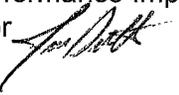




MIAMI BEACH

BUDGET AND PERFORMANCE IMPROVEMENT
Internal Audit Division

INTERNAL AUDIT REPORT

TO: Jimmy L. Morales, City Manager
VIA: John Woodruff, Budget and Performance Improvement Director 
FROM: James J. Sutter, Internal Auditor 
DATE: November 5, 2013
AUDIT: Building Department Issued Certificates of Completion and Occupancy Audit
PERIOD: October 1, 2011 through July 31, 2013

This report reflects the results of a regularly scheduled audit of the processes followed and the fees charged by the City's Building Department and collected for approved temporary, partial and final certificates of completion and occupancy between October 1, 2011 and July 31, 2013.

INTRODUCTION

The 1998 Florida Legislature amended Chapter 553, Florida Statutes, entitled "Building Construction Standards", to create a single Statewide building code that is enforced by all local governments. As of March 1, 2002, the Florida Building Code supersedes all local building codes, and it is developed and maintained by the Florida Building Commission. The Florida Building Code is updated every three years (it was last revised in 2010) and may be amended annually to incorporate interpretations and clarifications.

This audit focuses on certificates of completion (C.C.) and occupancy (C.O.). A C.C. can be defined as proof that a structure or system is complete and that all permits related to the project have received all the required inspections to include a passing final building inspection. The City's Building Official may issue a C.C. once all of the required inspections have been performed and approved for the rehabilitation, remodeling or repairs of a structure when a C.O. is not required. This certificate does not grant authority to occupy a space prior to the issuance of a C.O. Meanwhile, a C.O. is issued by the Building Official upon completion of the new construction of a building or as a change of use/occupancy and installation of electrical, gas, mechanical, elevator and plumbing systems in accordance with technical codes, and specifications of the plans submitted for plan review. These final C.C.s and C.O.s serve as the certificate of use for that facility for the first year of operation or part thereof.

The Building Department records all permit and certificate information (inspection results, fees, violations, etc.) in the Permits Plus System which is expected to be upgraded during the 2013/14 fiscal year to Accela Automation. Once customers have obtained all finals on its certificates, permits and sub-permits attached to their master permit, they are to submit a completed Certificate of Occupancy/Completion Request Form to the Building Department. When approved and all fees paid, the certificate's status in the Permits Plus System is changed from "approved" to "final" for temporary certificates, and from "applied" to "approved" for C.O. (s) and C.C.(s) signifying that the project is finished.

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A The Building Official is authorized to issue a temporary certificate of occupancy before completion of the entire work covered by the permit, provided that the portion or portions shall be occupied safely. The entire project has to be approved by departmental inspectors including those areas that previously received T.C.C.s and T.C.O.s before the Building Official is to authorize the changing any temporary certificate's status to "final" in the Permits Plus System and approving the final corresponding certificate (C.O. or C.C.).

The Building Official may also grant certificate extensions for demonstrated cause to desiring customers. The City's standard procedure is that these extensions expire in ninety days but there is no steadfast rule so examples exist of varying lengths. According to the Florida Building Code (Section 111.3), the Building Official shall set a time period during which the temporary certificate is valid. Building Department administrative staff monitors these issued extensions and is tasked with notifying customers of their pending expiration dates and their prompt need for action. If the customers don't respond, the Building Department's Violations Division may affix a red tag to the building's front door alerting all that the premises are not to be occupied in 48 hours unless the proper corrective action is timely taken.

Conversely, partial certificates of completion (P.C.C.s) or occupancy (P.C.O.s) can be issued by the Building Official for similar reasons as T.C.C.s and T.C.O.s but do not require the re-inspection of these already approved areas before the project can be closed. Prior City Building Officials elected to grant P.C.C.s and P.C.O.s but the current Building Official hired on May 6, 2013 has opted to discontinue this practice.

