AUDIT REPORT
Community Planning and Development
Building Permits
August 2017

Office of the Auditor
Audit Services Division
City and County of Denver

Timothy M. O’Brien, CPA
Denver Auditor
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Office of the Auditor
201 West Colfax Avenue, #705
Denver CO, 80202
(720) 913-5000 • Fax (720) 913-5247

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Audit report year: 2017
AUDITOR'S REPORT

We have completed an audit of the City's Community Planning and Development (CPD) residential and commercial building permit process. The objective of the audit was to evaluate the efficiency and effectiveness of CPD's processing of applications for permits, including an assessment of the functionality and usability of the permitting system, an evaluation of the efficiency of the permitting process, a determination of the alignment between permitting fees and staffing resources.

As described in this report, our audit revealed that CPD needs to enhance existing practices to improve efficiencies and effectiveness in processing permits.

Through enhancements to department policies that address the permitting intake process, periodic evaluation of fees and cost recovery efforts, in addition to enhanced management of user access to the City's permitting system, CPD will be able to improve the customer experience during the intake process and ensure that permit fees are adjusted to sufficiently cover department costs. Our report lists several related recommendations.

This performance audit is authorized pursuant to the City and County of Denver Charter, Article V, Part 2, Section 1, General Powers and Duties of Auditor, and was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We extend our appreciation to CPD and the personnel who assisted and cooperated with us during the audit.

Denver Auditor's Office

Timothy M. O'Brien, CPA
Auditor
Our audit results suggest that Community Planning and Development needs to enhance existing practices to improve efficiencies in processing permits. Specifically, we identified three areas that need to be addressed by the department to improve residential and commercial building permit processes.

First, the existing plan intake practices appear to increase customer wait times for the submission of building permit applications. Based on the work performed, we noted three factors that potentially impact wait times including the lack of adequately trained personnel to manage the demand for residential and commercial building permit application intake, disorganization of construction plans waiting to be reviewed and approved plans to be archived, and the inefficient use of information obtained through customer feedback.

Second, we identified instances where the agency does not consistently adhere to certain City policies and Fiscal Accountability Rules. More specifically, we noted that the agency does not comply with policies related to the fee structure for an engineer’s review of submitted plans or the City’s rules related to the deposit of checks.

Lastly, we noted that although the agency’s change management process is effective, former employees continue to have access to CPD’s permitting system.
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BACKGROUND

Population and Development Growth in Denver

Colorado has received an influx of new residents over the past few years at an immense rate. According to recent U.S. Census Bureau estimates, Colorado was the seventh-fastest growing state in the country in 2016. The City and County of Denver (City) has attracted much of that growth. Denver County grew by 15.5 percent since 2010, adding an estimated 93,000 people over six years.¹

Denver’s booming growth has led to an increase in building and construction to accommodate growing demand for housing and commercial developments such as office buildings, hotels and retail space. The City’s Department of Community Planning and Development (CPD) is central to ensuring that Denver’s development keeps pace with the population growth by issuing building permits for new construction. In fact, CPD’s rate of building permit issuance has been at an all-time high. Over the past five years, the City has seen an estimated 32 percent growth in the number of permits issued. It is against this backdrop that the Auditor’s Office decided to assess how increased demand may be affecting efficiency and effectiveness of the permitting function.

Community Planning and Development: Structure and Mission

The City’s Department of Community Planning and Development (CPD) was established through the City Charter, granting it the following powers:

- Administration of the City’s zoning laws and other laws regulating land development and construction within the City
- Assisting the City Council in the preparation, adoption and, implementation of the City’s Comprehensive Plan for long-range development or redevelopment of the City²
- Advising the Mayor and City Council on proposed amendments to the Zoning Ordinance, Zoning Map amendments, and other related activities

CPD’s mission, as noted in the 2017 Mayor’s Budget Book, is to envision, enable, and ensure a better Denver. CPD staff work with the Denver community to prepare plans, as well as regulations for land use and design, that guide the City’s growth, enhancement, and preservation.³ In doing so, CPD seeks to create strong partnerships with the Denver community, provide clear building regulations, prioritize infrastructure projects, and ensure future investment in Denver.

CPD consists of three main divisions: the Office of the Manager, Development Services, and Planning Services. Appendix B includes the organization chart for this department.

The Office of the Manager is the administrative arm of CPD. This division is responsible for developing the department’s guiding principles, overseeing the activities of Development Services and Planning Services, and performing other key activities, such as policy development,

² The City’s Comprehensive Plan 2000 (Plan), which was adopted by Denver City Council in 2000, establishes a vision for Denver as a city that is livable for all residents. The guiding principles and policies within the Plan form the basis for the goals and recommendations of subsequent city plans. efforts.
public education, and processing customer payments related to permit fees and contractor licensing. The Planning Services division is responsible for leading and implementing the City's Comprehensive Plan. Finally, the Development Services division coordinates and manages building permits and inspections. Specifically, it is responsible for issuing building permits for new construction, remodeling, and renovation of structures and buildings. During the review of project plans, Development Services also works with other agencies, such as the Denver Fire Department, the Department of Parks and Recreation, and the Department of Public Works, all of which have roles in the planning and development process.

**CPD Issues Building Permits to Ensure Safety and Enforce Zoning Standards**

The City issues a variety of permits to facilitate compliance with local standards for land use, zoning, and construction. These standards are intended to ensure the safety of current and future owners and occupants, and the enforcement of zoning and land use policies. Along with the other services described above, Development Services is also responsible for administering and enforcing the Denver Building and the Denver Zoning Code. All construction must be inspected for compliance with these codes in addition to national and international codes in the areas of structural, electrical, mechanical, plumbing, conservation, boiler, refrigeration, fuel, and gas.

The department issues a variety of permits, including roofing, electrical, plumbing, residential, and commercial building permits. The largest volume of permits are issued for projects related to residential and commercial construction projects. Residential permits are issued for any work performed on one- or two-family buildings in Denver. This includes both new construction, remodels and additions. Additionally, Development Services issues permits for the construction of new or the remodeling of existing non-residential buildings (e.g. commercial projects).

There are several regulations and policies that govern Development Services and the permits they issue. The following list represents the regulations, charters, and policies that are applicable to the scope of this audit.

- **Amendments to the Building and Fire Code for the City and County of Denver (DCBA)** - The DCBA provides the minimum standards to safeguard life, health, property, and public welfare by regulating and controlling the design, construction, quality of materials, use occupancy, location, and maintenance of all buildings and structures within the City and County of Denver.

- **Building Code Policies** - Policies related to the DBC provide detailed descriptions of how Development Services will handle situations that are not clearly addressed in the DBC. There are more than 40 building code policies; however, for the purposes of this audit, we evaluated the department’s compliance with the following:
  - **Permit Application and Issuance (Admin 131)** - This policy establishes the criteria for determining the method by which permit applications may be made. The policy describes and defines the ways in which a customer can submit an application for a residential or commercial project.
  - **Permit and Inspection Fees (Admin R138)** - This policy outlines the fee structure for plan review and permit and inspection fees. We included the fee schedule from this policy in Appendix C.
• **Development System Performance (DSP) Charter** - This Charter supersedes Executive Order 137, which was rescinded in February 2017. The Charter focuses on efforts needed to create an effective governance structure that will allow for improved coordination, performance management, and innovation for all agencies and private sector customers involved in site development planning, permitting and inspection services. The Development System Performance (DSP) Charter was finalized on January 3, 2017.

• **Fiscal Accountability Rule 3.4: Receipts and Deposits** - This rule outlines the City’s policy for the acceptance, processing, depositing, and accounting of customer receipts.

### Development Services’ Performance Measures

CPD tracks its performance using performance measures to ensure efficiency and productivity. Specifically, CPD has established three performance measures to assess the performance of Development Services’ permitting activities, as listed in the 2017 Mayor’s Budget Book:

- Building permits issued
- One/Two Family dwelling plans reviewed within established time frame
- Commercial project plans reviewed within established time frame

The data show a sharp increase in permits issued during recent years. In 2013, CPD issued 55,252 permits compared to 66,624 in 2016. The measures also indicate that Development Services is reviewing more residential plans within the desired time frame, but fewer commercial plans are being reviewed within the desired time frame.

### TABLE 1. CPD Performance Measures

<table>
<thead>
<tr>
<th>Code Administration and Enforcement Permitting</th>
<th>2013 Actual</th>
<th>2014 Actual</th>
<th>2015 Actual</th>
<th>2016 Actual</th>
<th>2017 Objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building Permits Issued</td>
<td>55,252</td>
<td>67,818</td>
<td>73,753</td>
<td>66,624</td>
<td>66,000</td>
</tr>
<tr>
<td>One/Two family dwelling plans reviewed within established timeframe</td>
<td>35%</td>
<td>37%</td>
<td>48%</td>
<td>78%</td>
<td>75%</td>
</tr>
<tr>
<td>Commercial project plans reviewed within established timeframe</td>
<td>92%</td>
<td>93%</td>
<td>52%</td>
<td>56%</td>
<td>63%</td>
</tr>
</tbody>
</table>

**Source:** City and County of Denver Auditor’s Office

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4 Executive Order 137 established Development Services as Denver’s one stop project services shop for all residential and commercial construction projects. The Order, which further defined the division’s organizational structure, powers and duties, was dated July 17, 2009 and subsequently updated on April 5, 2013.
Additionally, CPD generated approximately $33 million and $29 million in license, permit and fee revenue for the period of 2015 and 2016, respectively.

