

# Chesapeake VIRGINIA

## NEIGHBORHOOD SERVICES DEPARTMENT

### PERFORMANCE AUDIT



**JANUARY 1, 2008 THROUGH DECEMBER 31, 2008**

**CITY OF CHESAPEAKE, VIRGINIA  
AUDIT SERVICES DEPARTMENT**

Audit Services Department  
306 Cedar Road  
P.O. Box 15225  
Chesapeake, Virginia 23328  
(757) 382-8511  
Fax (757) 382-8860

June 29, 2009

The Honorable Alan P. Krasnoff  
Members of the City Council  
City of Chesapeake  
City Hall – 6<sup>th</sup> Floor  
Chesapeake, Virginia 23328

Dear Mayor Krasnoff and Members of the City Council:

We have completed our review of the City of Chesapeake's Neighborhood Services Department (Neighborhood Services) for January 1, 2008 to December 31, 2008. Our review was conducted for the purpose of determining whether Neighborhood Services was providing services in an economical, efficient, and effective manner, whether its goals and objectives were being achieved, and whether it was complying with applicable City and Department procedures in areas of operations, inspections, cash, revenues, fees, information technology, and grants management. In addition, both the Deputy City Manager for Human Development/Community Initiatives and the Director of Neighborhood Services requested the audit due to the merger and addition of the Office of Youth Services, Customer Contact Center and the Office of Housing into the Department. Also, the Director requested the review to ensure that the level of fiscal management and oversight of these offices was appropriate.

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.

Neighborhood Services provided core services within the 353 square miles of the City of Chesapeake (City) that improved the quality of life and protected the health, safety and welfare of the community. It enforced code compliance, zoning regulations, issued building and occupancy permits, took corrective actions to remove debris, weeds, grass, and abandoned structures, and coordinated community revitalization programs across the City. Neighborhood Services also coordinated the City's interactions with other governments and public and private entities, centralized grant administration activities, oversaw Community Initiative/Human Development Block Grants, and provided staff and technical support to the Chesapeake Youth Committee and the Chesapeake Council on Youth Services, Community Development Block Grant, and the Wetlands Board. It also served as a resource center for housing programs for

the elderly, homeless, disabled, and the affordable workforce housing initiatives. As such, it administered numerous Federal and State grants from the Community Development Block Grant and American Dream Down Payment Initiative to Continuum of Care and Section 108 Loan Guarantees.

For Fiscal Year (FY) 2007-2008, Neighborhood Services received funds from Federal, State, and City sources, had an operating budget of just under \$5 million, and also had an authorized compliment of 65 personnel plus an additional part-time position, an intern, and two temporary positions, all deployed across six divisions. Neighborhood Services occupied offices primarily on the second floor of the City Hall Municipal Building, with additional offices on the fifth floor, and also utilized detached office space at the Customer Contact Center.

This report, in draft, was provided to Neighborhood Services officials for review and response. Their comments have been considered in the preparation of this report. These comments have been included in the Managerial Summary, and the Audit Report. Neighborhood Services concurred with most of the report's recommendations and has either implemented or begun the process of implementing many of them during the course of the audit. Neighborhood Service's management, supervisors, and staffs were very helpful throughout the course of this audit. We appreciated their courtesy and cooperation on this assignment.

Sincerely,



Jay Poole  
City Auditor  
City of Chesapeake, Virginia

C: William E. Harrell, City Manager  
Amar Dwarkanath, Deputy City Manager  
Dr. Wanda Barnard-Bailey, Deputy City Manager  
Jay Tate, Interim Director of Neighborhood Services  
Patrick M. Hughes, Plans Review and Codes Administrator

## **Managerial Summary**

### **A. Objectives, Scope, and Methodology**

We have completed our review of the City of Chesapeake's Neighborhood Services Department (Neighborhood Services) for January 1, 2008 to December 31, 2008. Our review was conducted for the purpose of determining whether Neighborhood Services was providing services in an economical, efficient, and effective manner, whether its goals and objectives were being achieved, and whether it was complying with applicable City and Department procedures in areas of operations, inspections, cash, revenues, fees, information technology, and grants management. In addition, both the Deputy City Manager for Human Development/Community Initiatives and the Director of Neighborhood Services requested the audit due to the merger and addition of the Office of Youth Services, Customer Contact Center and the Office of Housing into the Department. Also, the Director requested the review to ensure that the level of fiscal management and oversight of these offices was appropriate.

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.

Neighborhood Services provided core services within the 353 square miles of the City of Chesapeake (City) that improved the quality of life and protected the health, safety and welfare of the community. It enforced code compliance, zoning regulations, issued building and occupancy permits, took corrective actions to remove debris, weeds, grass, and abandoned structures, and coordinated community revitalization programs across the City. Neighborhood Services also coordinated the City's interactions with other governments and public and private entities, centralized grant administration activities, oversaw Community Initiative/Human Development Block Grants, and provided staff and technical support to the Chesapeake Youth Committee and the Chesapeake Council on Youth Services, Community Development Block Grant, and the Wetlands Board. It also served as a resource center for housing programs for the elderly, homeless, disabled, and the affordable workforce housing initiatives. As such, it administered numerous Federal and State grants from the Community Development Block Grant and American Dream Down Payment Initiative to Continuum of Care and Section 108 Loan Guarantees.

For Fiscal Year (FY) 2007-2008, Neighborhood Services received funds from Federal, State, and City sources, had an operating budget of just under \$5 million, and also had an authorized compliment of 65 personnel plus an additional part-time position, an intern, and two temporary positions, all deployed across six divisions. Neighborhood Services occupied offices primarily on the second floor of the City Hall Municipal Building, with additional offices on the fifth floor, and also utilized detached office space at the Customer Contact Center.

## **Major Observations and Conclusions**

Based on our review, we determined Neighborhood Services had accomplished its overall mission of improving the quality of life and protected the health, safety and welfare of the community through code compliance, zoning ordinances, Customer Contact Center and Neighborhood Coordination. However, we did identify several significant issues that needed to be addressed. These issues included not having up-to-date policy and procedure manual(s), having permit forms available on the public website that were not accurate, and a customer service process that needed improvement. Also, there was no effective process for the collection and tracking of proffers, inadequate segregation of duties for collecting funds, inadequate cash control and safeguards, and a failure to use the "City Travel Log" or monitor the use of fuel gas keys. There were insufficient monitoring practices for inspection performance, lack of standardized inspection documentation, and a lack of timely and effective tracking of elevator inspections. Also, we found inconsistencies among the fees listed on various forms and web sites, as well as inconsistencies with the collection of re-inspection, late, and additional fees.

This report, in draft, was provided to Neighborhood Services officials for review and response. Their comments have been considered in the preparation of this report. These comments have been included in the Managerial Summary, and the Audit Report. Neighborhood Services concurred with most of the report's recommendations and has either implemented or begun the process of implementing many of them during the course of the audit. Neighborhood Service's management, supervisors, and staffs were very helpful throughout the course of this audit. We appreciated their courtesy and cooperation on this assignment.

## **B. Performance Information**

Neighborhood Services generally achieved its' mission of improving the quality of life and protecting the health, safety and welfare of the community in an efficient and effective manner. It did this by coordinating its activities with other departments to benefit the City as a whole and reduced service overlap and waste.

The Department was divided into five functional divisions and seven service areas: Code Compliance (which was subdivided into Building Inspections, Property Maintenance and Zoning Inspection, and Plan Review); Zoning Administration; Neighborhood Coordination; the Customer Contact Center; and Youth Services and Housing. Each division works in tandem with one another to assist and support the

department's processes and duties. Neighborhood Services also completed major improvement initiatives related to its Automated Receipt System and the City's Development Review Process.

### **1. Automated Receipt System (ARS)**

In early 2008, the ARS was implemented in Neighborhood Services. This system automated the receipt system when permits and service files were created. The project was a joint effort of several departments including the Treasurer's Office, Information Technology, Finance, and Neighborhood Services and, at the request of Neighborhood Services; Audit Services provided advice and feedback throughout the project.

The ARS saved an estimated \$1,000 to \$1,500 a year on the cost of pre-printed receipts, saved 3 to 5 minutes per customer transaction, and provided for multiple cashiers, allowing more time by other staff to begin and finish a process. The new system cut the time it took to reconcile the General Ledger from two weeks to less than one hour, cut the time it took to process a refund request from two weeks to twenty-four hours, and provided for increased accountability and security of fees owed and collected. Plans were being made to utilize the ARS for permit processing, tracking proffer payments, elevator inspections, zoning variances, and other functions currently monitored using spreadsheets and manual methods.

### **2. Neighborhood Services/Public Works Reorganization**

Under direction from the Mayor and City Council, the City Manager commissioned a panel to review and make recommendations streamlining the construction approval processes. The panel recommended several changes (some of which have already been incorporated) to the review of the approval processes, such as improved communication of the format of the construction plan review so that it included all stakeholders, and incorporated changes to the public website to keep all parties informed of required information and project status. In addition other changes included customer service training, cross-training of employees between functions, and hiring additional building plan review staff. Neighborhood Services was, with the support of the development community, successful in revising permit fees to provide funding for one additional Assistant Plan Examiner within Neighborhood Services and one additional Fire Plans Examiner for the Fire Prevention Bureau.

In an effort to reduce wait times for approval of businesses' construction projects the City Manager reorganized portions of the Neighborhood Services and Public Works Departments. The reorganization, which occurred in February 2009, would bring key elements of the plan review process under one organizational grouping and improve customer service. A part of this reorganization was the creation of the position of Plans Review and Codes Administrator. The new, reorganized, Neighborhood Services Department will be renamed the Department of Development and Permits and was proposed to be effective July 1, 2009.

## **C. Administrative Findings**

While Neighborhood Services appeared to be effectively accomplishing its overall mission, we did identify some areas where administrative practices could be enhanced. For example, Neighborhood Services did not have an up-to-date policy and procedure manual. Also, forms placed on the public website were not sufficiently reviewed and tested.

### **1. Policy and Procedures Manual**

**Finding** – With the exception of Code Compliance and the Customer Contact Center, Neighborhood Services did not have an up-to-date policy and procedure manual for daily operations.

**Recommendation** – Neighborhood Services should develop written policy and procedure manuals for each of its operating divisions that define responsibilities and expected practices of the different positions and functions. Because of the diversity in services provided by the various Neighborhood Services divisions, each will likely have to develop its own procedure manual.

**Response** – Agree. The department staff has begun the creation and accumulating the information for these manuals. The manuals are to be prepared and stored in an electronic file for the various routine procedures for each division. This procedural manual will provide the policy and/or procedure for the majority of situations.

### **2. Review of Permit Applications**

**Finding** – The Adobe PDF versions of Neighborhood Services' permit application forms published on the public website needed additional review and testing prior to being placed on the website. Also, the employee responsible for developing the forms needed additional training.

**Recommendations** – Neighborhood Services should ensure that forms placed on the City's website are reviewed and properly tested to ensure they work as designed prior to placement on the website for public use. In addition, the employee responsible for creating the forms should be provided the necessary training to perform their technological duties.

**Response** – Agree with findings. Upon discovery that the on-line forms on the Department's website were not calculating the state levy correctly, the forms were removed from the site temporarily until fixed. A new practice of double reviews will be instituted to ensure that calculations are correct and function as expected. Additionally, applications shall undergo an intensive re-design study for simplicity, flow and instructions with a deadline for completion of the first of 2010. (Note: The full text of the response is included in the body of the audit report.)

## **D. Operations**

We identified some areas where managerial and operational practices could be enhanced. For example: 1) it appeared that the permit issuance process needed to be enhanced to improve customer service; 2) the Department did not track or monitor issued permits; 3) one employee was assigned to monitor proffers with no back-up and no written procedures; 4) for the Rental Program, inspectors accepted checks in the field without adequate safeguards and controls. Additionally, customers were given a manual receipt evidencing their transaction instead of an automated receipt. Furthermore, there did not appear to be adequate controls concerning cash and vehicles.

### **1. Permit Issuance Process**

**Finding** – The effectiveness and efficiency of the permit issuance process needed to be improved to better meet customer expectations.

**Recommendation** – Neighborhood Services needs to observe, analyze and reengineer the permit issuance process so that it is effective, efficient, and meets the expectations of customers.

**Response** – Agree. The permit issuance process at the front counter has been studied and initial modifications have been made. Additional modifications have been suggested and will be implemented incrementally on a trial basis. (Note: The full text of the response is included in the body of the audit report.)

### **2. Permit Monitoring Process**

**Finding** – Neighborhood Services had not established a monitoring process to ensure that required inspections were being performed when permits were issued.

**Recommendation** – Neighborhood Services should consider developing and implementing a monitoring process that will ensure that permit inspections are performed as required by the Virginia Uniform Statewide Building Code.

**Response** – We agree. Policies, procedures and a monitoring process for permits over six months old will be developed. (Note: The full text of the response is included in the body of the audit report.)

### **3. Proffer Entry and Tracking**

**Finding** – The Department's process for initial entry of proffers for collection and the tracking of proffer payments needed to be improved.