All associated C.C., C.O., T.C.C., T.C.O., P.C.C. and P.C.O. fees are to be charged according to City Code Section 14-66(2)a, b and c with the purpose of defraying the costs of processing the certificate and any necessary inspections. These fees changed several times during the audit period by the passage of various City Ordinances usually effective around the beginning of each fiscal year. A summary of the current fees charged under Ordinance No. 2012-3776 pertaining to the audit is as follows:

- C.C. fees vary by type ranging from \$78.81 for a kitchen or bath to \$236.44 for swimming pools, docks and seawalls.
- C.O. fees vary per occupancy type ranging from a low of \$109.92 for R-1 (transient boarding house, hotel, and motel) and R-2 (permanent apartment, dormitory, and timeshare buildings) per unit to a high of \$945.74 for building shells greater than 75 feet.
- T.C.C.s and T.C.O.s are to be charged 100% of the final C.C. or C.O. plus the cost of any additional required inspections (actual time spent multiplied by the hourly rate specified in City Code Section 14-61h).
- Any additional certificate extensions granted by the Building Official are to be charged \$103.70 per period (usually given for 90 days).
- Fees are to be charged for P.C.C.s and P.C.O.s based on the percentage of the total square footage being requested for occupancy/completion times the cost of the final C.C. or C.O. plus a surcharge of 25% of the cost of the final C.C. or C.O. for each partial certificate issued.

The corresponding customer payments can be presently received by one of the Finance Department's cashiers located on the first floor of 1700 Meridian Avenue or City Hall, at one of the designated kiosks in City Hall or via the internet through Velocity Hall. The payments are

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recorded in the Permits Plus System and are independently reconciled to the monies received before the entries are posted to the applicable general ledger accounts in the City's Financial System.

The following table shows the total fees collected during the October 1, 2011 through July 31, 2013 audit period according to the listed general ledger accounts:

<i>Revenue Sources *</i>	<i>General Ledger Account Number</i>	<i>10/01/2011 – 09/30/2012</i>	<i>10/01/2012 – 07/31/2013</i>	<i>TOTAL</i>
Certificate of Completion	480-8000-322610	\$13,741	\$60,234	\$73,975
Certificate of Occupancy	480-8000-322600	\$445,007	\$368,561	\$813,568
Total Revenues		\$458,748	\$428,795	\$887,543

* Any certificate extension payments received are not included in either of these general ledger accounts above as management claims they do not satisfy the fees intended purpose which is to defray the costs of processing the certificate. Instead, they are considered more administrative in nature as usually they only require department management to make the determination based on the Permits Plus System information already available. Therefore, any received extension payments are posted to general ledger account number 011-800-322100 entitled "Permits – Building" where they are commingled with other permit and certificate payments and cannot be easily separated.

OVERALL OPINION

The certificates of completion and occupancy process is a potentially less scrutinized area in the Building Department as it does not involve high dollars like many of its other components. Instead, the primary risk exposure in this audit area is that temporary certificates are not closed out in reasonable time thereby allowing customers to delay in having their projects added to the property tax rolls. This risk has been recently eliminated with a directive from the County Appraiser's office instructing that all temporary certificates be submitted so that these properties can be added to the tax rolls. Further complicating matters has been several changes in departmental management and fees during the October 1, 2011 through July 31, 2013 audit period. Given these inherent difficulties, the current Building Director hired on May 6, 2013 has implemented a number of changes in the certificates of completion and occupancy process that are apparently working well as improvements are already evident. However, the following shortcomings were identified that are in need of corrective action to help strengthen the department's operations and internal controls over the certificates of completion and occupancy process:

- Multiple fee changes, a complex fee structure, poor maintained supporting documentation, as well as lapses in departmental communication and oversight contributed to sixteen different issued sampled certificates being incorrectly billed by a net combined overcharge of \$1,833.23 or 5.23% of the total amounts tested.
- Inadvertent omissions in City Ordinance No. 2011-3732 left out the extension of discount rates for City Code Section 14-66 in contradiction to the recommendations made by the Finance and Citywide Projects Committee; customers were not billed the cost of any additional required inspections associated with temporary certificates of completion and occupancy during the entire twenty-two month audit period; and the software

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composition script was not properly written so that customers receiving certificate extensions after October 15, 2012 were automatically charged \$103.70.

- City Code Sections 14-66(2)a, b and c are in need of clarification to help ensure consistent application and customer enforcement.
- Temporary certificate and requested extensions' expiration dates were not always closely monitored by Building Department staff during the audit period thereby potentially delaying construction projects placement on the property tax rolls.
- Reviewed Permits Plus System notes entered by Building Department staff were often incomplete or insufficient thereby hindering the audit trail.
- Maintained departmental standard operating procedures need to be updated to better depict the certificates of completion and occupancy internal processes and staff's actual roles.
- Sampled performance measures were occasionally found to be either incomplete, inaccurate or omitted required information in the City's performance measure software and/or Environmental Scan.

