

CITY OF FORT LAUDERDALE

OFFICE OF THE CITY AUDITOR

Follow-Up review of the Building Division (#07/08-11)

Report #10/11-05

September 12, 2011



Memorandum

Memorandum No: 11/12-03

Date: October 6, 2011

To: Honorable Mayor and Commissioners

From: John Herbst, CPA, CGFO
City Auditor

Re: **Building Division - Follow-up Review**

In accordance with our audit workplan, we have performed a final follow-up review of our *Audit of the Building Division (Report #07/08-11)*. Our review was conducted in accordance with government auditing standards. Review procedures consist of staff inquiries and limited analysis of documentation provided by management. We did not perform substantial tests of evidence supporting the responses from staff responsible for resolving audit findings and recommendations.

City administration has the ultimate fiduciary responsibility to make sure that all known operational deficiencies are addressed and to manage public resources in the most efficient manner. According to the Comptroller General of United States:

Audit recommendations are well researched solutions to deficiencies noticed during the audit. Implementation of recommendations results in improvements in processes and controls. Not implementing recommendations allows the known deficiencies to continue resulting in waste or operational inefficiencies.

In our initial report, we made seven recommendations. Of these, we are pleased to note that five have been implemented. The remaining two, Finding 3.2 (page 4) and Finding 3.3 (page 5), while still open, are not considered to pose a significant risk to the City. Based on the above, we consider this audit closed and no further follow-up is required.

A detailed schedule of the findings, recommendations, and current status is included in the attached report.

Attachment(s)

cc: Lee R. Feldman, City Manager
Harry A. Stewart, City Attorney
Jonda K. Joseph, City Clerk
Stanley D. Hawthorne, Assistant City Manager
Susanne M. Torriente, Assistant City Manager
Greg Brewton, Sustainable Development Director

Finding- 1.1

Finding/Condition- The Building Division does not have a written policies and procedures manual. Departmental memoranda and directives on specific items have been developed on an ad hoc basis, but are not a complete compilation. The Building Division follows the Florida Building Code (FBC), which is part of the Florida Statutes and provides technical specifications on the permitting and inspection process.

Auditor Recommendation- The City Manager should require the Director of the Building Department to prepare a written policy and procedures manual to bring the various memoranda and directives together as an integrated whole.

Management Response- The Building Division will prepare a written policy and procedures manual by bringing together existing memoranda and directives. This manual will be accessible to all staff members and will be used as a training guide for new staff. We will have a rough draft of our training guide within 6 months.

Follow-Up Action – The Building Department provided the CAO with copies of their two Policy and Procedures Manuals, established in January 2009. Further, the CAO verified a master list evidencing that individual procedures were reviewed on an annual basis.

Status - CLOSED

Finding- 2.1

Finding/Condition- The Building Division does not have a procedure in place to perform a monthly reconciliation to match the revenues recorded in Community Plus to the City's general ledger. The CAO determined that the Building Division receives a validated copy of the Land Application Receipts Report - Summary (LARRS) to indicate the amount the Treasury Division entered into the cash receipting system ties to the total deposit.

Auditor Recommendation- The City Manager should require the Director of the Building Department to develop a procedure to reconcile Community Plus to FAMIS on a monthly basis. A person independent of the cash collection process should complete the reconciliation and it should be documented and signed by the preparer with evidence of supervisory review and approval.

Management Response- We will work with Treasury personnel to implement an audit procedure for reconciliation of the daily cash collection. A person independent of the cash collection process will complete the reconciliation. We will implement a procedure within 90 days.

Follow-Up Action – The Building Department provided the CAO with a reconciliation of revenue recorded in Community Plus to the City's general ledger. The reconciliation was signed by the preparer, who is independent of the cash collection process, and contained evidence of supervisory review and approval.

Status - CLOSED

Finding- 2.2

Finding/Condition- The CAO noted that the service clerks in the Building Division who receive and process cash are allowed to void transactions in Community Plus (C+) without supervisory approval. Furthermore, Building Division management has the ability through C+ to generate a special report of voided transactions for each cashier that could be used as an effective monitoring tool; however they are not currently utilizing it.

Auditor Recommendation- The City Manager should require the Director of the Building Department to develop a procedure to require:

1. Supervisory authorization of all voided transactions at the point of sale.
2. Supervisory review and sign off of a monthly void report which shows voided transactions for each cashier.

