Crowe

Smart decisions. Lasting value.™

CITY OF CORAL GABLES, FLORIDA
Internal Audit of Development Services

April 2019

Distribution:
Mayor and City
Commissioners

TABLE OF CONTENTS

EXECUTIVE SUMMARY
_____

Overview

Crowe LLP ("Crowe" or "we") performed internal audit procedures related to the City of Coral Gables' Development Services Department's processes. The objectives of the procedures were to determine the existence and adequacy of selected internal controls; identify opportunities for operating efficiencies; verify compliance with selected established policies and procedures; and recommend improvements where needed based on the procedures performed.

Summary of Results

The following is a summary of our observations as a result of our procedures. We listed the opportunity for improvement and corresponding risk rating.

Process	Observation #	Division Primarily Responsible	Opportunity for Improvement	Risk Rating**
Routing	1	All Divisions	Implement a process to enable electronic routing of plans.	Moderate
Storage	2	All Divisions	Implement the City policy on retention schedules for files.	Moderate
Storage	3	All Divisions	Implement process to utilize the purchased scanners to record files electronically and eliminate third party scanning services.	Moderate
Tracking	4	All Divisions	Develop a tracking system that monitors activity of submittals for development that occur prior to the submission of a permit application.	Moderate
Plan and Processing	5	Building Services	Restrict the ability to delete or modify fees.	High
Plan and Processing	6	Building Services	Standardize the invoicing process.	Moderate
Plan Review	7	Building Services	Restrict the ability to approve plans to authorized employees.	High
Processing	8	Code Enforcement	Upload information to the GovQA system more efficiently.	Low
Case Review	9	Code Enforcement	Implement a formal review procedure of closed cases.	Moderate
Patrol	10	Code Enforcement	Allow Code Enforcement officers to red tag construction sites without a permit.	Moderate
Fines	11	Code Enforcement	Eliminate manual entry of fines from GovQA when processing payment.	Moderate
GovQA	12	Code Enforcement	GovQA does not auto populate basic fields (such as name, department, etc.) while user is logged in and creating a new case.	Low
Training	13	Code Enforcement	During our interview process, we noted that code officers do not receive training on all new policies and procedures on a regular ongoing basis.	Moderate
Liens and Fees	14	Code Enforcement	During our interview process, we learned that the code enforcement manager negotiates fess.	Moderate

**For explanation of _Risk Rating_ determination, refer to page 3.

INTRODUCTION

_____

Background

The City of Coral Gables' Development Services Department oversees the Planning & Zoning, Building, and Code Enforcement Divisions. The Department provides services including the review, processing, and issuance of permits and assurance that construction complies with all applicable codes.

The Planning and Zoning Division is responsible for maintaining the City of Coral Gables as a safe, vital and attractive community to live in by providing guidance for the effective implementation of land use, development, planning, transportation, etc. The division is charged with the preservation of the City's historical heritage as well.

The Building Division is responsible for the permitting process and Florida Building Code (FBC) related plan review and inspections to ensure the safety of the City's citizens.

The Code Enforcement Division works with the citizens of Coral Gables to preserve the quality of life by ensuring compliance with the provisions and zoning codes of the city.

Objective and Scope

The objective of the procedures performed was to evaluate and test the design and effectiveness of selected internal controls, processes implemented, and that the Department is operating effectively and efficiently. In summary, this internal audit evaluated the following:

- Assess aspects of the Development Services Department, including permitting activities to determine the integrity and compliance of the processes with City Code and applicable regulations.

