

FOLLOW-UP REPORT

Building Permits

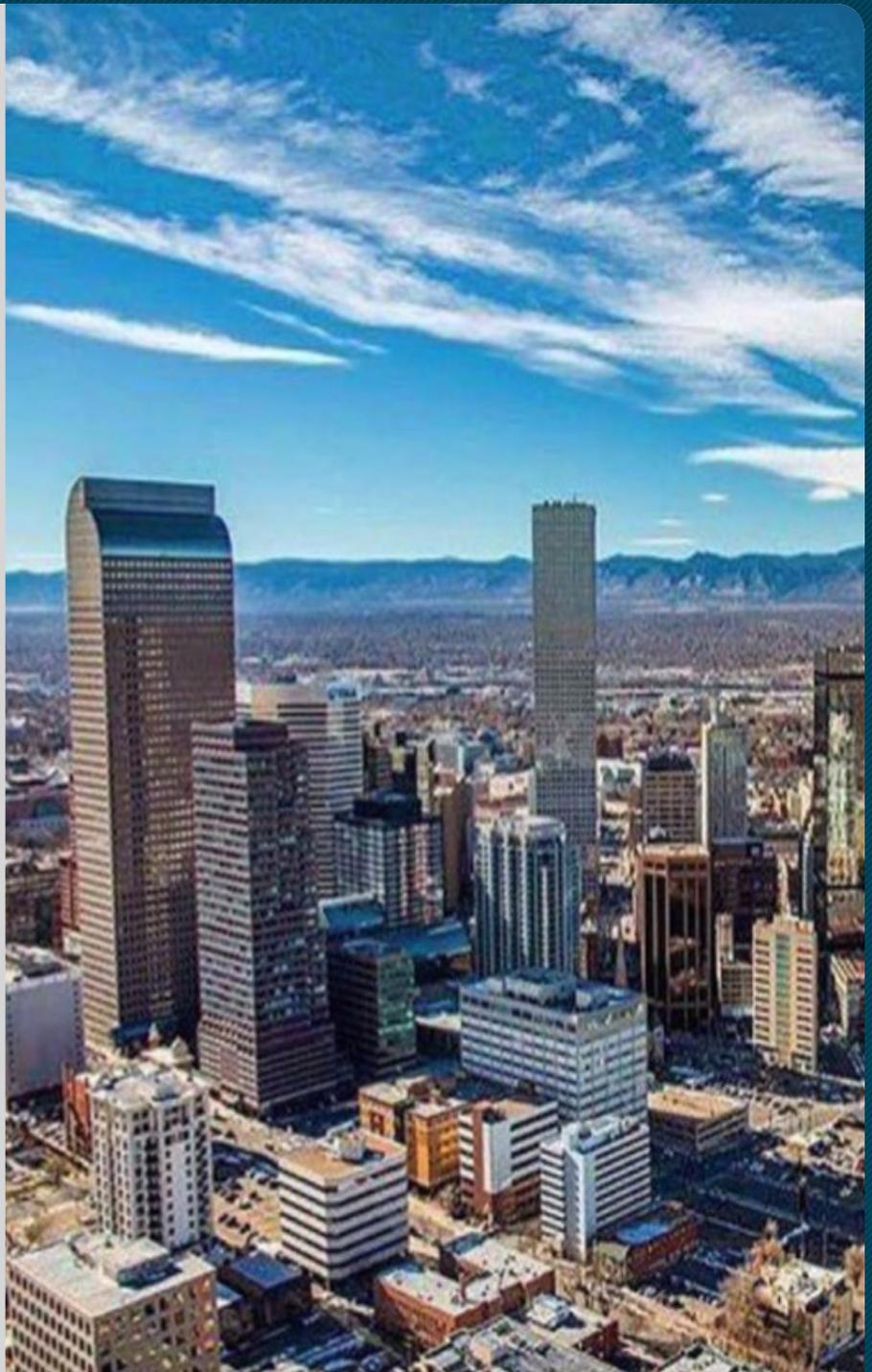
Community Planning and Development

November 2019

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



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November 7, 2019

AUDITOR'S LETTER

In keeping with generally accepted government auditing standards and Auditor's Office policy, as authorized by city ordinance, the Audit Services Division has a responsibility to monitor and follow up on audit recommendations to ensure audit findings are addressed through appropriate corrective action and to aid us in planning future audits.

In our follow-up effort for the Building Permits audit issued August 17, 2017, we determined the Department of Community Planning and Development has implemented most of the recommendations made in the audit report. Despite the Department of Community Planning and Development's efforts, auditors determined the risks associated with the audit team's initial findings for some areas have not been fully mitigated. As a result, the Audit Services Division may revisit these risk areas in future audits to ensure appropriate corrective action is taken.

