staffing levels and inspector certifications allow. | <i>10/25/2018</i> | <i>IMPLEMENTED</i> |