- Determine areas where improvements can be made in the process to streamline the process and also provide better customer services to residents.
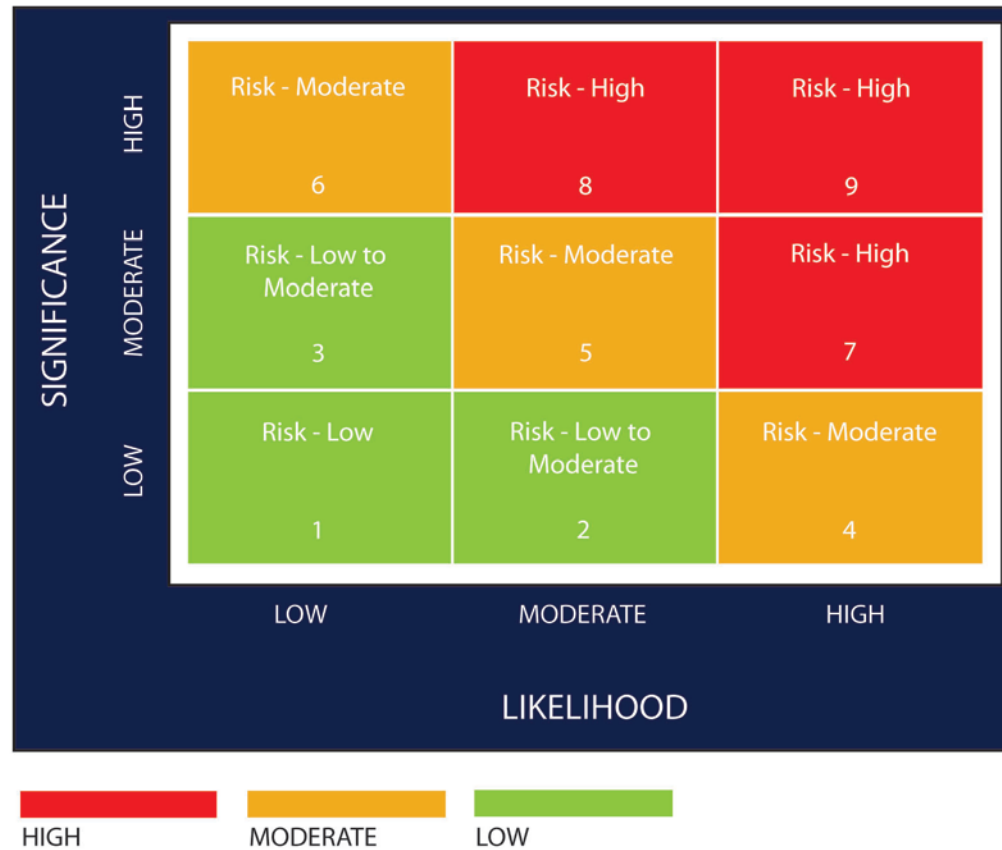
The detailed procedures performed can be found starting on page 4 of the report.

Although our testing was performed in some areas without exception, we can provide no assurance that exceptions would have been detected had procedures been changed or expanded.

INTRODUCTION

Risk Management

Risks are evaluated based on its "significance" to management's strategy and its "likelihood" to occur. This will result in a risk profile of the highest risks to the organization as presented below:

PROCEDURES PERFORMED	RESULTS
General Operations	
1) Gain an understanding, through communications with management and key personnel, of the internal operations and document internal controls over key procedures. Review the City Code and appropriate guidelines and applications and gain an understanding of procedures in place as they relate to the Development Services Department.	Crowe performed extensive interviews and discussions over the course of the audit. Interviews were held with key personnel within each Development Services Division. Our understanding of policies and procedures were reviewed and tested throughout all aspects of the audit. During our interview process, we noted that plans are physically moved during the approval process. **Refer to recommendation #1** During our procedures we noted many documents laying around in boxes throughout various rooms and we learned that the department currently does not follow the City's retention schedule for documents and all documents are kept indefinitely. **Refer to recommendation #2** During our interview process we learned that the Department purchased two new scanners but have not yet used them. **Refer to recommendation #3** During our interview with Department staff, we learned that the Department does not have a tracking system that monitors activity of submittals for development that occur prior to the submission of a permit application. **Refer to recommendation #4**
Building Division	
2) Gain an understanding, through communications with management and key personnel, of the internal operations and document internal controls over key procedures. Review the City Code and appropriate guidelines and applications and gain an understanding of procedures in place as they relate to the Building Division.	Crowe performed extensive interviews and discussions over the course of the audit with the Division. Interviews were held with key personnel within each Division. Our understanding of policies and procedures were reviewed and tested throughout all aspects of the audit.

