Office of the City Auditor

ACTION CALENDAR
March 25, 2014

To: Honorable Mayor and Members of the City Council

From: Ann-Marie Hogan, City Auditor

Subject: Audit: Construction Permits - Monitor Performance and Fee Assessments to Ensure Excellent and Equitable Customer Service

RECOMMENDATION

Accept the recommendations in the audit report and request that the City Manager report back on September 16, 2014, and every six months thereafter until management reports full implementation of all recommendations.

SUMMARY

The Department of Planning and Development (Planning) can improve customer service and equity of service, reduce the high risk of theft, improve efficiency, and increase revenues. An underlying theme of our audit findings is that Planning's focus on customer service is to do what it takes to make the customer standing in front of them happy. Planning must address its customer service needs more systematically. That means evaluating program performance to understand the root causes for not meeting established performance goals and for long customer wait times, and ensuring that customers are assessed fees accurately, consistently, and equitably.

Management also needs to take appropriate steps to ensure the accuracy and integrity of building permit data, stop allowing staff to share computer login credentials and cash drawers, and adequately safeguard customer payment card information. These are long-standing issues that continue to be a citywide concern because they increase the opportunity for theft to occur.

Correcting these deficiencies will require department-wide cultural changes in how staff perceive what excellent customer service means, as well as strong leadership to achieve those changes.

FISCAL IMPACTS OF RECOMMENDATION

The Permit Service Center collected $9.2 million in fiscal year 2013 for permit and permit-related fees paid in cash or by check or payment cards. Allowing staff to continue to use each others' login credentials and share a cash register significantly increases the risk of theft and the inability to identify who committed it. Not properly securing customers' payment card information puts customers at risk for identity theft. These are repeat audit findings that require a commitment from Planning management to mitigate the City's risk.

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Planning's fee calculation errors caused a mix of overcharges and undercharges. The $2,500 in net undercharges we identified when reviewing four permits suggest that Planning may be losing a significant amount of revenue each year due to inaccurate charges.

CURRENT SITUATION AND ITS EFFECTS

Management has not established an environment that recognizes key aspects of customer service to ensure that Planning can achieve its operational goals. Planning has overcharged some customers while undercharging others. Management also has not been committed to implementing strong cash handling procedures to protect City money and customers' payment card information.

BACKGROUND

The Permit Service Center (PSC) Division in Planning is the central location where the public applies for and obtains permits from four agencies:

- Planning's Building and Safety Division
- Planning's Land Use Planning (Zoning) Division
- Fire Prevention
- Public Works/ Engineering

Planning typically issues 1,900 to 2,100 building permits and 7,000 to 8,000 total permits per year. Permit and zoning revenues and expenses are accounted for in an enterprise fund, with the intent that those activities be self-supporting through fees charged.

Planning will replace the SunGard Building Permit Module with Accela building permit software in 2014. Information Technology and Planning staff stated that Accela will allow the City to address several concerns identified in this audit.

ENVIRONMENTAL SUSTAINABILITY

We manage and store our audit workpapers and other documents electronically to significantly reduce our use of paper and ink. Our recommendations provide the following opportunities for management to support the City's environmental sustainability goals:

- Accepting only building plans from permit applicants that meet minimum established criteria saves paper and reduces carbon footprint because permit applicants will make fewer trips to the Permit Service Center to submit revised plans (Recommendations 1.3 and 1.5).
- Using a current building valuation table provides an opportunity to obtain information electronically and eliminates the need to purchase paper copies (Recommendations 3.2 and 3.6)
- Setting up a computer in the Permit Service Center to allow customers to enter credit card information would save paper (Recommendation 4.2)

RATIONALE FOR RECOMMENDATION

Implementing our recommendations will help management improve customer service, protect City revenue from future theft, and increase revenues.

CONTACT PERSON

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Attachment:

1: Construction Permits: Monitor Performance and Fee Assessments to Ensure Excellent and Equitable Customer Service

City of Berkeley
Office of the City Auditor

Construction Permits:
Monitor Performance and Fee Assessments to Ensure Excellent and Equitable Customer Service

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Presented to Council March 25, 2014

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City Of Berkeley - Office Of the City Auditor

Construction Permits: Monitor Performance and Fee Assessments to Ensure Excellent and Equitable Customer Service

March 25, 2014

Purpose of the Audit

We conducted this audit to determine whether the Department of Planning and Development (Planning) meets customer service expectations by issuing building permits within expected timeframes and accurately charging building permit and related fees, and whether it has the information it needs to measure its level of service. We also reviewed the status of Planning's implementation of fraud prevention recommendations we made in prior audits.

Executive Summary

Excellent customer service begins with cultural changes

Planning can improve customer service and equity of service, reduce the high risk of theft, improve efficiency, and increase revenues. An underlying theme of our audit findings is that Planning's focus on customer service is to do what it takes to make the customer standing in front of them happy. Although having happy customers is an essential element of customer service, Planning needs to understand the effect that their approach has on future customer service as a whole and address its customer service needs more systematically. This will require department-wide cultural changes in how staff perceive what excellent customer service means, as well as strong leadership to achieve those changes. Our recommendations are a road map for making these changes. They are intended to strengthen customer service improvements that Planning made as a result of the Mayor's 2003 Task Force on Permitting and Development.

Management must monitor performance to ensure excellent and equitable customer service

Management needs to routinely evaluate program performance and improve service delivery, but Planning does not have the performance information needed to do so. Planning relied on inaccurate reports, and does not track customer wait time, Plan Checker performance, or permit application processing efficiency. Planning also lacks methods to identify the root causes for poor performance.

The risk is high that staff could steal, make errors, or inflate performance results

Planning's procedures compromise the accuracy and integrity of building permit data and prevent management from understanding what changes are needed to improve customer service. Permit Service Center (PSC) staff share computer login credentials and can perform inappropriate combinations of activities in the FUND$ Building Permit (BP) and Cash Receipt (CR) modules, allowing them to improperly initiate or change information without review. Planning also does not adequately safeguard customer credit card information against unauthorized use. PSC supervisors cannot objectively review staff work and monitor system information for accuracy and reliability because they routinely perform that same work themselves. These practices increase the risk of errors, that staff could steal money or change fees as a favor to a permit applicant, and that management would be unable to identify the person responsible for improper entries or theft.

Fee calculation errors cause Planning to lose revenue

An important aspect of customer service is ensuring that customers are assessed fees in an accurate, consistent, fair, and equitable manner. The City's fee resolution requires some fees to be assessed on all building permits, although some customers do not receive the service that the fee supports. Planning staff sometimes assessed fees incorrectly, including a mix of overcharging and undercharging. The number and dollar value of errors we identified in a small sample of permits suggests that Planning may be losing a significant amount of revenue each year due to inaccurate charges.

Recommendations

Our report includes 19 recommendations designed to help Planning improve customer service and increase revenue. Planning's replacement of the BP Module with Accela software in 2014 will allow the City to address several concerns identified in this audit:

- Collect and use performance information to improve service delivery and identify the root cause for poor performance; review performance reports for accuracy.
- Minimize situations when supervisors need to perform staff work; require supervisors to review and approve staff work and to monitor staff performance.
- Accept project plans only if they meet established criteria.
- Configure Accela to require input of specific fields to prevent errors, to ensure assessed fees are accurate, and to limit staff access to only those functions needed to perform their jobs to minimize the risk of theft.
- Propose to Council that they adopt use of a current building valuation table.
- Establish procedures to ensure that corrected project values are updated in the permits module.
- Prohibit staff from using other staffs' computer login credentials to perform work.

Summary of (Under-) and Overcharges on Four Permits Due to Incorrect Project Valuation

Permit	Expected Fees	Actual Fees	Total (Under-)/ Overcharge
Permit 1	$6,317.25	$3,204.21	**$3,113.04**
Permit 2	$11,446.97	$10,214.66	**$1,232.31**
Permit 3	$1,494.99	$1,243.18	**$251.81**
Permit 4	$25,194.20	$27,271.90	**$2,077.71**
Total Undercharges on Four Permits Reviewed			**$2,519.45**

Note: Plan Checkers increased the project values of Permits 1-3; the project value of Permit 4 was reduced because the permit applicant reduced the project's scope; none of the changes were made in the BP Module.

Source: Audit staff analysis of permit fees charged

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A full copy of the report can be obtained at:
http://www.cityofberkeley.info/uploadedFiles/Auditor/Level_3_-_General/A.1_RPT_Audit%20Report_Final_032514.pdf

AUDIT OBJECTIVES

Customers should expect excellent customer service: efficiency, timeliness, accuracy, and fairness

City customers expect that City staff will provide services efficiently, timely, accurately, and fairly. Measuring performance and monitoring the results are the most effective tools to determine success in meeting high-quality customer service goals and identifying where improvements are needed. We conducted this audit to determine:

- Whether the Department of Planning and Development (Planning) meets customer service expectations by issuing building permits within expected timeframes and by accurately charging building permit and related fees.
- Whether Planning has the information it needs to measure its level of service.
- The status of Planning's implementation of recommendations that we made in our 2007 surprise cash count audit at its Permit Service Center (PSC)[1] and our 2011 audit of payment-card acceptance practices.[2] Appendix A describes the scope of our audit and the work we did to conduct the audit.