**Recommendation** – Neighborhood Services should develop an automated process to monitor the entry, payment collections, and tracking of related expenses for City proffers.

**Response** – Agree. Written procedures have been developed for the proffer tracking process currently in place. The manual procedures have been implemented to assure a reasonable effectiveness until the requested automated system can be completed. (Note: The full text of the response is included in the body of the audit report.)

#### **4. Rental Certificate of Approval Controls.**

**Finding** – The Rental Certificate of Approval (RCA) issuance process lacked adequate segregation of duties. Code Compliance Inspectors were directly collecting fee payments themselves from owner/agent for the RCAs at the inspection site. Inspectors issued the owner/agent an unnumbered RCA for the payments they received. Finally, rental inspection fee payments collected by the inspectors were not reconciled to the rental inspection fees general ledger account each month.

**Recommendation** – Appropriate segregation of duties should be established for the RCA process.

**Response** – Agree to most findings. All rental inspection fees are only accepted by mail or in person by office staff. No payments of any kind are accepted by inspectors. Training is currently underway to allow the Treasurer’s Office to invoice for inspection fees. (Note: The full text of the response is included in the body of the audit report.)

#### **5. Cash Controls.**

**Finding** – Neighborhood Services’ cash controls needed to be improved and safeguards over cash needed to be enhanced.

**Recommendation** – Neighborhood Services should establish and document cash control policies and procedures so that cash is adequately safeguarded. In addition, management should develop an ongoing monitoring process to ensure adherence to cash control policies and procedures.

**Response** – Agree with findings. A new safe with dual controls has been purchased, secured and installed. Procedures for controls of cash have been created to include procedures for the personnel who will conduct the internal surprise audits. Specific staff members have been issued either a key or a combination to the new safe. One of each will be required to open the safe which should normally be only once a day. All other uses of the safe will be to drop deposits at the close of the day using Bank of America tamper-proof deposit bags. The new procedures are clear and provide for the easy monitoring of compliance.

## **6. Processed Work, Permit Application, and Payment Controls.**

**Finding** – Neighborhood Services’ controls over processed work, permit applications and payments received in the mail or by fax needed to be improved. In addition, Neighborhood Services did not reconcile revenue accounts against the General Ledger.

**Recommendation** – Neighborhood Services should take steps to improve controls over the transaction process and ensure that revenue accounts are periodically reconciled.

**Response** – Agreed with most findings. The creation and implementation of the Automated Receipt System (ARS) has eliminated the use of manual receipts which was the main contributor to most issues noted in this area of the audit report. All permit applications received by fax, mail or dropped off at the front counter are logged, assigned to an individual to process and are checked at the end of the day to assure completion. ARS has provided a means to reconcile to the GL in less than 1 hour through reports created by Information Technology. The reports not only shorten the length of time to reconcile but also allows for multiple persons to monitor revenues. (Note: The full text of the response is included in the body of the audit report.)

## **7. Use of City Travel Log**

**Finding** – Neighborhood Services did not use the “City Travel Log” as required by Administrative Regulation 4.07 and did not adequately control the use of fuel keys. In addition, control practices related to the use of vehicles needed improvement.

**Recommendation** – Neighborhood Services should begin requiring usage of the City Travel Log; establish controls over chip key use; and request and review the vehicle fuel and mileage reports produced by Fleet Management.

**Response** – Agree. As a cost saver, Neighborhood Services will continue to use the existing department travel log while supplies last and have requested the ability to transition to a modified City Travel Log subject to the City Manager’s approval. The new travel log will incorporate both NS’s and PW’s data tracking requirements for use by the new Department of Development and Permits. The information regarding fueling information will be added to the travel log form. Inspectors are required to note the odometer readings for each trip. This information is now added and captured on our existing forms. (Note: The full text of the response is included in the body of the audit report.)

## **8. Use of Signature Stamps**

**Finding** – The Zoning Administrator and Code Compliance Manager utilized signature stamps for document approval. In addition, the stamps were uncontrolled and accessible to unauthorized personnel.

**Recommendation** – Neighborhood Services should discontinue the use of signature stamps.

**Response** – Agreed with findings. (Completed Implementation) - Signature stamps were available for the purpose of endorsing certificates of occupancy without requiring the physical signature of the Code Official and Zoning Administrator.

A legal opinion of the City Attorney's Office has resulted in a modification to the certificate of occupancy form whereby the signature blocks have been deleted since they are not required. Accordingly, the signature stamps have been destroyed.

## **E. Inspections**

The Neighborhood Services inspection processes that governed buildings, elevators and monitoring of third party inspection agencies needed improvement to effectively and efficiently meet the expectations of customers. For example, there was an inordinate amount of time and labor to manually transfer inspection information from one automated system to another due to the inability of the systems to "talk" with one another. In addition, code inspectors and supervisors did not have a consistent standard for documenting inspections or review of documentation. Additionally, we noted that procedures governing third party agencies inspecting elevators and other people-moving devices did not have adequate review of reports which resulted in repeat discrepancies.

### **1. Permit Inspection Process**

**Finding** – The effectiveness and efficiency of the permit inspection process needed to be improved to ensure the quality of inspections.

**Recommendation** – Neighborhood Services should review, analyze and reengineer the inspection process so that it is effective, efficient and ensures that all inspections of commercial and residential projects are properly documented and reviewed.

**Response** – Agree with most findings. Although the recommendations will lead to better productivity there are limitations to the City's data base system that will not allow full implementation. The Department has determined the phased-in use of laptop computers can greatly enhance the productivity and accuracy of the current paper system. The Department plans to implement the first phase of laptops in FY09-10 and the second phase is projected to be mid year of FY09-10 or early FY10-11. (Note: The full text of the response is included in the body of the audit report.)

### **2. Elevator Inspection Process**

**Finding** – The effectiveness and efficiency of the elevator inspection process needed to be improved to provide adequate public safety over City and commercial elevators.

**Recommendation** – Neighborhood Services should review, analyze and reengineer the elevator inspection process so that it effective, efficient and ensures that all commercial

and City elevators and other people/equipment moving devices are identified and inspected in accordance with current State and City Codes.

**Response** – Agreed with most findings. SOP's are under development for the elevator inspection program. (Note: The full text of the response is included in the body of the audit report.)

## **F. Fees**

It did not appear that Neighborhood Services sufficiently reviewed the basis for fees take action to ensure that published forms were correct and reflected the established fee. We also noted that all fees were not collected.

### **1. Fee Discrepancies**

**Finding** – The fees from Neighborhood Services' forms, the public website (<http://www.chesapeake.va.us/services/depart/neighborhood/index.shtml>), and the fee schedule booklet were not the same as City code and ordinances or those allowed by State Code.

**Recommendation** – Neighborhood Services should establish a system to ensure that published fee information is accurate and represents what is allowed by Code.

**Response** – Agree with findings. (Completed Implementation) - Staff has pulled the web-site information that displayed inaccurate information. Implementation of the ARS system of receipting has improved the collection and accuracy of fees during the issuance of the permits.

Staff is in the process of reviewing and updating the web and printed forms to verify accuracy and correctness. Anticipate completion within the first quarter of FY09-10. (Note: The full text of the response is included in the body of the audit report.)

### **2. Re-Inspection Fees**

**Finding** – The process for collecting re-inspection fees, late fees and additional fees when the project scope exceeded the permit was not consistent.

**Recommendation** – Neighborhood Services should develop a system that ensures consistent collection of the above noted of fees.

**Response** – Agree. (Completed Implementation) - Inspectors for each division have been provided additional training to pre-review the Inspection Detail Sheet for outstanding Re-inspection Fees or Late Fees prior to performing the inspection.

(Completed Implementation) - The policy and procedure has been updated and placed into effect placing a hold on inspections, within the affected discipline, until payment is made. The policy and procedure as to when a re-inspection fee and late fee is applied

has been updated for consistency. (Note: The full text of the response is included in the body of the audit report.)

## **G. Grants**

Although Neighborhood Services generally monitored and controlled grant funds, we noticed that at least one grant required reprogramming. For example, the City had identified eight program activities where there were relatively small discrepancies between amounts listed on the Integrated Disbursement and Information System (IDIS) and the City's general ledger.

### **1. Reprogramming of Grant Funds**

**Finding** – Neighborhood Services had not yet reprogrammed several significant balances from the Community Development Block Grant (CDBG) program.

**Recommendation** – The City should take steps to reprogram available CDBG funding as soon as is feasibly possible.

**Response** – Agree. (Completed Implementation) - The department has reprogrammed available CDBG funding for the program years identified. (Note: The full text of the response is included in the body of the audit report.)

NEIGHBORHOOD SERVICES DEPARTMENT  
PERFORMANCE AUDIT  
JANUARY 1, 2008 TO DECEMBER 31, 2008

Table of Contents

<u>Contents</u>	<u>Page</u>
A. Objectives, Scope, and Methodology	1
B. Performance Information	4
C. Administrative Findings	10
D. Operations	14
E. Inspections	31
F. Fees	38
G. Grants	42
Appendix A – Response from Neighborhood Services	
Appendix B – Fee Comparison Matrix	

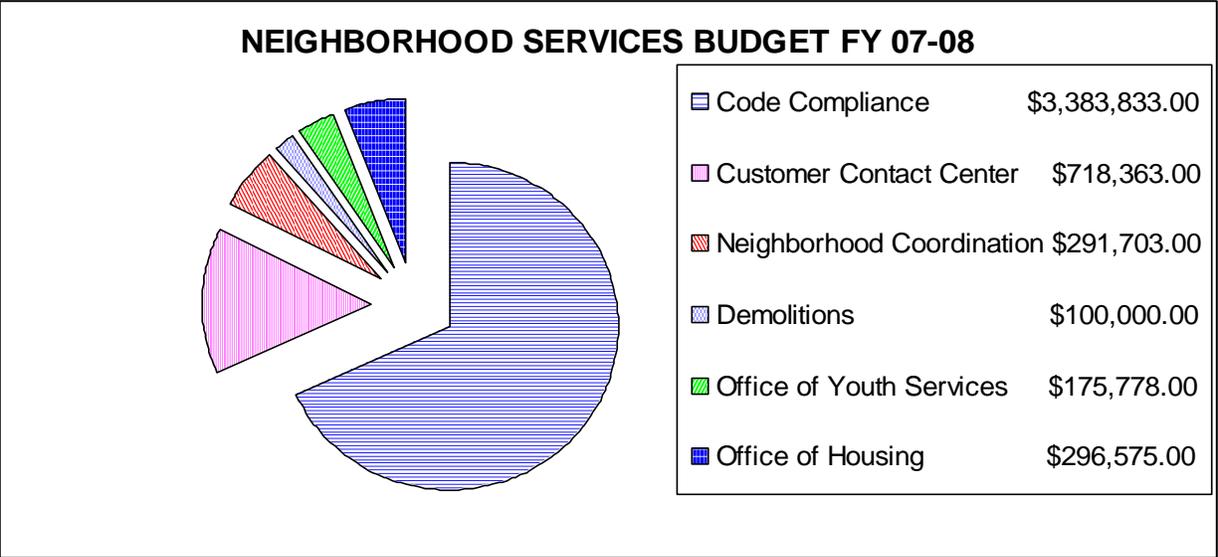
## **A. Objectives, Scope, and Methodology**

We have completed our review of the City of Chesapeake's Neighborhood Services Department (Neighborhood Services) for January 1, 2008 to December 31, 2008. Our review was conducted for the purpose of determining whether Neighborhood Services was providing services in an economical, efficient, and effective manner, whether its goals and objectives were being achieved, and whether it was complying with applicable City and Department procedures in areas of operations, inspections, cash, revenues, fees, information technology, and grants management. In addition, both the Deputy City Manager for Human Development/Community Initiatives and the Director of Neighborhood Services requested the audit due to the merger and addition of the Office of Youth Services, Customer Contact Center and the Office of Housing into the Department. Also, the Director requested the review to ensure that the level of fiscal management and oversight of these offices was appropriate.

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.

Neighborhood Services provided core services within the 353 square miles of the City of Chesapeake (City) that improved the quality of life and protected the health, safety and welfare of the community. It enforced code compliance, zoning regulations, issued building and occupancy permits, took corrective actions to remove debris, weeds, grass, and abandoned structures, and coordinated community revitalization programs across the City. Neighborhood Services also coordinated the City's interactions with other governments and public and private entities, centralized grant administration activities, oversaw Community Initiative/Human Development Block Grants, and provided staff and technical support to the Chesapeake Youth Committee and the Chesapeake Council on Youth Services, Community Development Block Grant, and the Wetlands Board. It also served as a resource center for housing programs for the elderly, homeless, disabled, and the affordable workforce housing initiatives. As such, it administered numerous Federal and State grants from the Community Development Block Grant and American Dream Down Payment Initiative to Continuum of Care and Section 108 Loan Guarantees.

For Fiscal Year (FY) 2007-2008, Neighborhood Services received funds from Federal, State, and City sources, had an operating budget of just under \$5 million, and also had an authorized compliment of 65 personnel plus an additional part-time position, an intern, and two temporary positions, all deployed across six divisions. Neighborhood Services occupied offices primarily on the second floor of the City Hall Municipal Building, with additional offices on the fifth floor, and also utilized detached office space at the Customer Contact Center.



