



City Auditor's Office

Department of Development Services - Building Division Permitting Audit


Report Issued: February 7, 2022

Audit Report No. 21-06

Auditor-In-Charge: Timothy DiSano, CIA, CISA, CFE



TO: Mayor Gunter and Council Members

FROM: Andrea R. Russell, City Auditor 

DATE: February 7, 2022

SUBJECT: Department of Development Services - Building Division Permitting Audit

The City Auditor's Office has completed the audit of the Department of Development Services (DDS) - Building Division Permitting Audit. The audit was conducted in conformance with Generally Accepted Government Auditing Standards by the authority granted through City Ordinances 28-02 and 79-10.

We would like to express our sincere appreciation to DDS management and staff for the courtesy, cooperation, and proactive attitude extended to the team members during the audit. If you have any questions or comments regarding this audit, please contact Andrea Russell at 242-3380 or Timothy DiSano 242-3308.

C: Rob Hernandez, City Manager
Connie Barron, Assistant City Manager
Maureen Buice, Assistant to the City Manager
Dolores Menendez, City Attorney
Kimberly Bruns, City Clerk
Vince Cautero, Development Services Director
Steve Poposki, Building Official
Todd Hoagland, Interim Code Compliance Manager
Bogdan Cyrnek, Interim Customer Service Manager
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EXECUTIVE SUMMARY

The City Auditor's Office conducted a performance audit of the DDS - Building Division Permitting process. This audit was included in the City Auditor's FY21 approved Audit Plan.

Based on the test work performed and the audit recommendation noted below, we concluded overall that policies and procedures are in place and permits are issued in a timely manner. However, due to the interdependence of departments and the volume of data and permits, we recommend the Department consider the addition of a staff position that would be responsible for compiling and monitoring the inter-departmental data. This position would help to ensure processes continue to operate efficiently and in compliance with new regulations and time standards.

DDS recognized the limitations and incompatibilities between the current permitting software system and more modern operating systems, frameworks and other applications, and is in the process of implementing a new comprehensive building permitting software. This new software system is expected to go live 2/22/2022.

For further details on the finding and recommendation, see the Findings and Recommendations section. We noted no material control deficiencies or non-compliance.

BACKGROUND

The City of Cape Coral (City) ranks among one of the fastest growing metro areas in the nation. DDS, which Building and Customer Service - Permitting is part of, is responsible for encouraging the growth of the city through planning, development, code enforcement, and enhance community value. Currently DDS consists of the following divisions:

- Building
- Code Compliance
- Customer Service - Permitting
- City Planning
- Land Development

The Customer Service - Permitting Division (Permitting) is responsible for permit application processing and issuance for all building permits in the City. An applicant can be a homeowner, contractor, or responsible agent. Building permits help to assist residents, contractors, and developers to maintain public safety and compliance with applicable State and Local building codes. Building permits are required to construct or alter a structure, or install or replace electrical, gas, mechanical and plumbing systems, according to building codes and standards. Currently, permitting processes approximately 3,000+ applications each month, associated with over 100 different types of building-related permits for new construction as well as

additions, alterations, and repairs of existing structures. The tables below show statistical data for permitting.

	FY21	FY20
	Total	Total
Total Permits Applied	46,131	34,405
Counter	14,608	13,613
Electronic	31,529	20,765
Total Permits Issued	43,133	32,745
Counter	13,451	12,816
Electronic	29,682	19,929

Source: Monthly Building Permit and Inspection Utilization Reports for FY20 & FY21

Fiscal Year New Construction Permits Issued

	FY19	FY20	FY21
Single Family Homes	1,874	2,276	4,183
Single Family ADD/REM	244	258	327
Duplexes	149	128	127
Multi-Family	21	18	20
Commercial	51	41	48
Commercial ADD/REM	156	131	137
Industrial	2	1	10
Total	2,497	2,853	4,852

Source: Monthly Building Permit and Inspection Utilization Reports for FY19, FY20, FY21

Customer service staff work with the applicant to determine what kind of permit or permits are needed for their project. Customers can submit applications one of three ways: online through TRAKIT; in person at the counter in City Hall; or via email. DDS staff check in and perform a cursory review of the permit application for accuracy, including submission of building plans if applicable. Next, these applications are routed to appropriate departments for review. If the plans are not approved, they are returned to applicants with a list of revisions needed. Permit fees are determined and calculated by permit type.