The Highlights page in this report provides background and summary information about the original audit and the completed follow-up effort. Following the Highlights page is a detailed implementation status update for each recommendation. We did not update the status of the recommendation that the department disagreed with, as the Department of Community Planning and Development presumably would not have taken action toward implementing it; however, that recommendation is included in the status update section as a reference.

I would like to express our sincere appreciation to the Department of Community Planning and Development personnel who assisted us throughout the audit and the follow-up process. For any questions, please feel free to contact me at 720-913-5000.

Denver Auditor's Office

A handwritten signature in black ink, appearing to read "Timothy M. O'Brien".

Timothy M. O'Brien, CPA
Auditor



Building Permits November 2019

Follow-Up Status

The Department of Community Planning and Development has fully implemented eight, not implemented two, and disagreed with one of the 11 recommendations made in the August 2017 report.

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.

Background

Community Planning and Development is responsible for visionary city planning and ensuring safe, responsible, sustainable buildings through administration of the city's Building Code. With the increased growth in population, the city is experiencing a high demand for both residential and commercial building permits.

REPORT HIGHLIGHTS

Highlights from Original Audit

Our audit results suggested that Community Planning and Development needed to enhance existing practices to improve efficiencies in processing permits. Specifically, we identified three areas that needed to be addressed by the department to improve residential and commercial building permit processes.

First, the existing plan intake practices appeared to increase customer wait times for the submission of building permit applications. Based on the work performed, we noted three factors that potentially impacted 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 did not consistently adhere to certain city policies and Fiscal Accountability Rules. More specifically, we noted that the agency did 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 was effective, former employees continued to have access to the department's permitting system.

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RECOMMENDATION — STATUS OF IMPLEMENTATION

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

Recommendation

- 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.

Status: Implemented (Original target date for completion: Dec. 31, 2018)

Agency Action

Community Planning and Development developed and implemented a training plan for intake staff that encompasses all aspects of work encountered by intake personnel. The department records the status of training progress on a tracker to ensure all intake staff have received required trainings. Further, Community Planning and Development conducted an assessment and determined that current resource levels were adequate and that no additional resources were required to assist with the training of staff.

Recommendation

- 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.

Status: Implemented (Original target date for completion: Nov. 15, 2017)

Agency Action

Community Planning and Development has switched to a new queueing management system. With this switch, management also began designating two customer service counter stations that are used to identify services needed by customers and direct customers to appropriate work groups. Additionally, the new queueing management system allows Community Planning and Development management to better monitor intake staffing needs on an ongoing basis. For example, the new system produces

“dashboards” that update in real time and display staff station assignments, the number of waiting customers at each station, and estimated customer wait times.

Recommendation

- 1.3 **Storage and Retention of Construction Plans** – The Engineer/Architect 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.

Status: Implemented (Original target date for completion: Dec. 31, 2018)

Agency Action

Beginning Dec. 31, 2018, Community Planning and Development began allowing plans to be submitted electronically. Since implementation, plans have been increasingly submitted electronically to Community Planning and Development. Offering electronic submission significantly reduced the strain on the physical storage space previously required to house plans. Electronic files are organized clearly within the secure internal shared drive by project type, project year, and unique project identifier. The increased organization the electronic filing system provides allows plan engineers to easily identify and locate plans that are scheduled for review.

Due to the increased rate of electronic file submission, Community Planning and Development has not found it necessary to dedicate additional resources to the archiving process of physical documents but is still meeting the spirit of the recommendation.

Recommendation

- 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 to identify frequently reported issues and to determine whether CPD's strategies to address issues are working.

Status: Implemented (Original target date for completion: Nov. 15, 2017)

Agency Action

Customers submit satisfaction feedback to Community Planning and Development through surveys available both online and in hardcopy. Community Planning and Development has implemented and demonstrated the use of a feedback loop to ensure customer service issues described in survey feedback are adequately addressed. Further, management is utilizing trending to identify frequently reported issues that can then be directed to the appropriate supervisor for corrective action.

Recommendation

- 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.

Status: Implemented (Original target date for completion: Nov. 15, 2017)

Agency Action

Community Planning and Development collaborated with the Budget and Management Office to change its internal fee-setting policy to ensure alignment with the city's financial policies. For example, the department modified the city's Building Code fee schedule, eliminated the minimum two-hour charge for plan reviews, and established criteria for additional fees within the city's Building Permit Policy. Additionally, in quarter one of 2019, Community Planning and Development, the Budget and Management Office, and MGT Consulting Group — a third-party vendor — worked together to evaluate revenues and expenses associated with the department's activities. MGT's evaluation affirms that the department's fee-setting policy is in alignment with city financial policies.

Recommendation

- 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 its fee assessment. Furthermore, the department should perform fee assessments at least biennially.