To conduct this audit, we reviewed and evaluated City and Neighborhood Services policies and procedures, and operations documents and reports. Also, we evaluated statistical data related to staffing levels and turnover, and conducted surveys of other local equivalent departments. We conducted a tour of Neighborhood Services and a “ride-a-long” with building inspectors. We discussed these audit areas and conducted interviews with the Director, Administrative Assistant, Code Compliance Manager, Environmental Code Enforcement Administrator, Code Enforcement Administrator, Call Center Manager, interim Zoning Administrator, Plans Examiner, and several administrative support employees and inspectors.

**Major Observations and Conclusions**

Based on our review, we determined Neighborhood Services had accomplished its overall mission of improving the quality of life and protected the health, safety and welfare of the community through code compliance, zoning ordinances, Customer Contact Center and Neighborhood Coordination. However, we did identify several significant issues that needed to be addressed. These issues included not having up-to-date policy and procedure manual(s), having permit forms available on the public website that were not accurate, and a customer service process that needed improvement. Also, there was no effective process for the collection and tracking of proffers, inadequate segregation of duties for collecting funds, inadequate cash control and safeguards, and a failure to use the “City Travel Log” or monitor the use of fuel gas keys. There were insufficient monitoring practices for inspection performance, lack of standardized inspection documentation, and a lack of timely and effective tracking of elevator inspections. Also, we found inconsistencies among the fees listed on various forms and web sites, as well as inconsistencies with the collection of re-inspection, late, and additional fees.

This report, in draft, was provided to Neighborhood Services officials for review and response. Their comments have been considered in the preparation of this report. These comments have been included in the Managerial Summary, and the Audit Report. Neighborhood Services concurred with most of the report's recommendations and has either implemented or begun the process of implementing many of them during the course of the audit. Neighborhood Service's management, supervisors, and staffs were very helpful throughout the course of this audit. We appreciated their courtesy and cooperation on this assignment.

## **Methodology**

To conduct this audit, we reviewed selected Neighborhood Services' policies, procedures, and practices. This review included testing the cash receipting and handling process and the proper safeguarding of assets. We conducted an extensive review of the Automated Receipting System (ARS) which was implemented during the course of this audit. This system replaced the old Paid-in-Voucher (PIV) system and was expected to provide a more efficient and accurate receipting process and provide for a cleaner transaction audit trail. We also reviewed and tested the permit issuance and inspection processes. In addition, reconciliations of revenue accounts and automotive fuel usage were conducted, and analyses were conducted on Neighborhood Services handling of proffers and the use of independent inspectors for conducting elevator inspections.

In addition to these items, we reviewed compliance with City and State policies and procedures. Various industry standards were used for benchmarking purposes. We reviewed citizen satisfaction surveys, departmental reports, and grant awards. Certain interactive functionalities of the Neighborhood Services website were tested and analyzed. We also interviewed numerous staff from Neighborhood Services management, inspectors, and clerical staff. We reviewed prior audits of Neighborhood Services to note any areas that still required attention.

## **B. Performance Information**

Neighborhood Services was the department that arguably impacted the everyday lives of the City's residents most significantly. From the moment a house or neighborhood was proposed, Neighborhood Services reviewed and enforced such things as zoning and code compliance. Years later, when that same house or neighborhood was being restored, Neighborhood Services provided oversight for the renovation/revitalization efforts. In between, the Department provided a primary customer contact, developed and trained community leaders, managed housing programs, and provided a variety of youth service programs.

Neighborhood Services generally achieved its' mission of improving the quality of life and protecting the health, safety and welfare of the community in an efficient and effective manner. It did this by coordinating its activities with other departments to benefit the City as a whole and reduced service overlap and waste.

### **1. Organization**

The Department was divided into five functional divisions and seven service areas: Code Compliance (which was subdivided into Building Inspections, Property Maintenance and Zoning Inspection, and Plan Review); Zoning Administration; Neighborhood Coordination; the Customer Contact Center; and Youth Services and Housing. Each division works in tandem with one another to assist and support the Department's processes and duties. Neighborhood Services also completed major improvement initiatives related to its Automated Receipt System and the City's Development Review Process.

### **2. Code Compliance Division**

The Code Compliance Division was sub divided into three service areas: Building Inspections; Property Maintenance and Zoning Inspections (Code Compliance); and Plan Review (Commercial and Residential).

The primary job of the Building Inspections Unit was to enforce the Virginia Uniform Statewide Building Code and City Code. This enforcement was done through the use of inspections on all construction projects, including both new buildings and renovations of older buildings. These inspections ensured that a building's gas, electrical, mechanical, structural, plumbing, and other work were performed to code.



***This photo is of a homeowner's attempt to install a gas water heater.  
Note the disconnected gas exhaust and the maze of PVC piping that is used.***

The primary job of the Property Maintenance and Zoning Inspections Unit was to enforce various City Code Regulations and Zoning Ordinances. Their duties were far reaching and could be thought of as the enforcers of the City's aesthetics. Graffiti removal, weed and debris control, demolitions, board ups were all enforced by this unit. Various zoning regulations such as flag pole and sign heights, garage sales, skate board ramps, and home occupations were also enforced.



***Examples of weed and debris findings by Code Compliance inspectors***

The Plan Review Unit was further sub-divided into two operational sections: the commercial section and the residential section. In the commercial section, plan examiners were responsible for reviewing all commercial building plans submitted for approval. Here, the plan examiners worked with architects and contractors to ensure that all plans submitted met existing codes and ordinances prior to beginning the permit process. In the residential section, building plans were reviewed by a building inspector and approved prior to the issuance of a permit.

### **3. Zoning Administration Division**

The Zoning Inspectors assigned to field responsibility and office duties were supported by the Zoning Administrator and one Secretary. This division responded to complaints, conducted inspections, and processed applications for building permits. It also functioned as a conduit to bring suggested changes and improvements to the Chesapeake Zoning Ordinance to the City Manager. This division also provided necessary staff support to the Chesapeake Board of Zoning Appeals.

### **4. Neighborhood Coordination Division**

The mission of the Neighborhood Coordination Division was to coordinate revitalization efforts and connect residents to services and information to enhance the quality of life in the City. The Division developed, revitalized, sustained, and supported neighborhoods by ensuring that housing and infrastructures were kept up-to-date. The Division also worked to enhance community involvement and improve access to information and resources that supported the community. This was accomplished through various programs such as the Neighborhood Leadership Program, Quality of Life Study, Annual Neighborhood Symposium, publication of the Chesapeake Neighborhood Connection, and various Ombudsman Services to enhance information to and from the various neighborhoods and civic leagues.



*Neighborhood Coordination newsletter logo* *Neighborhood Leadership Program – Spring 2008*

During the past two years, this division hosted the Virginia State-wide Neighborhood Conference, which attracted over 300 neighborhood activists, advocates and government officials; graduated 60 residents from the City's Neighborhood Leadership Program; and implemented the City's first neighborhood matching grants program to stimulate public/private community improvement projects.

## **5. Customer Contact Center**

The Customer Contact Center (Center) began operations on July 19, 2005. Since then, it has been providing citizens and other customers with a centralized information center. The Center was intended to provide personalized, faster, and easier access to problem resolution, and information and assistance on City services. In 2008 the Center accepted 153,245 calls, processed 246,600 requests for City services, and answered 42,200 informational calls that did not require action by another department. As part of its' mission, the Center partnered with the City Manager's Office and established Service Request performance measures and workflow process improvements. The Center also helped develop citywide accountability reports which resulted in response time improvements in different departments.



*Customer Contact Center – C3*

The Center also maintained over 75 online service request options for customers such as requesting bulk trash pickup, missed trash pickup, reporting potholes, or services dealing with blocked ditches, zoning violations, athletic field and park maintenance, barking dogs, events information, and much more. In the 2007 Chesapeake Citizens Survey, the Customer Contact Center had one of the highest satisfaction ratings at 91.8%.

## **6. Youth Services and Housing Division**

The Youth Services and Housing Division became part of Neighborhood Services effective July 1, 2007. This division replaced the Office of Intergovernmental Affairs, Youth and Family Services and was made up of two offices.

The Office of Housing coordinated the City's interactions with other governments and public and private entities, centralized grant administration activities, and oversaw Community Initiative/Human Development Block Grants. The Office of Housing served as the resource center for workforce/affordable housing, homelessness, housing for the elderly and the disabled. This office also administered various federally funded programs such as: Community Development Block Grants, Section 108 Loan Guarantee Program Funds, the Home Investment Partnership Entitlement Funds, the American Dream Down Payment Initiative (ADDI), and the Continuum of Care (COC) homeless service funds.

The Office of Youth Services coordinated, enhanced, and promoted community services and resources for children and youth. These services and resources included a Child Abuse Prevention Month, the Mayor's T-Ball Classic, Mayor's Youth Day, School Supply Drives, Relay for Life, Winter Hats and Gloves Project, and a Career Day. Training programs offered included the Best Initiative – Advancing Youth Drive, Gang Education and Awareness, and Chesapeake Council on Youth Services Legislative Breakfast. The Office of Youth Services was intended to promote positive development of youth, with a focus on youth as an asset and resource in the community. This office provided support and technical assistance to the Chesapeake Youth Committee (CYC) and Chesapeake Council on Youth Services (CCOYS).

## **7. Automated Receipt System (ARS)**

In early 2008, the ARS was implemented in Neighborhood Services. This system automated the receipt system when permits and service files were created. The project was a joint effort of several departments including the Treasurer's Office, Information Technology, Finance, and Neighborhood Services and, at the request of Neighborhood Services; Audit Services provided advice and feedback throughout the project.

The ARS saved an estimated \$1,000 to \$1,500 a year on the cost of pre-printed receipts, saved 3 to 5 minutes per customer transaction, and provided for multiple cashiers, allowing more time by other staff to begin and finish a process. The new system cut the time it took to reconcile the General Ledger from two weeks to less than one hour, cut the time it took to process a refund request from two weeks to twenty-four hours, and provided for increased accountability and security of fees owed and collected. Plans were being made to utilize the ARS for permit processing, tracking proffer payments, elevator inspections, zoning variances, and other functions currently monitored using spreadsheets and manual methods.

## **8. Neighborhood Services/Public Works Reorganization**

Under direction from the Mayor and City Council, the City Manager commissioned a panel to review and make recommendations streamlining the construction approval processes. The panel recommended several changes (some of which have already been incorporated) to the review of the approval processes, such as improved communication of the format of the construction plan review so that it included all stakeholders, and incorporated changes to the public website to keep all parties

informed of required information and project status. In addition other changes included customer service training, cross-training of employees between functions, and hiring additional building plan review staff. The Neighborhood Services Department was, with the support of the development community, successful in revising permit fees to provide funding for one additional Assistant Plan Examiner within Neighborhood Services and one additional Fire Plans Examiner for the Fire Prevention Bureau.

In an effort to reduce wait times for approval of businesses' construction projects the City Manager reorganized portions of the Neighborhood Services and Public Works Departments. The reorganization, which occurred in February 2009, would bring key elements of the plan review process under one organizational grouping and improve customer service. A part of this reorganization was the creation of the position of Plans Review and Codes Administrator. The new, reorganized, Neighborhood Services Department will be renamed the Department of Development and Permits and was proposed to be effective July 1, 2009.

The changes were expected to reduce the initial plan review time for businesses' construction projects to as little as five days, down from almost eight weeks. It would also allow cable and phone companies to be able to obtain utility permits more quickly and smoothly, and give churches and other groups more time to put together major projects after approval of a conditional use permit. Bringing the subdivision review process and the Public Works' development review process together should create a more cohesive approach to getting projects approved, permitted, and onto the tax rolls as soon and as efficiently as possible.

## **C. Administrative Findings**

While Neighborhood Services appeared to be effectively accomplishing its overall mission, we did identify some areas where administrative practices could be enhanced. For example, Neighborhood Services did not have an up-to-date policy and procedure manual. Also, forms placed on the public website were not sufficiently reviewed and tested.

### **1. Policy and Procedures Manual**

**Finding – With the exception of Code Compliance and the Customer Contact Center, Neighborhood Services did not have an up-to-date policy and procedure manual for daily operations.**

Effective and consistent management practices should include standard operating procedures that define the roles and responsibilities of each position and function. Also, there should be a process that makes the staff aware of the standard operating procedures and their responsibilities.

We observed the operational practices of Neighborhood Services and noted the following:

- The elevator inspector, administrative staff, and Code Compliance Manager were not able to provide a complete explanation or flow process for conducting elevator inspections, documenting the inspection reports, and tracking the inspections and inspectors. Also, there was a three-month coverage gap where the assigned staff member was unable to perform the required duties, and the new staff member had to figure out the former staffer's processes. In addition, there was no one assigned as back-up.
- The administrative staff members for different divisions within Neighborhood Services gave differing explanations of the flow process for plan review, issuing of permits, and issuing Certificates of Occupancy for residential and commercial projects.
- There was no documented process for handling and counting cash and other funds. With no clear definition of responsibilities and duties or standard operating procedures, there was no consistent daily closing of the clerks' records or method of reconciliation.
- Procedures for the Automated Inspection Scheduling (AIS) system were outdated.
- The Zoning Administrator had an outdated policy and procedure manual.
- There were no written procedures for processing proffers, zoning records, and Board of Zoning Appeals records. Also, the records were maintained by one staffer with no other employee assigned as back-up.
- Almost all of the documents used by Neighborhood Services had no instruction sheets that defined required entries for each block.