BACKGROUND

Permit Service Center is the central location for customers to get information and their permits

The Permit Service Center (PSC) Division in Planning is the central location where the public applies for and obtains permits from four agencies:

- Planning's Building and Safety Division
- Planning's Land Use Planning (Zoning) Division
- Fire Prevention
- Public Works/ Engineering

A Welcome Station in the PSC is the first stop for customers to obtain information about construction or land-use projects,

[1] http://www.ci.berkeley.ca.us/uploadedFiles/Auditor/Level_3_-_General/Permit%20Service%20Center%20Audit_11-6-07.pdf

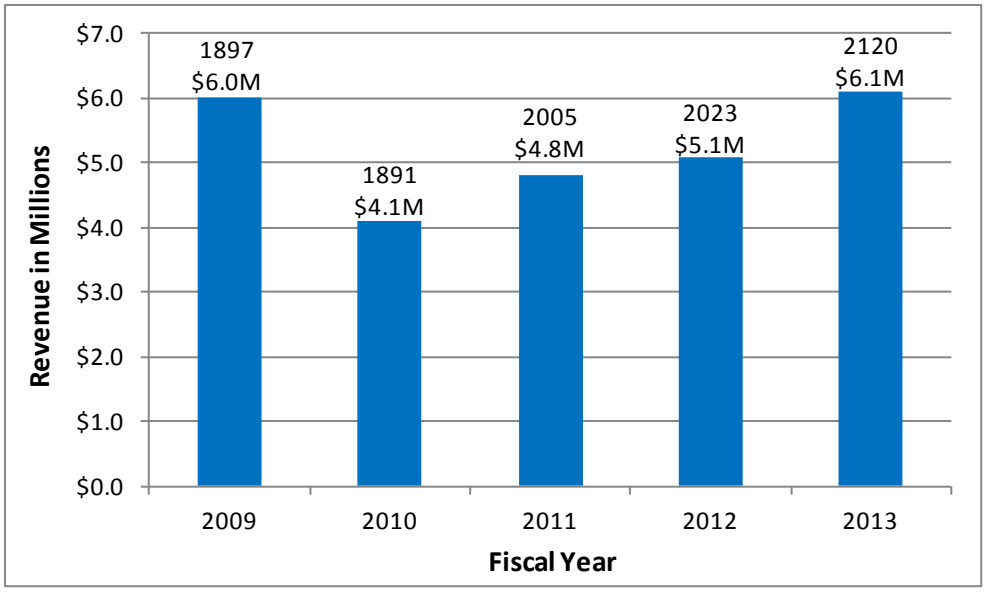
[2] http://www.ci.berkeley.ca.us/uploadedFiles/2011-05-31_Item_27_Audit_of_Citywide_Payment-Card_Acceptance_Is_Cardholder_Information_Safe.pdf

obtain permits, and pay for related services. Welcome Station staff inform customers about forms needed and identify the agencies that customers need to visit. Staff from the four agencies and the PSC operate the various permit counter stations. The Permit Center Coordinator manages the PSC Division.

Planning issues over 7,000 permits and receives more than $8 million annually

Planning typically issues 7,000 to 8,000 permits per year, which include building, plumbing, mechanical, electrical, fire, and public works permits. Building permits represented 1,891 to 2,120 of those totals during fiscal years 2009 through 2013. Permit and zoning revenues and expenses are accounted for in an enterprise fund, with the intent that those activities be self-supporting through fees charged. In fiscal year 2013, the fund had revenues of $9.2 million, expenses of $8.6 million, and an ending fund balance of $2.7 million. The graph below shows the number of building permits only and the related revenue received annually during fiscal years 2009 through 2013.

Total Building Permit Count and Revenue by Fiscal Year



Source: Building Permit Demand Reports, "*Permit Statistics by Permit Type*" and *"Cash Receipt Report"*

Plan Checkers verify compliance with regulatory requirements

Plan Checkers review construction plans to ensure they comply with City ordinances and California building, electrical, mechanical, plumbing, fire, and other state laws. As many as

eight City divisions and units in various departments, and two commissions, approve project plans before Planning issues a permit:

1. Building and Safety Division - Planning Department
2. Current Planning Unit – Planning Department
3. Toxics Management Division – Planning Department
4. Permit Service Center Division – Planning Department
5. Environmental Health Services Division – Health, Housing and Community Services Department
6. Fire Prevention Division – Fire Department
7. Public Works Engineering Division – Public Works Department
8. Transportation Unit – Public Works Department
9. Design Review Committee
10. Landmarks Preservation Commission

Permit applicants resubmit their plans for additional review if they revised the project scope ("revised plans") or had to make corrections based on an earlier plan review ("resubmitted plans").

Planning staff track building permit activity – from receipt of a permit application through permit issuance, final inspection, and certificate of occupancy – in the FUND$[3] Building Permit (BP) Module. PSC staff enter permit payments and related fees into the FUND$ Cash Receipts Module (CR), which simultaneously records the payments in the BP Module. Planning will replace the BP Module with Accela building permit software in 2014. Information Technology and Planning staff stated that Accela will allow the City to address several concerns identified in this audit.

Building permit fees are based on a project's value

Planning proposed and Council adopted the current permit fee schedule in July 2012. Planning calculates building permit fees based on a project's estimated value, which applicants provide on their permit applications. Renovation and remodel projects are valued at no more than 75 percent of the new construction value. Plan Checkers use professional judgment and general criteria to determine the actual percentage, with a minimum value of 30 percent. New construction fees are currently $100 plus $2.20

[3] FUND$ is the City's financial and work management system.

for each $100 of value over $3,000. For example, the building permit fee for a new building project with a value of $300,000 would be calculated as follows:

$300,000 - $3,000 = $297,000
$297,000 ÷ $100 = $2,970
$2,970 x $2.20 = $6,524
$6,524 + $100 = $6,624 building permit fee

Permit applicants also pay many other fees

Permit applicants must pay several fees in addition to the building permit fee before the PSC issues a building permit. Some of these are a percentage of a project's value and some are a percentage of the building permit fee. For example, the plan check fee is 65 percent of the building permit fee. Other permits, such as electrical, plumbing, and mechanical permits, have fees based on the specific work to be done. For example, there is a fee of $2.70 for each electrical outlet, switch, and light. The minimum fee for these permits is $100. Permit applicants can pay an additional 80 percent of the regular plan check fee for an accelerated review for permits that normally have a three- or six-week turnaround goal. The performance goals for accelerated plan checks are half the regular turnaround time.

Plan review time depends on project complexity

Plan Checkers and PSC staff are expected to complete plan reviews and related tasks within established timeframes, 90 percent of the time. Planning reviews residential permit plans while the applicant waits if the plans can be reviewed in 30 minutes or less. If the plans do not require corrections and Planning approves them, PSC staff can issue a permit that same day, after the applicant pays the required fees. Applicants can fax permit applications for projects that do not require plans, such as reroofing, electrical, plumbing, and mechanical projects. The PSC issues those permits within 48 hours. PSC staff assign a plan check category, such as one, three, or six weeks, to more complex projects that will take longer to review. Planning retains a copy of the approved plans, permits, and related documents needed for a permit.

FINDINGS AND RECOMMENDATIONS

Finding 1: Management lacks information needed to effectively monitor performance and ensure excellent and equitable customer service

Management needs to have relevant and quality information and routinely evaluate program performance to meet their organizational objectives.[4] Despite having established some performance goals, the Department of Planning and Development cannot improve service delivery because it does not have the performance information needed to do so. Planning relied on inaccurate reports and does not track Plan Checker performance, customer wait time in the PSC, or permit application processing efficiency. Planning also lacks methods to identify the root causes[5] for poor performance in any of those areas. Because PSC supervisors routinely perform staff work, they lack the time needed to monitor performance.

Plan check turnaround goals established but often not met; reasons unknown

Plan Checkers and PSC staff are expected to meet established turnaround goals 90 percent of the time. Staff often do not meet the goals for plan checks that cannot be reviewed within 30 minutes, while the customer waits. However, staff often complete plan checks within a few days after the goal. This may mean that Plan Checkers have workloads that are too large, that they do not start a review until shortly before it is due, or that work is not appropriately distributed among staff. Management is unable to make improvements to help staff meet the goals because it does not track reasons for the delays. The commonly used plan check turnaround categories are:

[4] Committee of Sponsoring Organizations of the Treadway Commission, "Internal Control – Integrated Framework: Executive Summary," May 2013.

[5] Root cause is the underlying factor(s) that resulted in one or more problems, errors, instances of noncompliance, or missed opportunities. Identifying the root cause is key to ensuring that corrective action will address the actual issue, rather than merely the immediately obvious symptom(s), because it identifies the nature, magnitude, location, and timing of the issue. *Source*: The Institute of Internal Auditors.

PLAN CHECK TURNAROUND GOALS (BUSINESS DAYS)

Plan Check Category	Original Plan			Plan Resubmittal/Revision		
	All Agencies Except PSC	Permit Service Center	Total Days	All Agencies Except PSC	Permit Service Center	Total Days
0	- -	- -	1	- -	- -	1
1	5	1	6	5	1	6
3	14	1	15	9	1	10
6	29	1	30	14	1	15

Note: Each plan check category has two parts: the permit type and the assigned goal. For example, BP-1 refers to building permit applications with a 1-week plan check goal, and FI-3 refers to fire permit applications with a 3-week plan check goal. The PSC has one day to obtain required approval signatures after Plan Checkers have completed their reviews. However, the Plan Checkers and PSC staff have a combined one-day goal for Category 0. PSC staff notify permit applicants of required corrections that Plan Checkers identify, and applicants resubmit their corrected plans, which undergo another plan check.

Source: Plan Check Turnaround Report and Planning Department staff

Plan Check Turnaround Report inaccurate; not used to improve performance

The Plan Check Turnaround Report summarizes, by permit type, the number of business days it took Plan Checkers to complete their reviews. Planning management did not adequately review the report for errors or to identify areas needing improvement. This prevented them from having accurate information on which to make decisions for improving customer service. The report:

- Inaccurately counted some of the City's voluntary days off[6] and holidays as days worked.
- Did not adjust for days when Plan Checkers worked on a voluntary day off.
- Reported incorrect turnaround goals for three types of plan reviews.
- Added the PSC's performance goal to the plan check turnaround goal, rather than tracking it as a stand-alone goal.[7]

Errors prevent management from knowing true performance

These errors resulted in a mix of overstating and understating both the number of days it took to complete plan checks and the percentage that met the goal, and prevented management from

[6] Voluntary days off (VTO) are days that certain City offices and nonessential services close as a citywide cost-saving measure. There were 28 VTO days during the 12-month period we used for the turnaround analysis.

[7] For example, if a Plan Checker took 20 days instead of the 14-day goal to complete a BP-3 plan review, and PSC staff completed their tasks within the one day goal after receiving the approved plans, the report would show that the PSC took 21 days to complete their work. This would make it appear as though the PSC did not meet their goal, although they actually had.

knowing for certain how well staff are performing. Department of Information Technology staff corrected the holiday and voluntary day off error after we brought it to their attention, and we corrected the turnaround goals and performance data for our analysis. We did not obtain data to adjust for when Plan Checkers worked on voluntary days off.

Accepting poor quality or incomplete plans causes inequitable and inefficient service

Plans often require corrections and resubmissions

Planning staff stated that permit applicants often have to submit their plans more than once, either because they do not address required ordinances or because the quality is too poor for a Plan Checker to do a complete review. Plans needing multiple corrections consume valuable staff time because Plan Checkers must develop a list of required corrections and PSC staff must notify permit applicants of those requirements. Permit applicants must correct the plans and resubmit them for another review.