Denver’s Permitting System and Process

In an effort to create a one-stop development review and permitting center, CPD management implemented a new software system in 2015. The Accela Automation Enterprise platform (Accela) was selected to provide personnel with a configurable government permitting system. Accela has increased functionality across CPD, from intake personnel who use the system to log in customers and assess project valuations, to CPD inspectors who utilize Accela’s mobile application to schedule and perform inspections. Additionally, intake personnel use the system to issue permits, and, in the future, customers will be able to submit building plans and apply for permits online. Although CPD is the primary user of Accela, other agencies who play a smaller role in the permitting process also use the system, including the Department of Public Works, the Department of Excise and Licenses, the Assessor’s Office and the Denver Fire Department.

Steps in the City’s Permitting Process

There are three major steps in the permitting process: Project Intake, Plan Review and Permitting Issuance, which are described below and summarized in the process flow diagram included in Appendix A.

**Step 1: Plan Intake**

As part of the intake process, customers must provide CPD Intake personnel with various documents and forms in what is called a Submittal Package. These documents and forms include, but are not limited to, the following:

- Permitting Application
- Statement of Valuation
- Complete set of architectural drawings
- Affordable Housing Linkage Fee Application
- Letter of Structural Integrity
- Asbestos Inspection Acknowledgement

CPD has developed a variety of permitting guides, which provide instructions to customers on documentation needed to process the various types of permits that the department issues. In particular, CPD has a separate guide for residential permits and one for commercial permits. The guides include several checklists that must be completed by customers to ensure that they submit all required documents. After completing the checklists included in the respective permitting guides, the customer signs into CPD’s queuing system, QLess, either in person (located on the second floor of the Wellington Webb Municipal Building) or online.

Customers are placed in QLess based on their business needs. For example, a customer has the option to log in to several different queues, including the following:

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5 On September 21, 2016, Mayor Michael Hancock signed Bill 16-625 into law, which created a dedicated fund for affordable housing to create and preserve 6,000 homes in Denver for low- to moderate-income families. Funds are generated by the Affordable Housing Linkage Fee, which is required on all permits that enter Plan Review.
- **Quick Permit Queue** - Used for trade-specific permits that can be issued without a plan review. Examples include minor electrical work, roofing, sewage, and siding.

- **Login Queue** - Used for the initial submission of building plans for residential or commercial construction projects.

- **Resubmittal Queue** - Used for residential or commercial construction plans that customers have to resubmit due to deficiencies identified by Development Services during the Plan Review phase.

- **Logged In Plan Pick-Up Queue** - Used for customers that are picking up their reviewed building plans.

Prior to initially submitting a residential or commercial building plan, a customer must sign in to the Login Queue. Once the customer advances to the beginning of the queue, intake personnel review the Submittal Package to ensure that all required documents are included. According to policy, all submittals must be 100 percent complete before the project can advance to the Plan Review phase.

Once intake personnel determine that the Submittal Package is complete, they enter the required information into Accela and subsequently assign the appropriate plan reviews to the relevant reviewing agencies. For example, in addition to Development Services reviewing the proposed structural design of a residential construction project for compliance with the building code, the Denver Fire Department may need to perform a separate review for compliance with fire codes, while the Department of Public Works may need to perform a separate review of the proposed plumbing and sewage design.

After the various plan reviews are assigned, Accela assigns the project with a unique identifier and generates a Permit/Review Fee Invoice. Permit/Review fees are based on the building valuation as provided in the customer's Submittal Package. The Intake Staff provides the customer with the Permit/Review Fee invoice. The customer then proceeds to Cashiering for payment of the Review Fee.

**Step 2: Plan Review**

After the Review Fee is paid, the project is then reviewed by the appropriate Plan Reviewers (e.g. Development Services, Denver Fire Department, Department of Public Works), based on the required reviews assigned earlier. If a plan does not pass any part of the review, the customer must remedy the plan deficiencies and resubmit the project to Development Services to continue toward Permit Issuance. This process, known as Resubmittals, is repeated until the project passes Plan Review. In accordance with CPD’s Building Permit Policy, a Resubmittal Fee is charged for projects that have been resubmitted.

Additionally, if a customer decides to adjust a set of previously approved building plans, the revised plan must be resubmitted through a separate process, similar to Resubmittals, and are subject to a Modified Drawing fee.
Step 3: Permit Issuance

Until the final step of Permit Issuance, the customer can check on the status of the permit using CPD’s website. CPD posts the Plan Review times on its website. Plan review times vary depending on the type of permit(s) needed. As of December 23, 2016, plan review times ranged from three weeks for Zone Lot Amendments and Zoning Code Interpretations to eight weeks for major commercial projects, such as new commercial buildings and large additions. Once approved, the customer must return to the Intake station to pick up the reviewed plans and invoice, and proceed to the Cashiering station to pay for and pick up the permit.

All approved plans are retained by the department and become public record. As a result, any individual may request copies of approved plans. A customer must make the request through the Records Counter within Development Services.

Permit Fees Help Recover Costs Associated with CPD’s Permitting and Inspections Activities

Building permit and plan review fees are based, in part, on the construction value of the project. The construction value to be used in computing the building plan review and permit fees is based on the total value of all construction work for which the permit(s) is issued, including but not limited to labor, materials, profit, overhead, finish work, roofing, electrical, plumbing, heating, air conditioning, elevators, and any other permanent equipment. For example, as shown below, the permit fees for a construction project with a total valuation of $30,000,000 would be approximately $111,235. Using the Permit Fee Schedule from ADMIN Policy R138 in Appendix C, the permit and plan review fees are calculated as follows:

1. Permit Fee is: $5,385.00 + [3.65 * ($30,000,000 - $1,000,000)/1000 = $105,850]. The total permit fee is $111,235.
2. Plan review fee is 50% of Permit Fee or $55,617.50

Permit fees also include costs to cover customary inspections that are performed throughout the construction phase of the project. There may be other fees such as fees related to when plan submittal documents are rejected or incomplete, need to be updated and reviewed again (known as Resubmittals), or when previously approved plans are modified and must be reviewed again (known as Plan Modification). Some plan review and building permit fees may be reduced or waived based on established agreements for the Denver Housing Authority, utility and other public or public/private projects. Plan review fees are due prior to any review. Permit fees are due after the plan review has been approved by all plan review trades and applicable agencies for the specific project.
OBJECTIVE

The objective of the audit was to evaluate the efficiency and effectiveness of processing building permits for residential and commercial construction, including an assessment of the functionality and usability of the permitting system, an evaluation of the efficiency of the permitting process, and a determination of the alignment between permitting fees and staffing resources.

SCOPE

The scope of the audit was limited to assessing efficiencies surrounding building permits for residential and commercial construction for the period of January 1, 2014 to December 31, 2016.

METHODOLOGY

We applied various methodologies during the audit process to gather and analyze information pertinent to the audit scope and to assist with developing and testing the audit objectives. The methodologies included the following:

- Reviewing prior Denver Auditor’s Office reports and relevant audit reports from other audit organizations
- Interviewing key personnel involved in the Permitting Process within Community Planning and Development, including process owners, Intake Counter staff, Plan Reviewers, and Inspectors to obtain contextual information about the permitting process as a whole
- Reviewing policies and procedures for Community Planning and Development’s permitting process and comparing them to actual practices
- Assessing controls related to the permitting system, Accela
- Reviewing fees and fee assessments
- Evaluating the efficiency and effectiveness of processing applications for permits
- Creating a process flow chart
- Researched best practices related to customer wait times, monitoring customer feedback and organization of critical documents
- Reviewed Community Planning and Development’s Strategic Resource Alignment analysis
- Researched criteria relative to customer wait times, monitoring customer feedback, organization of critical documents, permit fee structure and cost recovery methodologies, requirements associated with deposit of funds and, management of user access
FINDING

Community Planning and Development Needs to Enhance Existing Practices to Improve Efficiencies and Effectiveness in Processing Permits

With the increase in Denver’s population growth, the City continues to experience an increase in the number of residential and commercial construction projects. Generally speaking, most building projects within the City require a construction permit. These permits allow customers to commence construction for residential, commercial, remodel and related construction projects.

Development Services, a division of the Department of Community Planning and Development (CPD), is the City’s division responsible for issuing building permits. With the City’s continued growth, the department has taken steps to implement new technology and develop new strategies to aid them with the increased demand for building permits. In recent years, the department has:

- Implemented an electronic queuing system, QLess, that assists the department with managing customer wait times
- Implemented a new permitting system, Accela, to help streamline the department’s permitting process
- Conducted a Strategic Resource Alignment (SRA) analysis to help identify resource gaps

Although the department continues to look for opportunities to improve the permitting process, we identified control deficiencies in three key areas. First, we identified internal factors that negatively affect the time a customer waits in line to submit their initial permit application and project documents. Second, the department does not consistently adhere to regulations and policies related to periodic analysis of fees, existing fee structure or timely deposits of checks. Lastly, we identified deficiencies in the process to terminate user access to Accela for individuals who no longer work for the City.