The following table shows the revenues by permit type.

Permit Revenue Per Fiscal Year	FY21	FY20	FY19
Single Family Home Permits	4,946,878.36	3,561,976.00	3,352,755.04
Single Family Add/Remodel Permits	83,800.63	90,885.54	100,838.06
Town House Permits	2,046.23	-	-
Duplex Permits	202,930.12	252,949.51	297,143.70
Multi-Family Permits	56,323.56	207,783.23	79,098.00
Commercial Office Permits	254,013.99	227,042.42	302,118.94
Commercial Add/Remodel Permits	46,174.47	58,590.10	69,990.03
Miscellaneous Permits	4,610,365.59	4,377,397.47	4,214,508.37
Misc. Permit/Admin Extension	300.00	300.00	500.00
TOTAL	10,202,832.95	8,776,924.27	8,416,952.14

Source: Development Services Department

AUDIT OBJECTIVE

To determine if controls are in place to ensure accurate and timely permit processing in accordance with regulations and policy and procedures.

STATEMENT OF AUDITING STANDARDS

We conducted this performance audit 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.

FINDINGS AND RECOMMENDATIONS

FINDING 2021-01 Project and Data Management

Rank: Medium

Condition:

DDS consist of the following divisions:

- Building
- Code Compliance
- Customer Service – Permitting
- City Planning
- Land Development

Each of these divisions is responsible for a range of tasks which can have impacts on City departments and the community. These responsibilities entail enforcing residential and commercial property codes, planning and development reviews, property inspections, building plan and subdivision plat reviews, and issuing all building permits for property development within the City. There is an enormous amount of data associated with each of the tasks in the permitting process.

Permitting along with the other DDS divisions, such as Building for inspections data, assist the Building Official in compiling and preparing monthly Building division financial reports and building permit and inspection utilization reports. Monthly, there are over 3,000 applications processed for approximately 100 different types of permits. Monthly, the Customer Service Supervisor performs quality control checks on all permitting applications. Supervisors also review all permits processed by new Customer Representatives daily to ensure accuracy of the probationary employees.

It is important to regularly review and monitor the data including the number of permits and timelines for permit processing. Such reporting is dependent on inter-departmental information to keep the permitting process on track and operating as efficiently as possible. This is important due to new state regulations enacted October 1, 2021, that require permit applications for single-family residential dwellings to be processed within 30 business days or less. If the timeline is not met, the local government may face a 10% building fee reduction penalty for each business day the agency fails to meet the deadline. Processing bottlenecks and scheduling and communication issues may arise due to the dependency between DDS divisions and the volume of data.

Criteria:

- Florida State Statues
 - 166.033 Development permits and orders
 - 30 days to review application for completeness
 - 553.792 Building permit application to local government
 - 10 days to advise applicant if additional paperwork is required
 - 30 days to issue single-family residential permits
 - Within 45 days after receiving a completed application, a local government must notify applicant if additional information is needed to determine sufficiency of the application
 - Within 120 days following the receipt of a completed application, a local government must approve, approve with conditions, or deny the application
 - If local government fails to meet the deadline, it must reduce the building permit fee by 10 percent for each business day that it fails to meet the deadline
 - 553.79 Permits; applications; issuance; inspections
 - 553.794 Local government residential master building permit program
 - After written request by a general, building, or residential contractor licensed under chapter 489 requesting a master building permit program, the applicable local government shall create such program with 6 months after receipt of the written request

- 2020 Florida Building Code, Building, 7th Edition (2020), effective December 31, 2020
- City Ordinances
 - Article 12 – Building code and engineering design standards
- City Resolution
 - Building Permit Fee 137-20

Cause:

- Large amount of data and transactions
- Building and permitting process timelines
- Rapid community growth
- Inter- relatedness of various City divisions
- No specific individual who monitors data

Effect:

- Delays in permitting processing
- Positive/negative impact on community development (housing, business)
- Effect on relationship with developers, citizens
- Potential loss/delay in receipt of tax revenue from delayed projects
- Possible departmental and division inefficiencies
- Reduction/avoidance of 10% State mandated building permit fee

RECOMMENDATIONS:

2021-01: Consider a staff position, such as Business Manager, who would be responsible for compiling and monitoring the inter-departmental data to ensure processes operate efficiently and in compliance with regulations and time standards.