This situation occurred because Neighborhood Services tended to rely on the institutional memory of the employees rather than formally documenting the policy. However, without standard procedures, there was an increased risk of noncompliance with Code requirements. Also, the department may experience differing levels of customer service. Additionally, undocumented processes would have to be recreated if key personnel left.

**Recommendation – Neighborhood Services should develop written policy and procedure manuals for each of its operating divisions that define responsibilities and expected practices of the different positions and functions. Because of the diversity in services provided by the various Neighborhood Services divisions, each will likely have to develop its own procedure manual.**

As a common theme, these manuals should include:

- Departmental training of new personnel.
- Departmental training to update and review the existing policy and procedures.
- Detailed explanations of flow processes.
- Clearly assigned duties and responsibilities for each staff member.

**Response – Agree.**

The department staff has begun the creation and accumulating the information for these manuals. The manuals are to be prepared and stored in an electronic file for the various routine procedures for each division. This procedural manual will provide the policy and/or procedure for the majority of situations.

The manuals are expected to be completed by September of 2009. This manual is a “living document” subject to changes as required by the frequent changes in the state and local codes and regulations. This will require permanently assigned staff to maintain adequately.

The review and revision of each policy and procedure will be performed on a bi-annual basis.

## **2. Review of Permit Applications**

**Finding – The Adobe PDF versions of Neighborhood Services’ permit application forms published on the public website needed additional review and testing prior to being placed on the website. Also, the employee responsible for developing the forms needed additional training.**

The purpose of the City web site was to 1) provide customers with accurate and useful information, and 2) provide customers with the opportunity to conduct business transactions with the City online. The City requires that departments placing forms on

the City website review and test the forms to ensure that they are accurate and work as designed before they are placed on the website.

Our review and testing of the PDF permit application forms indicated the following:

- It appeared that the forms were not adequately tested before being placed on the City's website for public use.
- Forms were not user friendly.
- There were no instructions on how to complete forms on the website.
- Forms did not calculate permit fees correctly.
- State levy fees did not round correctly.
- Out-of-date revised permit application forms were not removed from the server; therefore, they continued to be accessible to customers.

In addition, we were advised by the employee who created the permit forms that additional training was needed to obtain the necessary skills to perform the required website form creation duties.

This situation occurred because the permit forms were not adequately reviewed and tested to ensure accuracy, user-friendliness, and reduction of possible errors. In addition, the employee creating the forms did not have the necessary programming skill level to properly create the required forms.

If steps are not taken to correct the permit forms, employees will not be able to process the permits because incorrect fees cannot be processed through the ARS. Permits would have to be handled twice by the department and customers would be inconvenienced and negatively impacting customer service.

**Recommendations – Neighborhood Services should ensure that forms placed on the City's website are reviewed and properly tested to ensure they work as designed prior to placement on the website for public use. In addition, the employee responsible for creating the forms should be provided the necessary training to perform their technological duties.**

The Department should consider the following suggestions to improve website-related permit applications:

- Remove permit application forms from the City's website until forms can be properly tested and are working as designed.
- Remove outdated forms from the server and ensure all links point to the current forms.
- Ensure that permit application forms calculate fees correctly and show details for how the total permit fees were calculated.
- Consider creating an instruction sheet on how to complete permit forms.
- Consider the use of warning messages and use of drop down boxes to assist the user.
- Ensure that the employee that creates forms for the department receives the

- necessary training to perform their duties.
- Consider redesigning permit forms so that they become more user friendly.

**Response – Agree with findings.**

**Upon discovery that the on-line forms on the Department's website were not calculating the state levy correctly, the forms were removed from the site temporarily until fixed. A new practice of double-reviews will be instituted to ensure that calculations are correct and function as expected. Additionally, applications shall undergo an intensive re-design study for simplicity, flow and instructions with a deadline for completion of the first of 2010.**

**Please note: The forms calculated the fees out to the third decimal point. It wasn't until Audit calculated the State levy out to the fourth decimal point that an error was discovered. The odd numbered 1.75% State levy helped create the calculation error. The State levy will transition to 2% July 1, 2009. This should eliminate any potential for error.**

## **D. Operations**

We identified some areas where managerial and operational practices could be enhanced. For example: 1) it appeared that the permit issuance process needed to be enhanced to improve customer service; 2) the department did not track or monitor issued permits; 3) one employee was assigned to monitor proffers with no back-up and no written procedures; 4) for the Rental Program, inspectors accepted checks in the field without adequate safeguards and controls. Additionally, customers were given a manual receipt evidencing their transaction instead of an automated receipt. Furthermore, there did not appear to be adequate controls concerning cash and vehicles.

### **1. Permit Issuance Process**

**Finding – The effectiveness and efficiency of the permit issuance process needed to be improved to better meet customer expectations.**

Providing good customer service requires determining what customers expect from the City and meeting those expectations. Also, Neighborhood Services should have a permit issuing process that is customer friendly and provides the customer with the necessary information for obtaining a permit so that the customer's visit to the Department becomes a pleasant experience.

We observed the customer service operations for permit issuance within the Department and found the following:

- Customers were not consistently acknowledged when they entered the Department.
- Customers were not given any directions on how to obtain permits by Customer Service Representatives (CSRs).
- Customers entered the Department and sat down waiting to be called to receive service, but had not signed-in; therefore, they did not get called.
- Customers were observed having to get in line several times because they had not signed in on the right sheet to get the permit they needed or had not completed the necessary documents that were needed to obtain their permit. There were three types of permits issued with each type having a counter section.
- Customers had to wait to obtain a permit while several CSRs were not busy waiting on customers. CSRs that were not waiting on customers made no attempt to help the customer that was waiting for service.
- Some customers were unaware of which forms were needed to be completed to obtain their permits causing the customer to get frustrated.
- The forms stand for obtaining permits did not appear to be properly placed within the Department.
- Signage within the Department was not visible from the front doorway. Signage was not located at eye level, some information indicated on the signs was not correct, and several other signs could have been better placed such as no cell phones, credit card, and Land Disturber and state contractor license signs.

- Signage on the entrance to Neighborhood Services provided incorrect and incomplete information. The only sign in the office that said what kind of credit card Neighborhood Services accepted (Discover card) was on the entrance door and that door was normally open. The sign did not tell the citizen that certain debit cards were also accepted; customer service staff had to verbally mention it. Additionally, the entrance sign showing hours of operation was incorrect – the normal operating hours began at 8 a.m.



**Exhibit 1 – Neighborhood Service Entrance w/Discover Card Notice & Incorrect Starting Time**

These situations existed because Customer Service Representatives and management were so busy servicing customers that they did not take the time to determine what customers expected and make things right for them. In addition, we were informed by Neighborhood Services that they had made a request to reengineer the permit issuance process, but funds for the project were not approved.

If steps are not taken to improve the permit issuance process, customers will not receive the best customer service the City can provide. As a result, additional complaints may occur.

**Recommendation – Neighborhood Services needs to observe, analyze and reengineer the permit issuance process so that it is effective, efficient, and meets the expectations of customers.**

The Department should consider the following suggestions to provide a customer friendly experience for its customers:

- Customers should be consistently acknowledged when they enter the Department.
- Consideration should be given to placing an information person/desk either outside the Department or at the customer entrance with a greeter whose purpose was to greet customers, answer customer questions, provide proper forms to be completed, review completed forms if necessary, and direct the customer to the proper representative for service. This procedure can be accomplished with existing staff or possibly volunteers.
- Customer service representatives should be cognizant of the number of customers waiting for service. If customers have to wait for service, CSRs should call for help to service the customers promptly and clear the lobby.

- Neighborhood Services should review all signage within the Department to ensure its accuracy.
- Neighborhood Services should review all signage to ensure it serves the purpose for which it was intended (sign placement, eye level, etc.)

**Response – Agree.**

**The permit issuance process at the front counter has been studied and initial modifications have been made. Additional modifications have been suggested and will be implemented incrementally on a trial basis.**

**It was determined that consistent oversight of the zoning counter was required. As such, a Chief Code Compliance Inspector has been transferred from the Code Compliance Division to Zoning Administration. This inspector has been permanently assigned to the front counter to assure consistent review and information to the public.**

**Other changes are being studied and planned. Proposals include the provisions for a staff member to greet customers prior to their interaction with the front counter staff. The responsibility of the “greeter” will be to welcome the customer and provide preliminary information based on what the customer needs. Required applications can be completed and reviewed and procedural directions can be provided to the customer prior to waiting for the next available counter staff. As a result of the current decline in new construction permits and inspections, staff will be available to rotate from the field to provide this service on a trial basis. If, and when, the economy accelerates, and permits increase to previous levels, it may be necessary to modify the service in order to provide timely inspections of new construction projects.**

**As part of the proposed changes, greater efficiencies could be realized by initiating an electronic or numerical system to track customers and service, rather than a sign in sheet. Additional investigation will proceed to determine the affect of physical changes to the front counter and associated functions. The above noted changes will take into consideration the limitation of necessary funding.**

**2. Permit Monitoring Process**

**Finding – Neighborhood Services had not established a monitoring process to ensure that required inspections were being performed when permits were issued.**

**The Virginia Statewide Building Code states it is the duty of the permit holder to notify the building official when construction reaches a stage of completion that requires an inspection. In addition, the Code also provided Neighborhood Services the authority to conduct inspections without a request from the permit holder when necessary. We**

contacted the cities of Norfolk, Suffolk, and Virginia Beach, as well as Hanover County, and determined that three out of these four localities were reviewing existing permits to ensure that inspections were being performed as required.

Neighborhood Services did not review permits over six months old to ensure that inspections were performed as required. Our tests of the permit records for the period 1/1/06 through 8/28/08 identified 8,797 permits requiring inspections that were over six months old where no inspections had been performed and no request for inspections had been initiated by the permit holder.

Also, we noted that there was no formal checklist that informed the permit holder when inspections were required. Instead, Neighborhood Services only addressed the need for inspections to be scheduled as the permit holder's responsibility to ensure that inspections were performed. Furthermore, the electrical permit application did not make any reference to scheduling inspections.

This situation occurred because Neighborhood Services decided to adhere to the Virginia Statewide Building Code that required the permit holder to make arrangements for required inspections without mandating review by the locality. However, if steps were not taken to review permits where inspections had not been conducted, there was a potential risk that buildings and projects can be completed without meeting Virginia Uniform Statewide Building Code requirements. In addition, if inspections were not performed as required, there was a possibility that buildings and structures could become a safety concern and a possible liability to the City.

**Recommendation – Neighborhood Services should consider developing and implementing a monitoring process that will ensure that permit inspections are performed as required by the Virginia Uniform Statewide Building Code.**

Neighborhood Services should consider the following suggestions for the monitoring process:

- Develop policies and procedures that address review of permits where no inspections had occurred that were over six months.
- Develop a monitoring process to ensure that inspections are being performed as required by the Virginia Uniform Statewide Building Code.
- Develop a checklist that informs the permit holder when inspections need to be performed.
- Develop system generated reports that will assist the Department in identifying permits over six months old that have not had inspections.
- Educate permit holders so that they know it is their responsibility to schedule inspections for their projects.
- Ensure that forms and brochures' referencing inspections clearly reflect that it is the permit holder's responsibility to schedule inspections.
- Consider placing signs in the lobby area indicating that the permit holder is responsible for scheduling required inspections.

**Response – We agree.**

**Policies, procedures and a monitoring process for permits over six months old will be developed.**

- 1) The City Attorney’s Office and the Neighborhood Services staff have met and developed a proposal to require permits, without all required inspections, to be completed. As per State Code, the Building Official has authority to take specific action for permits up to two years after the date of discovery.**
- 2) The Building Official has created a brochure that includes a checklist for all inspections required per discipline (building, electrical, plumbing and mechanical). The brochure includes the note “It is the permit holder’s responsibility to schedule all required inspections”. The brochure will be provided to all permit applicants.**
- 3) Complete - The IT Department has modified a system that will allow for the creation of reports for permits that are over 6 months old and without a current inspection.**
- 4) Important Consideration - The implementation of a notification and follow-up program to permit holders with outstanding inspections will significantly increase our postage cost. This cost is not covered in the current budget line item.**

### **3. Proffer Entry and Tracking**

**Finding – The Department’s process for initial entry of proffers for collection and the tracking of proffer payments needed to be improved.**

A cash proffer is defined as any money voluntarily offered in writing signed by the owner for property that is subject to rezoning and accepted by the City. The City’s Proffer Policy required that proffer money be collected from owners prior to the issuance of a building permit for construction on rezoned property. To ensure that all proffer payments due the City are collected prior to the issuance of building permit, an effective collection process for proffers should include the following:

- Proffers should be entered on the planning system and include all necessary information related to the proffer (i.e., project, type of proffer, and amount owed).
- Proffers should be monitored and tracked until the proffer payment is paid to the City.
- The process for collection and tracking of proffers should be automated.
- Stakeholders should have the ability to monitor the set-up, collection and expenditures of proffer monies received.
- The twelve proffer revenue accounts should be reconciled to the general ledger

each month. Establish date as to when reconciliations need to be completed.