Existing Plan Intake Practices Increase Customer Wait Time for Submission of Building Permit Applications

One of the primary objectives of this audit was to assess the effectiveness of CPD’s permitting process. During the course of our work, we observed several inefficiencies during Plan Intake that impact the length of time that a customer must wait in line to submit their initial permit application and project documents. Based on information obtained from CPD management, we noted that the average wait time for submission of a residential or commercial building permit was more than 1.5 hours. Information collected by CPD staff through customer surveys further supports that wait time could be improved. Lastly, when compared to reported intake wait times for other cities such as Colorado Springs, San Diego and Aurora, we noted that the average queue times ranged from 30 to 45 minutes. This suggests that Denver’s intake wait times for the intake process are excessive. As previously noted in the Background section of this report, the permitting process commences with Plan Intake. Customers who are submitting permit applications and project plans related to residential and commercial construction projects are
processed through the Login Queue. Due to the nature and complexity of residential and commercial construction projects, these applications tend to take the longest to process and as a result have the longest wait times relative to the other permit queues (e.g. Quick Permit Queue). During our observation of the plan intake process, we identified three factors that could increase the amount of time that a customer waits in line to submit a building permit application. First, CPD does not have a sufficient number of intake personnel trained to manage application intake demand. Second, plans are not well organized, making it time consuming to locate what intake staff are looking for. Third, although Development Services reviews customer feedback on a regular basis CPD management does not assess the effectiveness of new or modified process improvements designed to address customer issues.

The Division Does Not Have an Adequate Number of Trained Personnel to Manage the Demand for Residential and Commercial Building Permit Application Intake

Currently, there are 10 employees responsible for the intake of all permitting applications, including residential, commercial, and quick permits. However, of the 10 intake staff, only 5 staff are dedicated to intake of applications for residential and commercial construction projects, which are managed through the Login Queue. During our observation of the Plan Intake process, we noted several instances where there were more than 10 customers waiting in the Login Queue while all customers in the Quick Permits Queue had already been processed. Despite the availability of the Quick Permit intake staff, they could not shift over to help the Login Queue staff because they have not been trained on how to process residential and commercial permit applications. As such, the intake staff for Quick Permits sat idle while customers with residential and commercial permit applications continued to wait for periods of up to three hours. Once the Login Queue reaches 25 customers, the Login Queue stops accepting new customers until the number of individuals waiting to be serviced is reduced to a manageable level, as determined by CPD management.

According to CPD management, the intake process for residential and commercial permits is more complicated than for the other permit types (e.g. plumbing, sewage, roofing, etc.), primarily because of the type of documentation needed for plan review and the level of required coordination of plan reviews with other reviewing agencies. However, all intake staff have received some level of training relative to type of permits processed by each of the various queues.

One instance where we observed a lack of training involved a customer who entered the wrong queue and was not redirected by intake personnel. The customer incorrectly signed into the Login Queue to request copies of approved construction plans for a newly constructed building. Rather than redirecting the customer to the Records Counter, the plan intake employee tried to retrieve the plans, but returned unsuccessfully after 45 minutes. Although we recognize the intake employee’s desire to be helpful, based on the division’s current practices, requests for copies of approved plans should be handled by the Records Counter. Furthermore, as noted on the Records Request Form, CPD has three business days to fulfill requests for copies of construction plans. Instead of re-directing the customer to the Records Counter, the employee assisted the customer, thereby increasing the wait time for customers submitting permit applications.
an interview, CPD management indicated that the Login Queue receives these types of requests several times per week.

In an effort to evaluate the department’s staffing needs, CPD completed a Strategic Resource Alignment Analysis (SRA). Resource needs were evaluated by the various services provided by CPD including, Login Counter (e.g. plan intake), Plan Review, Building Inspections and Cashiering. As noted in the SRA, the department needs additional resources to assist with the various phases of the permitting process. However, according to the SRA, both the Login Counter and Cashiering are adequately staffed. This analysis further supports the division’s need to ensure all intake employees are adequately trained to process residential and commercial permit applications.

With regard to training, guidance established by the U.S. Government Accountability Office (GAO) emphasizes the importance of recruiting, developing, and retaining competent personnel to achieve the entity’s objectives. Further, an organization should help employees develop competencies appropriate for key roles, reinforce standards of conduct, and tailor training based on the needs of the role. The GAO also highlights the role of management to “adjust excessive pressures using many different tools, such as rebalancing workloads or increasing resource levels.” The guidance further states that management is responsible for defining “excessive pressure”.

Best practices also suggest that cross-training of employees can help improve process efficiencies and productivity of an organization. As noted in one business journal, cross-training of employees involves developing a team’s capacity so an organization “has the flexibility to respond to fluctuating workflows” quickly. Essentially, it will allow the intake staff to easily transition between all permit queues.

With only five intake staff trained to handle residential and commercial application intake, the intake function is not being managed efficiently, which impacts CPD’s ability to provide timely customer service. This is due, in part, to the lack of trained staff available to assist the Login Queue, when needed. Without properly staffing and cross-training the plan intake function, CPD cannot operate as efficiently and effectively as possible, which ultimately impacts the department’s ability to process permits in a timely manner.

**RECOMMENDATION 1.1**

The Intake Supervisor should develop and implement a training plan that addresses the intake process for all permits processed by Development Services. Specifically, the training should address the steps needed to process both residential and commercial permit applications including the appropriateness of customer documentation, entry of required data into Accela and scheduling of all required plan reviews. Additionally, the Intake Supervisor should assess whether additional resources are needed to assist with the training of staff.

Department Response: Agree, Implementation Date: December 31, 2018

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**RECOMMENDATION 1.2**

The Intake Supervisor should develop a strategy for determining how and when intake staff should focus their efforts on assisting customers in the Login Queue.

**Agency Response:** Agree, Implementation Date: November 15, 2017

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**Construction Plans Are Not Organized in a Systematic Manner to Allow for Easy Identification**

With the increased demand for construction permits, the number of construction plans reviewed has increased significantly. Although the division has plans in place that will allow customers to submit their construction plans to Development Services electronically, currently most residential and all commercial construction plans must be submitted in paper form. During our audit observations, we noted that the division has insufficient storage space to house plans that are awaiting review. Furthermore, we found that these plans have not been organized in a manner that allows the plan reviewer to quickly locate the next plans to be reviewed.

At the time of the audit, all residential and commercial construction plans awaiting review were stored in one area; the majority of plans were placed on shelves but others were placed on the floor. However, in either case, the plans were not marked in a manner that allows for easy identification by plan reviewers. As a result, plan reviewers must spend additional time searching for the plans that they have been assigned to review. According to CPD management, they are in the process of converting a location near the residential plan review team into additional storage space for residential construction plans that are ready for review.

Although this apparent disorganization most significantly impacts plans that are still in the review process, it also affects plans that have been reviewed and are waiting to be archived. The department makes and retains an electronic version of the all approved plans, then sending the original hard copies to an offsite storage facility. The division only has one part-time employee dedicated to the archival of approved plans. Through discussions with CPD management, we learned that the division is six months behind in its process of storing approved plans. As a result, there is a large volume of approved plans physically taking up space. These plans appear to be placed wherever the division can find open space, rather than in accordance with any sort of

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**Source:** Photo taken by Audit Team (plan storage)

**Source:** Photo taken by Audit Team (CPD walkway)
organizational system. For example, we observed approved plans that were placed in the hallways and in empty cubicles throughout CPD’s office location. This makes it very difficult for others to locate approved plans upon request as well as increases the department’s risk for losing plans.

According to CPD management, Development Services is in the early stages of creating a system that will allow customers to submit plans electronically. Although this will significantly diminish the volume of physical plans retained by the department, it could be more than a year before the system is operational. Accordingly, Development Services should also focus on the immediate need for a better organizational system. Best practices suggest that key documents should be stored in such a manner to help ensure they can be easily located when needed. This will help minimize the department’s exposure to lost or missing building plans.

**RECOMMENDATION 1.3**

The Engineer/Architect Director along with the Deputy Directors should develop a filing system that allows plan engineers to easily identify and locate plans that are scheduled to be reviewed. Furthermore, additional resources should be allocated to the archiving process to ensure efficient retention and retrieval of approved plans.

**Agency Response: Agree, Implementation Date: December 31, 2018**

Inefficiencies Identified through Customer Feedback Are Not Systematically Addressed

In June 2014, CPD began to collect customer feedback through online surveys and customer feedback cards. Information from these surveys are reviewed by CPD management on a monthly basis to identify opportunities for improvement of the customer experience. The survey results are also distributed to all CPD supervisors, which allows them to address feedback related to their respective teams. Most the surveys are received at the permit counter. As such, most complaints tend to focus on dissatisfaction with login wait times.

Despite capturing customer comments and sharing the information with supervisors on a monthly basis, CPD management has not developed a follow-up process to ensure that issues are being addressed. Furthermore, no annual or quarterly trending analysis is conducted on customer service performance over time. Such analysis could be used to identify recuring issues and to determine whether strategies put in place to address these issues are working as intended.

