



## Performance Audit:

### Building Permits

#### What We Found

The city increased building permits fees in fiscal year 2013 in an effort to streamline permitting and speed service. Management did not assess the costs of proposed improvements such that fees would be no higher than necessary. As a result, the Office of Buildings accumulated a \$28 million surplus through fiscal year 2014, amounting to almost three years of operating expenses.

Despite increased resources, the office had yet to shorten the time to issue general building permits, which include permits for new commercial buildings, additions, and alterations; new single-family residences/duplexes, additions, and alterations; and new multifamily buildings, additions, and alterations. The office's goal is to issue most types of general building permits within 10 to 15 days of application acceptance; the office excludes time for applicants to revise and resubmit plans from its calculation of time to issue. The overall median time to issue general building permits was 41 workdays in FY 2013 and 51 workdays in FY 2014. We were unable to assess how much time applicants needed to revise and resubmit plans because neither the office nor its vendor was able to provide requested data. While general building permits accounted for about 20% of permit applications in the fiscal years we reviewed, they accounted for 80% of the applications in queue.

The office issued most electrical, plumbing, and mechanical permits within one to two days of permit acceptance. These permits comprised 76% of permit applications in fiscal years 2013 and 2014. The office also accepted most permit applications within one day of submission and conducted most inspections within one day of request.

The department lacks monitoring controls to mitigate risks of staff conflicts of interest. Conflicts of interest are a key inherent risk of regulatory functions such as building code enforcement. In addition, the office has not enforced its policy of annual rotation of inspectors among geographic zones. Management also allowed staff to override a system control intended to segregate incompatible duties. The office issued nearly 900 permits with outstanding fees of about \$350,000 in fiscal years 2013 and 2014. The system does not allow permit issuance when an account has an outstanding fee, but staff bypassed the system control when fees were in dispute.

#### Why We Did This Audit

We received allegations about building permits staff offering expedited services for kickbacks and using resources for personal gain. We designed this audit to review controls over permitting to assess compliance with city code and ethics requirements. Our ability to complete planned work was impaired because neither the Office of Buildings nor its IT system vendor were able to provide data we requested to assess red flags for staff conflicts of interest and to assess permit intake and plan review turnaround times.

#### What We Recommended

In order to increase efficiency and reduce the risk of fraud, the Deputy Commissioner of the Department of Planning and Community Development should:

- Analyze the cost of permitting services, including planned improvements, to estimate fees necessary to cover the costs
- Propose a policy to city council to set an operating reserve for the building permit fund
- Propose adjustments to the fee schedule to reflect the actual costs of services, allowing for a reasonable operating reserve
- Continue to provide overtime and incentive pay to staff to reduce the number of permit applications in queue
- Create a User's Guide to Local Permitting to better convey the permitting process
- Work with the CIO and system vendor to strengthen reporting capabilities
- Rotate inspectors at least annually, or develop an alternative solution to mitigate the risk of staff conflicts of interest
- Disallow practice of bypassing system controls, and ensure outstanding fees are paid before issuing permits
- Verify the authorized use of contractors' licenses and maintain copies of supporting documents for online permit applications
- Systematically process and close stop work cases when a permit is obtained, and periodically inspect open stop work cases

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