- The supporting documentation for monthly reconciliations should be maintained.
- A monitoring process should be in place to ensure reconciliations are completed each month as required.
- An annual State Proffer Report should be completed as required.
- A monitoring process should be in place to ensure State report is completed as required each year.

Our review of the Neighborhood Services proffers process indicated the following:

- Written documentation was not established on how to process and track proffers.
- Proffers were being tracked in a haphazard manner; a spreadsheet was maintained for each type of proffer, however, a front-end control point was not established so that the individual tracking proffers knew which proffers had been approved and set up on the front-end of the proffer tracking process.
- All General Ledger proffer revenue accounts were not being reconciled each month. In addition, when reconciliations were performed, supporting documentation evidencing the reconciliations was not being maintained. Our test of the proffer records indicate that, as of 8/31/2008, the spreadsheet balances for School, EMS, and Library proffers were out of balance with the General Ledger. Proffer records were out of balance with the General Ledger as follows: School, \$1,526,370.85, EMS, \$72,639.81, and Libraries, \$107,321.85. Furthermore, we determined that a proffer payment in the amount of \$292,000 was not collected prior to issuing a building permit.
- A management review process was not in place to ensure that all proffer revenue accounts were reconciled each month.
- All twelve General Ledger proffer revenue accounts were not entered on the new Automated Receipt System (ARS), which resulted in proffer payments not being collected before permits were issued.
- We noted that the ARS was not being utilized to track proffer payments and update the various proffer spreadsheets. Instead, the Office Coordinator relied on data clerks to supply payment receipts to post to the proffer spreadsheet.
- We also noted the Department did not have a trained back-up person to maintain the proffer spreadsheets, except for the Acting Zone Administrator.
- A management review process was not in place to ensure that the annual State report for proffers was completed as required.

This situation occurred because Neighborhood Services did not have documented procedures for how proffers and proffer payments and expenses should be processed and tracked. In addition, no mechanism had been put in place to identify proffers and proffer payments by type at the point they were approved and entered on the Planning System. Also, management did not establish a monitoring process to ensure that all proffers were set up and that proffer payments were reconciled to the General Ledger each month. Furthermore, the process in place to track proffers was labor intensive, and steps should be taken to streamline and automate the proffer process.

If the proffer process is not improved, the City will not collect proffer payments before building permits are issued. It also may not collect all payments that are due the City at the time the permit is issued.

**Recommendation – Neighborhood Services should develop an automated process to monitor the entry, payment collections, and tracking of related expenses for City proffers.**

The development of an automated proffer tracking process should include the following:

- Develop written procedures for the monitoring the entry, payment collections and tracking expenses for City proffers.
- Establish a control point where all approved proffers are set-up on the Planning system so they can be accessed by Neighborhood Services and related departments to obtain all necessary information to collect proffer payments and track expenses.
- Develop exception reports on the ARS to extract all proffer payment information.
- Reconcile all twelve proffer revenue General Ledger accounts at the end of each month. Supporting documentation for reconcilements should be maintained.
- Develop and implement a management review process to ensure all proffer revenue accounts are reconciled each month and that annual State Proffer Report is completed and sent to the State as required.
- Ensure that someone in the Department is properly cross-trained on how to maintain the proffer record keeping process.
- Develop an automated report(s) that pulls the necessary information from the ARS to track proffer data.

**Response – Agree.**

- **Written procedures have been developed for the proffer tracking process currently in place. The manual procedures have been implemented to assure a reasonable effectiveness until the requested automated system can be completed.**
- **As indicated in the previously noted procedures, all approved proffers are controlled manually. An automated system has been requested that will increase the level of effectiveness of the controls and tracking of the cash proffers.**
- **Exception reports have been requested to IT to extract all payment information.**
- **A procedure has been implemented to have all proffer revenue General Ledger accounts reconciled at the end of each month and documentation supporting the reconcilements is maintained.**

- As part of our written procedures, a schedule indicating monthly due dates has been created and assigned to staff for implementation.
- A minimum of three staff members have been cross-trained on how to maintain the proffer record keeping process. Additional training and refinement is implemented on a regular basis.
- A request for the creation of the automated system has been sent to the Department of Information Technology. Information Technology has initiated the information gathering process and a plan has been developed to create a system that functions with the Automated Receipt System. Once all information associated with the various departments' needs has been compiled, the Automated Cash Proffer Tracking program will be created, tested and initiated for use.

#### **Summary:**

Monthly meetings have been initiated with all departments involved with the tracking, acceptance, and expenditure of cash proffers. The meetings include reconciliation of proffers received, to date, and anticipated revenues. In addition, the meetings focus on the proposed Automated Cash Proffer Tracking program.

When a building permit is initiated, the Automated Cash Proffer Tracking system, when complete, will automatically flag a lot indicating that a cash proffer is required. Reports will be produced from this system for reconciliation, indicating cash proffers paid and anticipated income from required proffers.

The combination of the partial electronic and partial manual system now utilized to track proffers is effective to ensure proffered funds are collected as required. The eventual transition to an Automated Cash Proffer Tracking program will ensure even greater effectiveness.

The Automated Cash Proffer Tracking system is estimated to be completed within the 09-10 FY.

#### **4. Rental Certificate of Approval Controls.**

**Finding – The Rental Certificate of Approval (RCA) issuance process lacked adequate segregation of duties. Code Compliance Inspectors were directly collecting fee payments themselves from owner/agent for the RCAs at the inspection site. Inspectors issued the owner/agent an unnumbered RCA for the payments they received. Finally, rental inspection fee payments collected by the inspectors were not reconciled to the rental inspection fees general ledger account each month.**

Proper internal controls for a payment collection process should include adequate segregation of duties. The payment collection process should not allow any one person the ability to handle a transaction from beginning to end.

We noted a lack of adequate segregation of duties for the RCA process. Inspectors handled the RCA transactions from beginning to end as indicated below.

The inspectors:

- Received calls for inspections;
- Scheduled inspection time with owner/agents;
- Entered rental inspections requests into the Customer Service Request System;
- Performed rental inspections;
- Collected the rental inspection fees directly themselves;
- Gave an unnumbered RCA receipt to owner/agent for receipt of payment;
- Gave a copy of the RCA and payments to CSRs for processing;
- The CSR then processed payments through the Treasurer's (PIV) system and mailed owner/agent receipts.

Also, Department personnel did not track the number of scheduled inspections to be performed for any given day; therefore, the Department was unable to ensure that all payments were received for the number of assigned scheduled inspections. In addition the Revenue General Ledger account for rental inspection fees was not reconciled each month.

This situation occurred because Neighborhood Services allowed the Code Compliance Inspectors to collect RCA payments on the inspection site when inspections were performed. In addition, the Department did not require that the revenue general ledger account for rental inspections be reconciled each month.

If this situation is not addressed there is the potential for appearance of impropriety, which could cause embarrassment to the City. In addition, the lack of proper segregation of duties could provide the opportunity for misappropriation of funds.

**Recommendation – Appropriate segregation of duties should be established for the RCA process.**

Neighborhood Services should discontinue the practice of allowing Code Compliance Inspectors from accepting rental inspection fee payments from owner/agent at the inspection site and also consider placing wherever practical (forms, website, receipts, etc.) the following notice "Payment of fees are allowed only through the mail or in person in our office location."

We suggest the following corrective actions be considered:

- All rental inspection fees should be paid in advance at Neighborhood Services or billed on the Treasurer's invoicing system by CSRs.
- All inspections should be set up on the Customer Service Request System by

CSRs after payment is received or billed. After inspections are set up on the Customer Service Request System, the inspectors can call the owner/agent to set up inspection time.

- The Department should establish a monitoring process to ensure all invoices have been paid.
- The rental inspection fee general ledger account should be reconciled each month.
- The Department should establish a periodic review process to ensure the above items are completed on an ongoing basis.

**Response – Agree to most findings.**

**All rental inspection fees are only accepted by mail or in person by office staff. No payments of any kind are accepted by inspectors. Training is currently underway to allow the Treasurer’s Office to invoice for inspection fees.**

**We currently do not schedule an inspection until payment is received. We are in the process of transitioning to the City Treasurer’s invoice system. Once the invoice is created, the fee is considered paid and an inspection can be scheduled immediately. The Treasurer’s Office pursues and assures that all invoices are paid.**

**Currently, the rental inspection fee general ledger account is manually reconciled each month. Once the new process of invoicing is initiated reconciliation will be performed through the Automated Reports.**

**The Department of Development and Permits will periodically review the rental payment and reconciliation process to ensure that the above items are completed on a monthly basis.**

**Summary:**

**Originally inspectors were allowed to accept checks in the field made payable to the City of Chesapeake as a customer service courtesy. This practice was abandoned immediately upon recommendation by audit staff during the audit review. All payments are required to be made in person or by mail at this time.**

**5. Cash Controls.**

**Finding – Neighborhood Services’ cash controls needed to be improved and safeguards over cash needed to be enhanced.**

An effective functioning cash control process should incorporate the following attributes:

- Documented cash procedures
- Safeguarded cash funds in the department during the day and at night
- Controlled duplicate keys and combinations to cash boxes and safes

- Defined daily settlement processes in detail including settlement time(s), use of count sheets to include signature and date and counting entire cash fund including till and processing of overage and shortages
- Control of cash funds at all times to prevent unauthorized access
- Performance of periodic surprise cash counts
- Defined till amounts
- Defined cash exchange processes

We evaluated the cash controls within the Department to determine if they were functioning effectively and that cash was adequately safeguarded. We noted the following conditions:

- The Department did not have documented cash control procedures.
- Our cash count of the two CSR cash boxes revealed the following: one CSR documented their cash count on a adding machine tape that was not signed or dated and the other CSR used a count sheet to document their cash count, but did not include their till cash in their count. Also, an adding machine tape of the cash count was not attached to the count sheet and the count sheet was not signed and dated by the CSR.
- Cash funds were not counted and settled to the ARS' settlement totals at 2 p.m. each day. The daily system cash settlement was being done at 10:30 a.m. rather than 2 p.m. each day.
- Cash funds were not interim balanced at 5 p.m. each day to ensure that the cash collected between settlement and the end of the work day agreed with the ARS' cash balance. In addition, the cash fund was not being counted each morning before opening for business.
- A designated employee was not performing periodic surprise cash counts on all cash funds.
- Cash boxes were not adequately controlled because six individuals within the Department had the complete combination to the floor safe that houses the individual cash boxes. In addition, we observed that the floor safe that housed the cash boxes was not physically attached to the cabinet.



**Exhibit 2 - Neighborhood Services' safe**

- Duplicate keys to cash boxes were not adequately controlled to prevent unauthorized access because the Neighborhood Services Manager housed duplicate keys in an unlocked desk drawer.
- Locks had not been installed on drawers at work stations where cash funds were kept during the day.

These situations existed because the Department did not have documented cash control procedures. In addition, Neighborhood Services did not review settlement documents to determine that funds were settled at the established times and that required forms were completed properly and they did not perform periodic surprise cash counts. Further, cash controls over the safe were not adequate to safeguard cash funds. If proper cash controls are not established and monitored on an ongoing basis, cash funds could be lost.

**Recommendation – Neighborhood Services should establish and document cash control policies and procedures so that cash is adequately safeguarded. In addition, management should develop an ongoing monitoring process to ensure adherence to cash control policies and procedures.**

Cash control policy and procedures should address the following areas:

- Proper control of cash during the day and at night.
- Proper control over duplicate keys and combinations.
- Settlement processes to include: settlement times, use of count sheets, cash exchange process, all cash counted including till, completion of settlement documents, signature and date, adding machine tapes.
- Established till amounts.
- Procedures for handling overages and shortages in cash funds when they occur.
- Performance of surprise cash counts, by a designated employee.
- Performance of interim cash count at the end of the each day and each morning before opening for business.
- CSR control of cash to prohibit unauthorized access.

The City Treasurer’s Office may be able to assist the department in developing these procedures.

**Response – Agree with findings.**

**A new safe with dual controls has been purchased, secured and installed. Procedures for controls of cash have been created to include procedures for the personnel who will conduct the internal surprise audits. Specific staff members have been issued either a key or a combination to the new safe. One of each will be required to open the safe which should normally be only once a day. All other uses of the safe will be to drop deposits at the close of the day using Bank of America tamper-proof deposit bags. The new procedures are clear and provide for the easy monitoring of compliance.**

## **6. Processed Work, Permit Application, and Payment Controls.**

**Finding – Neighborhood Services’ controls over processed work, permit applications and payments received in the mail or by fax needed to be improved. In addition, Neighborhood Services did not reconcile revenue accounts against the General Ledger.**

Effective controls over processed work and incoming mail and faxes with payments for permit issuance should incorporate the following attributes:

- Documented procedures for handling of processed work and incoming mail and faxes.
- Control of processed work at all times to prevent unauthorized access.
- Tracking of permit applications and payments received in mail, dropped by customer, or faxed from receipt, and assigned to process.
- Review of tracking mechanisms for mail, faxes, and dropped-off items to ensure all items that were received were processed at the end of each day, or accounted for as not being processed.
- Accounts should be also reconciled on a regularly- scheduled basis.