The federal government has recognized the need to evaluate customer feedback in order to improve a department’s overall customer satisfaction and provides guidance through Executive Order 12862, “Setting Customer Service Standards” and Executive Order 13571, “Streamlining Service Delivery and Improving Customer Satisfaction.” According to those Executive Orders, government agencies must not only survey customers, but evaluate the feedback and develop
strategies that will improve the customer's experience.\textsuperscript{9,10} Without proper follow-up and analysis, Development Services may be missing opportunities for improved customer service, which is increasingly important in the current high-demand environment.

A popular framework for enterprise risk management, established by the Committee of Sponsoring Organizations (COSO), provides additional guidance regarding how CPD could improve communication of customer feedback.\textsuperscript{11} The COSO framework highlights that well-functioning information and communication systems generate better decision-making by managers, more engaged employees, and fewer problems. A well-functioning system requires that the information received must be relevant and timely and that it must be communicated up, down and across Development Services.

With additional analysis of customer comments and follow-up from CPD management, better assurance and oversight can be provided to ensure that issues are being addressed. Without proper follow-up, there is no way to ensure that current practices are achieving improved wait times.

**RECOMMENDATION 1.4**

The Intake Supervisor along with the Deputy Director should establish a customer survey feedback loop to ensure that customer service issues are being addressed. Further, a quarterly or annual trend analysis of reported issues should be conducted and shared with supervisors to identify frequently reported issues and to determine whether CPD's strategies to address issues are working.

*Agency Response: Agree, Implementation Date: November 15, 2017*

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**Community Planning and Development Does Not Consistently Adhere to Certain City Policies and Fiscal Accountability Rules**

Although CPD strives to make improvements to the overall permitting process, we noted opportunities for improvements with respect to the department's periodic assessment of their existing fee structure. Furthermore, we also found deficiencies with the department's consistent application of department policy for assessing resubmittal fees, depositing of checks, and termination of user access to Accela.

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\textsuperscript{9} Executive Order 12862 (Setting Customer Service Standards) was issued on September 11, 1993 under the Clinton administration. This executive order requires federal agencies to identify and survey their customers, establish customer standards and track performance against those standards, and benchmark customer service performance against the best in business.

\textsuperscript{10} Executive Order 13571 (Streamlining Service Delivery and Improving Customer Service) was issued on April 27, 2011 under the Obama administration. This executive order required agencies to develop a Customer Service Plan to address, amongst other issues, methods to improve the customer experience. In doing so, agencies are required to use customer feedback on a regular basis to make service improvements.

\textsuperscript{11} The Committee of Sponsoring Organizations of the Treadway Commission provides thought leadership through the development of comprehensive frameworks and guidance on enterprise risk management, internal control, and fraud deterrence designed to improve organizational performance and governance and to reduce the extent of fraud in organizations.
CPD Has Not Reviewed the Permit Fee Structure

Although CPD is funded through the General Fund, it provides permit and inspection services to the community such as homeowners, builders, developers, and others. It collects fees for these services, which are deposited into the General Fund. However, CPD does not have a department-specific fee-setting policy and has not determined the cost of its services to determine if it fully or partially recovers these costs. Therefore, we were unable to assess the administrative controls related to cost recovery of CPD services. While we recognize that some CPD regulatory services benefit the community at-large, the services the department provides are mainly used by homeowners, builders, developers, and other parties that individually benefit from CPD review processes. As such, it is important for CPD to know the cost of services to set fees appropriately.

CPD has never conducted a financial assessment of its building permit fee structure to determine if it is recovering the full or partial recovery of its cost for providing permit and inspection services. This is important because in setting fees, CPD needs to know both the cost as well as consider who benefits from its services.

Building projects in Denver are required to comply with the City’s building and zoning codes. These codes also include by reference other industry codes. Before a permit is issued, the City requires a review and approval by architectural/structural, electrical, plumbing, mechanical, fire, zoning, transportation, and environmental health, all of which are referred to as engineering disciplines. For these reviews, CPD charges a Plan Review fee and a separate Building Permit fee.

Denver’s building code policies provide detailed descriptions of how to handle situations that are not clearly addressed within current codes. Specifically, ADMIN R138 policy sets forth all fees associated and referenced in the 2016 Denver Building Code Amendments. According to the Audit Service Division’s 2012 audit report on Development Services Permitting and Inspection Services, the Building and Permit and Plan Review Fee Schedule has not been changed since 1999.

According to the policy, all submittals must be complete at the login counter prior to getting released to the cashier to pay a plan review fee. The intake counter assures completeness but not necessarily accuracy and code compliance. The plan review fee is a percentage of the building permit fee as shown in Appendix C. They are separate and charged in addition to permit fees. The plan review process does not begin for a project until the plan review fee is paid in full.

Many Resources Emphasize the Importance of Assessing Fees

There are several different resources that provide guidance on fee setting. For example, the City’s financial policy regarding cost recovery also references a recommendation from the Structural Financial Task Force, which recommended that the City annually review its fees and fines to ensure

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that they are consistent with the costs they are set to recover.\textsuperscript{14} Considering that the City Charter provides City agencies with the authority and responsibility to formulate and carry out department policies, CPD management is in a position to take the lead in establishing and implementing a fee policy consistent with the City’s financial policy. However, to do so effectively, CPD management needs to know what it costs to provide permitting and inspection services. The Government Finance Officers Association (GFOA) provides guidance on establishing government fees and charges.\textsuperscript{15} Concerning the charge and fee setting process, GFOA makes the following six broad recommendations:\textsuperscript{16}

1. Consider applicable laws and statutes before the implementation of specific fees and charges
2. Adopt formal policies regarding charges and fees
3. Calculate the full cost of providing a service in order to provide a basis for setting the charge or fee
4. Review and update charges and fees periodically based on factors such as the impact of inflation, other cost increases, adequacy of cost recovery, use of services, and the competitiveness of current rates
5. Utilize long-term forecasting to ensure that charges and fees anticipate future costs in providing the service
6. Provide information on charges and fees to the public

In Recommendation 4, to accomplish the review and update, the GFOA Best Practice guidance suggests benchmarking against comparable jurisdictions. We agree that benchmarking would be helpful, having used it in our 2012 Community Planning and Development: Development Services Permitting and Inspection Services audit.\textsuperscript{17} In that report, we included the results of benchmarking work we had performed on nine other municipalities’ development services functions. Six of the nine had adjusted their building permitting and inspection fees within the preceding two years, and the remaining three had adjusted their fees within the preceding five years. Eight of the nine cities indicated that they increased their fees to account for inflation or align fees with the cost of services provided.

**CPD Has Not Established a Formal Policy to Assess Fees**

During the audit, we found that CPD did not implement Executive Order 137, which was intended to update CPD’s organizational structure, clarify lines of authority, and establish clear roles and responsibilities for the City’s permitting process. The Executive Order also required an annual reassessment of fees including plan review, permitting and inspection fees. As a direct result of this


\textsuperscript{15} The mission of the Government Finance Officers Association, or GFOA, is to promote excellence in state and local government financial management. To meet the many needs of its members, the organization provides best practice guidance, consulting, networking opportunities, publications including books, e-books, and periodicals, recognition programs, research, and training opportunities for those in the profession. GFOA Best Practices identify specific policies and procedures as contributing to improved government management.


audit, Executive Order 137 was subsequently rescinded on February 21, 2017. In its place, the department implemented the Development System’s Performance Charter, as referenced on page 3 of this report. Although the Charter contains many elements of Executive Order 137, it does not include a requirement for an annual fee reassessment. As previously determined in our 2012 audit, we continue to believe, that one of the reasons CPD does not conduct periodic fee reviews is because it has not established a formal strategy or policy regarding fee setting, including dictating the extent to which revenues should cover operational costs.

As part of the audit, we reviewed cost recovery studies conducted by several municipalities including the City and County of San Francisco, CA. Each municipality included in our review operated under a similar principle that, regardless of a municipality’s regulatory requirement (e.g. partial or full cost recovery), building permit fees should be designed to cover all or a percentage of direct and indirect costs. Direct costs represent those costs required to operate Development Services in the areas of application intake, plan review and inspections. Examples of direct costs include the salaries and benefits of the staff directly involved in the permit process as well as hard costs associated with processing the application such as public noticing, copying and postage. Indirect costs are the permit costs of all other agencies who provide support services to Development Services during the permitting process. This would include labor costs incurred by any other agency responsible for reviewing a plan, e.g. Denver Fire Department or Department of Public Works.

CPD does not have any compelling reason to perform a fee assessment when not specifically required by City policy or ordinance. We also identified several other possible contributing factors, as follows:

- **Increased Building Permit Activity and Construction Valuations** – Based on budget data from 2013 through 2016, permit volumes have increased from 55,252 to an estimated 82,000. Valuations have also increased over time, from $2.6 billion in 2013 to an estimated $3.6 billion in 2016. These trends, especially combined, likely support an assumption that CPD is generating more than sufficient revenues to support its operations.

- **City’s Fees Are Lower Than Surrounding Jurisdictions** – According to a number of the CPD staff we interviewed for the audit, the City’s permitting and inspection fees are lower than the fees in surrounding jurisdictions. Lower overall fees suggest that Denver taxpayers may be subsidizing these services, although we cannot confirm that without first calculating the actual cost of services.