Status: Implemented (Original target date for completion: Nov. 15, 2017)

Agency Action

As mentioned in connection with Recommendation 1.5 above, Community Planning and Development, the Budget and Management Office, and MGT Consulting Group worked together to perform an evaluation of the department's revenue and expense activities associated with the building permit process. The study was an analysis of the department's revenue and expenses for 2013-2017 and included an analysis of both direct and indirect costs.

City policy specifies that the city recover full or partial costs of service delivery through user fees for services that largely or solely benefit individuals. While the Budget and Management Office did not provide a formal opinion on Community Planning and Development's fee policies, the amount of cost recovery MGT identified in its study, 93%, is within an acceptable range to be consistent with city financial policy guidance.

Further, Community Planning and Development did miss its target implementation date of November 2017. As a result, the Department will not meet the recommended frequency of fee assessments of at least biennially at this point in time. However, Community Planning and Development and the Budget and Management Office have committed to work together in the future to perform biennial fee assessments. Based on the fee assessment performed in the first quarter of 2019 coupled with the commitment to perform biennial fee assessments moving forward, we conclude the recommendation to be implemented.

Recommendation

- 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.

Status: Implemented (Original target date for completion: Dec. 31, 2018)

Agency Action

The City Building Official updated the Building Permit Policy related to incomplete or rejected plans. As part of the update, the City Building Official considered the five elements listed in the recommendation, except for collecting and tracking resubmittal fee costs. Despite this omission, we determined that the primary risks related to the recommendation were substantially mitigated and concluded the recommendation was implemented.

Recommendation

- 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.

Status: Implemented (Original target date for completion: Nov. 15, 2017)

Agency Action

Although Community Planning and Development has not included an evaluation of reasons why plans are resubmitted, management has developed alternative measures aimed at achieving the same objective as Recommendation 1.8 had intended — to reduce the number of resubmittals per construction project.

Specifically, the department has established a dashboard to track and monitor resubmittals and has given all supervisors and directors dashboard access that now offers the ability to monitor and research individual project resubmittals. This effort has increased management's effectiveness at ensuring adequate remediation is performed and in a timely manner. Lastly, Community Planning and Development is actively engaged in providing education and training to the public. This education effort is aimed at the goal of reducing the number resubmittals per project.

Recommendation

- 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.

Status: Not Implemented (Original target date for completion: Nov. 15, 2017)

Agency Action

Community Planning and Development has yet to work with the Controller's Office to establish a separate general ledger account. Additionally, the department has yet to perform an analysis of its resubmittal fees. We confirmed that the department does have the capability to extract fee data from the Accela permitting database but chooses not to perform the recommended analysis.

The department has assigned a low priority to this recommendation and reported that it may be addressed in the future if it is determined action is needed and resources allow. The recommendation was intended to ensure permit fees were recorded to an account that reflects the work being done. Further, a separate account for resubmittal fees would help identify costs and help establish fee levels.

Recommendation

- 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.

Status: Not Implemented (Original target date for completion: July 13, 2017)

Agency Action

Fiscal Accountability Rule 3.4 states that "a deposit shall be made each day the cumulative total of cash and checks to be deposited reaches \$500, or once each week, whichever comes first."

Community Planning and Development provided auditors with three separate procedures related to the storage and holding of checks.

We find the first procedure, dated Aug. 12, 2016, to not be in alignment with Fiscal Rule 3.4 because it does not specify the \$500 daily deposit threshold requirement. Similarly, we find the second procedure, dated Sept. 25, 2019, also not to be in alignment with Fiscal Rule 3.4, again, because the procedure fails to specify the \$500 daily deposit threshold. We find the third documented procedure does align with Fiscal Rule 3.4. However, the audit team performed a walk-through to verify staff were performing the process as documented in its procedure and found that staff were not performing the process according to procedure and that the process observed remained out of compliance with Fiscal Rule 3.4.

Further, Community Planning and Development could not provide a training log demonstrating staff have been trained to act in accordance with Fiscal Rule 3.4. Given the lack of compliance with Fiscal Rule 3.4 and a lack of evidence staff have been trained, we determined this recommendation had not been implemented.

Recommendation

- 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.

Status: Disagreed

Agency Action

No action was taken to implement this recommendation, because the agency disagreed with the recommendation made in our original report. This was the agency's response to the recommendation when the original report was issued in August 2017:

"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."

CONCLUSION

While Community Planning and Development has implemented most recommendations made in the Building Permits Audit Report, others have yet to be acted upon or fully implemented. Despite the department's efforts, auditors determined the risks associated with the audit team's initial findings have not been fully mitigated. For example, not having a dedicated account for resubmittal fees makes it difficult to establish the fees to recover costs for a particular type of service. As a result, the Audit Services Division may revisit these risk areas in future audits to ensure appropriate corrective action is taken.

On behalf of the citizens of the City and County of Denver, we thank staff and leadership from the Department of Community Planning and Development for their cooperation during our follow-up effort and for their dedicated public service.

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