_____

PROCEDURES PERFORMED	RESULTS
3) Perform walkthroughs and document key procedures. Document key controls and areas of risk. Document deficiencies noted during review and propose any necessary recommendations.	Crowe documented the processes for permit review, approval, and inspections. During our audit procedures, we noted that preset fees can be modified and deleted within the permit module of Eden. **Refer to recommendation #5** During our inquiry and audit procedures, we noted that the invoicing process is completed manually. **Refer to recommendation #6** During our inquiry and observation procedures, we noted that employees have the ability to edit and approve permits on other employees' behalf. **Refer to recommendation #7**
4) Obtain formal policies and procedures for the building division operations and review actual procedures for compliance with formal policies.	We obtained formal policies and procedures and thoroughly evaluated actual procedures for compliance throughout all aspects of the audit.
5) Obtain a listing of planning permits processed by the City. Make a sample selection of projects and obtain an understanding of required contracts, permits, and review. Determine if the Division complied with all internal policies during review and approval of selected projects.	Crowe obtained a list of permits processed throughout the city for the period from October 1, 2017 through August 23, 2018 and used the list to make a sample selection of 20 permits for testing purposes. **We noted no testing exceptions.**
Code Enforcement	
6) Gain an understanding, through communications with management and key personnel, of the internal operations and document internal controls over key procedures. Review the City Code and appropriate guidelines and applications and gain an understanding of procedures in place as they relate to the Code Enforcement Division.	Crowe performed extensive interviews and discussions over the course of the audit with the Division. Interviews were held with key personnel within each Division. Our understanding of policies and procedures were reviewed and tested throughout all aspects of the audit.

PROCEDURES PERFORMED

PROCEDURES PERFORMED	RESULTS
7) Perform walkthroughs and document procedures of key procedures. Document key controls and areas of risk. Document deficiencies noted during review and propose any necessary recommendations	Crowe documented the processes for code compliance.
	During our walkthrough of code compliance inspection, we noted inefficiencies within the inspection process. **Refer to recommendation #8**
	During our walkthrough, we noted that if a Code Enforcement officer spots construction occurring without a permit, they cannot issue a "red tag," which would force the construction to stop. **Refer to recommendation #10**
	During our inquiry and observation procedures, we noted a manual entry of code violations fines is required in Eden. **Refer to recommendation #11**
	During our inquiry and observation procedures, we noted that there is no automatic population of certain fields within the GovQA system. **Refer to recommendation #12**
	During our interview process, we noted that code officers are not trained on all new policies and procedures on a regular ongoing basis. **Refer to recommendation #13**
	During our interview process, we noted that the code enforcement manager negotiates fees. **Refer to recommendation #14**
8) Obtain formal policies and procedures for various operations and review actual procedures for compliance with formal policies.	We obtained formal policies and procedures and thoroughly evaluated actual procedures for compliance throughout all aspects of the audit.

PROCEDURES PERFORMED

PROCEDURES PERFORMED	RESULTS
9) Obtain a listing of code violations throughout the City. Make a sample selection of projects and obtain an understanding of required petitions, fees, and review. Determine if the Division complied with all laws and regulations as well as internal policies during review and approval of selected projects.	Crowe obtained a list of code violations for the period from October 1, 2016 through September 30, 2017 and used the list to make a sample selection of 11 for testing purposes. During our audit procedures, we noted that there is no review of closed cases. **Refer to recommendation #9**
Planning and Zoning	
10) Gain an understanding, through communications with management and key personnel, of the internal operations and document internal controls over key procedures. Review the City Code and appropriate guidelines and applications and gain an understanding of procedures in place as they relate to the Planning and Zoning Division.	Crowe performed extensive interviews and discussions over the course of the audit with the Division. Interviews were held with key personnel within each Division. Our understanding of policies and procedures were reviewed and tested throughout all aspects of the audit.
11) Perform walkthroughs and document key procedures. Document key controls and areas of risk. Document deficiencies noted during review and propose any necessary recommendations	Crowe documented the processes for planning and zoning reviews. **We noted no testing exceptions.**

OBSERVATIONS AND RECOMMENDATION

Development Services

1. <u>**OPPORTUNITY FOR IMPROVEMENT – Implement Electronic Routing:**</u> **MODERATE RISK**

   During our interview and walkthrough process, we noted that employees physically transport plans to other departments to continue the process of approval. Not all of the departments involved in the approval process are in the same building, and because of the distance, plans are transported in batches. This manual process can lead to delays in processing time, as well as lost or misplaced items.

   <u>**Recommendation:**</u> We recommend the City transition to an electronic plan routing system. Employees would be responsible for scanning the necessary documents and then the items could be routed to other departments electronically. This would reduce processing time as well as the chance that items could be lost or misplaced.