We do not believe that these factors, either individually or collectively, provide sufficient justification for continuing inaction. Although a detailed fee study is not required by any particular rule or regulation, it is likely that the cost of providing plan review and permit services has increased. Furthermore, fees should be reassessed on a periodic basis. Guidance from the GAO on user fees states that agencies should review their fees on a regular basis; while the Office of

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19 As defined by ADMIN R138 valuation represents the total value of all labor and materials that constitute the work for which the permit is issued, as well as all finish work, roofing, electrical, plumbing, heating, air conditioning, elevators, fire-extinguishing systems and any other permanent equipment.
Management and Budget states that agencies should perform a biennial review of fees including recommendations about adjustments to the fees, as appropriate.\textsuperscript{20,21} We believe CPD would benefit from having a more detailed understanding of its cost structure to ensure equity among its customers and fully understand the degree to which the department is achieving cost recovery. Our belief is consistent with recommendations provided by the Structural Task Force Team. We recognize that CPD may not have the expertise or staff resources to perform a fee setting analysis; however, CPD could take advantage of existing City resources, such as the Budget and Management Office including its Business Process Improvement Unit. Without assessing the cost recovery of residential and commercial building construction permit fees on a periodic basis, Development Services in limited in its ability to ensure that permit fees are set at an optimal level.

**RECOMMENDATION 1.5**

The Executive Director of Community Planning and Development, in collaboration with the Budget and Management Office, should establish an internal fee setting policy that is in alignment with City financial policies.

*Agency Response: Agree, Implementation Date: November 15, 2017*

**RECOMMENDATION 1.6**

The Executive Director of Community Planning and Development, in collaboration with the Budget and Management Office, should conduct periodic fee assessments to determine the cost of services provided and whether such costs are in alignment with CPD and City policies. At a minimum, the department should include both direct costs and indirect costs in its fee assessment. Furthermore, the department should perform fee assessments at least biennially.

*Agency Response: Agree, Implementation Date: November 15, 2017*

Resubmittal Plan Review Fees Are Not Always Charged in Accordance with Policy

Auditors conducted interviews about and walk-throughs of the Commercial permitting process and performed limited tests to better understand reported practices. We determined that some Commercial plan review practices are not in compliance with CPD’s ADMIN 138 policy, which specifies that CPD should assess plan review fees for plans that are rejected and resubmitted, necessitating additional plan review by CPD engineers.

**City Plan Review Engineers Review Building Plans Before Issuing a Permit**

Before a building permit is issued, CPD plan engineers review the project plans for compliance with the Denver Building Code and other codes used by the City. This review is conducted by


engineers in the areas of architectural/structural, electrical, mechanical and plumbing and fire. These areas are sometimes referred to as engineering disciplines or trades. The extent of the review is impacted by the complexity and size of the project as well as the sufficiency and completeness of the building or project plan.

A plan can be rejected for one or more reasons by including a brief comment and a code reference for each item that requires follow up. Generally, the number of reasons outlining why a plan is rejected decreases with each submission until all issues are resolved and the plan is approved. A customer can resubmit plans as many times as necessary to resolve all items. When a plan review engineer determines that a plan is incomplete and additional information is needed, the plan is rejected. The applicant must then revise the plan before another plan review can be conducted. Generally, individual plan reviews by the different trades are conducted concurrently. In some cases, a change made by one trade will require a review by another trade. A building permit will not be issued until all engineering disciplines have reviewed and approved the project plans.

CPD’s current policy—ADMIN R138, which is included in Appendix C—states that when plan review submittal documents require additional plan reviews, an additional fee shall be charged at the rate of $125 per hour of plan review, with a two-hour minimum charge. In addition, there may be additional charges if the change results in an adjusted valuation for the submittal that exceeds the original valuation.

Through interviews with CPD management, we learned that resubmittals are considered a normal part of the plan review process. However, to reduce the number of times a single plan is resubmitted or the number of calls received by the plan reviewer, the Development Services recently instituted a practice whereby the plan engineer meets with the customer after the third resubmission of a plan. This process was implemented during the audit; as such, we were unable to assess the impact of this new practice.

**Plan Engineers Are Not Adhering to Building Permit Policy for Resubmissions**

Based on the work performed, we found that CPD plan engineers are not complying with CPD’s Building Permit Policy (ADMIN R138) uniformly across trades. Also, while we did not identify any specific instances where CPD plan engineers did not charge for a plan review associated with a resubmittal, we found several practices that did not comply with policy, including the following:

- **Use of Judgment and Discretion in Charging Fees** - Both the City Building Official and Plan Review supervisors explained that whether time is charged and the number of hours recorded is based on judgment and discretion. For example, although ADMIN R138 states that engineers are to charge a set amount of $125 per hour for the review of resubmitted documents, we learned that when resubmittal fees are assessed, some engineering trades charge based on hours spent reviewing the resubmitted plans, while another trade may charge a fee based on the number of resubmissions. This latter method of charging for fee resubmittals is notably inconsistent with the fee structure provided by ADMIN R138.

- **Lack of Criteria for Consistency** - CPD does not possess documented criteria to provide guidance to engineers on charging time for resubmittal plan reviews within or across trades. For example, one engineering trade group typically begins to track and charge hours/fees on the third resubmittal, while others may not charge a fee at all.

- **Not Charging Two-hour Minimum** - We found a few instances where some engineers charged only one hour spent to review resubmitted plans. While this may be consistent
with an engineer’s charging for only time spent, it is not in compliance with the two-hour minimum established in policy.

Although we believe that plan review engineers should comply with CPD policy, we also understand that it may make sense for a policy to be written in a manner that allows for an engineer to exercise professional judgment about when a resubmittal fee should or should not be assessed. Policies and procedures should be written as they are intended to be performed.

**RECOMMENDATION 1.7**

The City Building Official should review and update the Building Permit Policy related to incomplete or rejected plans, considering the following:

1. Allow for engineering judgment
2. Provide general guidance and criteria for exceptions to billing requirements
3. Charge timely for all plan review costs incurred
4. Collect and track resubmittal fee costs
5. Reassess hourly rates and minimum review billing requirements

*Agency Response: Agree, Implementation Date: December 31, 2018*

**Development Services Should Enhance Tracking and Monitoring of Resubmittals**

As part of the audit, we attempted to obtain additional data from Development Services related to resubmittal activity as way to help identify the frequency of resubmittals by construction project and the total amount of resubmittal fees charged for a given period. Based on conversations with the CPD management, we learned the following:

- **Reporting of Resubmittal Activity** - We obtained data that could be used to explain how resubmittals impact a project’s time to complete. However, we were unable to obtain data related to the number of resubmittals by individual construction project or number of resubmittals by individual contractor. We believe this information could be used by the department to help educate their customers on building code and construction plan requirements.

- **Inaccurate Recording of Fees** - We also found that resubmittal fees are not being recorded in the City’s accounting system to an account that reflects the work being done. CPD uses a code called Modified Drawing Fees, not one related to plan reviews of original permit applications and the associated resubmittal fee. Modified drawing fees relate to fees for plan reviews of buildings or projects that have been changed after the permit has been issued. Not having a dedicated account for resubmittal fees makes it difficult to establishing the fees to recover costs for a particular type of service.
RECOMMENDATION 1.8
The Deputy Director should enhance their current practices related to the tracking and monitoring of resubmittals to include an evaluation of reasons why plans are resubmitted and where applicable, provide customers with the education needed to help reduce the number of resubmittals per construction project.

Agency Response: Agree, Implementation Date: November 15, 2017

RECOMMENDATION 1.9
The Office of the Manager should work with the Controller’s Office to establish a separate general ledger account for resubmittal fees. Periodically, the Office of the Manager should perform analysis of the fees charged to this account.

Agency Response: Agree, Implementation Date: November 15, 2017

CPD Does Not Always Deposit Checks In Accordance with City Policy

In accordance with CPD’s check handling practices, there are two circumstances under which CPD collects fee payments for services that are independent of the residential and commercial permitting process previously described in this report. One is Concept Review step of the Site Development Plan process, and the other is Landmark Preservation. The Concept Review step of the permitting process serves to identify any significant issues that will affect the basic design and feasibility of the project. The Landmark Preservation step of the permitting process serves to encourage the use, rather than destruction, of structures and areas of the City with historical, architectural, and/or geographical significance.

We noticed that the department was retaining payments received by customers for permit applications related to Concept Review. On March 22, 2017, we reviewed the safe and the check log, and noted that the department had 10 checks in the safe totaling $1,136, with the oldest checks dated October 24, 2016. CPD employees reported that under the department’s current practice checks received from customers for Concept Review activities are held in the safe for up to three months. When asked, the department was unable to provide a reason on why they retained Concept Review fees for periods beyond policy.