In evaluating the controls over processed work, incoming mail, faxes, and dropped off items received for permit issuance, we noted the following:

- Customers were given a manual receipt evidencing their transaction rather than an automated receipt generated by the Treasurer’s PIV system.
  - Blank receipts were not pre-assigned to individual CSRs.
  - The log of receipts showed that receipts were not issued in numerical sequence.
  - The numerical sequence of issued, not issued, and voided receipts was not accounted for at the end of each day.
- Incoming mail was not date/time stamped and opened by one employee.
- Processed transactions were entered by four different CSRs into the Treasurer’s PIV system.
- Permit applications and other processed work were kept in a basket which was accessible to customers and other CSRs.
- Credit card information received as payment by fax or mail was not secured and was not destroyed after the transaction had been complete and accepted.
- Neighborhood Services did not reconcile the total number of transactions received by mail, fax, dropped off, or processed at the counter to the Treasurer’s PIV system at the end of each day.

This situation occurred because there were no policies and procedures in place that defined responsibilities for ensuring transactions were entered into the Treasurer’s PIV system at the end of the day, addressed handling of processed work, required verification of completed work, or required timely review. Additionally, reconciliation of the revenue accounts did not occur because Neighborhood Services did not think it was possible.

Although the implementation of the ARS had addressed the concern related to manual receipts, without controls over processed work there was an increased likelihood that transactions may not be entered as revenue, as well as increased labor to complete transactions. Also, if the revenue accounts are not reconciled on a routine basis, Neighborhood Services cannot be certain that revenues that were posted to the PIV system were accurate and complete.

**Recommendation – Neighborhood Services should take steps to improve controls over the transaction process and ensure that revenue accounts are periodically reconciled.**

The transaction processing controls should include:

- Having at least two people present when opening mail, date/time stamping of all incoming material, and keeping a daily log of incoming material with reconciliation to entered transactions.
- Creating controls to minimize access to processed work by unauthorized staff and customers.
- Ensuring that all permit applications and payments are tracked appropriately in the new ARS.

In addition, Neighborhood Services should enact a process for recording and reconciliation in emergency situations.

**Response – Agreed with most findings.**

**The creation and implementation of the Automated Receipt System (ARS) has eliminated the use of manual receipts which was the main contributor to most issues noted in this area of the audit report. All permit applications received by fax, mail or dropped off at the front counter are logged, assigned to an individual to process and are checked at the end of the day to assure completion. ARS has provided a means to reconcile to the GL in less than 1 hour through reports created by Information Technology. The reports not only shorten the length of time to reconcile but also allows for multiple persons to monitor revenues.**

**Credit card authorizations received by fax are kept in a secure location until processed and then are shredded. All applications received in this office are date/time stamped.**

**Controls to minimize access to processed work by unauthorized staff and customers are no longer a concern since the implementation of the ARS system. All work is processed completely and all payments secured at all times.**

**Disagree with the finding that opening mail should require two staff members for practicality reasons. Agree with the finding in substance but not**

application due to staffing levels. However, one staff member shall be designated to open all mail, endorse any payments (checks) and date/time stamp any applications for work. All applications for permits shall be logged for easy tracking.

We have an existing process in place for recording and reconciliation in emergency situations. The Department has manual permit forms and receipts stored in our storage facility that would be used in the event the electronic permit process was not available. The reconciliation of receipts would revert to a manual process through the PIV system.

## **7. Use of City Travel Log**

**Finding – Neighborhood Services did not use the “City Travel Log” as required by Administrative Regulation 4.07 and did not adequately control the use of fuel keys. In addition, control practices related to the use of vehicles needed improvement.**

Administrative Regulation 4.07 required that all individuals of the City of Chesapeake who use City vehicles in the conduct of their official business were required to complete an entry on the City Travel Log form for each trip, no matter what the distance traveled. In addition, the Department of General Services Customer’s Handbook required that fuel keys should be used only for the equipment to which they were assigned. Department heads and supervisors were responsible for the security, control, and use of fuel keys assigned to equipment under their supervision, and for approving the replacement of keys reported as lost. Finally, to verify appropriate usage of the vehicles, Neighborhood Services should periodically review information on vehicle usage and ensure that vehicles are properly secured.

We noted that Neighborhood Services was not using the City Travel Log as required by Administrative Regulation 4.07. Instead, Neighborhood Services used two locally generated forms: a Daily Travel Log (CG-711 – revised 2005) (for Code Inspectors), and an untitled form (for Code Compliance Inspectors) to document the total mileage and the inspection information completed for that particular day.

In addition, the vehicle coordinator did not return the ignition keys and fuel chip keys to Fleet Management when several vehicles were dispositioned. Also, procedures were not in place to ensure that ignition keys and personal fuel chip keys were: 1) used for the vehicles to which they were assigned and 2) collected when personnel were leaving the employment of Neighborhood Services. For example, two different employees used the same vehicle fuel key for fueling their two vehicles without notifying management of the problem with the fuel chip key.

Also, Neighborhood Services had not requested monthly fuel and mileage information from Fleet Management. In reviewing this information for Calendar Years 2007 and 2008, we noted that the Fleet Management database indicated that fuel

usage for a Police vehicle and a Parks and Recreation vehicle were charged to Neighborhood Services' vehicles. Additionally, the fuel usage of one Neighborhood Services vehicle was included in the fuel charged to another Neighborhood Services vehicle. Also, when physically inspecting the vehicles, we found one vehicle unlocked with City equipment in the back of the vehicle susceptible to possible theft.

This situation occurred because there was no departmental management review of fuel usage reports. Also, procedures had not been developed to address chip key controls or monitor appropriate vehicle usage. Additionally, Neighborhood Services was unaware of the requirements of Administrative Regulation 4.07, and thus allowed the use of locally generated travel forms instead of the required City form.

Without the use of the format of the City Travel Log and intent of Administrative Regulation 4.07, there was no auditable record tracing vehicle use from one location to another location. Also, if controls over fuel chip keys and review of fuel usage are not established, use of fuel resources cannot be accurately evaluated, which may cause incorrect budget projections. Additionally, possible misuse of fuel may occur.

**Recommendation – Neighborhood Services should begin requiring usage of the City Travel Log; establish controls over chip key use; and request and review the vehicle fuel and mileage reports produced by Fleet Management.**

The Neighborhood Services monitoring and review process should include:

- Implementing use of the City Travel Log in accordance with Administrative Regulation 4.07 and/or getting permission to use "Daily Travel Log" and the untitled form to include the City requirements.
- Requiring fueling information (i.e., number of gallons, odometer reading, and date of fueling) is included on the travel logs.
- Tracking the issuance, usage, and return of personal fuel chip keys and vehicle fuel chip keys.
- Requesting Fleet Management vehicle use reports for comparison to travel log information.
- Ensuring that vehicles are locked when unattended.

**Response – Agree.**

**As a cost saver, NS will continue to use the existing department travel log while supplies last and have requested the ability to transition to a modified City Travel Log subject to the City Manager's approval. The new travel log will incorporate both NS's and PW's data tracking requirements for use by the new Department of Development and Permits. The information regarding fueling information will be added to the travel log form. Inspectors are required to note the odometer readings for each trip. This information is now added and captured on our existing forms.**

**(Completed Implementation) - An existing form is on file to ensure the return of personal and vehicle fuel chip keys. A clearance form is in place to**

ensure all equipment, including chip key, is returned. This is required prior to receiving final paycheck.

**(Complete Implementation) - Quality Control check list has been updated to include vehicle care, maintenance and location of vehicle chip key.**

## **8. Use of Signature Stamps**

**Finding – The Zoning Administrator and Code Compliance Manager utilized signature stamps for document approval. In addition, the stamps were uncontrolled and accessible to unauthorized personnel.**

The use of signature stamps should be avoided whenever possible to prevent approval of unauthorized documents. We noted that Neighborhood Services had stamps for the Zoning Administrator and Code Compliance Manager. In addition, the stamps were left uncontrolled at the front counter and were accessible to unauthorized personnel. Also, two other employees had a signature stamp for the Code Compliance Manager at their desk, which was left uncontrolled and accessible to unauthorized personnel.

This situation existed because Neighborhood Services management wanted to expedite the issuance of Certificate of Occupancy forms when the Zoning Administrator and Code Compliance Manager were not available to sign the documents. However, if this situation is not corrected, there is the possibility that the signature stamps could be misused by unauthorized personnel without management's knowledge.

**Recommendation – Neighborhood Services should discontinue the use of signature stamps.**

Neighborhood Services should discontinue the use of signature stamps for issuance of Certificate of Occupancy and consider some other alternative, such as changing the wording on the receipt and indicate the name of the person who issued the Certificate of Occupancy. We consulted with the City Attorney's Office and found there was nothing in the State and City Codes that required Certificate of Occupancy to be signed by the Zoning Manager or the Code Compliance Manager.

**Response – Agreed with findings.**

**Complete - Signature stamps were available for the purpose of endorsing certificates of occupancy without requiring the physical signature of the Code Official and Zoning Administrator.**

**A legal opinion of the City Attorney's Office has resulted in a modification to the certificate of occupancy form whereby the signature blocks have been deleted since they are not required. Accordingly, the signature stamps have been destroyed.**

## **E. Inspections**

The Neighborhood Services inspection processes that governed buildings, elevators and monitoring of third party inspection agencies needed improvement to effectively and efficiently meet the expectations of customers. For example, there was an inordinate amount of time and labor to manually transfer inspection information from one automated system to another due to the inability of the systems to “talk” with one another. In addition, code inspectors and supervisors did not have a consistent standard for documenting inspections or review of documentation. Additionally, we noted that procedures governing third party agencies inspecting elevators and other people-moving devices did not have adequate review of reports which resulted in repeat discrepancies.

### **1. Permit Inspection Process**

**Finding – The effectiveness and efficiency of the permit inspection process needed to be improved to ensure the quality of inspections.**

The Neighborhood Services permit inspection process should include documented policies and procedures that address the following areas:

- Defined roles and responsibilities for inspectors, supervisors, and managers.
- Reviews of inspection forms to ensure they meet Neighborhood Services’ needs.
- Documented instructions and establish standards for how various inspection forms are to be completed, such as, time, permit type, address, comments and various codes.
- Established and defined codes that indicate the actual conditions of the inspection findings.
- Established rotation processes for inspectors.
- Established follow-up processes for rejected inspections and stop work orders.
- Established automated inspection scheduling process.
- Established quality control processes that monitor the performance of inspections.

We reviewed and tested permit inspection process in place within Neighborhood Services and noted the following:

- Policies and procedures were not in place to ensure that permit inspections were properly documented and reviewed.
- Standards had not been established and communicated to inspectors to ensure that inspection forms were consistently completed among all disciplines within Neighborhood Services.
- Inspection forms (Daily Travel Log and Inspection Detail Sheet) needed to be reviewed and changed so that forms adequately documented inspection results.
- Completed Inspection Detailed Sheets were not being reviewed by supervisors or managers at the end of each day to ensure proper completion.
- Our tests of the Daily Travel Log for the month of August 2008 revealed the following:

- Inspection forms were not reviewed by supervisors at the end of each day to ensure that the forms were properly completed.
- Inspection forms completed by supervisors were not being reviewed.
- Inspection results were indicated as either accepted or rejected; however, since inspections can be rejected for several reasons, there needed to be more than one rejection code.
- Inspections that were rejected or had stop work orders issued were not being followed up to ensure re-inspections were performed.
- Inspection results were entered into the Permit System by the data control technician rather than the inspector who performed the permit inspection.
- City's processes allowed customers to call either the Customer Contact Center (C3) or Neighborhood Services to schedule their inspections. However, the two computer systems did not communicate with each other. Therefore, the information captured on one automated system had to be manually entered into the second system.
- Neighborhood Services had not established an ongoing periodic rotation process for inspectors.

This situation occurred because Neighborhood Services did not have documented procedures that defined the roles and responsibilities of inspectors, supervisors and managers. Standards for the completion of inspection forms had not been created to ensure forms were completed consistently among all disciplines. Inspection results were not being adequately reviewed. Inspectors were not periodically rotated, and a quality control program was not fully operational. In addition, the inspection scheduling process was labor intensive and inefficient.

If steps are not taken to document inspection procedures, there is a potential risk that inspection forms and results will not be consistently documented, inspection quality could be compromised, and supervisory review of inspection documentation will take longer to perform. Further, if an inspector rotation process is not implemented, there is the potential risk of preferential contractor treatment, reduction of quality control, and combination inspectors may lose their skills if not allowed to perform inspections outside their field of expertise.

