

**Post-Audit Review 22-04:
Land Development Office
Building Permit and Inspections**

September 2024

City Auditor

Stan Sewell, CPA, CGFM, CFE

Senior Auditor

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OFFICE OF INTERNAL AUDIT

Stan Sewell, City Auditor

September 11, 2024

To: Mayor Tim Kelly
City Council Members

Subject: Post-Audit Review of Building Permit and Inspections (Report #22-04)

Dear Mayor Kelly and City Council Members:

Attached is a summary report on the status of audit recommendations in our 2023 Building Permit and Inspections report. The purpose of this report is to confirm whether, and to what degree, management has implemented the recommendations made in the original audit.

The original audit concluded:

1. Overall, permit fees were accurately collected with the exception of building permits with project cost exceeding five hundred thousand dollars;
2. Re-inspection fees were not collected as required by City Code, and
3. Although the majority of inspections were performed within one day of request, thirty-three percent of the permits reviewed did not receive all required inspections.

The audit had 13 recommendations to improve efficiency and effectiveness of the permit and inspection process as well as address internal control deficiencies observed in the inspection process of the Land Development Office. At the time of this Post-Audit Review, six recommendations were not implemented, two were partially implemented, and five were implemented. Recommendations partially implemented and not implemented are herein reported to the Audit Committee for follow-up, as appropriate.

This Post-Audit Review consisted principally of inquiries of City personnel and examinations of various supporting documentation. It was substantially less in scope than an audit in accordance with generally accepted government auditing standards. The evidence obtained provided a reasonable basis for our conclusions; however, had an audit been performed, other matters might have come to our attention that would have been reported to you and our conclusions may have been modified.

Sincerely,

Stan Sewell, CPA, CGFM, CFE
City Auditor

Attachment

cc: Audit Committee Members
 Jermaine Freeman, Chief of Staff
 Javaid Majid, Chief Financial Officer
 Mande Green, Chief Operating Officer
 Jerramy Wood, Administrator Public Works
 William Gore, Director Land Development
 Jim Arnette, TN Local Government Audit

RECOMMENDATIONS NOT IMPLEMENTED (6)

Recommendation	Actions Taken
2 We recommended LDO implement procedures to ensure all required inspections are performed prior to the expiration date of permits.	The division has not implemented procedures to ensure inspections are performed.
3 We recommended LDO obtain City Council approval prior to waiving permit fees.	As discussed in Recommendation 1, LDO has not enforced the City Code which requires permit owners to extend or re-apply for building permits when work is not completed by the expiration date. Therefore, the required permit fees are essentially waived without Council approval.
4 We recommended LDO implement a procedure to identify permit owners that fail to request inspections.	The division has not implemented procedures to identify permit owners that fail to request inspections.
5 We recommended LDO develop and implement a policy that prohibits permit owners, whom fail to request inspections, from obtaining additional permits.	Based on our review of the updated policies, the division has not developed or implemented a policy that prohibits issuing permits to contractors that fail to request inspections.
6 We recommended LDO, with the assistance of the City Attorney, evaluate and update the language regarding re-inspection fees in City Code.	Based on our review of the current City Code, re-inspection fees remain unchanged.
7 We recommended LDO develop and implement a definitive policy related to the collection of re-inspection fees that reflects the requirements of City Code.	Our review of the updated policies found only one of the four policies related to inspections actually refer to re-inspection fees. However, the Building Inspection policy does not define when the fees apply or how much to charge. In addition, the Electrical Inspection policy does not refer to the City Code's re-inspection rate of \$25 for the first additional and \$50 for each thereafter.

RECOMMENDATION PARTIALLY IMPLEMENTED (2)

Recommendation	Actions Taken
1 We recommended LDO enforce the City Code and require permit owners to extend or re-apply for building permits when work is not completed by the permit expiration date.	<p>Per LDO, the division manually sends permit owners notification that their permits are due to expire with instruction to request an extension.</p> <p>Based on our review, expired permits were not typically extended. We reviewed ten permits with inspections occurring after the expired permit date. Only one of the ten expired permits were renewed as required by City Code. In addition, our analysis of permits issued since July 2023 found 413 permits had no expiration date. The majority of the permits were Simple Residential Building Permits.</p>
8 We recommended LDO collect re-inspection fees in accordance with City Code.	<p>Per LDO, they previously had issues with the Opengov system that required manual changes to fees. The system has been corrected and re-inspection fees are charged.</p> <p>Our review of eleven permits found re-inspection fees were not always collected in accordance with City Code. Five of the eleven were not charged a re-inspection fee. We also noted re-inspection fees were incorrectly charged \$50 (rather than \$25) for the 1st re-inspection performed on both the electrical permits reviewed."</p>

RECOMMENDATIONS FULLY IMPLEMENTED (5)

Recommendation	Actions Taken
9 We recommended LDO update its Inspection Policy to include procedures related to documenting inspection and re-inspection results, including detailed reasons for fail or partial pass, in the OPENGOV inspection record.	<p>Our review of the updated policies found all four policies include procedures related to documenting inspection and re-inspection results in the Opengov system.</p>

Recommendation	Actions Taken
10 We recommended LDO inspectors perform and document re-inspections for all failed or partial pass inspections prior to issuing certificate of occupancies, certificate of completions or closing permits.	Based on our review, inspectors perform and document re-inspections in the Opengov system.
11 We recommended LDO management perform periodic reviews of closed permits to ensure inspection records are properly documented.	Per LDO, management performs periodic reviews of closed permits. Based on our review, inspection records were properly documented.
12 We recommended LDO implement a procedure to periodically verify permit fees are charged accurately in OPENGOV.	The department has developed the procedure to randomly select permits to review the accuracy of the permit fee.
13 We recommended LDO, with the assistance of the IT Department, update the permit fee system to correctly calculate the permit fee errors identified.	Based on our review, the fee structure programming has been updated in Opengov to properly calculate the fees.

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