Management Response-

1. Supervisory authorization of all voided transactions at the point of sale would surely impact customer service negatively and unnecessarily. We believe our process of reconciling receipts daily is sufficient as the checks and balances are built into the computer system.
2. We do believe it would be beneficial to review monthly all voided cash receipts. We will utilize a report from Community Plus (C+) and once reviewed and approved, will be filed in accordance with records management guidelines. If we find any discrepancies upon review of the monthly voided cash receipt reports, we would consider implementing a process in the future for supervisory authorization of voided transactions at point of sale. We will implement a procedure to review monthly voided cash receipts in 60 days.

Other Recommendation

The Building Division has an extra \$200 cash drawer that has not been used because of an unfilled service clerk vacancy. Furthermore, they also have a \$100 cash drawer that is assigned to Business Tax that remains in the safe because the majority of the payments in Business Tax are made by check or credit card. The Building Division should return these two unused cash drawers to the Finance Department.

Management Response- The Building Division will return the two unused cash drawers to the Finance Department within 30 days.

Follow-Up Action – The Building Department provided the CAO with the following:

- 1) A daily “Register Transaction Report” is generated through Community Plus, which tracks voided transactions. However, a notation explaining the activity is not always recorded. This report is attached to a cash verification form, which recaps activity for each service clerk, and is reviewed daily and initialed by a supervisor.
- 2) A miscellaneous receipt showing the return of \$300 cash to the Finance Department was also provided. This was for the return of \$200 and \$100 in the cash drawers that had not been used as noted in the second recommendation.

Status – CLOSED

Finding- 3.1

Finding/Condition- The CAO could not verify that the Building Division Chiefs perform quality checks of completed inspections to assure consistency of enforcement. The Building Division indicated that supervisory reviews are performed; however the reviews are not documented. Without verifiable documentation of the review, we are unable to form an opinion about whether the reviews are taking place.

Auditor Recommendation- The City Manager should require the Director of the Building Department to develop procedures that would require Chief Inspectors to conduct and document supervisory review of field inspectors.

Management Response- Procedures will be implemented to ensure the Chief Inspectors ride with each field inspector of their respective discipline, once a month. A monthly inspection audit checklist will be completed and filed for each inspector in accordance with records management guidelines. An annual audit to verify valid inspector driver's licenses will also be implemented. We will implement procedures on 11/01/08.

Follow-Up Action – The Building Department provided the CAO with a written policy entitled “Audits”, which requires supervisors to ride with each inspector at least once every three months and observe/evaluate specific criteria outlined in ride-along procedures. The CAO reviewed a sample of field inspections performed by supervisors and no deficiencies were noted.

The Building Department also provided a written policy entitled “Driver License Annual Renewal”, which is examined yearly for revisions. Additionally, the department conducted annual reviews of employee driver licenses, which were verified by the CAO for June 2010 and August 2011.

Status – CLOSED

Finding- 3.2

Finding/Condition- The CAO determined that the Building Division does not have effective procedures in place to ensure that permits that are not picked up within 60 calendar days after the date of notification are voided according to the 2004 Florida Building Code, Broward County Amendments.

Auditor Recommendation- The City Manager should require the Director of the Building Department to develop a procedure that would require permits that have not been picked up within the 60 calendar days to be identified and voided in Community Plus on a regularly scheduled basis.

Management Response- We have implemented a procedure that includes sending two separate written notifications that a permit is either ready to be issued or is ready for corrections. While we recognize the Florida Building Code calls for permits/applications to be destroyed in 60 days, we also appreciate the costs involved in obtaining plans and securing contractors and that extenuating circumstances can sometimes delay projects for our customers.

We will work with the IT Department to create a report to help us better identify the 60 day deadline but fully believe the flexibility we have exercised in the past in no way negatively impacts our revenues, but rather is helpful to our customers, especially during these difficult times. We will have a process in place in 90 days.

Follow-Up Action – The Building Department provided the CAO with a report identifying applications for permits outstanding over 60 days whereby the permits have not been issued. While the department does have the option to void these permits, attempts are made to contact the customer to resolve any issues and determine if the work is still going to be done before taking that action.

The CAO was provided with an e-mail explaining the steps for contacting the customer with regard to applications for permits not issued and voiding such permits; however, a formal written procedure has not been implemented.

Follow-up Audit Recommendation- The CAO reiterates the above recommendation regarding development of a formal written procedure regarding permits that have not been picked up within 60 calendar days.

Status - OPEN

Finding- 3.3

Finding/Condition- Before November 2007 the Building Division did not have a structured process in place to consistently follow-up on expired permits. At that time, a new program was implemented to begin issuing 180-day letters to give notice to a contractor or property owner that a permit has expired. Our limited testing revealed that in one of three permits examined, the 180-day notice was not sent as required. Therefore, the CAO was not able to conclusively determine whether the program is functioning as intended and is meeting the statutory requirements.