**Recommendation – Neighborhood Services should review, analyze and reengineer the inspection process so that it is effective, efficient and ensures that all inspections of commercial and residential projects are properly documented and reviewed.**

Neighborhood Services should consider the following suggestions to enhance the existing permit inspection process:

- Educate customers to schedule all inspections through C3.
- Coordinate with Information Technology and other departments to establish communication links between computer systems that will include the transfer of all inspection scheduling information between the C3 computer system and Neighborhood Services' AIS system.

- Reprogram the AIS system to allow the system to automatically assign inspectors to each geographical area and provide managers/supervisors the ability to reassign inspectors as needed.
- Have inspectors input inspection results into the permit system.
- Communicate inspection results back to the C3 computer system so that performance data can be tracked.
- Develop a permit inspection process that has documented policies and procedures that includes the following:
  - Defined roles and responsibilities for inspectors, supervisors, and managers.
  - Established standards for how various inspection forms are to be completed, such as, time, permit type, address, comments and various codes.
  - Established and defined codes so they indicate the actual conditions of the inspection findings.
  - Established rotation processes for inspectors.
  - Established processes to follow-up on rejected inspections and stop work orders.
  - Established quality control processes that monitor the performance of inspections.
  - Defined minimum accepted standard for imposing re-inspection fees and established review processes that verifies re-inspection fees as properly assessed and collected.
  - Established review processes for inspection results documentation.

**Response – Agree with most findings.**

**Although the recommendations will lead to better productivity there are limitations to the City’s data base system that will not allow full implementation. The Department has determined the phased-in use of laptop computers can greatly enhance the productivity and accuracy of the current paper system. The department plans to implement the first phase of laptops in FY09-10 and the second phase is projected to be mid year of 09-10 or early FY10-11.**

**Staff is in the process of providing more detailed procedures and policy manual for each division and function area as recommended.**

- 1. A data base link or server required to interface between C3 and the data base.**
- 2. Reprogramming of the AIS system for automatic assignments is not especially helpful due to the limited manpower of field staff and fluctuations in the workload and staff availability.**
- 3. Field rotation of staff has been implemented. Rotation will be re-evaluated every July and January of each year.**
- 4. Inspection forms and trip sheet reviews have been established in our quality control inspections procedures.**

5. **The IT Department is in the process of creating an expanded data base to allow Stop Work Orders, late fees, etc. to be captured in a “Permit Alert Database”.**
6. **The re-inspection fee and late fee policy has been updated to establish standards and specific application of fees.**
7. **An Application Hub is scheduled to be purchased and installed by IT during the 09-10 FY. This will provide the interface between C-3 and the AIS system.**

## **2. Elevator Inspection Process**

**Finding – The effectiveness and efficiency of the elevator inspection process needed to be improved to provide adequate public safety over City and commercial elevators.**

Neighborhood Services has the responsibility to ensure that all elevators, dumbwaiters, escalators, moving walks, and special hoisting and conveying equipment have an annual inspection and a six-month routine inspection, and that the inspections be performed in compliance with the Virginia Uniform Statewide Building Code. City Code §14-87 and §14-33 defines the responsibilities of Neighborhood Services and the fees for this service.

In addition, State Code allows the City to use approved third party elevator inspectors to perform required inspections. When the City uses third party inspectors to provide inspection services on the City’s behalf, documented policies and procedures should be developed for the tracking, monitoring and maintenance of records for City and commercial elevators.

We reviewed and tested the elevator inspection process in place within Neighborhood Services and noted the following:

- Policies and procedures were not in place to ensure that elevator inspections were performed as required by State and City Codes, and that elevator records were properly maintained and kept current.
- A front-end control point was not established so that the employee tracking elevator inspections would know when permits for new elevators were issued and needed to be set up for inspection.
- The employee responsible for the tracking, monitoring, and maintenance of elevator records for the department was absent from work for a period of three months and Neighborhood Services management did not reassign the elevator inspection responsibilities. Therefore, inspections were not performed as required and the tracking, monitoring and maintenance of elevator records were not kept current.
- Elevator inspection fees for annual and routine inspections were changed from two \$100 fees to one \$35 fee in 2005, but the City Code did not reflect these changes.
- Our review and test of the elevator records revealed the following types of exceptions:

- Elevator inspections were performed but were not posted to the elevator records.
- Elevator inspection notices were not always sent out timely to elevator owners, and inspections were not performed on their anniversary date as required. Also, elevator full load inspections, which were required to be performed every five years, were not being tracked on the elevator records.
- Occupied buildings where departmental elevator records indicated that elevators were out of service.
- Wheelchair lifts and dumbwaiters were being tracked on the elevator records but no inspections were being done.
- Notifications of elevator violation letters sent to elevator owners requiring re-inspections were not being followed-up.
- Tests of elevator laser fiche records indicated that all files were not complete. There were missing elevator inspections reports and correspondence.

We also reviewed and tested the third party elevator inspections process. This review identified the following procedural deficiencies:

- Documented policies and procedures had not been developed for the use of third party elevator inspectors, and performance requirements for elevator inspections by third party elevator inspectors needed to be improved. In addition, Neighborhood Services did not have a copy of the most recent elevator inspection standard (ASME A17.1 – 2000).
- Completed third party elevator inspection reports were not reviewed by a qualified code inspector. The reports were only reviewed by administrative staff.
- Signed letters of agreement between the City and approved third party elevator inspectors were not on file and there was no signed approval document on file for each third party elevator inspector/company being used to perform inspections for the City.
- A monitoring process had not been established to ensure that credentials, licenses, and insurance requirements for approved third party elevator inspectors remained current.
- When third party elevator inspections were performed, the person who performed the inspection was not verified to a list of approved inspectors.
- The reports received in Neighborhood Services were not date/time stamped, and completed elevator reports were not reviewed to ensure that the Department received report results in a timely manner.
- Completed elevator inspection reports that indicated deficiencies that had not been corrected even after the third or fourth routine and/or annual inspection.
- Date requirements for completing third party inspections were not effectively communicated to the elevator owners.

This situation occurred because Neighborhood Services did not have documented procedures addressing the tracking process for elevator inspections, maintenance of elevator records, and the use of third party elevator inspectors. In addition, no procedure was in place to identify new commercial and City elevators at the point when permits were issued. Also, Neighborhood Services management had not

established a periodic monitoring process to ensure all commercial and City elevators were being tracked and inspected as required by State and City Code.

If steps are not taken to improve the elevator inspection process, all commercial and City elevators and other people/equipment moving devices will not be inspected in the time frame required by State and City Code. In addition, this situation could pose a public safety risk to customers, and could expose the City to possible liability concerns if an accident occurs as a result of improper inspection and/or if inspections were not performed as required.

**Recommendation – Neighborhood Services should review, analyze and reengineer the elevator inspection process so that it effective, efficient and ensures that all commercial and City elevators and other people/equipment moving devices are identified and inspected in accordance with current State and City Codes.**

Neighborhood Services should consider the following suggestions to enhance the existing elevator inspection process:

- Develop and document policies and procedures for the tracking, monitoring and maintenance of records for City, School, and commercial elevators and for the use of third party elevator inspectors.
- Review the elevator database to ensure that all elevators and other people/equipment moving devices are listed in the database that requires six-month routine and annual inspections. In addition, corrective action should be taken for all discrepancies found during this review.
- Inspect wheelchair lifts and dumbwaiters on a six-month routine and annual basis.
- Create a report that will allow Neighborhood Services the ability to list all new elevators and other people/equipment moving devices that require inspections from the permit system. This report should be printed at least monthly and agreed to the database to ensure the database is accurate.
- Develop monitoring review processes and perform periodic reviews at least monthly to ensure inspection records are properly maintained and the database that contains City, School, and commercial elevators is kept current.
- Review and request updates to City Code to reflect the current elevator inspection requirements fees, and the use of third party inspectors.
- Develop a written letter of agreement between the City and the approved third party elevator inspectors.
- Develop and document a list of requirements for the performance of third party elevator inspections. These requirements should be incorporated in the letter of agreement. The requirements should include items such as: compliance with all applicable City and Virginia Statewide Building Codes, frequency of inspections, required credentials, liability insurance, business licenses and documentation of inspection results.
- Establish a monitoring process that tracks credentials, licenses, and insurance so that they remain current.

- Have elevator inspection report results reviewed by a knowledgeable code compliance inspector.
- Verify that elevator inspections were performed by an approved third party elevator inspector.
- Obtain a copy of the current elevator inspection standard.

**Response – Agreed with most findings.**

- 1. SOP's are under development for the elevator inspection program.**
- 2. The existing Excel database is reviewed and maintained almost daily for accuracy.**
- 3. Wheelchair lifts and dumbwaiters only require an inspection once a year.**
- 4. Procedure for adding new elevators to elevator data base and monthly review is part of new SOP.**
- 5. The fee discrepancy associated with elevator inspections has been addressed as part of the budget development process for FY 2009-2010 and will be amended in the City Code.**
- 6. Standard inspection forms are under review to ensure documentation consistency with the third-party inspection firms.**
- 7. Reports for rejected items are reviewed by the Code Compliance Manager.**
- 8. The department has a pre-existing form that requires each third-party elevator inspection company to provide the City a copy of credentials, proof of insurance and valid business license. The insurance bonds, licensing, etc., of each elevator company are maintained and reviewed for compliance. Additionally, the existing form lists performance requirements and requires the inspections to be conducted under the latest edition of the Virginia Uniform Statewide Building Code.**
- 9. The latest edition of the ANSI Standard has been obtained.**

## **F. Fees**

It did not appear that Neighborhood Services sufficiently reviewed the basis for fees take action to ensure that published forms were correct and reflected the established fee. We also noted that all fees were not collected.

### **1. Fee Discrepancies**

**Finding – The fees from Neighborhood Services’ forms, the public website (<http://www.chesapeake.va.us/services/depart/neighborhood/index.shtml>), and the fee schedule booklet were not the same as City code and ordinances or those allowed by State Code.**

Neighborhood Services fees were based upon City Municipal Code and Ordinances, State Code and State Administrative Code. City Code allowed the Code Compliance Manager to set a fee when the situation was not covered by Code, but the changes to the Code should be enacted as soon as possible.

We conducted a comparison of Neighborhood Services’ forms, public website and fee schedule booklet to City Municipal Code and Ordinances, State Code, and State Administrative Code. An analytical comparison of the fees indicated:

- The public website, numerous forms, and the fee scheduled booklet used by Neighborhood Services staff to calculate fees, listed fees that did not always agree with City Code and State Code. They also did not list all of the fees allowed by City Code.
- There were fees that had been implemented by Neighborhood Services that had not been changed in City Code to reflect the charges (e.g., early release of gas or electricity; re-inspection fee or late fee for mechanical permits; duplicate fees for certificate of occupancy).

(See Appendix B)

Also, Neighborhood Services was not aware of the State Administrative Code requirement that only half of the posted fee was to be charged when amusement devices were inspected by a third party. Neighborhood Services complied immediately when notified of the requirement.

This situation appears to have occurred because of insufficient review of existing codes when generating forms, website information, and fee schedule booklets. However, as a result of the differences between Code requirements and the advertised rates on the forms, public website, and fee schedule booklet, the City was charging more than was allowed in some cases and potentially receiving less than was allowed in others.

**Recommendation – Neighborhood Services should establish a system to ensure that published fee information is accurate and represents what is allowed by Code.**

The system should:

- Institute at least a two-person or independent managerial review of Municipal Code and State Code, and revise the fee schedule booklet, website and forms to agree with municipal code and ordinances and state code on a routine basis.
- Ensure that fees that are not covered by Code and set by the Neighborhood Services Director are submitted for inclusion in City Code as soon as practically possible.

**Response – Agree with findings.**

- **Completed - Staff has pulled the web-site information that displayed inaccurate information. Implementation of the ARS system of receipting has improved the collection and accuracy of fees during the issuance of the permits.**
- **Staff is in the process of reviewing and updating the web and printed forms to verify accuracy and correctness. Anticipate completion within the first quarter of FY09-10.**
- **The fees will be updated to reflect current practice subject to Council review and approval.**
- **Completed - A proposal requesting the updating of the allowed fees has been submitted to the City Attorney's Office for revision or inclusion in City Code.**

## **2. Re-Inspection Fees**

**Finding – The process for collecting re-inspection fees, late fees and additional fees when the project scope exceeded the permit was not consistent.**

The process for collecting fees should ensure that payment of fees was received before re-inspection. When an inspector rejected an inspection, the permit holder was advised to correct the deficiency and then schedule a follow-up inspection.

We noted that, once an inspection had been scheduled, the inspectors did not consistently review the detail sheets for outstanding fees or consistently contact the permit holder for resolution of payment. For example, in August 2008, there were eleven re-inspection fees noted on the Daily Travel Logs from all Code Inspectors. Only nine re-inspection fees had been collected as of December 4, 2008.

We also noted that, when an inspector was at a project site for a scheduled inspection and noticed that there was work performed that had exceeded the scope of the permit, the inspector notified the permit holder to contact Neighborhood Services to update the permit and to pay the difference.