PURPOSE

The purpose of this audit is to ensure the Building Department's compliance with the relevant City Code, State Statutes and Florida Building Code sections; were proper internal controls implemented and sufficient documentation maintained; were the needed approvals received before final certificates of completion and/or occupancy were timely issued; were the correct fees charged based on the corresponding Permits Plus System entries; were certificate extensions sufficiently monitored; and were all tested payments received accurately recorded in the City's Financial System.

SCOPE

A total of fifty temporary, partial and final certificates of completion and occupancy were randomly selected from a specifically requested report generated by the Building Permit Information Analyst II which was relied upon as being complete and accurate. The analysis performed on these sampled certificates plus their corresponding payments were designed to satisfy the following audit scope:

1. Confirm that updated standard operating procedures exist that are complete, widely known and followed by staff.
2. Confirm that the internal control process implemented including a proper segregation of duties is adequate.
3. Confirm that maintained Building Department documentation is organized, complete and sufficient.
4. Confirm that that tested Building Department procedures were in agreement with the Florida Statutes, South Florida Building Code, City Code, etc.

5. Confirm that buildings and/or structures had obtained all the required approvals prior to obtaining the final sampled certificates of completion and occupancy from the City's Building Official.
6. Confirm that the proper fees were charged for sampled certificates of completion and occupancy.
7. Confirm that sampled certificate extensions were adequately monitored with timely corrective action taken.
8. Confirm that tested certificates of completion and occupancy payments were accurately recorded in the City's Permits Plus and Financial Systems.
9. Confirm that tested departmental measurement data reported on the City's performance management software system and Environmental Scan is accurately calculated and properly supported by source documentation.

FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

1. Finding: *Sampled Building Department Customers were Overcharged by a Net of \$1,833.23 or 5.23% of the Total Amounts Paid for Certificates of Completion and Occupancy*

The complexity of the fee structure and multiple City Commission approved rate changes during the audit period contributed to inconsistencies in calculating the applicable temporary, partial and final certificates of completion and occupancy fees. Other contributing factors noted include communication breakdowns attributed to departmental administration turnover and their associated different operational philosophies.

The following bullet points summarize deficiencies, inconsistencies and inaccuracies found during an analysis of fifty randomly sampled issued certificates of completion (C.C.s), certificates of occupancy (C.O.s), temporary certificates of completion (T.C.C.s), temporary certificates of occupancy (T.C.O.s), partial certificates of completion (P.C.C.s) and partial certificates of occupancy (P.C.O.s) from a specifically requested report generated by the Building Permit Information Analyst II:

- Two certificates (BCO13062 and BCC13049) were extended despite not receiving full payment in advance for such extensions.
- Fees including extensions were inconsistently and inaccurately applied and assessed to sixteen different issued certificates resulting in a net combined overcharge of \$1,833.23 or 5.23% of the total amounts tested (\$1,833.23/\$35,061.47).

In addition, the following other deficiencies were observed that cannot be quantified given the current information present in the Permits Plus System:

- Certificate number BCO12051 was assigned the wrong occupancy type based on the description provided. The application was for the creation of a new bar at

- the spa sundeck level, which was incorrectly classified as mercantile instead of assembly, as referenced by its use.
- Three reviewed certificates (BCC13096, BCO13215, and BCO13037) listed the project area incorrectly as one square foot. The proper fee was charged based on the listed occupancy type and square footage but it may have been different if the actual square footage was known.

Recommendation(s):

The department administration should consider simplifying the C.C., C.O., T.C.C., T.C.O., P.C.C. and P.C.O. fee structures listed in City Code Sections 14-66(2)a, b and c to reduce its complexity and the corresponding likelihood of mistakes. In the interim, additional training and communication of effective rates, processes, documentation, and methodologies should be provided to relevant staff members. Also, an automated decision tree should be created and used by the Permit Clerks and others which instructs them as to the needed documentation and applicable fees based on the customers' responses to pre-programmed questions. Finally, the certificate application should be revised to include information in the same fashion needed to be entered in the system for better reference and verifiability.

Management Response(s):

Management is currently reviewing the structure of Building Development Process fees to determine whether there are more efficient, effective and transparent ways to fee the public for these services. Staff is planning to bring recommendations forward for consideration by the City Commission in approximately January 2014. In the interim, additional training and communication will be provided to relevant staff members. The Permits Plus system is expected to be upgraded during the 2013/2014 fiscal year to Accela Automation providing a more automated process.