Management Response and Corrective Action Plan:

2021-01 Select one of these boxes: ☒ **Agree** ☐ **Partially agree*** ☐ **Disagree***

*For partially agree or disagree provide reasoning on why:

2021-01 *I have submitted a request for 11 new staff members in the department, nine of which are in the Building and Customer Service areas. One of the positions is in administration and would perform the functions described herein.*

2021-01 **Management Action Plan Coordinator:** *Development Services Director*

2021-01 **Anticipated Completion Date:** August 1, 2022

SCOPE AND METHODOLOGY

Based on the work performed during the planning and the assessment of risk, we determined the audit would cover DDS - Building Division permitting process for the period of October 1, 2020, to September 30, 2021. To evaluate the processes and controls in place over the permitting process, we reviewed relevant laws, regulations, policies and procedures, and specific permit requirements.

To achieve the audit objective, we conducted interviews and walkthroughs with key division staff to gain an understanding of the permitting processes, filing methods, applicable fees, and required supporting documentation. Sample size and selection were based on the City Auditor's Office sample methodology, we used judgmental and random sampling methodology for sample selection. We stratified the population and based on the stratification we selected a sample of 60 permitting applications for the following types:

- Air conditioning change out
- Multi-family construction
- New construction commercial
- New construction residential
- Pool
- Remodel with sewer
- Roofing miscellaneous
- Shell building
- Single domestic well
- Utility

To achieve the audit objective, we relied on information from the City's TRAKIT online permitting system. The TRAKIT system data was deemed reliable in previously performed audits and no reliability testing was conducted.

Unless specifically stated otherwise, based on our selection methods, and testing of transactions and records, we believe that it is reasonable to project our results to the population and ultimately draw our conclusions for testing, findings, and recommendations on those results. Additionally, for proper context we have presented information concerning the value and/or size of the items selected for testing compared to the overall population and the value and/or size of the exceptions found in comparison to the items selected for testing.

APPENDIX A

Finding Classification

Findings are grouped into one of three classifications: High, Medium or Low. Those findings that are categorized as low are not included in the report but rather are communicated separately to management. Classifications prioritize the findings for management to address and also indicate the level of testing required to determine if a finding's Corrective Action Plan is fully implemented in accordance with recommendations and Management's Response.

High: A finding that is ranked as "High" will have a significant impact on the organization. It is one that *prevents* the achievement of a substantial part of significant goals or objectives, or noncompliance with federal, state or local laws, regulations, statutes or ordinances. Any exposure to loss or financial impact for a High finding is considered *material*. Examples include direct violation of City or Department policy, blatant deviation from established policy and procedure, such as actions taken to circumvent controls in place, material non-compliance with federal, state or local laws, regulations, statutes or ordinances, or an area where significant cost savings could be realized by the Department or the City through more efficient operations.

High findings require immediate management attention and should take management's priority when considering implementation for corrective action.

Medium: A "Medium" finding is one that *hinders* the accomplishment of a significant goal or objective or non-compliance with federal, state or local laws, regulations, statutes or ordinances, but can't be considered as preventing the accomplishment of the goal or objective or compliance with federal, state or local laws, regulations, statutes or ordinances. Exposure to loss or potential or actual financial impact is *significant but not material* to the Department or City. Examples include lack of monitoring of certain reports, insufficient policies and procedures, procedure in place or lack of procedure that can result in *potential* noncompliance with laws and or regulations.

Medium findings require management attention within a time frame that is agreed upon by the Department and the City Auditor. Priority for implementation of management's corrective action should be considered in light of other High or Low findings.

Low: A "Low" finding is one that warrants communication to management but is one that isn't considered as hindering the accomplishment of a significant goal or objective and isn't causing noncompliance with federal, state or local laws, regulations, statutes or ordinances. Financial impact or risk of loss is minimal to none; however, low findings can *hinder the effectiveness or quality of department operations and thus are communicated to management separately. Low ranked findings are not included in the final audit report.*

The City Auditor's Office will not follow up on the status of Low findings communicated to Management.