Implementing best practices would reduce the number of plans requiring correction and resubmission

In its report, *Local Government Permits - Best Practices*,[8] The Washington State Governor's Office of Regulatory Assistance identified numerous practices to streamline permit processes and reduce turnaround times. The report recommends defining a "complete" application and verifying that the materials and information needed for a conclusive review are included with each application at the time of submittal. It suggests using intake checklists for simple to moderately complex projects, and intake meetings for projects that require lengthy counter checking or a range of different skills to verify completeness. Investing this time up front in the permitting process could result in Plan Checkers spending less time overall to review plans, and ultimately provide better customer service.

Ability to provide excellent service to *all* customers means not accepting known incomplete plans from individual customers

Planning already has multiple checklists available that permit applicants and PSC staff can use to verify that a permit application is complete at the time of submission. However, PSC staff accept incomplete plans to avoid having permit applicants call their Councilmember or the City Manager to complain. While this approach appeases the individual customer, it sacrifices the long-term objective of providing excellent and equitable customer service to everyone.

[8] http://www.ora.wa.gov/documents/lgp_best_practices_report.pdf

Planning management:

- Does not track how many times plans are resubmitted after correction before final approval because it tracks both resubmitted (reviewed plans that needed corrections) and revised (plans with a scope change) plans in the BP Module as resubmitted plans.
- Does not track reasons why Plan Checkers have determined that plans need correction and must be resubmitted. They, therefore, cannot identify common problems and implement corrective actions.
- Does not have a report that identifies the number of plan checks for each building permit.

PSC customer wait times and reasons not tracked

Planning tracks the number of customers assisted in the PSC after their Welcome Station visit, but the data contains obvious errors, such as more customers receiving assistance within 15 minutes than the count of customers at the Welcome Station. Planning does not retain the customer routing forms used to compile this information, so we were not able to do a comprehensive analysis of customer wait times. At the time of the audit, Planning did not track other information regarding customer wait times, such as why there were long wait times.

PSC supervisors often assist customers when wait times are long. While providing excellent customer service is important, supervisory staff should not routinely assist customers because doing so detracts from performing routine staff supervision (see related discussion in Finding 2). It also prevents supervisors from focusing efforts on identifying the causes of and solutions for reducing long customer wait times.

Reasons for long wait times not known; recently implemented software will alert management to long wait times

During the audit, Planning implemented customer flow management software to record the number of customers waiting to be served and customer wait times. The software alerts the PSC Coordinator when wait times are long. Because the software was not implemented until after we completed our field work for this audit, we did not evaluate whether it provides sufficient information for Planning management to make timely workload adjustments to improve customer wait times.

No edit controls to prevent input errors

The BP Module does not have edit controls to prevent or detect date input errors. For example, we identified six permit applications that had been input with dates beyond the calendar year in which they were received. Inaccurate dates cause the Plan Check Turnaround Report to show inaccurate performance results, which prevents management from monitoring and managing staff performance and improving customer service.

Recommendations

Planning and Development should:

Revise the PSC's plan check turnaround goals

1.1 Establish plan check turnaround goals for the PSC that commence immediately after the last agency has completed its plan check.

Policies and procedures should address methods to reduce customer wait times

1.2 Develop policies and procedures that identify not-to-exceed goals for customer wait times and methods to reduce high wait times when they occur. Methods should avoid using supervisors to perform staff work (see related Finding 2 and Recommendation 2.1). When wait times exceed the established goal, PSC management should investigate the reasons to understand why and adjust the policies and procedures as necessary to ensure they are designed to minimize customer wait times as described.

Establish criteria that plans must meet before Planning accepts them

1.3. Establish criteria that plans must meet before PSC staff can accept them:

- Publish clear guidance for permit applicants explaining that existing checklists must be used for all permit applications and that PSC staff will not accept plans that do not meet all applicable requirements in the checklists.
- Establish a routine practice for a Plan Checker to meet with permit applicants, prior to submission of complex permit applications, to verify that all required information is included with the permit application.
- Provide PSC staff with additional technical training they need to better understand the criteria for accepting permit applications, plans, and related documents, and require them to reject plans that do not meet the criteria.

- Establish performance goals and evaluate PSC staff on the percentage of plans they accept that meet and do not meet the criteria.

Verify the accuracy of reports used to monitor performance

1.4. Routinely verify the reliability of reports generated by the building permit module (and Accela, after implementation) to ensure the information is accurate and reliable to use to monitor performance and improve customer service.

Configure the Accela software to provide information needed to monitor performance

1.5. Work with Information Technology to ensure that the Accela software is configured to require staff to input the information listed below and that it is incorporated into system reports. Require Planning management to regularly review the reports and use the information to monitor both individual and overall department performance, and to develop and implement changes in practices to improve service delivery through increased efficiency and timeliness. Recorded and monitored information should include:

- Start and end dates and times for each phase of the plan check process, and the specific reason(s) for each missed turnaround goal. Management should identify a list of reasons that will allow them to determine changes needed to improve performance.
- Amount of time spent performing each plan check review.
- Number of times plans were required to be resubmitted before Planning had sufficient information to review them, and the reason for each resubmission.

Configure the Accela software to provide edit controls

1.6. When implementing Accela, identify the fields that should have restrictions as to the type of data that can be entered and work with Information Technology to establish edit controls that will prevent inappropriate data, such as dates in the future, from being entered.

City Manager's Response

The City Manager agreed with the recommendations. The full response is at Appendix C.

Finding 2: The risk is high that staff could steal, make errors, or inflate performance results

Planning's procedures compromise the accuracy and integrity of building permit data and prevent management from understanding what changes are needed to improve customer service. PSC staff share computer login credentials and can perform inappropriate combinations of activities in the FUND$ Building Permit (BP) and Cash Receipt (CR) modules, allowing them to improperly initiate or change information without review. PSC supervisors cannot objectively review staff work and monitor system information for accuracy and reliability because they routinely perform that same work themselves. These practices increase the risk:

- Of errors without anyone detecting them.
- That staff could steal money or change fees as a favor to a permit applicant.
- That management would be unable to identify the person responsible for improper entries or theft.
- That management would rely on inaccurate information about which permits did not meet turnaround goals and why.
- That the wrong staff would be accused if theft did occur.

PSC management implemented some of these practices as a way to meet productivity expectations and prevent long customer lines. These practices prevented us from being able to determine whether any theft had in fact occurred.

Sharing computer user login credentials makes it difficult to identify an employee responsible for theft, errors, or unauthorized changes if they occur

PSC staff each have their own user identifications and passwords to access the FUND$ BP and CR modules and to operate the automated cash register, but do not log in and out for each transaction. Instead, the first person who logs in for the day generally remains logged in and other staff perform transactions under that person's login credentials. Staff also use the same cash drawer. Although management requires staff to manually enter their initials into the modules and initial documents to identify who performed the work, staff could easily forge the initials of another employee or omit their own initials to hide their identity. These practices would prevent management from:

- Identifying an employee responsible for cash shortages, changed data in the modules, and other errors. If an

employee were to steal money, both management and the police would likely not be able to identify who took it, thereby preventing prosecution and terminating the responsible person's employment.

- Monitoring individual staff performance or determining if workload is equitably distributed.
- Improving customer service if data used for decision making has been altered.

Practice violates City administrative regulation for preventing fraud and abuse of City resources

The City's Administrative Regulation (AR) 3.17, *Fraud, Abuse and Misuse of City Resources,* requires all City employees to prevent fraud. One example of required procedures the AR provides to prevent fraud is for employees not to share FUND$ passwords *to ensure accountability for segregation of financial duties [emphasis added].* Although the PSC staff may not have actually told each other their passwords, the practice of using a single set of login credentials and a single cash drawer violates the intent of AR 3.17's requirement to ensure accountability for segregation of financial duties.

Same issues identified in our 2007 cash count audit

We previously made recommendations for Planning to stop the practice of allowing staff to share use of login credentials and cash registers in our November 2007 surprise cash count audit at the PSC.[9] This issue is discussed in more detail in Finding 4 below. City departments have failed to recognize the risks involved with poor cash-handling practices despite our having made 129 recommendations during the past ten years to improve cash handling practices. Our soon-to-be released audit on the need for citywide changes in culture and procedures in cash handling will provide detailed lists of best practices in cash handling. Therefore, we are providing limited guidance in this audit on the required changes.[10]

[9] http://www.cityofberkeley.info/uploadedFiles/Auditor/Level_3_-_General/Permit%20Service%20Center%20Audit_11-6-07.pdf

[10] The report for changes needed in citywide cash-handling culture and procedures will be available on our website after publication: http://www.cityofberkeley.info/uploadedFiles/Auditor/Level_3_-_General/A.2_RPT_PRW%20Cash%20Handling_Final.pdf

Supervisors perform many staff functions, leaving insufficient time to review their employees' work

The Permit Center Coordinator spends so much time performing Permit Specialist duties that she says she does not have time to sufficiently review her staff's permit application entry work, which includes charging fees. She and the Senior Permit Specialist routinely perform the same tasks as those they supervise. They often help customers at the counter, enter permit applications into the BP Module, charge customer fees, enter payments into the cash register, and issue permits, without any higher-level review. They also perform supervisory tasks, such as fee changes and refunds; payment voids, adjustments, and reversals; posting fees and payments, and updating the fee structure in the BP Module. Being able to perform all of these functions, including some under a subordinate's login credentials, gives them the ability to cover up a theft or error, whether intentional or unintentional. Not having anyone review supervisors' staff work, combined with taking supervisors away from performing essential reviews of staff work, significantly increases the opportunity for errors to not be identified and corrected.

Excess access to system functions increases risk of theft or errors

Planning staff have authorization to perform many inappropriate combinations of activities in the BP and CR Modules, including approving their own incorrect work. This contradicts "the principle of least privilege," which is a best practice that limits both users and operators of information systems to having the most restrictive access needed to perform authorized tasks, and only for the minimum amount of time necessary. This practice is intended to limit the damage that can result from accident, error, or unauthorized use.[11] For example:

PSC staff and supervisors have authority to perform most of the same functions

- One Permit Specialist and two supervisors can cashier, post cash register payments, reverse and void payments, make adjustments, change fees after posting, change project valuations, and approve plans in the BP Module without any review and approval. Other staff can also perform several of these functions.

[11] Langford, Jeff, SANS Institute InfoSec Reading Room, "Implementing Least Privilege at Your Enterprise," July 5, 2003.