2. Finding: *Instances were Noted Whereby Tested Rates Charged to Building Department Customers did not Consistently Agree with the Applicable City Ordinances in Effect at the Time*

There was confusion surrounding fees during the audit period due to the City Commission's passage of annual ordinances which amended some but not necessarily all and for varying periods. As a result, testing found that the following fees were consistently incorrectly charged during the stated periods excluding the more specific certificate fees addressed in finding number 1:

- a. City Ordinance No. 2010-3670 stated that temporary certificate extension fees were to be increased from \$100.00 to \$143.00 on October 1, 2011 as all other C.C., C.O., T.C.C., T.C.O., P.C.C. and P.C.O. fees remained constant. Nonetheless, the Finance and Citywide Projects Committee's June 23, 2011 minutes recommended that the short term decreases (discounts) built into the fee structure set to expire on September 30, 2011 be extended for one year.

Despite their intentions to provide the lower fees one more year, the City Administration worked with the new fee structure since its February 1, 2010 implementation and identified a series of refinements intended to help clarify and bring equity to certain types of permit and certificate applications. As a result, numerous fee structure changes were subsequently approved through the

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ratification of Ordinance No. 2011-3732 but none addressed the continuation of the discount fees in section 14-66(2) and 14-66(3) in reference to C.C.s, C.O.s, T.C.C.s, T.C.O.s, P.C.C.s and P.C.O.s. Consequently, those discounted rates identified in Ordinance No. 2010-3670 that were to be extended were inadvertently left out of the Ordinance No. 2011-3732 until included in Ordinance No. 2012-3776's October 15, 2012 implementation. By not addressing and formalizing the intended rates in the City Code, the Building Department continued to charged customers the discounted rate of \$100.00 for temporary certificate extensions applied for between October 1, 2011 and October 15, 2012 rather than the \$143.00 actually in effect due to the inadvertent codification error.

- b. All the City Ordinances in effect during the audit period stated that T.C.C.s and T.C.O.s are to be charged 100% of the final C.C. or C.O. plus the cost of any additional required inspections (actual time spent multiplied by the hourly rate specified in City Code Section 14-61h). However, testing showed that they were not billing customers for the cost of any additional required inspections. Once notified of their omission, the Building Department agreed to start charging these fees as of September 18, 2013.
- c. As done with other fee changes, City Ordinance No. 2012-3776's fee changes effective as of October 15, 2012 were pre-programmed into the Permits Plus System to help simplify staff's calculations. However, Internal Audit's testing found that certificate extensions were incorrectly charged \$100.00 rather than \$103.70, which was subsequently confirmed by the Building Permit Information Analyst IIs. There were instances where the \$3.70 difference was manually added using the "additional fees" field by Building Department staff so that the customer would be correctly charged but this was not consistently observed. Also, rates charged for extensions applied for temporary certificates issued prior to changes in fee structures were charged the rates applicable at the time of the certificate issuance and not the effective rate at the time the corresponding extension application was submitted.

In the sample of fifty certificates tested, eight temporary certificates of completion and occupancy were granted a combined total of nineteen extensions. Of these, twelve or 63.16% were incorrectly charged by the Permits Plus System with four being manually corrected by staff. Entries into the "additional fees" field allows staff the ability to circumvent established internal controls by adjusting the customers' fees as desired which can lead to undetected misappropriations if not properly restricted and reviewed. Finally, no one alerted the Building Permit Information Analyst IIs or department management of this inadvertent error so that the corresponding software composition script could be corrected.

Recommendation(s):

Going forward, sufficient testing should be performed on any new software composition scripts, fields, fees structure, etc. prior to implementation to help detect and prevent any differences from City Ordinances. Relevant test cases should be created with staff's assistance to try and test different possible scenarios to better ensure their accuracy prior to implementation. As a secondary control, Building Department staff should immediately notify management of any problems encountered after implementation to

expedite and facilitate corrective action.

Only designated departmental supervisors should be able to make entries into the "additional fees" field. Supporting documentation should be maintained to explain the reasons for the entries which should be properly documented, reviewed and approved by departmental management. T.C.C. and T.C.O. certificate extension fees charged should be based on the effective approved rate as of the time of the extension's application which could be aided by the aforementioned writing of proper software composition scripts and restricting entries in the "additional fees" field.