Auditor Recommendation- The City Manager should require the Director of the Building Department to develop a written procedure to assure the 180-day letter to give notice about an expired permit is consistently issued in a timely manner.

Management Response- In November of 2007 the Building Division implemented an Expired Permit Program. We will continue to perfect this program so that all Florida Building Code requirements are met and a written procedure will be prepared in 90 days.

Follow-Up Action – The Building Department provided the CAO with a written Policy dated 1/1/09 entitled “Expired Permits” which outlines that:

- 1) A courtesy letter is mailed to both the owner and contractor indicating that the permit with no record of passed inspections for 150 days will expire if the property does not pass inspection within thirty days.
- 2) A second letter is mailed to both the owner and contractor indicating that the permit with no record of passed inspections for 180 days is expired.
 - a. Contractors are red-flagged in Community Plus (new permits cannot be issued until expired/open permits are closed).

The CAO judgmentally tested 5 expired permits and noted that none of them were red-flagged in accordance with procedures.

Follow-up Audit Recommendation- The City Manager should require the Director of the Building Department to enforce the “Expired Permits” policy with regard to red-flagging expired/open permits.

Status - OPEN

Finding- 4.1

Finding/Condition- The Building Division has generated a \$3,777,523 surplus for FY04/05 through FY06/07. This excess was inappropriately credited to the General Fund undesignated fund balance for the benefit of the general government. In addition, we noted that not all of the allowable expenditures are captured in the Building Division. Currently, there are Building Inspectors who work in the Code Enforcement Division, Fire Inspectors in the Fire Department and Plan Inspectors in the Planning Department that are involved with ensuring compliance with the Florida Building Code. The Office of Management and Budget provided a spreadsheet detailing additional direct and indirect costs that should have been charged to the Building Division for FY04/05 through FY06/07.

Auditor Recommendation- The City Manager should require The Finance Director to: Establish three new Special Revenue Funds, one for each legally restricted revenue; Building Permit Fees, Certification Maintenance Fees and Construction Technology Fees.

Management Response- For FY09 three (3) new special revenue funds will be established and budgets and actual revenues and expenditures will be transferred to these funds.

Auditor Recommendation- The City Manager should require the Finance Director to:

- Research the full extent of these restricted revenues inclusive of the 4-year statute of limitations period to quantify the total amount of surplus previously generated and currently part of the General Fund unreserved fund balance. We have identified a minimum of a \$3.7 million for permit fees alone for the 3-year period (FY04/05 to FY06/07). Transfer the surplus to a special revenue fund prior to the issuance of the FY08 Financial Statements or refund this surplus to the permit holders.
- On an ongoing basis, the proportionate expenses of the Building Division should be adjusted to include the direct and indirect costs of all staff that administer or enforce the Florida Building Code.

Management Response- As recommended by the CAO, the Finance Department and the Office of Management and Budget have completed an analysis of the fees and costs associated with enforcement of the Florida Building Code for fiscal years 2005 through 2007. A similar analysis will be performed annually as part of our year-end closing, beginning with FY2008. Any unexpended restricted revenues identified through this process will be segregated from undesignated fund balance within the General Fund in the City's financial statements.

Auditor Recommendation- The City Manager should require the Director of the Building Department to obtain a new cost of service study to establish an appropriate fee schedule. This study should be periodically updated.

Management Response- The Building Department Director will work with the City Manager and Director of Finance to obtain a new cost of service study to establish an appropriate fee schedule which will be periodically updated.

City of Fort Lauderdale
City Auditor's Office
Building Division Follow-up Audit
9/12/2011

Follow-Up Action – The Building Department provided the CAO with the following:

- 1) Commission Agenda Report #09-0499, which established three new Special Revenue Funds (Building Permit Fees, Certification Maintenance Fees and Construction Technology Fees). On 8/1/2011 the Finance Department transferred a general fund balance for FY09/10 into two Special Revenue Funds. The remaining fund, “Building Permit Fees”, had a deficit balance of \$906,837.
- 2) “Analysis of Permit Fees” for 2010, designed to evaluate the Building permit fees in Fort Lauderdale to determine the appropriate level for these activities based on the actual cost to deliver the services.
- 3) Code of Ordinances, section 9-46 through 9-51 reflecting building permit fees, which went into effect 10/1/10. Additionally, the CAO reviewed a sample of permit fees issued during FY10/11 and compared fees charged to the property owners with the fees reflected in the Code of Ordinances. No discrepancies were noted.

Status – CLOSED