   <u>**Management Response / Action Plan:**</u> The implementation of our EnerGov software will eliminate the need to transfer plans across departments as everything will be transitioned to electronic plans and subsequently, electronic plan reviews. Along with this transition, we have begun reviewing larger scale projects (I.E. fire station phase one and phase 2, gables station, Merrick Park Hotel) on an electronic basis, however, we are still unable to approve anything in that matter. We are expected to launch with EnerGov in the next 12-18 months. We are also remodeling the building at 427 Biltmore Way to house all of Development Services which will allow all reviewers to be in one building.

2. <u>**OPPORTUNITY FOR IMPROVEMENT – Retention Schedules:**</u> **MODERATE RISK**

   Throughout our walkthroughs of the processes in the Building Division, we noted many documents laying around in boxes throughout various rooms. During our interview with department staff, we learned that the Development Services Department currently does not follow the City's retention schedule for documents and all documents are kept indefinitely.

   <u>**Recommendation:**</u> We recommend that the department develop a retention schedule that follows the City's policy in accordance with State of Florida retention guidelines to eliminate storage problems and free up room in the various divisions.

   <u>**Management Response / Action Plan:**</u> Previously, we have met with Planning and Code Enforcement Staff to destroy any documents that were not required per the City Clerk's Office retention period. We are currently working with the City Clerk's Office who are spearheading a new recording software that would eliminate the need to store items with our current provider. Once implemented, any paper document that has been scanned into our database, will be destroyed. Furthermore, we will begin scanning documents directly from our front counter as we have personal scanners that would allow for small documents to be directly inputted. We will implement this scanning once the City Clerk has finalized naming conventions, and electronic document retention location.

OBSERVATIONS AND RECOMMENDATION

3. **OPPORTUNITY FOR IMPROVEMENT – Storage – Scanners:** **MODERATE RISK**

During our interview with the department staff, we learned that the Development Services Department purchased two new large capacity scanners a few years ago but have yet to use them. Instead, the department pays for the services of a third party scanning service, to scan documents for them. Since documents are not destroyed after scanning, they are also paying for storage of these documents after scanning.

Recommendation: We recommend the department develop a procedure to utilize the scanners they have purchased and discontinue/phase out the use of third party scanning services. Further, we recommend that the department consider retaining documents in a format and for the required duration as outlined in the State of Florida retention guidelines. Also see opportunity 2 above regarding establishing a retention schedule that follows the City's policy.

Management Response / Action Plan: Similar to the response above (Retention Response), we will begin to phase out the third party as part of our implementation of TRIM (new recording software). This software is being customized to allow better accessibility from individuals outside of the City, including naming conventions, file locations, and metadata collected for searchability. Furthermore, we have held meetings with our IT Department, who is leading the project, to implement naming conventions and where files will be electronically shared. It is unknown why the scanners were purchased and never used. This occurred under previous management.

4. **OPPORTUNITY FOR IMPROVEMENT – Documented Process for Planning:** **MODERATE RISK**

During our interview with Department staff, we learned that the Department does not have a tracking system that monitors activity of submittals for development that occur prior to the submission of a permit application.

Recommendation: We recommend the department develop a tracking system of pre-submittal activities so that key staff are all aware of the status and progress of development within the City.

Management Response / Action Plan: As of this moment, we do not have anything in place to track any "pre-meetings" done before submittals for development in the City, nor do we track in Eden the processes that takes place prior to permit application. The recently hired Deputy Director will be working on implementing the system in EnerGov to track processes from pre-meetings to issuance of Certificate of Occupancy. This is being implemented with the transition to EnerGov.

OBSERVATIONS AND RECOMMENDATION

Building Division

5. <u>OPPORTUNITY FOR IMPROVEMENT – Deletion and Modification of Fees:</u> HIGH RISK

During our walkthrough and inquiry of the Building Division, we noted that employees with access to the permits module within Eden have the ability to override or delete the preset fees through a custom field setting in Eden. This allows anyone with access to the permits module the ability to edit or delete fees without approval or independent review. We observed the administrative analyst delete and modify a fee without any flags or warnings allowing for manipulations without approval.

<u>Recommendation:</u> We recommend the department restrict the ability to edit fees to an appropriate level of management. All other employees should be required to submit a request to change fees, which should then be approved by upper management.