Finally, the Building Permit Information Analyst IIs should promptly make the needed changes to the software composition script so that the certificate extensions are billed at \$103.70 each. Also, they should perform the necessary due diligence to ensure that other areas are not adversely affected by these changes.

Management Response

- a. The increase to \$143.00 (elimination of the discounted \$100.00) was not implemented in Permits Plus as per the recommendation of the Committee and Commission approval noted above.
- b. Corrections have been made in the Permits Plus system and to the TCO/TCC procedures.
- c. Due to the IT process of "Change Controls" in Permits Plus, the fee changes are not updated in records retroactively. Configurations in production may not be changed. Any changes to configuration must take place in a test environment, "Rehearsal", approved through a change control process and then the new version is pushed into production making the changes only effective for new records. In addition, if changes were made to previous versions, any "update" to the record would recalculate all fees to the current rate, even if previously billed and paid prior to the effective date of the new fee.

Due to the magnitude of the fee changes effective October 15, 2012 (all fees in Permits Plus were subject to the 3.7% CPI increase) fee testing, although extensive, did not identify this fee item discrepancy. In addition, the Building Official/Director recommends moving away from "scripting" fees and proposes using tables which would allow for easier and more accurate implementation of fee changes. Building Department staff will be instructed to immediately notify management of any problems encountered after implementation to expedite and facilitate corrective action. Due to the functionality that exists in Permits Plus, if changes are made to previous versions so that fees are charged based on the effective approved rate as of the time of the extension's application, any "update" to the record would recalculate all fees to the current rate, even if previously billed and paid prior to the effective date of the new fee. Permits Plus has been updated so that certificate extensions in the current script version which applies to records created on or after October 15, 2012, are billed at \$103.70 each.

3. Finding: *City Code Sections 14-66(2)a, b and c are in Need of Clarification and Revisions to Better Ensure Consistent Application and Customer Enforcement*

The following City Code terms are in need of clarification to better ensure consistent application and customer enforcement:

- City Code Sections 14-66(2)a, b and c list a number of varying temporary, partial and final certificates of completion and occupancy fees based on the occupancy type, number of units, square footage, etc. thereby increasing the complexity of the customer fee calculations and the likelihood that mistakes may occur. However, the fees purpose is to defray the costs of processing the certificate and any necessary inspections and there is similar amount of work necessary to perform each.
- City Ordinance No. 2003-3425 in effect through February 1, 2010 stated that certificate extensions were for a maximum of 90 days but the several ordinances that have been passed since have allowed the period to be set by the Building Official. As a result, different periods charged at the same rate could be set for different customers which could lead to misperceptions as to the underlying reasons.
- Partial certificates are not covered under the Florida Building Code but City Code Section 14-66(2)b does allow for P.C.C.s and P.C.O.s and its related fees but the current City Building Official has opted not to grant them to date.
- Present practice is to charge customers the full cost of the final C.C. or C.O. when the T.C.C. or T.C.O. is approved and then to charge the customer again at the time that the final is issued. The City Code is silent on the double charging of these fees, but Building Department Management believes that it is necessary to help defray the administrative and processing costs of issuing the certificates.

Recommendation(s):

The Building Department should perform a review of the corresponding Ordinances whereby these items listed above and any other ambiguities found should be revised and brought before the City Commission for approval. Such clarification as to their intent and applicability should help to avoid any misinterpretations and better ensure that the applicable terms are applied uniformly and consistently. Afterwards, clear and detailed standard operating procedures should be created and documented.

Management Response:

The Florida Building Code dictates all aspects of the above mentioned items except fees and therefore cannot be amended through City of Miami Beach Ordinances. Management is currently reviewing the structure of Building Development Process fees to determine whether there are more efficient, effective and transparent ways to fee the public for these services. Staff is planning to bring recommendations forward for consideration by the City Commission in approximately January 2014. Clear and detailed standard operating procedures have been formulated and distributed to the Building Department staff. The current SOP manual has also been submitted to the City Manager's office, the Mayor and the Commission.

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4. Finding: *Temporary Certificate and Requested Extensions' Expiration Dates were not always Closely Monitored by Building Department Staff during the audit period which previously may have Delayed Construction Projects Placement on the Property Tax Rolls*

The Building Official may grant temporary certificate extensions for demonstrated cause to applying customers. Typically, they expire in ninety days, but there is no steadfast rule so examples exist of varying lengths. Building Department administrative staff monitors these issued extensions and remind customers of their pending expiration dates and their need for timely corrective action. If the customer does not comply, the Building Department's Violations Division is to affix a red tag to the building's front door notifying readers that the premises cannot be occupied after 48 hours unless the corresponding issues have been properly resolved.