- Permit Specialists can approve plans in the BP Module and issue permits. They can also input, delete, and change plan check status and dates for all agencies, including the PSC.
- Two Plan Checkers in Building and Safety can change the plan check status and dates, even after plans are approved. They can also change project values; and recalculate, increase, and decrease fees that have not yet been paid, although they are supposed to notify PSC staff to make project value and related fee changes.
- An Information Technology Programmer and the IT Director have unrestricted access and authorization to the BP Module. IT implemented procedures to mitigate the risks associated with this unrestricted access in response[12] to our FUND$ Change Management Audit.[13]

Unrestricted authorizations allow staff to perform inappropriate combinations of activities

Although we did not find evidence of intentional wrongdoing, these combinations of activities can:

- Allow staff to inappropriately decrease project values, and thus, the fees charged, to cover up theft or as a favor to a permit applicant.
- Increase the risk that management will not identify errors and inappropriate transactions in the BP and CR Modules, or who performed them.
- Inflate performance results, for example, by changing a completion date in the system to show that they met the turnaround performance goal although they really had not.
- Allow Permit Specialists to approve plans that Plan Checkers have not properly approved in the BP Module.
- Result in the wrong staff being accused if theft does occur.

Management does not know which functions they and their staff can perform

Staff have the ability to perform these inappropriate combinations of activities, at least in part, because management does not know who can do what in the BP and CR Modules. This weakness reduces management's ability to identify the person responsible for errors or intentional wrongdoing in the modules,

[12] http://www.cityofberkeley.info/uploadedFiles/Clerk/Level_3_-_City_Council/2012/05May/2012-05-15_Item_47_Update_Implementation_of_FUNDS.pdf

[13] http://www.cityofberkeley.info/uploadedFiles/Auditor/Level_3_-_General/ChgMgmtReportFinalWeb.pdf

which, again, would prevent prosecution or firing of the responsible employee.

Recommendations

Planning and Development should:

Develop and implement procedures to minimize the need for supervisors to perform staff work and to mitigate the associated risks when they do

2.1. Clearly identify what is staff work and what is supervisory work. Develop and implement procedures that prioritize solutions for addressing times of heavy workloads to ensure that supervisors perform staff work only on rare occasions. The procedures should identify another supervisor to review and approve staff work that supervisors perform to ensure that all work undergoes a higher-level supervisory review. (See related Recommendation 1.2.)

Prioritize implementation of Windows 7 so multiple users of the same computer can use their own login credentials

2.2. Ask the Department of Information Technology to prioritize implementation of Windows 7 so staff can quickly and easily switch between users with their own login credentials. Require all PSC staff to adhere to the requirements in AR 3.17 by performing all work only under their own user identification and password, ensure that supervisors understand the importance of and enforce this requirement, and take appropriate disciplinary action when the requirements are not followed or enforced. (See related Recommendation 4.1.)

Do not allow staff to perform combinations of activities that would allow them to both steal and conceal a theft

2.3 Ensure that no staff can perform combinations of activities that would allow them to both steal and conceal a theft, or to make errors that would not be identified through another person's review. Planning should:

- Train all Planning Department supervisors to recognize activities that increase the risk of theft and errors.
- Identify the specific activities in the plan review, approval, and payment processes that should be performed by different staff to prevent theft and errors. Train supervisors to notice them quickly if they do occur.
- Require supervisors to know, understand, and monitor the functions that each of their staff is authorized to

perform in systems used to approve permits and receive payments (currently the FUND$ Building Permits and Cash Receipts Modules; the BP Module will be replaced with Accela in 2014).

- Work with the Department of Information Technology during the Accela implementation to ensure that no staff will be able to perform inappropriate combinations of activities, identified during the second step above, when Accela is implemented. *This will likely require some restructuring of individual job responsibilities.*
- Work with the Department of Information Technology to restructure FUND$ authorizations in the CR Module to align with the authorizations established during the Accela implementation.

City Manager's Response

The City Manager agreed with the recommendations. The full response is at Appendix C.

Finding 3: Fee calculation errors cause Planning to lose revenue

An important aspect of customer service is ensuring that customers are assessed fees in an accurate, consistent, fair, and equitable manner. The City's fee resolution requires some fees to be assessed on all building permits, although some customers do not receive the service that the fee supports. Planning staff sometimes assessed fees incorrectly, including a mix of overcharging[14] and undercharging due to not updating project values in the Building Permits (BP) Module, charging fees that were not due, and not charging fees that were due. The number and dollar value of errors we identified in a small sample of permits suggests that Planning may be losing a significant amount of revenue each year due to inaccurate charges. In recent years, the total fees collected have not always fully covered expenses, which may be due to errors rather than the fees themselves.

[14] The projects we identified with overcharges are all beyond the one-year period allowed in BMC 7.20 for claiming a refund.

Some fees required for all permits though services not required for all permits

Spreading fees across the board creates questions of equity

The City's fee resolution requires Planning to assess several fees on all building permits, in addition to the building permit fee, although not all projects require or receive the specific services that the fees support. Spreading fees across the board in this manner can raise questions of equity among customers who perceive they were overcharged or subsidized services provided to other customers. For example, the resolution requires Planning to assess all permits:

- A fire plan check fee (7 percent of the building permit fee). During the first three quarters of fiscal year 2011, only 471 (17 percent) of the 2,842 building permit applications had a fire plan check.
- A Title 24 disability access fee (12 percent of the building permit fee). Most single family residential projects are not subject to state disability access requirements.

Overcharges and undercharges occurred due to incorrect project values and fee calculation errors

Planning lost revenue because staff inaccurately calculated or did not charge required fees. Planning also overcharged some permit applicants for their building permit fee and undercharged others because no one updated project values in all the appropriate places in the BP Module. It is important that project values be correct because they are the basis for calculating the building permit fee and other fees that are a percentage of that fee.

Plan Checkers review applicants' cited project values for reasonableness and sometimes calculate corrected values. Although they may annotate the corrected value in notes in the BP Module or a correction letter to the permit applicant, Plan Checkers also are required to notify PSC staff to update the value in the BP Module screen that is used to calculate fees. PSC staff also make notes in the BP Module when changing a project's value, for example, when a permit applicant changes the scope of work by adding work that does not require a plan check review.

Project values not updated in Building Permit Module

There are various reasons why PSC staff do not always update the project value in the BP Module screen used to calculate permit fees:

- Plan Checkers and others who update project values are

supposed to notify PSC staff of the changes, but do not always do so.

- PSC staff are not required to read all of the notes in the BP Module and, therefore, may not be aware of when other staff changed a project's value if no notification was provided.
- PSC staff may be notified of the change but forget to make the change in the appropriate BP Module screen.

Thus, Planning needs a process to ensure that corrected project values are updated in the appropriate BP Module screen to ensure that Planning charges the correct amount of permit fees. In developing the process, Planning should be aware that having PSC staff change the value poses a risk for collusion between PSC staff who collect permit fees and permit applicants to share savings on permit fees by inappropriately reducing project values.

Required fees not always charged; some fees charged for services not rendered

We identified other errors, such as a permit applicant who was charged a $322 plan check fee for a reroof project that did not have plans, an applicant who was not charged the required $180 zoning certificate and $1.80 strong-motion instrumentation[15] fees, and two projects that were charged the residential instead of commercial strong-motion instrumentation rate.

We reviewed the building permit and related fees assessed on four permits for which Plan Checkers corrected the project value, but no one updated the values in the BP module. Because the building permit is based on the project value, and the related fees are a percentage of the building permit fee, Planning undercharged the four permits a combined total of more than $2,500 due to outdated project values. The following table summarizes the under- or overcharges for each permit (see Appendix B for details on the specific under- and overcharges for each permit):

[15] California requires the strong-motion instrumentation fee to be added to all building permits to support administration of its strong-motion program, including purchase, installation, and maintenance of equipment that records ground and structure shaking during earthquakes. The state uses data collected to assist in emergency response and to analyze structure performance to improve building codes to mitigate future earthquake impacts.

Summary of (Under-) and Overcharges on Four Permits Due to Incorrect Project Valuation

Permit	Expected Amount	Actual Amount	Total (Under-)/ Overcharge
Permit 1			
Valuation	$143,380.00	$72,000.00	
Fees	$6,317.25	$3,204.21	**$3,113.04**
Permit 2			
Valuation	$242,700.00	$216,000.00	
Fees	$11,446.97	$10,214.66	**$1,232.31**
Permit 3			
Valuation	$30,400.00	$25,000.00	
Fees	$1,494.99	$1,243.18	**$251.81**
Permit 4			
Valuation	$430,373.00	$465,654.00	
Fees	$25,194.20	$27,271.90	**$2,077.71**
Net Undercharges on Four Permits Reviewed			**$2,519.45**

Note: Plan Checkers increased the project values of Permits 1-3; the project value of Permit 4 was reduced because the permit applicant reduced the project's scope; none of the changes were made in the BP Module.

Source: Audit staff analysis of permit fees charged

PSC staff also did not always charge customers the per-unit fee for items that are assessed based on quantities, such as electrical, plumbing, and mechanical items. For example, they did not collect $43.20 for an electrical permit we reviewed because they erroneously determined that the rewire project did not need the nine branch circuits listed on the application. On the other hand, they charged the same customer for one receptacle and three lights that were not listed on the application, likely because the applicant added the items during a plan revision. However, the permit application was not updated to support the change.

Planning also charges fees inaccurately because the BP Module rounds project values up to the next $1000, although the fee resolutions specify that building permit fees are based on each $100 value of improvements after the first $3,000 in value. This causes some permit applicants to be overcharged up to $22 for their building permits and up to $24.62 more than they should for other fees that are a percentage of the building permit fee.

These fee errors occurred for several reasons:

- Planning does not have adequate procedures.
- Supervisors do not sufficiently review staff work to ensure fees are accurately charged.
- The BP Module cannot be programmed to ensure that permit applicants are charged all required fees and are not charged fees that do not apply.
- Customers do not always identify, or accurately identify, item quantities on their electrical, plumbing, and mechanical permit applications, and Planning does not require customers to correct quantity errors on their permit applications or to submit updated permit applications showing corrected quantities after making plan revisions.
- Planning staff do not verify quantities listed on the permit application with quantities shown on the plans or verify quantities during inspections.
- Plan Checkers do not always notify PSC staff after increasing or decreasing a project's value; and PSC staff do not always enter the change in the BP Module and recalculate the fees after receiving notification from a Plan Checker.
- Zoning staff do not always annotate the Zoning Certificate Application form to inform PSC to charge the permit applicant for a Zoning Certificate.