In accordance with the City’s Fiscal Accountability Rule (FAR) 3.4, deposits should be made when the total of cash and checks to be deposited reaches $500, or once each week, whichever comes first. The rule also points out that, for most agencies, this will require daily deposits. Since CPD is not doing this for these two sources of cash and checks, we asked personnel from the Cash, Risk and Capital Funding Division (CRCF) about whether this rule had been waived for CPD; however, CRCF confirmed that no such waiver to the FAR had been granted. Therefore, CPD’s cashiering practice of holding checks in its vault prior to deposit for periods of up to three months is not in compliance with FAR 3.4.
RECOMMENDATION 1.10

The Office of the Manager review its current cash handling policy to ensure that department’s current deposit requirements are in alignment with Fiscal Accountability Rule 3.4. Where applicable, the department should discuss policy deviations with CRCF and determine whether CPD needs to obtain a policy exemption from CRCF. Lastly, the department should ensure that staff are appropriately trained on the requirements of and procedures related to the deposit of funds.

Agency Response: Agree, Implementation Date: July 13, 2017

CPD’s Change Management Process Is Effective but Inappropriate Access Exists in CPD’s Permitting System

Accela is CPD’s permitting system, which the department uses in a variety of ways, including for logging in customers, scheduling and performing inspections, issuing permits, and allowing customers to apply for permits online. Our audit work within the Accela system primarily focused on the change management process, including system issues (bugs) and enhancement prioritization, and the appropriateness of user access to the system.

Effective Communication Exists in Accela’s Change Management Process

The audit team performed test work on the bug and enhancement fixes of Accela and noted that sufficient communication exists between CPD’s business users and the technology support team within Technology Services (TS) who are both responsible for the implementation of the bug and enhancement fixes. Bug and enhancement requests are submitted to TS via a ticket issued by CPD personnel, and the ticket is given a priority of Low, Medium, High, or Critical. A TS analyst is then assigned to the ticket to work on fixing the bug or implementing the enhancement.

In order to prioritize the open tickets appropriately, a biweekly meeting exists between personnel from CPD and TS, along with subject matter experts from the other agencies who utilize Accela, including the Department of Public Works, the Department of Excise and Licenses, Enforcement Division, the Assessor’s Office, and the Denver Fire Department. The biweekly meeting exists for two reasons: First, TS communicates to the business users the status of tickets that they are currently working on, and the group will review the changes that were recently implemented into the production environment. Second, Accela’s business users will discuss the prioritization of tickets that need to be addressed. TS will then focus their efforts on the tickets of higher priority.

To assess this process, we inspected a comprehensive list of open Accela tickets, generated on January 12, 2017, and noted a total of 231 open tickets. With more than 200 open tickets, prioritization is critical, as occasionally the business side’s priorities change, which means that TS personnel will shift their focus to higher priority tickets that were discussed during the biweekly meeting. Additionally, we inspected another list of open Accela tickets from December 13, 2016, one month prior to the list previously mentioned, and noted a total of 300 open tickets, meaning that approximately 70 tickets were addressed and cleared in one month. As such, we determined that the biweekly meeting has resulted in efficient communication between Accela’s business
users and TS to effectively clear issues and focus on prioritized tickets, as the business users are able to communicate their priorities with TS on a regular basis.

Inappropriate Access Exists in CPD’s Permitting System

Despite the assurance we gained regarding the communication between CPD and TS, our audit work also revealed that former employees had inappropriate access to Accela, specifically with both Privileged or Administrative access rights. Out of a population of 222 users with Privileged Access, we selected a sample of 50 users to test for appropriateness of access. Overall, we found four former employees had inappropriate Privileged Access, including configuration access to add/edit standard comments and fields in Accela that only supervisors have access to, and access to view fees and payments in a customer’s record. Privileged Access should be restricted to only active employees within CPD or Accela subject matter experts in other agencies who also use Accela. According to the Federal Information System Controls Audit Manual (FISCAM), which is issued by the U.S. Government Accountability Office (GAO), access must be “limited to individuals with a valid business purpose.” Additionally, we found seven former employees who had inappropriate Administrative Access, which includes administrative rights to Accela, that should be restricted to only active employees within TS.

Although 11 users were found to have inappropriate Privileged or Administrative Access, their Active Directory network access was appropriately removed on their date of termination. Without network access, these users would not have been able to access Accela. Thus, this step served as a compensating control, providing reasonable assurance that these employees likely could not have made any unauthorized changes to the Accela system after their separation from the City.

We determined that this inappropriate access occurred for two reasons. First, CPD management was not aware that TS should be notified of terminated users who have access to Accela so that they can appropriately remove the users’ Accela access. Subsequent to the audit team identifying the inappropriate access, CPD has added an item to their termination checklist that includes notifying TS to remove Accela access for terminated users. Second, access reviews are not being performed on a regular basis by CPD personnel to monitor the appropriateness of Accela user access rights. According to the Federal Information System Controls Audit Manual (FISCAM), which is issued by the U.S. Government Accountability Office (GAO), “resource owners should periodically review access authorizations for continuing appropriateness”. These access reviews would ensure that access is limited to individuals with a valid business purpose and would minimize the department’s risk to issuance of a fraudulent or invalid building permit.

**RECOMMENDATION 1.11**

The Office of the Manager should work collaboratively with Technology Services to perform regular access reviews over all users with access to Accela.

**Agency Response: Disagree**
RECOMMENDATIONS

To improve Community Planning and Development’s operational efficiencies within the permitting process, we recommend the following corrective actions:

1.1 **Plan Intake Staff Training** - The Intake Supervisor should develop and implement a training plan that addresses the intake process for all permits processed by Development Services. Specifically, the training should address the steps needed to process both residential and commercial permit applications including the appropriateness of customer documentation, entry of required data into Accela and scheduling of all required plan reviews. Additionally, the Intake Supervisor should assess whether additional resources are needed to assist with the training of staff.

*Auditee Response: Agree, Implementation Date - November, 2017 for assessment of resources; December, 2018 for update of training efforts*

*Auditee Narrative: CPD agrees with the recommendation to develop a training plan for the Log In/Intake work group. Indeed, this finding aligns nicely both with a number of action items identified in the draft update of CPD’s strategic plan related to professional development, and the feedback we’ve received from CPD staff through our employee engagement efforts.

The challenge that the Intake/Log-In work group faces in implementing this recommendation relates primarily to the historic volume of permit activity that the department as a whole has experienced over the last three years. With increased demand for intake/log-in services, it has been difficult to (a) carve out the time needed to develop appropriate training tools, and (b) pull staff off of the counter to provide training.

Nevertheless, CPD remains committed to making this a priority, and appreciates the Office of the Auditor’s recommendation to assess whether additional resources are needed to follow through on this recommendation. CPD can commit to completing this initial assessment within 90 days of the approval of this audit report; and then can commit to following through on the appropriate next steps identified in that assessment including, but not limited to, providing a status report on the progress by December 31, 2018.

1.2 **Plan Intake Queue Management** - The Intake Supervisor should develop a strategy for determining how and when intake staff should focus their efforts on assisting customers in the LogIn Queue.

*Auditee Response: Agree, Implementation Date: November, 2017*

*Auditee Narrative: CPD agrees with this recommendation to develop a strategy for determining when to shift staffing resources to address demands for log-in services and can commit to developing such a strategy in the short term, however, the implementation of any such strategy would be contingent on cross training staff to perform this function. (See narrative for Recommendation 1.1.)*
CPD has recently implemented a process change to direct non-log-in related requests to other appropriate workgroups that are able to directly respond in a timely fashion.

1.3 **Storage and Retention of Construction Plans** - The Engineer/Architect Director should develop a filing system that allows plan engineers to easily identify and locate plans that are scheduled to be reviewed. Furthermore, additional resources should be allocated to the archiving process to ensure efficient retention and retrieval of approved plans.

**Auditee Response: Agree, Implementation Date: December, 2018**

Auditee Narrative: To clarify, CPD does currently have a filing system in place for all project plans and files. Projects are organized first by project type (commercial or residential) and then by project complexity, and then within these categories, files are then arranged numerically by the assigned log numbers. This system has been in place, and has been employed successfully, for many years.

It is our observation that it is the unprecedented volume of projects in for review that has created some difficulties in locating plans to be reviewed. That is, while the system for organizing the plans is sound, it has been challenging to find adequate space for the large number of plans that are currently in for review. CPD is in the process of configuring additional space for plan storage for active plans and we expect this space to be in place within 90 days.

In addition, by December 31, 2018, CPD will have launched electronic plan review which will allow plan review functions to move to a digital platform, thereby reducing the need for physical space to store plans.

Finally, CPD is in the process of getting caught up in the archiving and anticipates that all archiving will be completed by September 30, 2017.

1.4 **Customer Survey Feedback and Trending** - The Intake Supervisor along with the Deputy Director should establish a customer survey feedback loop to ensure that customer service issues are being addressed. Further, quarterly or annual trend analysis of reported issues should be conducted and shared with supervisors in order to identify frequently reported issues and to determine whether their strategies to address issues are working.

**Auditee Response: Agree, Implementation Date: November, 2017**

To clarify, CPD does solicit feedback through a customer service survey that is distributed both as a hard copy available at the counter and as an online survey included in each email signature and on the CPD website. The survey responses are compiled and reviewed at the management team meetings on a monthly basis, and many of the innovations and process improvements that CPD has implemented stem from feedback we receive from customers. Feedback received through these surveys is regularly shared with the appropriate supervisors.
CPD understands this recommendation to be focused not on the creation of new survey instrument, but rather the development of a system to track responses to customers who request a response and provide contact information, and to identify and document trends in comments received.