Inquiries with current Building Department management found that they have made the monitoring of certificate extensions and timely corrective action a priority. They have significantly reduced the number of outstanding certificate extensions down to only nine expired T.C.C.s and 10 expired T.C.O.s and they expect that it will continue to lessen.

In addition, the Building Department recently became aware of a letter from the Miami-Dade Property Appraisal's office dated March 5, 2013 stating that it will be their office's policy to consider any structure for which a T.C.O. or T.C.C. is issued as substantially completed to be placed on the property tax rolls. This letter listed the required information that would have to be reported to them monthly in order to ensure the timely capture of the new value of the construction activity on the property tax rolls and efforts have been made to comply.

Eight of the fifty randomly sampled customer issued C.C.s, C.O.s, T.C.C.s, T.C.O.s, P.C.C.s and P.C.O.s received at least one extension each from the City's Building Official. Of these, the following exceptions were noted whereby customers received additional time before corrective action (additional extensions garnered, the certificate status was changed to "final", etc.) was taken:

- Two customers' certificate numbers BCO12054 and BCO13008 were given 110 and 248 days respectively before their first extension was approved and issued (the other six sampled ranged between 61 days and 98 days).
- Further testing found that additional extensions were granted on average 35.4 days after their expiration with a high of 125 days for BCO13042. In addition, certificate number BCO13008 which expired on September 14, 2013 still had not complied, as of the completion of this audit.

Recommendation(s):

Building Department management should continue their current objective of having delinquent customers with expired temporary certificates act timely or face the appropriate sanctions. Continuous enforcement should help customers comply timely as they become aware that the restrictive sanctions will be enforced. Lastly, oversight procedures should be exercised to ensure the complete and timely reporting of all certificates and temporary certificates issued and/or approved, in a monthly basis, to the Property Appraisal's Office in accordance to the stipulated requirements.

Management Response:

The Building Department Management under the new Building Official/Director, Mariano V. Fernandez, P.E., has been instructed to actively manage this process and provide enforcement up to and including utilizing the Unsafe Structures Board of Miami Dade County.

5. Finding: *Reviewed Permits Plus System Notes Entered by Building Department Staff were often Incomplete or Insufficient thereby Hindering the Audit Trail and the Verifiability of the Entered Information*

Although time consuming to enter detailed notes in the Permits Plus System by Building Department staff, they are inherently valuable in providing clarification to the reader as to the actions taken, why the listed actions were taken and fees charged, etc. Internal Audit's review of these notes for its fifty randomly sampled certificates found that they were often incomplete or insufficient, contained abbreviations or acronyms, did not specify how the listed fees were derived, etc.

Recommendation(s):

Building Department personnel should be required to provide detailed notes in the Permits Plus System that support all actions taken, fees charged, etc. that can be understood by all potential readers. Another benefit is that all applicable permit and certificate information will be consolidated in the Permits Plus System which can be easily accessed by authorized staff whenever needed. It should also help make departmental staff more efficient by reducing their need to ask subsequent questions of staff or to research through maintained paper files.

Management Response:

Building Department personnel will be instructed to continue providing relevant detailed notes in the Permits Plus System.

6. Finding: *Maintained Departmental Standard Operating Procedures Need to be Updated to Better Depict the Certificates of Completion and Occupancy Internal Processes and Staff's Actual Roles*

Standard operating procedures are beneficial, as they serve as a benchmark to measure individuals' performance and as an instruction manual in the event employees' are out of the office for whatever reason. Although it was subsequently found that the Building Department recently updated their standard operating procedures concerning the administrative functions of T.C.C.s and T.C.O.s in July/August 2013, they do not adequately describe the actual internal process and staff's roles nor do they address C.C.s, C.O.s., P.C.C.s, P.C.O.s, certificate extensions, etc.

Recommendations:

The Building Department's standard operating procedures should be updated to adequately reflect current C.C., C.O., T.C.C., T.C.O., P.C.C., P.C.O. and certificate extension operations.

Management Response:

The Building Departments SOP manual was updated by the current Building Official/Director in September 2013. In addition, the Building Department website was revised to reflect the updated SOP's.