Revenue not assessed or collected because an outdated cost schedule is used to revalue projects

Plan Checkers recalculate the minimum project value when they determine that a permit applicant's self-reported project value is too low. They use outdated construction costs from the 2001 International Conference of Building Officials (ICBO) that Council adopted in 2003 as the City's valuation basis. As a result, Planning does not assess and collect required fees on the difference between 2013 construction costs and the project value that Plan Checkers calculate by using the 2001 ICBO costs. The unassessed fees can be substantial due to differences between 2001 and 2013 construction costs. For example, the ICBO valuation table is no longer published, but the International Code Council's (ICC) estimated construction costs in February 2013 were at least:

- 50 percent higher for business offices, warehouses, hotels, and factories.

- 40 percent higher for restaurants.
- 35 percent higher for stores.
- 9 percent higher for one- and two-family residential homes.

Uncollected revenue can add up to significant amounts

The table below shows, as an example, that Planning would undercharge a permit applicant $2,344.50, or $2,916.50 with an accelerated plan check review, if using a current valuation table would have valued a restaurant project at $50,000 more than the 2001 ICBO table. We calculated the potential undercharges based on the adopted 2012 fee schedule.

Example of Undercharges That Could Occur by Using the Outdated Project Valuation Table and the City's Current Building Permit Fee Schedule

Required Fees	Basis for Calculating Rate and Calculation for a Project Undervalued by $50,000	Unassessed Fees
Building permit fee	$2.20 per $100 of value: $50,000 understated value ÷ $100 = $500 $2.20 x $500 = $1,100.00	$1,100.00
Plan check fee	65% of building permit fee: 0.65 x $1,100 = $715.00	$715.00
Title 24: Disabled access fee	12% of building permit fee: 0.12 x $1,100 = $132.00	$132.00
Title 24: Energy compliance fee	12% of building permit fee: 0.12 x $1,100 = $132.00	$132.00
Fire plan check fee	7% of building permit fee: 0.07 x $1,100 = $77.00	$77.00
Community planning fee	5% of building permit fee: 0.05 x $1,100 = $55.00	$55.00
Sustainable development fee	6% of building permit fee 0.06 x $1,100 = $66.00	$66.00
Strong motion instrumentation fee (commercial rate)	$0.21 per $1,000 of project value: $50,000 understated value ÷ $1,000 = $50 0.21 x $50 = $10.50	$10.50
Building standards fee, SB 1473 (commercial only)	$4.00 per $100,000 of value or fraction thereof: $50,000 understated value ÷ $100,000 = 0.5 $4.00 x 0.5 = $10.50	$2.00
Technology enhancement fee	5% of building permit fee: 0.05 x $1,100 = $55.00	$55.00
Subtotal		**$2,344.50**
Optional accelerated plan check fee	80% of regular plan check fee: 0.80 x $715.00 regular plan check fee = $572.00	$572.00
Total		**$2,916.50**

Source: Auditor calculation based on 2012 adopted fee schedule

Plan Checkers only recalculate a project's value when they think the applicant's stated value is extremely low. This approach increases the chance that Plan Checkers will not identify customer project values that are too low.

Technology enhancement fee not used for some intended purposes

Citizens cannot easily look at plans, permits, and related documents although Planning is required to collect a fee of five percent of the building permit fee that was established, in part, to image construction documents for public viewing. In 2008, Planning and the Clerk's Office developed the Building Plan and Permit Imaging project for the purpose of imaging permits and large-scale plans. To date, the Clerk's Office has scanned about 9,000 permits, but no plans or related documents. The scanned permits are available for viewing only to certain City staff and not to the public. Planning and the Clerk's Office split the cost of a large format scanner for this purpose, which is located in the Clerk's Office, but the Clerk's Office cannot scan project plans until Planning prepares them for scanning.[16]

Planning also does not have a reliable system for storing approved plans, issued permits, and related records that have not been imaged, and has not systematically stored these construction documents since 2004. Building and Safety staff told us they do not have time to properly file issued permits and that staff often help themselves to plans and other documents and then misplace them. We could not validate all the information for the projects we selected for review because staff could not locate 13 of 34 permit applications we requested, and found only partial documentation for another 4. Staff were also unable to find documentation for 12 of another sample of 20 construction documents that we requested, but 5 of the 8 they found had only the permits. In addition to making the documents available for public viewing, imaging all permit-related documents would allow Planning staff to locate them quickly and easily. A situation where it is common to not be able to find records is not only inconvenient for staff, but it can also be used to deliberately conceal errors or theft by destroying the records.

[16] Preparing the plans for imaging primarily involves removing staples, unfolding, and flattening the plans.

Errors Mean Lost Revenue

Although our sample size was small and prevented us from drawing conclusions about the full extent of errors, the number and dollar value that we identified in the permits we reviewed was sufficient to indicate that Planning may be losing a significant amount of revenue due to errors. Designating fees as required for all projects, regardless of whether the project requires the services that the fee supports, creates questions of equity and demonstrates that assessing specific fees individually increases the risk of errors. Accurately assessing fees will reduce the need for future fee increases in a program where expenses have exceeded its revenues in several recent years.

Recommendations

Planning and Development should:

Revise fee structure to reduce fee errors

3.1. To reduce the potential for fee errors:

- Combine fees that support a service provided to the majority of permit applicants into the building permit fee.
- Continue to separately assess fees that support a service provided only to certain types of projects (e.g., commercial projects), but assess them only on those projects.
- Alternatively, develop separate fee structures for residential and commercial construction projects that incorporate all fees required for those specific projects.

Propose that Council authorize Planning to always use a current building valuation table

3.2. Submit a proposed resolution to the City Council authorizing Planning to always use a current building valuation table from a recognized industry expert, such as the International Code Council, Marshall and Swift, or RS Means. The valuation table selected should be one that allows adjustment for factors that would affect costs in Berkeley, such as regional cost adjustments. Ideally, the table selected should provide a consistent and equitable means of valuing projects that are based on square footage, as well as those that are not, such as reroof projects, remodels, and renovations.

Develop and implement criteria and guidance for valuing projects based on factors other than square footage	3.3	If the valuation table selected in Recommendation 3.2 does not provide the capability to value projects based on factors other than square footage, develop and implement clear criteria and guidance for valuing projects to ensure staff value such projects consistently and equitably. If necessary, modify the permit application form to ensure it includes the type of information needed to accurately calculate the project value, based on the valuation table and/or selected criteria.

Verify the accuracy of project valuations	3.4.	To ensure that project valuations and fees are accurate:
		• Require Plan Checkers to:
		  ○ Verify quantities on permit applications that are used as a basis for calculating fees (e.g., electrical, plumbing, and mechanical) with those on the plans, and update the quantities in the Building Permit Module/Accela as necessary. Plan Checkers should note and initial on the permit application any changes they make.
		  ○ Verify permit applicants' stated project valuations and always use the higher valuation to calculate fees, unless the Building Official provides a reasonable basis for exceptions, such as when the permit applicant can show detailed estimates. Planning's calculation should be done through Accela, if possible (see Recommendation 3.5 below).
		• Require permit applicants to submit new applications or update and initial changes when changing the type and quantity of work to be performed and for PSC staff to enter the updated information into Accela.
		• Develop and implement a process that establishes responsibility for ensuring that all corrections to project values are updated in the BP Module screen (Accela, after implementation) that is used to calculate permit fees. The process should not require staff who collect fees to update those values.
		• Require PSC supervisors to monitor and review, on a sample basis, the accuracy of their staff's building

		permit data entry, including square footage and quantities.
Configure Accela to require data entry in fields used to calculate permit fees	3.5	Work with Information Technology during the Accela implementation to ensure it is configured so each element used to calculate permit fees (e.g., square footage, number of meters or receptacles, furnace) is a required field that, if left blank, would prevent PSC staff from completing data entry for a permit.
Ensure building valuation costs are current in Accela	3.6	After obtaining approval to always use a current building valuation table and if allowed by the publisher, work with Information Technology to: • Build the new costs into Accela. • Update the costs whenever the industry expert publishes updates. • Ensure that, when implemented, Accela is configured to calculate the minimum project value for every permit, based on the required cost elements for the project. If the publisher does not allow the costs to be built in, develop and implement policies and procedures to ensure that Plan Checkers verify the accuracy of the permit applicant's stated project value, and update the values in Accela as appropriate.
Configure Accela to calculate fees based on criteria in the fee schedule	3.7	Work with Information Technology to ensure that Accela is configured to calculate fees based on the criteria in the fee schedule rather than rounded project valuations.
Revive the Building Plan and Permit Imaging project	3.8.	Work with the City Clerk's Office to revive the project for making construction documents (i.e., plans, permits, and related documents) readily available for public and staff viewing. Develop a timeline for imaging all older documents and set aside time for staff to image those documents within the timeline. If necessary, and feasible within budget constraints, hire temporary staff to locate, prepare, and image the multi-year backlog of documents.

City Manager's Response

The City Manager agreed with the recommendations. The full response is at Appendix C.

Finding 4: High-risk cashiering and credit card practices significantly increase the risk of employee theft

Our surprise cash count audit in 2007 reported that PSC staff shared a cash register and cash drawer and that specific cash register activity could not be traced to the responsible employees. Our citywide payment-card audit in 2011 reported that PSC practices did not adequately safeguard customer credit card information against unauthorized use. Both of these conditions still exist and greatly increase the risk that theft by a City employee would not be traceable to the responsible employee.

High risk cashiering practices continue

Our November 2007 audit, "Permit Service Center Surprise Cash Count: Need to Address Long Standing Security and Accountability Concerns,"[17] reported that cash handlers in the PSC did not each have their own cash drawer and that they shared a user identification and password to access the FUND$ Cash Receipts Module and operate the cash register. We recommended that Planning coordinate with Finance to improve accountability over change funds and collection. We suggested that Planning require each employee who processes cash transactions to have and use his/her own cash drawer, user identification, and password. We also suggested assigning two staff (one for each register) to perform the daily cash handling duties or hiring a separate cashier.