<u>Management Response / Action Plan:</u> Previous management had set up for all counter staff to have these security privileges. New Management had requested for this issue to be reviewed and that the ability to edit/ modify fees be limited to supervisors. Furthermore, we have requested this to be implemented in approvals for inspections and plan reviews. We are implementing proper security access through the EnerGov implementation relating to fee modifications, approval of plans, inspections, etc. In addition, there will be a permanent history in EnerGov that will document any modifications made on the corresponding plan or permit. There are various emails dated August 16, 2018 that addressed the issue.

6. <u>OPPORTUNITY FOR IMPROVEMENT – Standardize the Invoicing Process:</u> MODERATE RISK

During our interview with the Plans Processor Lead of the Building Division, we noted that the invoicing process is manual. An employee has to measure dimensions by hand to calculate the invoice amount. A manual method is prone to errors and is time consuming.

<u>Recommendation:</u> We recommend that the City consider adopting a simple percentage of cost based method of invoicing. This method is less prone to errors and would allow employees to complete other tasks.

<u>Management Response / Action Plan:</u> The Development Services department is in the process of changing its fee structure. A consultant conducted a study of building permit fees and has provided a recommended fee structure based on percentage of construction cost. The percentage was determined based on maintaining current revenue targets to sustain the building division and allow for a "rainy day" fund.

OBSERVATIONS AND RECOMMENDATION

7. **OPPORTUNITY FOR IMPROVEMENT – Plan Approval Authorization:** **HIGH RISK**

During our inquiry and walkthrough with the Development Services Department, we noted that employees are able to edit and approve permits on other employees' behalf. In order to verify our initial assessment we asked a clerk to attempt to edit an approval status. The clerk was able to approve on another person's behalf. Further, we observed that the current system (Eden) does not have the capability to retrieve a list that would show if any employees were approving permit applications on others' behalf. Audit trails can only be pulled for one application at a time.

Recommendation: We recommend updating the user settings within Eden in order to limit the ability to approve plans only to authorized individuals. We further recommend that the City consider implementing a new ERP system that can generate audit trails that will allow management to spot fraud, errors, and weaknesses in a timely manner.

Management Response / Action Plan: The current process was implemented by previous management due to other departments not being trained in EDEN and being unaware of how to input their own results. Due to this, everyone was given access to offset the inability of inputting results. Current management requested many months ago that this access be revoked and that each department input their own results. Furthermore, this concern was brought up in the Director's meetings to spread awareness of the issue of having such access. Once live with EnerGov, it will limit approvals within the approved list of individuals for each permitting discipline (Building, Plumbing, etc.). As mentioned previously, there will be a trail for each action that has been placed onto the plan or permit which will allow for smoother audit trails. There are various emails dated August 16, 2018 that addressed the issue.

Code Enforcement Division

8. **OPPORTUNITY FOR IMPROVEMENT – Uploading Information to GovQA:** **LOW RISK**

During our walkthrough of code compliance inspection with a Code Enforcement Officer, and our interview with a Plans Processor Lead in the Building Division, we noted inefficiencies within the inspection process. As inspectors take photos while on-site, they currently use the process of emailing the photos to themselves before submitting them on GovQA (the City's records system).

Recommendation: We recommend that the City regularly train their inspectors in using the GovQA application on their smart phones in order to upload information to the system more efficiently. The GovQA app has the ability to both create a new request and upload photos taken while on the job. The City could also consider using the mobile application that is available from GovQA.

Management Response / Action Plan: All code enforcement officers are utilizing their mobile phones to take pictures while on site. To better transition the images into GovQA, we are discussing utilizing a tablet/ iPad to transition the images directly into the GovQA center which was discussed a few months ago. IT has been assisting with selecting the appropriate hardware to improve this process.

OBSERVATIONS AND RECOMMENDATION

9. OPPORTUNITY FOR IMPROVEMENT – Closed Case Review: MODERATE RISK

During our interview with the Code Enforcement Division, we learned that there is no formal review of closed cases currently taking place. The Code Enforcement Division Manager reviews a few closed cases occasionally. By not having a formal review process in place, the possibility exists that officers can close cases without fully investigating them.