1.5 Fee Setting Policy - The Executive Director of Community Planning and Development in collaboration with the Budget and Management Office should establish an internal fee setting policy that is in alignment with City Financial Policies.

Auditee Response: Agree, Implementation Date: November, 2017

Auditee Narrative: The Executive Director will seek guidance from BMO regarding the appropriate methodology and process to evaluate alignment of fee structures for CPD and the City’s Financial Policies.

1.6 Periodic Assessment of Fees - The Executive Director of Community Planning and Development in collaboration with the Budget and Management Office should conduct periodic fee assessments to determine the cost of services provided and whether such costs are in alignment with CPD and City policies. At a minimum, the department should include both direct costs and indirect costs in their fee assessment. Furthermore, the department should perform fee assessments at least biennially.

Auditee Response: Agree, Implementation Date: November, 2017

Auditee Narrative: The Executive Director will seek guidance from BMO regarding the appropriate methodology and process to assess cost-of-services regularly, after assessing the time and effort of such an endeavor and as it relates to any citywide fee assessments.

1.7 Modification to Building Permit Policy - The City Building Official should review and update its Building Permit Policy related to incomplete or rejected plans and consider the following: a) allow for engineering judgment, b) provide general guidance and criteria for exceptions to billing requirements, c) charge timely to all plan review costs incurred, d) collect and track resubmittal fee costs or, e) reassess hourly rates and minimum review billing requirements.

Auditee Response: Agree, Implementation Date: December, 2018

Auditee Narrative: The Building Official will consult with plan review workgroups to determine the best path forward to create a consistent approach to assessing additional fees and employing engineering judgment. In addition, CPD will work with Technology Services to identify a process for tracking resubmittal fees.

1.8 Reporting and Monitoring Resubmittals - The Deputy Director should consider enhancing their current practices related to the tracking and monitoring of resubmittals to include an evaluation of reasons why plans are resubmitted and where applicable, provide customers with the education needed to help reduce the number of resubmittals per construction project.

Auditee Response: Agree, Implementation Date: November, 2017
Auditee Narrative: CPD is currently collaborating with the Director of Development System Performance to track and analyze projects that require multiple review cycles and CPD has implemented a number of innovations intended to reduce the number of resubmittals that are required prior to permit issuance. For example, on the front end, CPD is scheduling a pre-application consultation to provide early feedback on plan and application requirements for projects that require a Site Development Plan, with the goal of reducing the number of resubmittals that are required. On the back end, CPD will begin scheduling a meeting with the applicant to review comments for projects that have gone through three resubmittals.

CPD has also rolled out a biannual series of presentations to provide information to customers about the residential and commercial permitting processes.

1.9 **Resubmittal Fee General Ledger Account** - The Office of the Manager should work with the Controller’s Office to establish a separate general ledger account for resubmittal fees. Periodically, the Office of the Manager should perform an analysis of the fees charged to this account.

**Auditee Response: Agree, Implementation Date: November, 2017**

Auditee Narrative: CPD will consult with Controller’s Office and Technology Services to identify the appropriate accounting structure to track the revenue associated with resubmittal fees.

1.10 **Adherence to Fiscal Accountability Rules** - The Office of the Manager should review its current cash handling policy to ensure that department’s current deposit requirements are in alignment with FAR 3.4. Where applicable, the department should discuss policy deviations with CRCF and determine whether CPD needs to obtain a policy exemption from CRCF. Lastly, the department should ensure that staff are appropriately trained on the requirements of and procedures related to the deposit of funds.

**Auditee Response: Agree, Implementation Date: July, 2017**

Auditee Narrative: CPD has reviewed the cash handling policy and procedures and now those procedures are now in line with the CRCF requirements. CPD has added in a new process for recordation fees to be processed immediately upon receiving payments.

1.11 **Access to Accela** - The Office of the Manager should work collaboratively with Technology Services to perform regular access reviews over all users with access to Accela.

**Auditee Response: Disagree**

Auditee Narrative: When CPD employees are separated from the department, their access is already revoked through the city’s active directory. It is the responsibility of Technology Services to maintain security for the city’s enterprise systems.
APPENDICES

Appendix A – Permitting Process Flow

Source: Generated by the Audit Services Division

* - Pre-review may be required depending on the project type.
Appendix B – Community Planning Development Organizational Chart

Source: Denver Auditors Office.
### Table 1 - Building Permit and Plan Review Fee Schedule

<table>
<thead>
<tr>
<th>VALUATION OF WORK</th>
<th>PERMIT FEE</th>
<th>PLAN REVIEW FEE</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1.00 to $500.00</td>
<td>$20.00</td>
<td>0</td>
</tr>
<tr>
<td>$501.00 to $2,000.00</td>
<td>$35.00</td>
<td>0</td>
</tr>
<tr>
<td>$2,001.00 to $25,000.00</td>
<td>$35.00 for the first $2,000.00 plus $8.00 for each additional $1,000.00 or fraction thereof, to and including $25,000.00</td>
<td>50%</td>
</tr>
<tr>
<td>$25,001.00 to $50,000.00</td>
<td>$220.00 for the first $25,000.00 plus $8.00 for each additional $1,000.00 or fraction thereof, to and including $50,000.00</td>
<td>50%</td>
</tr>
<tr>
<td>$50,001.00 to $100,000.00</td>
<td>$420.00 for the first $50,000.00 plus $7.00 for each additional $1,000.00 or fraction thereof, to and including $100,000.00</td>
<td>50%</td>
</tr>
<tr>
<td>$100,001.00 to $500,000.00</td>
<td>$770.00 for the first $100,000 plus $5.00 for each additional $1,000.00 or fraction thereof, to and including $500,000.00</td>
<td>50%</td>
</tr>
<tr>
<td>$500,001.00 to $1,000,000.00</td>
<td>$3,010.00 for the first $500,000.00 plus $4.75 for each additional $1,000.00 or fraction thereof to and including $1,000,000.00</td>
<td>50%</td>
</tr>
<tr>
<td>$1,000,001.00 and over</td>
<td>$5,385.00 for the first $1,000,000.00 plus $3.65 for each additional $1,000.00 or fraction thereof.</td>
<td>50%</td>
</tr>
</tbody>
</table>

### SPECIAL PERMIT FEE MODIFICATIONS

<table>
<thead>
<tr>
<th>Additional Fees</th>
<th>Applies to Plan Review &amp; Permit Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Two Phase Construction Permits</td>
<td>Fee plus 25%</td>
</tr>
<tr>
<td>Three or More Phase Construction Permits</td>
<td>Fee plus 50%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fee Reductions</th>
<th>Applies to Permit and Plan Review Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Solar Panel or Photovoltaic Project (this only applies to the solar panel portion of the project when additional scope is part of the project)</td>
<td>$50 Flat Fee all projects</td>
</tr>
</tbody>
</table>

**Source:** Community Planning and Development
July 17, 2017

Auditor Timothy M. O’Brien, CPA
Office of the Auditor
City and County of Denver
201 West Colfax Avenue, Dept. 705
Denver, Colorado 80202

Dear Mr. O’Brien,

The Office of the Auditor has conducted an audit of Community Planning and Development’s Building Permit process.

This memorandum provides a written response for each reportable condition noted in the Auditor’s Report final draft that was sent to us on June 29, 2017. This response complies with Section 20-276 (c) of the Denver Revised Municipal Code (D.R.M.C.).

AUDIT FINDING 1
Community Planning and Development Needs to Enhance Existing Practices to Improve Efficiencies and Effectiveness in Processing Permits

RECOMMENDATION 1.1
The Intake Supervisor should develop and implement a training plan that addresses the intake process for all permits processed by Development Services. Specifically, the training should address the steps needed to process both residential and commercial permit applications including the appropriateness of customer documentation, entry of required data into Accela and scheduling of all required plan reviews. Additionally, the Intake Supervisor should assess whether additional resources are needed to assist with the training of staff.

<table>
<thead>
<tr>
<th>Agree or Disagree with Recommendation</th>
<th>Target date to complete implementation activities (Generally expected within 60 to 90 days)</th>
<th>Name and phone number of specific point of contact for implementation</th>
</tr>
</thead>
</table>
| Agree                                 | • Assessment of resources needed complete by November 15, 2017  
• Status update of training efforts by December 31, 2018 | Angela Abeyta,  
Intake Supervisor  
720.865.2724                                                                 |

Community Planning and Development
201 W. Colfax Ave., Dept. 205 | Denver, CO 80202
www.denvergov.org/CPD
p. 720.865.2915
Narrative for Recommendation 1.1
CPD agrees with the recommendation to develop a training plan for the Log In / Intake work group. Indeed, this finding aligns nicely both with a number of action items identified in the draft update of CPD’s strategic plan related to professional development, and the feedback we’ve received from CPD staff through our employee engagement efforts.

The challenge that the Intake/Log-In work group faces in implementing this recommendation relates primarily to the historic volume of permit activity that the department as a whole has experienced over the last three years. With increased demand for intake/log-in services, it has been difficult to (a) carve out the time needed to develop appropriate training tools, and (b) pull staff off of the counter to provide the training.