Planning has not implemented our recommendation. All cashiers still share the same cash register and cash drawer and operate the cash register under a single user identification and password. Planning management currently does not plan to purchase separate cash registers, but has not implemented any mitigating procedures as an alternative to ensure that City funds are safeguarded against theft. Until our recommendation is implemented, Planning cannot identify who is responsible for a

[17] http://www.cityofberkeley.info/uploadedFiles/Auditor/Level_3_-_General/Permit%20Service%20Center%20Audit_11-6-07.pdf

cash shortage, overage, or entry error. This risk, and those identified in Finding 2 in this audit, greatly increase the opportunity for staff to steal or make errors that will not be detected quickly during the normal course of business. It would also be difficult to identify the employee responsible for the theft or errors, which would prevent prosecution or firing of the responsible employee.

Credit card information still not safe

Our audit, "Citywide Payment-Card Acceptance: Is Cardholder Information Safe?,"[18] issued in May 2011, reported that customer credit card information received in the PSC was not adequately safeguarded against unauthorized use. Permit applicants who did not pay in person could submit a credit card authorization form, which Planning kept in an unsecured location until a Permit Specialist could process it. The report identified this as a risk because it could allow employees to capture cardholder information without being observed and use it for personal benefit. We recommended that Planning place faxed and dropped-off credit card authorization forms in a dual custody lock box or file cabinet until processed, with no employee holding the key or combination to both locks.

Would you want your credit card and personal information readily available to others?

Although the PSC did order and receive a lock box, the box does not satisfy the intent of our recommendation. Staff continue to place payment card information forms in the PSC inbox or the unlocked lock box until processed. Staff keep the lock box key in the lock during business hours, and the box is not secured to the counter. This continues to allow PSC and Zoning staff unnecessary access to credit card information. The Permit Center Coordinator implemented this practice so staff can quickly access the forms when they are ready to process them. The PSC does not maintain a log of who accessed the box and when. These practices increase the risk that an employee could misuse credit card information for personal benefit and the likelihood that no one would be able to identify which employee did so.

[18] http://www.ci.berkeley.ca.us/uploadedFiles/2011-05-31_Item_27_Audit_of_Citywide_Payment-Card_Acceptance_Is_Cardholder_Information_Safe.pdf

After discussing this issue with the Planning Director, he researched alternative options and indicated that he is working with Information Technology to implement a solution whereby faxed documents will not print until a Permit Specialist accesses the document using his/her own personal identification number (PIN). After entering the credit card information into the Cash Receipts Module, the Permit Specialist would be required to shred the credit card authorization form. He expects to have this procedure in place by early 2014. However, a solution is still needed for credit card authorization forms dropped off at the Permit Service Center.

Recommendations

Planning and Development should:

Require each cashier to have and use his or her own cash drawer and user login credentials

4.1. When implementing Accela, require each PSC cashier to have, and use, his or her own cash drawer, user identification, and password when cashiering. The cash register must identify the employee responsible for every cash register entry. In the meantime, implement procedures, such as limiting use of each register to the person who is logged into it or changing out cash drawers as register users change, to mitigate the risk of not being able to assign responsibility for individual transaction errors, including overages and shortages.

Secure customer credit card information to comply with Payment Card Industry requirements

4.2. As soon as possible, implement the process identified by the Planning Director for securing faxed credit card information. Require staff to enter credit card information immediately when a permit applicant drops off a credit card authorization form and then shred the form. This will likely mean not accepting a dropped-off credit card authorization form unless the project has already been entered into the permit system. Alternatively, Planning could set up a computer in the PSC that would allow customers to enter their credit card information online without PSC staff ever seeing that information.

City Manager's Response

The City Manager agreed with the recommendations. The full response is at Appendix C.

FISCAL IMPACT

Millions of dollars in permit revenue is not well protected from theft

The Permit Service Center collected $9.2 million in revenue in fiscal year 2013 for permit and permit-related fees. Most of the payments are by credit card or check, but the PSC also accepts cash payments. Several practices, including staff sharing computer login credentials and not adequately securing customers' credit card payment authorization forms, create a high risk that PSC staff could steal cash or inappropriately use a customer's credit card information for personal gain. The risk is also high that if either of these occurred, neither Planning management nor the Berkeley Police Department would be able to identify who stole the money or used a customer's credit card, which would prevent the City from firing or seeking prosecution of the responsible employee. Identifying the responsible person also protects innocent people from being falsely accused.

Significant additional revenue from current fees is likely

The City would likely collect significantly more in permit fee revenue if Planning eliminated its fee errors and used a current construction cost table to determine project values, which are the basis used to calculate permit and related fees.

CONCLUSION

Collect and review information needed to provide excellent and equitable customer service

Planning's ability to provide excellent customer service depends on management knowing the quality of service it currently provides and the reasons for not meeting its customer service goals. Planning began using Nemo-Q customer flow management software in August 2013 and has already begun accumulating data from the software to help improve customer wait times at the Permit Service Center. Planning will replace the FUND$ Building Permit module with Accela software in 2014 and will need to work with Information Technology to ensure Accela captures the data needed to identify and measure the efficiency of various operations and individual staff. However, capturing the data alone is not sufficient. Planning will need to review the data and use it to understand the root causes for delays and make improvements in providing customer service.

Increase revenue and improve customer service by assessing fees correctly

Planning can increase its revenue and improve customer service by accurately assessing fees. Using a current building valuation table, updating corrected project values in the Building Permit module, and requiring supervisors to review data entry provide the best opportunities to ensure that Planning accurately and equitably assesses fees to its customers. Supervisors should verify that project values, square footage, and item quantities are accurate; that project-specific fees have been assessed; and that inappropriate fees have not been assessed.

Reduce opportunities for theft and errors

Management should implement best practices for cash handling to create an environment that minimizes the opportunity for theft and errors to occur and increases the ability to identify responsible employees if theft or errors do occur. The most important practices to discontinue are 1) use of one set of login credentials for all PSC staff working in the Building Permits module and operating cash registers, and 2) not properly safeguarding customer credit card information. Our soon-to-be released audit on the need for citywide changes in culture and procedures in cash handling will provide additional information on best practices in cash handling and will be available on our website after publication.[19]

Improve the overall management and supervision of the PSC operations

Planning can successfully implement many of the recommendations in this audit only if there is a simultaneous cultural change in how supervisors manage their own work and the work of their staff. Many of the findings in this report exist because PSC supervisors spend too much time performing staff work instead of reviewing their staffs' work, primarily to prevent customer lines from getting too long. Planning must place a higher priority on properly completing many important permit operations, including:

- Developing and implementing more efficient operations to improve customer service to all customers, rather than just a few.

[19] http://www.cityofberkeley.info/uploadedFiles/Auditor/Level_3_-_General/A.2_RPT_PRW%20Cash%20Handling_Final.pdf

- Assuring that data needed to monitor and improve operations is available and accurate.
- Ensuring that it assesses fees equitably and accurately.
- Implementing best practices to safeguard cash receipts.
- Properly filing records and documents so they can be easily located.

Existing practices have made it difficult for Planning to meet customer service goals for all customers, have caused Planning to inaccurately assess permit and related fees, and have increased the risk that employee theft might occur and would not be discovered during the normal course of business.

We would like to thank Planning and Information Technology staff for their continued cooperation during this audit.

APPENDIX A:
Scope and Methodology

We audited the Planning and Development Department's commercial and residential construction permit process. We focused on the permit application submission and approval process that starts when a permit applicant submits a building permit application to the Permit Service Center (PSC), proceeds with Plan Checkers reviewing and approving project plans and permit applicants paying permit and related fees, and concludes with the PSC issuing a permit. We primarily looked at permit applications submitted during fiscal years 2010 through fiscal year 2013 and the most current procedures in place during this time.

We obtained an understanding of Planning's current permit practices by having PSC staff walk us through the permitting process; reviewing written policies and procedures, permit activity reports, website information, fee resolutions, and state laws authorizing fees; and interviewing Planning staff. We researched the internet for permitting best practices. We obtained information about the status of the Building Plan and Permit Imaging project by interviewing Planning, City Clerk, and IT staff.

We reviewed BP Module Plan Check Turnaround Reports to determine if Planning met its turnaround goals. We discussed with Planning staff the reasons for not meeting the goals.

We assessed the effect of Planning using an outdated construction valuation table and reviewed how often Plan Checkers verify the accuracy of permit applicants' stated project values. We recalculated the following fees and compared our results to the fees Planning charged:

- The building permit fee only for all building permit applications dated January 1, 2009, through August 17, 2012, to determine if the BP Module accurately assessed the fee based on the estimated project value.
- The building permit and related fees for four projects to determine what the fees would have been if Planning had entered the projects' corrected values in the BP module.
- The building, electrical, plumbing, and mechanical permit and related fees for seven construction projects to determine if Planning accurately assessed all required fees. We judgmentally selected the projects based on project type and value.

We researched the reasons for errors and met with Planning staff to discuss how they determined which fees to charge and to identify why fee errors occurred. Due to the volume and nature of fee errors identified in the few permits we reviewed, we did not expand our review to a statistically valid sample because our small sample was enough to identify a trend of errors in Planning's assessment of fees. We cannot estimate the total amount of fee errors based on our limited sample size.

To determine if Planning has implemented recommendations from our audits in November 2007, PSC Surprise Cash Count[20], and May 2011, Citywide Payment-Card Acceptance[21], we reviewed City Manager status reports provided to Council, and Planning's current practices and related documentation. We also discussed the current practices with the PSC supervisor.

Data Reliability

We assessed the reliability of the FUND$ BP Module data and the demand report, "Plan Check Turnaround Report." The data fields were consistently populated as expected. We could not determine if the data in the BP Module is accurate because Planning staff could not provide all of the permits, plans, and other supporting documentation we requested for specific permit applications. We intended to evaluate the PSC staffs' efficiency in processing permits, but determined that the data was not reliable because staff often worked under the login credentials of another employee. We address both of these issues in our audit findings.

Although Information Technology staff corrected errors we identified regarding the number of work days used to calculate plan check turnaround times, the Plan Check Turnaround Report continues to incorrectly exclude days when Plan Checkers worked on Voluntary Time Off (VTO) days. Some plan check activity is excluded from the report because the BP Module does not prohibit Plan Checkers from issuing a correction letter and subsequently approving a permit application without logging in the corrected permit application as required. This results in plan check activity being excluded from the turnaround report. However, we determined that the Plan Check Turnaround Report was sufficiently reliable for purposes of our audit because these errors were infrequent.

We intended to review customer wait times and satisfaction, but the customer routing forms and comment cards did not contain sufficient information for us to draw conclusions.

Standards Compliance Statement

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.