Recommendation: We recommend implementing a formal review of closed cases on a regular basis to ensure cases have been fully investigated, and an appropriate resolution reached.

Management Response / Action Plan: Management addressed this issue in the past. A memo dated September 24, 2018 presents the direction of how we attempted to mitigate the issue. Also, through the implementation of EnerGov, we will add an approval Queue to the software to better streamline and track the process for cases.

10. OPPORTUNITY FOR IMPROVEMENT – Red Tag Construction: MODERATE RISK

During our walkthrough of Code Enforcement officer's duties with the Code Enforcement Division Manager and Assistant Development Services Director for Administration and Code Enforcement, we noted that if a Code Enforcement officer spots active construction occurring without a permit, they cannot issue a "red tag," which would force the construction to stop. Instead, the code officer has to call a building inspector to come down and issue the red tag. However, the response time for a building inspector is not immediate, and may take a few hours to a few days. In the past, Code Enforcement officers could issue a red tag, but this is no longer the case.

Recommendation: We recommend allowing Code Enforcement officers to issue red tags to allow them to stop construction without a permit. A Code Enforcement officer does not need to be a building inspector professional to know that work is being done without a permit. This change would increase efficiency, as the Code Enforcement officer is already on the site, as well as reduce building inspectors' workload.

Management Response / Action Plan: There is a very clear manner in how to go about the process of red tagging properties. There are emails dated October 29, 2018 between myself and the Code Officers that elaborates on how red tagging should be handled.

11. OPPORTUNITY FOR IMPROVEMENT – Manual Entry of Fines for Payment Processing: MODERATE RISK

During our interview with the Code Enforcement Division Manager and Assistant Development Services Director for Administration and Code Enforcement, we noted that the fines that are entered into the GovQA system are not automatically integrated into Eden. The cashier has to manually input the information from GovQA for processing payment. This manual entry is prone to human error.

Recommendation: We recommend integrating GovQA and Tyler Cashiering in a way that will allow fines to be brought over automatically to the cashier for payment processing.

Management Response / Action Plan: Unfortunately, GovQA & Eden are not compatible, and they cannot read each other's fees. Moving forward, EnerGov will now be the sole software that will be utilized and thus fees will be generated based on codes. As previously mentioned, only Directors will have access to any fee modifications.

12. **OPPORTUNITY FOR IMPROVEMENT – Auto Population of Basic Fields:** **LOW RISK**

During our walkthrough of code compliance inspection with a code Enforcement Field Supervisor, we noted that even though the individual was signed into GovQA using his username and password, when he created a new case, he still had to input his name, department, and phone number into the system when creating a new case.

Recommendation: We recommend that the IT department modify some settings in GovQA so that certain fields, like name, department, and phone number, are auto populated based on the login credentials of the user. This would decrease the time the officer spends in GovQA, and more time spent patrolling the city.

Management Response / Action Plan: We have discussed the possibility of adding auto population with our IT department and they are working with the GovQA applications team to implement it.

13. **OPPORTUNITY FOR IMPROVEMENT – Annual Training for Code Officers:** **MODERATE RISK**

During our interview process, we noted that code officers do not receive training on all new policies and procedures on a regular ongoing basis.

Recommendation: We recommend that the department develop a code officer training program to be conducted on a regular basis, but on at least an annual basis, to timely communicate information necessary for the code officer to perform their duties in compliance with the policies and procedures of the division.

Management Response / Action Plan: The absence of training allows for officers to be prone to errors. The annual training will allow for the Officers to be updated on any changes to the Code, any new ordinances, and any clarifications on procedures that may need to be established. This was requested through an email dated May 1, 2018 in which there was a discussion between the Department Director and the Code Enforcement Manager about this topic.

OBSERVATIONS AND RECOMMENDATION

14. <u>OPPORTUNITY FOR IMPROVEMENT – Negotiation of Liens and Fees:</u> MODERATE RISK

During our interview process, we learned that the code enforcement manager negotiates fees.

<u>Recommendation:</u> We recommend that the department develop a procedure such that one individual is not solely responsible for the assessment of liens and fines in order to provide proper segregation of duties.

<u>Management Response / Action Plan:</u> Currently, the Code Enforcement manager negotiates fees. Moving forward, our procedure will be a joint effort between the Code Officer and the Deputy Development Services Director to avoid any issues that may come from a sole individual deciding.