Nevertheless, CPD remains committed to making this a priority, and appreciates the Office of the Auditor’s recommendation to assess whether additional resources are needed to follow through on this recommendation. CPD can commit to completing this initial assessment within 90 days of the approval of this audit report; and then can commit to following through on the appropriate next steps identified in that assessment including, but not limited to, providing a status report on the progress made by December 31, 2018.

<table>
<thead>
<tr>
<th>RECOMMENDATION 1.2</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Intake Staff should develop a strategy for determining how and when intake staff should focus their efforts on assisting customers in the Login Queue.</td>
</tr>
</tbody>
</table>

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<tr>
<th>Agree or Disagree with Recommendation</th>
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<tbody>
<tr>
<td>Agree</td>
<td>November 15, 2017</td>
<td>Angela Abeita, Intake Supervisor 720.865.2724</td>
</tr>
</tbody>
</table>

Narrative for Recommendation 1.2
CPD agrees with this recommendation to develop a strategy for determining when to shift staffing resources to address demands for log-in services and can commit to developing such a strategy in the short term, however the implementation of any such strategy would be contingent on cross training staff to perform this function. (See narrative for Recommendation 1.1.)

CPD has recently implemented a process change to direct non-log-in related requests to other appropriate workgroups that are able to directly respond in a timely fashion.
**RECOMMENDATION 1.3**
The Engineer/Architect Director should develop a filing system that allows plan engineers to easily identify and locate plans that are scheduled to be reviewed. Furthermore, additional resources should be allocated to the archiving process to ensure efficient retention and retrieval of approved plans.

<table>
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<tr>
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<th>Name and phone number of specific point of contact for implementation</th>
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</thead>
<tbody>
<tr>
<td>Agree</td>
<td>December 31, 2018</td>
<td>Scott Prisco</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Building Official</td>
</tr>
<tr>
<td></td>
<td></td>
<td>720.865.3206</td>
</tr>
</tbody>
</table>

**Narrative for Recommendation 1.3**
To clarify, CPD does currently have a filing system in place for all project plans and files. Projects are organized first by project type (commercial or residential) and then by project complexity, and then within these categories, files are then arranged numerically by the assigned log numbers. This system has been in place, and has been employed successfully, for many years.

It is our observation that it is the unprecedented *volume* of projects in for review that has created some difficulties in locating plans to be reviewed. That is, while the system for organizing the plans is sound, it has been challenging to find adequate space for the large number of plans that are currently in for review. CPD is in the process of configuring additional space for plan storage for active plans and we expect this space to be in place within 90 days.

In addition, by December 31, 2018, CPD will have launched electronic plan review which will allow plan review functions to move to a digital platform, thereby reducing the need for physical space to store plans.

Finally, CPD is in the process of getting caught up in the archiving and anticipates that all archiving will be completed by September 30, 2017.
**RECOMMENDATION 1.4**
The Intake Supervisor along with the Deputy Director should establish a customer survey feedback loop to ensure that customer service issues are being addressed. Furthermore, quarterly or annual trend analysis of reported issues should be conducted and shared with supervisors in order to identify frequently reported issues and to determine whether their strategies to address issues are working.

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<tr>
<td>Agree</td>
<td>November 15, 2017</td>
<td>Angela Abeysa, Intake Supervisor 720.865.2724</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Evelyn Baker Deputy Director 720.865.2823</td>
</tr>
</tbody>
</table>

**Narrative for Recommendation 1.4**
To clarify, CPD does solicit feedback through a customer service survey that is distributed both as a hard copy available at the counter and as an online survey included in each email signature and on the CPD website. The survey responses are compiled and reviewed at the management team meetings on a monthly basis, and many of the innovations and process improvements that CPD has implemented stem from feedback we receive from customers. Feedback received through these surveys is regularly shared with the appropriate supervisors.

CPD understands this recommendation to be focused not on the creation of a new survey instrument, but rather the development of a system to track responses to customers who request a response and provide contact information, and to identify and document trends in comments received.

**RECOMMENDATION 1.5**
The Executive Director of Community Planning and Development in collaboration with the Budget and Management Office should establish an internal fee setting policy that is in alignment with City Financial Policies.

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<tr>
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</thead>
<tbody>
<tr>
<td>Agree</td>
<td>Initial discussion with BMO by November 15, 2017</td>
<td>Brad Buchanan Executive Director 720.865.2714</td>
</tr>
</tbody>
</table>
Narrative for Recommendation 1.5
The Executive Director will seek guidance from BMO regarding the appropriate methodology and process to evaluate alignment of fee structure for CPD and the City's Financial Policies.

RECOMMENDATION 1.6
The Executive Director of Community Planning and Development in collaboration with the Budget and Management Office should conduct periodic fee assessments in order the cost-of-services and if such costs are in alignment with CPD and City policies. At a minimum, the agency should include both direct costs and indirect costs in their fee assessment. Furthermore, the agency should perform fee assessments at least biennially.

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<td>Agree</td>
<td>Initial discussion with BMO by November 15, 2017</td>
<td>Brad Buchanan  Executive Director 720.865.2714</td>
</tr>
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</table>

Narrative for Recommendation 1.6
The Executive Director will seek guidance from BMO regarding the appropriate methodology and process to assess cost-of-services regularly, after assessing the time and effort of such an endeavor and as it relates to any citywide fee assessments.

RECOMMENDATION 1.7
The City Building Official should review and update its Building Permit Policy related to incomplete or rejected plans and consider the following:
1. Allow for engineering judgment
2. Provide general guidance and criteria for exceptions to billing requirements
3. Charge timely to all plan review costs incurred
4. Collect and track resubmittal fee costs
5. Reassess hourly rates and minimum review billing requirements

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<tbody>
<tr>
<td>Agree</td>
<td>December 31, 2018</td>
<td>Scott Prisco  Building Official 720.865.3206</td>
</tr>
</tbody>
</table>
Narrative for Recommendation 1.7
The Building Official will consult with plan review work groups to determine the best path forward to create a consistent approach to assessing additional fees and employing engineering judgement. In additional, CPD will work with Technology Services to identify a process for tracking resubmittal fees.

RECOMMENDATION 1.8
The Building Official should consider enhancing their current practices related to the tracking and monitoring of resubmittals to include an evaluation of reasons why plans are resubmitted and where applicable, provide customers with the education needed to help reduce the number of resubmittals per construction project.

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</table>
| Agree                                 | November 15, 2017                             | Scott Prisco  
Building Official  
720.865.3205                                                   |

Narrative for Recommendation 1.8
CPD is currently collaborating with the Director of Development System Performance to track and analyze projects that require multiple review cycles and CPD has implemented a number of innovations intended to reduce the number of resubmittals that are required prior to permit issuance. For example, On the front end, CPD is scheduling a pre-application consultation to provide early feedback on plan and application requirements for projects that require a Site Development Plan, with the goal of reducing the number of resubmittals that are required. On the back end, CPD will begin scheduling a meeting with the applicant to review comments for projects that have gone through three resubmittals.

CPD has also rolled out a biannual series of presentations to provide information to customers about the residential and commercial permitting processes.
**RECOMMENDATION 1.9**
The Office of the Manager should work with the Controller’s Office to establish a separate general ledger account for resubmittal fees. Periodically, the Office of the Manager should perform analysis of the fees charged to this account.

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</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>Will consult with Controllers Office by November 15, 2017</td>
<td>Janice Cornell, Director, Administration Fiscal Operations 720.865.2918</td>
</tr>
</tbody>
</table>

**Narrative for Recommendation 1.9**
CPD will consult with the Controller’s Office and Technology Services to identify the appropriate accounting structure to track the revenue associated with resubmittal fees.

**RECOMMENDATION 1.10**
The Office of the Manager should review its current cash handling policy to ensure that agency’s current deposit requirements are in alignment with Fiscal Accountability Rule 3.4. Where applicable, the agency should discuss policy deviations with CRCF and determine whether CPD needs to obtain a policy exemption from CRCF. Lastly, the agency should ensure that staff are appropriately trained on the requirements of and procedures related to the deposit of funds.

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</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>Completed July 13, 2017</td>
<td>Janice Cornell, Director, Administration Fiscal Operations 720.865.2918</td>
</tr>
</tbody>
</table>

**Narrative for Recommendation 1.10**
CPD has reviewed the cash handling policy and procedures and those procedures are now in line with the CRCF requirements. CPD has added in a new process for recordation fees to be processed immediately upon receiving payment.
RECOMMENDATION 1.11
Deputy Director should work collaboratively with Technology Services to perform regular access reviews over all users with access to Accela.

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</thead>
<tbody>
<tr>
<td>Disagree</td>
<td>--</td>
<td>--</td>
</tr>
</tbody>
</table>

Narrative for Recommendation 1.11
When CPD employees are separated from the department, their access is already revoked through the city’s active directory. It is the responsibility of Technology Services to maintain security for city’s enterprise systems.

Please contact Evelyn Baker, Deputy Director at 720.865.2823 with any questions.

Sincerely,

Brad Buchanan
Executive Director, CPD

cc: Yvonne Harris-Lott, CPA, Audit Supervisor