[20] http://www.ci.berkeley.ca.us/uploadedFiles/Auditor/Level_3_-_General/Permit%20Service%20Center%20Audit_11-6-07.pdf

[21] http://www.ci.berkeley.ca.us/uploadedFiles/2011-05-31_Item_27_Audit_of_Citywide_Payment-Card_Acceptance_Is_Cardholder_Information_Safe.pdf

APPENDIX B

Fee Errors Due to Not Correcting Project Values

		EXPECTED BUILDING PERMIT FEES AND ACTUAL BUILDING PERMIT FEES ASSESSED											
	Project Valuation	Building Permit	Plan Check	Accelerated Plan Check	Title 24: Disabled Access	Title 24: Energy Compliance	Fire Plan Check	Community Planning	Sustainable Development	Strong Motion Instrumentation (State Required)	Building Standards (SB 1473)	Technology Enhancement	Total
PERMIT 1:													
*Expected Amount	$143,380	$3041.98	$1,977.29	$0.00	$365.04	$365.04	$212.94	0.00	$182.52	$14.34	$6.00	$152.10	$6,317.25
Actual Amount	72,000	1,543.00	1,002.95	0.00	185.16	185.16	108.01	0.00	92.58	7.20	3.00	77.15	$3,204.21
Difference/Total Over-/ Undercharges	**$71,380**	**$1,498.98**	**$974.34**	**$0.00**	**$179.88**	**$179.88**	**$104.93**	****0.00**	**$89.94**	**$7.14**	**$3.00**	**$74.95**	**$3,113.04**
PERMIT 2:													
*Expected Amount	$242,700	$5,373.40	$3,492.71	$0.00	$644.81	$644.81	$376.14	$268.67	$322.40	$45.36	$10.00	$268.67	$11,446.97
Actual Amount	216,000	4,786.00	3,118.21	0.00	574.32	574.32	335.02	239.30	287.16	51.03	10.00	239.30	10,214.66
Difference/Total Over-/ Undercharges	**$26,700**	**$587.40**	**$374.50**	**$0.00**	**$70.49**	**$70.49**	**$41.12**	**$29.37**	**$35.24**	**$5.67**	**$0.00**	**$29.37**	**$1,232.31**
PERMIT 3:													
*Expected Amount	$30,400	$702.80	$456.82	$0.00	$84.34	$84.34	$49.20	$35.14	$42.17	$3.04	$2.00	$35.14	$1,494.99
Actual Amount	25,000	584.00	379.60	0.00	70.08	70.08	40.88	29.20	35.04	3.10	2.00	29.20	1,243.18
Difference/Total Over-/ Undercharges	**$5,400**	**$118.80**	**$77.22**	**$0.00**	**$14.26**	**$14.26**	**$8.32**	**$5.94**	**$7.13**	**$0.06**	**$0.00**	**$5.94**	**$251.81**
PERMIT 4:													
*Expected Amount	$430,373	$9,502.21	$6,176.43	$4,941.15	$1,140.26	$1,140.26	$665.15	$475.11	$570.13	$90.38	$18.00	$475.11	$25,194.20
Actual Amount	465,654	10,286.00	6,685.90	5,348.72	1,234.32	1,234.32	720.02	514.30	617.16	97.86	19.00	514.30	27,271.90
Difference/Total Over-/ Undercharges	**$35,281**	**$783.79**	**$509.47**	**$407.57**	**$94.06**	**$94.06**	**$54.87**	**$39.19**	**$47.03**	**$7.48**	**$1.00**	**$39.19**	*****$2,077.71**
												Net Total of Undercharges on Four Permits Reviewed:	**$2,519.45**

*Expected amount is based on audit staff review of the permits and our calculations based on revised project values. Expected amount is based only on the building permit, not related permits, such as electrical, mechanical, and plumbing.

**Community Planning fee was not a percentage of the building permit fee at the time permit applicant applied for this permit.

***The total differs due to rounding.

Source: Audit staff's detailed analysis of four building permits.

APPENDIX C

Audit Findings, Recommendations, and Management Response Summary

Audit Title: Construction Permits: Monitor Performance and Fee Assessments to Ensure Excellent and Equitable Customer Service					
Findings and Recommendations		**Lead Dept.**	**Agree, Partially Agree, or Do Not Agree and Corrective Action Plan**	**Expected or Actual Implementation Date**	**Status of Outstanding Audit Recommendations and Implementation Progress Summary**
Finding 1: Management lacks information needed to effectively monitor performance and ensure excellent and equitable customer service					
1.1	Establish plan check turnaround goals for the PSC that commence immediately after the last agency has completed its plan check.	Planning	Agree. This will be addressed as part of Accela software implementation.	3/25/15	
1.2	Develop policies and procedures that identify not-to-exceed goals for customer wait times and methods to reduce high wait times when they occur. Methods should avoid using supervisors to perform staff work (see related Finding 2 and Recommendation 2.1). When wait times exceed the established goal, PSC management should investigate the reasons to understand why and adjust the policies and procedures as necessary to ensure they are designed to minimize customer wait times as described.	Planning	Agree. The Nemo-Q system is collecting data for management refinement of policies and procedures around customer wait times. As the data becomes more robust we will be able to adjust procedures to ensure that staffing matches peak customer flow and minimizes the time that supervisors are needed to service customer overflow.	9/19/14	
1.3	Establish criteria that plans must meet before PSC staff can accept them: • Publish clear guidance for permit applicants explaining that existing	Planning	Agree. Checklists that detail the minimum items required for submittal are appropriate and will be developed. We will define a threshold for complex projects to require a	3/25/15	

Audit Title: Construction Permits: Monitor Performance and Fee Assessments to Ensure Excellent and Equitable Customer Service					
Findings and Recommendations		**Lead Dept.**	**Agree, Partially Agree, or Do Not Agree and Corrective Action Plan**	**Expected or Actual Implementation Date**	**Status of Outstanding Audit Recommendations and Implementation Progress Summary**
	checklists must be used for all permit applications and that PSC staff will not accept plans that do not meet all applicable requirements in the checklists. • Establish a routine practice for a Plan Checker to meet with permit applicants, prior to submission of complex permit applications, to verify that all required information is included with the permit application. • Provide PSC staff with additional technical training they need to better understand the criteria for accepting permit applications, plans, and related documents, and require them to reject plans that do not meet the criteria. • Establish performance goals and evaluate PSC staff on the percentage of plans they accept that meet and do not meet the criteria.		plan check meeting prior to application submission. We will ensure that all PSC staff have the appropriate training to perform their job functions. Senior management reserves the right to make decisions on a case-by-case basis regarding the acceptance of plans (i.e., complete or otherwise). We will continue to evaluate PSC staff on appropriate performance measures and develop new performance measures as new management tools (i.e., Nemo-Q and Accela) allow.		
1.4	Routinely verify the reliability of reports generated by the building permit module (and Accela, after implementation) to ensure the information is accurate and reliable to use to monitor performance and improve customer service.	Planning	Agree. We will institute a regular quality control check on the veracity of reports generated by Accela once implemented.	3/25/15	

Audit Title: Construction Permits: Monitor Performance and Fee Assessments to Ensure Excellent and Equitable Customer Service					
Findings and Recommendations		**Lead Dept.**	**Agree, Partially Agree, or Do Not Agree and Corrective Action Plan**	**Expected or Actual Implementation Date**	**Status of Outstanding Audit Recommendations and Implementation Progress Summary**
1.5	Work with Information Technology to ensure that the Accela software is configured to require staff to input the information listed below and that it is incorporated into system reports. Require Planning management to regularly review the reports and use the information to monitor both individual and overall department performance, and to develop and implement changes in practices to improve service delivery through increased efficiency and timeliness. Recorded and monitored information should include: • Start and end dates and times for each phase of the plan check process, and the specific reason(s) for each missed turnaround goal. Management should identify a list of reasons that will allow them to determine changes needed to improve performance. • Amount of time spent performing each plan check review. • Number of times plans were required to be resubmitted before Planning had sufficient information to review them, and the reason for each resubmission.	Planning	Agree. We will work with Information Technology to configure Accela to provide the appropriate information necessary to track department and individual performance and to improve service delivery.	3/25/15	

Audit Title: Construction Permits: Monitor Performance and Fee Assessments to Ensure Excellent and Equitable Customer Service					
Findings and Recommendations		**Lead Dept.**	**Agree, Partially Agree, or Do Not Agree and Corrective Action Plan**	**Expected or Actual Implementation Date**	**Status of Outstanding Audit Recommendations and Implementation Progress Summary**
1.6	When implementing Accela, identify the fields that should have restrictions as to the type of data that can be entered and work with Information Technology to establish edit controls that will prevent inappropriate data, such as dates in the future, from being entered.	Planning	Agree. During Accela implementation, we will work with Information Technology to identify fields to restrict and to establish edit controls to prevent inappropriate data entry.	3/25/15	
Finding 2: The risk is high that staff could steal, make errors, or inflate performance results					
2.1	Clearly identify what is staff work and what is supervisory work. Develop and implement procedures that prioritize solutions for addressing times of heavy workloads to ensure that supervisors perform staff work only on rare occasions. The procedures should identify another supervisor to review and approve staff work that supervisors perform to ensure that all work undergoes a higher-level supervisory review. (See related Recommendation 1.2.)	Planning	Agree. We will program Accela workflows to clearly define checks and balances between line staff work and supervisory review. We will configure the Accela software to ensure that an inappropriate combination of activities cannot be performed by a single individual, be it supervisor or line staff. See related response to Recommendation 1.2.	3/25/15	
2.2	Ask the Department of Information Technology to prioritize implementation of Windows 7 so staff can quickly and easily switch between users with their own login credentials. Require all PSC staff to adhere to the requirements in AR 3.17 by performing all work only under their	Planning	Agree. Installation and testing of Windows 7 has begun. Staff will be trained on the requirements of AR 3.17. Implementation of Accela will allow greater conformance to this recommendation but management maintains the discretion to determine when disciplinary action is appropriate.	3/25/15	