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7. Finding: *Sampled Performance Measures and their Identifying Information were Found to be either Incomplete, Inaccurate or Omitted Required Information in the City's Performance Measurement Software and Environmental Scan*

The Building Department's scorecard reported on the City's performance measurement software and Environmental Scan includes four separate measures pertaining to C.C.s, C.O.s, T.C.C.s, T.C.O.s, P.C.C.s and P.C.O.s. Each of these measures is identified, reviewed and analyzed below.

- A. "Ratio of Temporary Certificate of Completion & Certificate of Occupancy (TCC/CO) over total Certificate of Completion & Certificate of Occupancy (Total CC/CO)" as reported in the City's performance measure software.

Month	Actual	Audited	Difference
October 2011	34%	34%	0%
November 2011	21%	24%	-3%
December 2011	31%	30%	1%
January 2012	21%	32%	-11%
February 2012	14%	15%	-1%
March 2012	21%	21%	0%
April 2012	3%	3%	0%
May 2012	50%	33%	17%
June 2012	28%	22%	6%
July 2012	21%	21%	0%
August 2012	21%	21%	0%
September 2012	18%	21%	-3%
October 2012	14%	11%	3%
November 2012	59%	57%	2%
December 2012	39%	41%	-2%
January 2013	18%	18%	0%
February 2013	26%	26%	0%
March 2013	24%	24%	0%
April 2013	22%	22%	0%
May 2013	12%	11%	1%
June 2013	16%	16%	0%
July 2013	12%	12%	0%

The audited figures depicted in the table above were calculated from new Permits Plus System reports generated on October 3, 2013 as the prior reports were not maintained that supposedly supported the previously reported monthly numbers. Although one would believe that these numbers would not change once the month has concluded, the Building Permit Information Analyst II claims that subsequent changes have been noted but he is unsure as to the cause(s). Internal Audit believes that one of the reasons may be the back dating of T.C.C.s, T.C.O.s, P.C.C.s and P.C.O.s issued dates as to when the certificate expired. Finally, the audited column's figures were calculated based on the methodology described by the performance measure's owner which differs from its title.

Other noted deficiencies for this performance measure include the following:

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- The title is inconsistent to the corresponding calculations as the percentage is reported and not the ratio; P.C.C.s and P.C.O.s are included in the calculations but are not addressed; and the numerator includes T.C.O.s and not the listed C.O.s.
- There is no definition of the measure present separate from the title.
- No targets have been set to help determine departmental expectations and their progress towards satisfying them.
- The names of the measure's owners need to be updated as one listed individual no longer works for the department and another claimed that he is not involved in the calculation or reporting process.

B. "# of Certificates of Occupancy & Certificates of Completion Issued" as reported in the City's performance measurement software and Environmental Scan:

Fiscal Year Ending	Actual	Audited	Difference
September 30, 2012	417	417	0

Other noted deficiencies for this measure identified in the City's performance measurement software include the following:

- There is no definition of the measure present or the methodology used to calculate the reported annual figures.
- No targets have been set to help determine departmental expectations and their progress towards satisfying them.
- The measure's owner(s) need to be updated as the only individual named claims not to be involved in its calculation or reporting.

C. "CO / CC (# of Customers Served)" and "CO / CC (No Shows)" as reported in the City's performance measurement software and Environmental Scan

Neither of these two performance measures has been reported on the City's performance management software since the 2007/08 fiscal year. Furthermore, they contain the following other noted deficiencies:

- There are no definitions or methodology present for either measure.
- No targets have been or can be set to help determine departmental expectations and their progress towards satisfying them.
- The owner(s) of these measures needs to be updated as the individual named for each claims not to be involved in their calculation or reporting.

Conversely, the measures were reported accurately in the Environmental Scan for the one completed fiscal year occurring during the twenty-two month audit period as shown in the following table:

Fiscal Year Ending Sept. 30, 2012	Actual	Audited	Difference
CO / CC (# of Customers Served)	1,776	1,776	0
CO / CC (No Shows)	29	29	0

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After completing our review of the above measures during the audit period, we determined the following assessment categories suitable as defined in Exhibit 1 attached at the end of this audit report:

Source	Name of Measure	Assessment Category
Performance Management Software	Ratio of Temporary Certificate of Completion & Certificate of Occupancy (TCC/CO) over total Certificate of Completion & Certificate of Occupancy (Total CC/CO)	Inaccurate
Performance Management Software	# of Certificates of Occupancy & Certificates of Completion Issued – FY	Certified
Environmental Scan	# of Certificates of Occupancy & Certificates of Completion Issued – FY	Certified
Performance Measurement Software	CO / CC (# of Customers)	Factors Prevented Certification
Environmental Scan	CO / CC (# of Customers)	Factors Prevented Certification
Performance Measurement Software	CO / CC (No Shows)	Factors Prevented Certification
Environmental Scan	CO / CC (No Shows)	Factors Prevented Certification

Recommendation(s):

The identified incorrect figures and information reported in the City's performance measurement software and Environmental Scan should be promptly corrected. Also, designated City employee(s) should be tasked with ensuring that all active performance measures are reported timely and that any measures reported on in both the performance measurement software and Environmental Scan are in agreement. If any are deemed unnecessary, then they should be promptly removed from the department's active scorecard and/or the Environmental Scan. Finally, the Building Department should maintain the supporting documentation for the reported figures and management should conduct a root analysis to determine if and why closed months' data is subsequently changing and how to prevent it from doing so going forward.

Management Response:

The Building Department Management will make corrections to any incorrect figures or information reported in the City's performance measurement software and Environmental Scan. Designated City employee(s) have been instructed to report all active performance measures in a timely manner and any measures reported on in both the performance measurement software and Environmental Scan must be in agreement. The Building Department Management is currently reviewing our performance measures to identify and remove irrelevant measures. On the other hand, additional true key indicators of the Building Department's performance will be recommended to be included in both the performance measurement software and Environmental Scans. The Building Department will maintain the supporting documentation for the reported figures. Moving

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forward, to address the security concern, the "Applied" and "Issued" date in all records in Permits Plus will be secured so that there is no possibility of human error on any records.

EXIT CONFERENCE

An exit meeting was held on October 28, 2013 to discuss the audit report and to solicit management responses noted above. Attendees included Building Department Director Mariano Fernandez, Deputy Building Director Stephen Scott, Administrative Services Manager Raquel Aieta, Building Quality Assurance Coordinator Linda Blanco, Internal Auditor James Sutter, Senior Auditor Mark Coolidge and Auditor Fidel Miranda. Management responses were received shortly thereafter and were included therein. All parties were in agreement with the contents of this report.

(Audit performed by Mark Coolidge, Senior Auditor, and Fidel Miranda, Auditor)

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cc: Joe Jimenez, Assistant City Manager
Mariano Fernandez, Building Department Director
Patricia Walker, Chief Financial Officer

EXHIBIT: 1 – Assessment Categories for Performance Measures Verification

Assessment Category	Criteria
Certified	If reported performance is 100% accurate and if it appears that controls are in place to ensure accuracy for collecting and reporting performance data. Measurement data is supported by source documents.
Certified with Qualifications	This category is assigned under either one of two conditions: 1. <i>Reported performance is within +/- 3%, but the controls over data collection and reporting are not adequate to ensure continued accuracy.</i> 2. <i>The department's calculation of actual performance deviates from the measure definition, but was still within an acceptable range.</i>
Factors Prevented Certification	Documentation is unavailable or incomplete and controls are not adequate to ensure accuracy. This category is also assigned when there is a deviation from the measure definition and the reviewer cannot determine the correct measure result.
Inaccurate	Actual performance is not within 3% of reported performance, or there is a greater than 5% error in the sample of documents tested.

EXHIBIT: 2 - Additional References for Performance Management Software's Description of Measure

- 1) **Measure Name:** Should list the name of the measure for which data is being collected and reported.
- 2) **Measure Type:** Should recognize whether the measure is an "Input", "Output", or "Outcome" measure. One must consider whether results are measured through input (Ex: Customer surveys), output (Ex: Number of contracts completed without change orders), or outcome (Ex: % of projects substantially completed or in beneficial use within 120 days).
- 3) **Measure Description:** Should describe the measure. Some measures are self explanatory and some may not; however, a description should always be included (Ex: The measure considers the % of change in the value of the change orders for a specific category divided by the original project cost).
- 4) **Measure Frequency:** Describes how often performance data is reported (Ex: Quarterly).
- 5) **Data Sources:** Should list sources used to collect performance data (Ex: System Software Names, Report Names, Schedules, etc.)
- 6) **Calculation Methodology:** Should explain how data reported was calculated (Ex: change orders for that quarter divided by the original total projects costs, projects substantially completed or in beneficial use within 120 days of the contract milestone date divided by the total number of projects completed during the same quarter).