Audit Title: Construction Permits: Monitor Performance and Fee Assessments to Ensure Excellent and Equitable Customer Service					
Findings and Recommendations		**Lead Dept.**	**Agree, Partially Agree, or Do Not Agree and Corrective Action Plan**	**Expected or Actual Implementation Date**	**Status of Outstanding Audit Recommendations and Implementation Progress Summary**
	own user identification and password, ensure that supervisors understand the importance of and enforce this requirement, and take appropriate disciplinary action when the requirements are not followed or enforced. (See related Recommendation 4.1.)				
2.3	Ensure that no staff can perform combinations of activities that would allow them to both steal and conceal a theft, or to make errors that would not be identified through another person's review. Planning should: • Train all Planning Department supervisors to recognize activities that increase the risk of theft and errors. • Identify the specific activities in the plan review, approval, and payment processes that should be performed by different staff to prevent theft and errors. Train supervisors to notice them quickly if they do occur. • Require supervisors to know, understand, and monitor the functions that each of their staff is authorized to perform in systems used to approve permits and receive payments (currently the FUND$ Building Permits	Planning	Agree. We will ensure that staff will attend appropriate City of Berkeley trainings (e.g., Cash Handling 101) to better be able to recognize and address activities that increase the risk of theft and errors. As part of Accela implementation, we will configure the software to appropriately separate activities and processes to minimize theft and error potential, maximize supervisory monitoring capabilities, and maximize accountability. See Recommendation 2.1. As we develop the workflows in Accela, we will use this opportunity to refine internal processes and procedures to increase internal controls and theft prevention while encouraging a clear, quick, easy-to-use permit process.	3/25/15	

Audit Title: Construction Permits: Monitor Performance and Fee Assessments to Ensure Excellent and Equitable Customer Service					
Findings and Recommendations		**Lead Dept.**	**Agree, Partially Agree, or Do Not Agree and Corrective Action Plan**	**Expected or Actual Implementation Date**	**Status of Outstanding Audit Recommendations and Implementation Progress Summary**
	and Cash Receipts Modules; the BP Module will be replaced with Accela in 2014). • Work with the Department of Information Technology during the Accela implementation to ensure that no staff will be able to perform inappropriate combinations of activities, identified during the second step above, when Accela is implemented. *This will likely require some restructuring of individual job responsibilities.* • Work with the Department of Information Technology to restructure FUND$ authorizations in the CR Module to align with the authorizations established during the Accela implementation.				
Finding 3: Fee calculation errors cause Planning to lose revenue					
3.1	To reduce the potential for fee errors: • Combine fees that support a service provided to the majority of permit applicants into the building permit fee. • Continue to separately assess fees that support a service provided only to certain types of projects (e.g.,	Planning	Agree. The ability to implement this recommendation is contingent upon City Council approval of a revised fee structure. Staff will present fee structure options to the City Council for their consideration as part of the FY 16 budget process.	6/30/15	

Audit Title: Construction Permits: Monitor Performance and Fee Assessments to Ensure Excellent and Equitable Customer Service					
Findings and Recommendations		**Lead Dept.**	**Agree, Partially Agree, or Do Not Agree and Corrective Action Plan**	**Expected or Actual Implementation Date**	**Status of Outstanding Audit Recommendations and Implementation Progress Summary**
	commercial projects), but assess them only on those projects. • Alternatively, develop separate fee structures for residential and commercial construction projects that incorporate all fees required for those specific projects.				
3.2	Submit a proposed resolution to the City Council authorizing Planning to always use a current building valuation table from a recognized industry expert, such as the International Code Council, Marshall and Swift, or RS Means. The valuation table selected should be one that allows adjustment for factors that would affect costs in Berkeley, such as regional cost adjustments. Ideally, the table selected should provide a consistent and equitable means of valuing projects that are based on square footage, as well as those that are not, such as reroof projects, remodels, and renovations.	Planning	Agree. We will propose a resolution to City Council to authorize the use of a current building valuation table. Staff will present options for Council consideration prior to the beginning of the FY 2016 fiscal year.	6/30/15	
3.3	If the valuation table selected in Recommendation 3.2 does not provide the capability to value projects based on factors other than square footage, develop and implement clear criteria and guidance for valuing projects to ensure	Planning	Agree. We will develop clear criteria for project valuation supplementary to the guidance provided by the valuation table to ensure equitable and consistent staff valuation of projects. Once the criteria are developed, the permit application form will	6/30/15	

Audit Title: Construction Permits: Monitor Performance and Fee Assessments to Ensure Excellent and Equitable Customer Service					
Findings and Recommendations		**Lead Dept.**	**Agree, Partially Agree, or Do Not Agree and Corrective Action Plan**	**Expected or Actual Implementation Date**	**Status of Outstanding Audit Recommendations and Implementation Progress Summary**
	staff value such projects consistently and equitably. If necessary, modify the permit application form to ensure it includes the type of information needed to accurately calculate the project value, based on the valuation table and/or selected criteria.		be revised, if needed, to provide any additional information required to calculate project value.		
3.4	To ensure that project valuations and fees are accurate: • Require Plan Checkers to: ○ Verify quantities on permit applications that are used as a basis for calculating fees (e.g., electrical, plumbing, and mechanical) with those on the plans, and update the quantities in the Building Permit Module/Accela as necessary. Plan Checkers should note and initial on the permit application any changes they make. ○ Verify permit applicants' stated project valuations and always use the higher valuation to calculate fees, unless the Building Official provides a reasonable basis for exceptions, such as when the permit applicant can show detailed estimates. Planning's calculation should be done through Accela, if	Planning	Agree. We will utilize Accela to provide an easier and better set of tools to update valuations and ensure valuation accuracy before issuance of permits. Accela will also allow the automatic recalculation of fees when quantities change, as well as provide an audit trail of when, where, and how valuations change. We will also adjust procedures and monitoring processes accordingly to match the changes made possible by Accela.	3/25/15	

Audit Title: Construction Permits: Monitor Performance and Fee Assessments to Ensure Excellent and Equitable Customer Service					
Findings and Recommendations		**Lead Dept.**	**Agree, Partially Agree, or Do Not Agree and Corrective Action Plan**	**Expected or Actual Implementation Date**	**Status of Outstanding Audit Recommendations and Implementation Progress Summary**
	possible (see Recommendation 3.5 below). • Require permit applicants to submit new applications or update and initial changes when changing the type and quantity of work to be performed and for PSC staff to enter the updated information into Accela. • Develop and implement a process that establishes responsibility for ensuring that all corrections to project values are updated in the BP Module screen (Accela, after implementation) that is used to calculate permit fees. The process should not require staff who collect fees to update those values. • Require PSC supervisors to monitor and review, on a sample basis, the accuracy of their staff's building permit data entry, including square footage and quantities.				
3.5	Work with Information Technology during the Accela implementation to ensure it is configured so each element used to calculate permit fees (e.g., square footage, number of meters or receptacles, furnace) is a required field that, if left blank, would prevent PSC staff from	Planning	Agree. We will configure Accela to make all permit-fee-calculation-dependent entries required fields.	3/25/15	

Audit Title: Construction Permits: Monitor Performance and Fee Assessments to Ensure Excellent and Equitable Customer Service					
Findings and Recommendations		**Lead Dept.**	**Agree, Partially Agree, or Do Not Agree and Corrective Action Plan**	**Expected or Actual Implementation Date**	**Status of Outstanding Audit Recommendations and Implementation Progress Summary**
	completing data entry for a permit.				
3.6	After obtaining approval to always use a current building valuation table and if allowed by the publisher, work with Information Technology to: • Build the new costs into Accela. • Update the costs whenever the industry expert publishes updates. • Ensure that, when implemented, Accela is configured to calculate the minimum project value for every permit, based on the required cost elements for the project. If the publisher does not allow the costs to be built in, develop and implement policies and procedures to ensure that Plan Checkers verify the accuracy of the permit applicant's stated project value, and update the values in Accela as appropriate.	Planning	Agree. If possible, we will create dynamic building valuation in Accela, reflective of the current building valuation table, that can be updated as necessary and can calculate minimum project value per permit based on required cost elements.	3/25/15	
3.7	Work with Information Technology to ensure that Accela is configured to calculate fees based on the criteria in the fee schedule rather than rounded project valuations.	Planning	Agree. We will configure Accela to calculate fees based on fee schedule criteria.	3/25/15	

Audit Title: Construction Permits: Monitor Performance and Fee Assessments to Ensure Excellent and Equitable Customer Service					
Findings and Recommendations		**Lead Dept.**	**Agree, Partially Agree, or Do Not Agree and Corrective Action Plan**	**Expected or Actual Implementation Date**	**Status of Outstanding Audit Recommendations and Implementation Progress Summary**
3.8	Work with the City Clerk's Office to revive the project for making construction documents (i.e., plans, permits, and related documents) readily available for public and staff viewing. Develop a timeline for imaging all older documents and set aside time for staff to image those documents within the timeline. If necessary, and feasible within budget constraints, hire temporary staff to locate, prepare, and image the multi-year backlog of documents.	Planning	Agree. We will revive the construction document imaging/accessibility project, develop a timeline for imaging older documents, and earmark the requisite staff time to assist in imaging-related tasks.	6/30/16	
Finding 4: High-risk cashiering and credit card practices significantly increase the risk of employee theft					
4.1	When implementing Accela, require each PSC cashier to have, and use, his or her own cash drawer, user identification, and password when cashiering. The cash register must identify the employee responsible for every cash register entry. In the meantime, implement procedures, such as limiting use of each register to the person who is logged into it or changing out cash drawers as register users change, to mitigate the risk of not being able to assign responsibility for individual transaction errors, including overages and shortages.	Planning	Agree. Accela will improve the situation by requiring staff to use their own login credentials. However, the physical configuration of the building makes individual cash drawers difficult to implement at this time. We agree with the potential solutions and will develop a plan within a year to address the finding.	3/25/15	

Audit Title: Construction Permits: Monitor Performance and Fee Assessments to Ensure Excellent and Equitable Customer Service					
Findings and Recommendations		**Lead Dept.**	**Agree, Partially Agree, or Do Not Agree and Corrective Action Plan**	**Expected or Actual Implementation Date**	**Status of Outstanding Audit Recommendations and Implementation Progress Summary**
4.2	As soon as possible, implement the process identified by the Planning Director for securing faxed credit card information. Require staff to enter credit card information immediately when a permit applicant drops off a credit card authorization form and then shred the form. This will likely mean not accepting a dropped-off credit card authorization form unless the project has already been entered into the permit system. Alternatively, Planning could set up a computer in the PSC that would allow customers to enter their credit card information online without PSC staff ever seeing that information.	Planning	Agree with alternative. We are currently working with Information Technology on the solution for securing faxed credit card information. The other problems identified in Findings and Recommendation 4.2 will be addressed by Accela, in particular, its capacity to accept and process credit card payments in a secure online environment.	3/25/15	