In addition, there was no automatic notification on the mainframe database for inspections or ARS screens to alert the administrative support staff that a late fee was required. A Stop Work Order (SWO) could be used when an inspector found work being performed without a permit which would cause a late fee to be assessed. Since the ARS could not enter a transaction without a permit number, the ARS was not able to track late fees. The SWO information was placed in the Customer Contact Center (C3) computer system, but this system did not communicate with the City's mainframe computer system.

Re-inspection fees or late fees were not collected consistently because, for certain types of projects, the permit holder did not have to obtain a Certificate of Occupancy from Neighborhood Services. As such, for certain types of permits, a review of the project inspection history was not required. However, without policies, procedures, or consistent practices in place for collection of fees associated with re-inspections, work beyond the scope of the permit, and late fees, the City risked loss of fee revenue.

**Recommendation – Neighborhood Services should develop a system that ensures consistent collection of the above noted of fees.**

This system should include:

- Additional in-house training of Inspectors on the importance of planning scheduled inspections and reviewing of Inspection Detail Sheets.
- A process that, at the discretion of management, places a hold on future project inspections until payment is made.
- A process that includes follow-ups and notifies the permit holder and property owner of a specific time period to make correct payment.
- Development of a “warning notice” for the ARS and other City computer systems to provide a “warning notice” that fees are owed when entering a transaction.

**Response – Agree:**

- **Completed - Inspectors for each division have been provided additional training to pre-review the Inspection Detail Sheet for outstanding Re-inspection Fees or Late Fees prior to performing the inspection.**
- **Completed - The policy and procedure has been updated and placed into effect placing a hold on inspections, within the affected discipline, until payment is made. The policy and procedure as to when a re-inspection fee and late fee is applied has been updated for consistency.**
- **Completed - A procedure and policy has been created that notifies the permit holder of a specific time period to make correct payment.**

- **In Process - IT is in the process of creating an expanded data base to allow Stop Work Orders, late fees, etc., to be captured in a “Permit Alert Database”.**

**This provides staff a “warning notice” that fees are owed when entering a transaction. The expanded data base is scheduled for production and implementation on July 1<sup>st</sup>.**

**Please note: Re-inspection fees are based upon the individual inspector’s determination of the job status and many variables as determined during the inspection. Certain permits will contain several rejected inspection due to the manner in which commercial projects are constructed.**

## **G. Grants**

Although Neighborhood Services generally monitored and controlled grant funds, we noticed that at least one grant required reprogramming. For example, the City had identified eight program activities where there were relatively small discrepancies between amounts listed on the Integrated Disbursement and Information System (IDIS) and the City's general ledger.

### **1. Reprogramming of Grant Funds**

**Finding – Neighborhood Services had not yet reprogrammed several significant balances from the Community Development Block Grant (CDBG) program.**

The United States Department of Housing and Urban Development (HUD) encouraged localities to expend grant funds as quickly as possible to satisfy program objectives. If funds were no longer needed for a particular program activity, the activity should be changed on HUD's IDIS from 'underway' to 'completed', and the remaining funds reprogrammed to another program activity. We noted that, in a November 20, 2007 letter, HUD made the following observation regarding the City of Chesapeake's programs:

"We are particularly concerned about the balance of un-disbursed funds from 1998 through 2004...Although we do not know the circumstances of individual activities, we are requesting that you review all 'underway' projects with outstanding balances from 1998 through 2004 and, within 90 days of receipt of this review, provide a course of action for either (1) completing these activities by the end of the 2007 program year, (2) canceling these activities and/or (3) re-budgeting these funds to other activities."

We noted that, as of March 2008, the City had identified and assigned completed status to 50 low or zero balance program activities which had previously been listed as underway. However, we noted that the City had identified 10 other program activities from prior years in which there had been little or no activity, and thus appeared to be good candidates for reprogramming. These program activities were as follows:

**Exhibit #3  
Low Activity Programs Eligible for Reprogramming**

<b>Name of Program</b>	<b>Program Year</b>	<b>Activity #</b>	<b>Balance</b>
Demolition of Vacant/Dilapidated	PY 28 - 2002	310	\$12,936
World Changers	PY 29 - 2003	343	\$19,496
Residential Rehabilitation	PY 30 - 2004	345	\$44,353
South Norfolk Adult Health	PY 30 - 2004	351	\$45
CRN Our House	PY 30 - 2004	352	\$469
General Admin. – Intergovernmental Affairs	PY 30 - 2004	355	\$4,344
Environmental Demolitions	PY 30 - 2004	356	\$5,975
Smoke Detector	PY 30 - 2004	358	\$909
Residential Rehabilitation	PY 31 - 2005	381	\$1,736
Façade Improvement	PY 31 - 2005	386	\$14,812
Environmental/Code Enforcement	PY 31 - 2005	394	\$11,280
<b>Totals</b>			<b>\$116,355</b>

The City had also identified eight other program activities where there were relatively small discrepancies between amounts listed on the IDIS and the City's general ledger. In each case, it appeared that the IDIS had to be adjusted. Once these adjustments occurred, it appeared that funding for the following program activities would be available from reprogramming as well.

**Exhibit #4  
Other Programs Eligible for Reprogramming**

<b>Name of Program</b>	<b>Program Year</b>	<b>Activity #</b>	<b>Balance</b>
General Admin. – Intergovernmental Affairs	PY 24 - 1998	175	\$18,407
Residential Rehabilitation	PY 25 - 1999	184	\$3,257
Environmental/Code Enforcement	PY 26 - 2000	232	\$5,252
Campostella Renewal	PY 27 - 2001	259	\$14,759
Campostella Renewal	PY 31 - 2005	383	\$21,279
CRN Our House	PY 31 - 2005	393	\$1,823
General Admin. – Finance	PY 31 - 2005	397	\$17,856
Campostella Square Section 108	PY 31 - 2005	417	\$1,479
General Admin. – Intergovernmental Affairs	PY 31 - 2005	428	\$48,775
<b>Totals</b>			<b>\$132,887</b>

We also identified two program activities with special circumstances:

In Program Year 30 (2004), the funded program activities included \$116,431 for Environmental code Enforcement. As of March 2008, \$35,587 remained to be expended. However, before these funds could be reprogrammed, a direct-benefit data and racial breakdown for funds already expended would have to be entered in IDIS. Since the City did not have this information available, it would likely need to re-create it. Therefore, these funds could not be reprogrammed until this re-creation occurred.

In Program Year 24 (1998), the funded program activities included \$147,800 for Pughsville-area utility hookups, of which only \$7,100 was listed as expended. While, based upon discussions with Public Utilities, it appeared that there were additional expenses that could be charged against that activity, the City no longer had records supporting those expenses. Should adequate documentation become available, then this program activity could be properly charged. However, it appears more likely that the remaining funds (\$140,700) will have to be reprogrammed as well.

This situation occurred because the City had previously not been as prompt as it could have been in identifying and reclassifying unspent program activity balances. However, if this issue is not adequately addressed, the city could conceivably lose sizable amounts of CDBG funding.

**Recommendation – The City should take steps to reprogram available CDBG funding as soon as is feasibly possible.**

The City should take steps to reprogram the funding for activities in Exhibit #1 as quickly as possible. The City should also make the necessary IDIS adjustments for the activities in Exhibit #2 so that they can be reprogrammed as well. Finally, the City has to make decisions as to how to pursue the two special situations. These steps should help ensure that the City utilizes the available funding to its maximum advantage.

#### **Response – Agree**

**Completed - The department has reprogrammed available CDBG funding for the program years identified.**

In the request to the City Manager's Office for a departmental audit, the Neighborhood Service's Director asked that a review of the newly created Office of Housing be a particular area of focus. Since the office was created in June of 2007, (due to a break-up of the Intergovernmental Affairs Department) a review had been underway to determine the status of the CDBG funds and fiscal management.

The Neighborhood Services Department found that HUD had provided a number of "Red Flag" concerns regarding the CDBG funds of previous program years. The HUD recommendations required an extensive review of the IDIS program, the City's general ledger and collaboration with CRHA for required expenditure documentation.

Due to poor record keeping of the old Intergovernmental Affairs Department, significant staff time from Audit, Finance, Budget, Office of Housing and CRHA was required to identify program years and activities that could be reprogrammed and document any discrepancies between IDIS and the City's general ledger.

Based on an extensive review and with the assistance of the interim Audit Department's report of March of 2008, \$253,812.71 of unused funds from prior program years was identified for reprogramming.

As of April 28, 2008, a request was made to the Manager's Office for approval to reprogram the CDBG funds. On May 13, 2008, \$252,562.09 was approved by Council for reprogramming.

As of May 15, 2008, the oversight of the Office of Housing transferred from Neighborhood Services to the City Manager's Office. Program direction, budget requests and personnel action were directed by the Manager's Office.

Since May of 2008, the Office of Housing has continued to reprogram the remaining past program years' funds. As of April 27, 2009, the Office of Housing has reallocated HOME rehab funding for program year 30, 31, 32 and 33.

# **APPENDIX A**

## **RESPONSE FROM NEIGHBORHOOD SERVICES DEPARTMENT OFFICIALS**

## **Administrative Findings**

### **1. Policy and Procedures Manual**

**Finding** – With the exception of Code Compliance and the Customer Contact Center, Neighborhood Services did not have an up-to-date policy and procedure manual for daily operations.

**Recommendation** – Neighborhood Services should develop written policy and procedure manuals for each of its operating divisions that define responsibilities and expected practices of the different positions and functions. Because of the diversity in services provided by the various Neighborhood Services divisions, each will likely have to develop its own procedure manual.

**Response** – **Agree**

The department staff has begun the creation and accumulating the information for these manuals. The manuals are to be prepared and stored in an electronic file for the various routine procedures for each division. This procedural manual will provide the policy and/or procedure for the majority of situations.

The manuals are expected to be completed by September of 2009. This manual is a “living document” subject to changes as required by the frequent changes in the state and local codes and regulations. This will require permanently assigned staff to maintain adequately.

The review and revision of each policy and procedure will be performed on a bi-annual basis.

### **2. Review of Permit Applications**

**Finding** – The Adobe PDF versions of Neighborhood Services’ permit application forms published on the public website needed additional review and testing prior to being placed on the website. Also, the employee responsible for developing the forms needed additional training.

**Recommendations** – Neighborhood Services should ensure that forms placed on the City’s website are reviewed and properly tested to ensure they work as designed prior to placement on the website for public use. In addition, the employee responsible for creating the forms should be provided the necessary training to perform their technological duties.

**Response – Agree with findings.**

Upon discovery that the on-line forms on the department's website were not calculating the state levy correctly, the forms were removed from the site temporarily until fixed. A new practice of double-reviews will be instituted to ensure that calculations are correct and function as expected. Additionally, applications shall undergo an intensive re-design study for simplicity, flow and instructions with a deadline for completion of the first of 2010.

Please note: The forms calculated the fees out to the third decimal point. It wasn't until Audit calculated the State levy out to the fourth decimal point that an error was discovered. The odd numbered 1.75% State levy helped create the calculation error. The State levy will transition to 2% July 1, 2009. This should eliminate any potential for error.

**Operations**

**1. Permit Issuance Process**

**Finding** – The effectiveness and efficiency of the permit issuance process needed to be improved to better meet customer expectations.

**Recommendation** – Neighborhood Services needs to observe, analyze and reengineer the permit issuance process so that it is effective, efficient, and meets the expectations of customers.

**Response** – Agree- The permit issuance process at the front counter has been studied and initial modifications have been made. Additional modifications have been suggested and will be implemented incrementally on a trial basis.

It was determined that consistent oversight of the zoning counter was required. As such, a Chief Code Compliance Inspector has been transferred from the Code Compliance Division to Zoning Administration. This inspector has been permanently assigned to the front counter to assure consistent review and information to the public.

Other changes are being studied and planned. Proposals include the provisions for a staff member to greet customers prior to their interaction with the front counter staff. The responsibility of the "greeter" will be to welcome the customer and provide preliminary information based on what the customer needs. Required applications can be completed and reviewed and procedural directions can be provided to the customer prior to waiting for the next available counter staff. As a result of the current decline in new construction permits and inspections, staff will be available to rotate from the field to provide this service on a trial basis. If, and when, the economy accelerates, and permits increase to previous levels, it may be necessary to modify the service in order to provide timely inspections of new construction projects.

As part of the proposed changes, greater efficiencies could be realized by initiating an electronic or numerical system to track customers and service, rather than a sign in sheet. Additional investigation will proceed to determine the affect of physical changes to the front counter and associated functions. The above noted changes will take into consideration the limitation of necessary funding.

## **2. Permit Monitoring Process**

**Finding** – Neighborhood Services had not established a monitoring process to ensure that required inspections were being performed when permits were issued.

**Recommendation** – Neighborhood Services should consider developing and implementing a monitoring process that will ensure that permit inspections are performed as required by the Virginia Uniform Statewide Building Code.

**Response** – We agree. Policies, procedures and a monitoring process for permits over six months old will be developed.

- 1) The City Attorney's Office and the NS staff have met and developed a proposal to require permits, without all required inspections, to be completed. As per State code, the Building Official has authority to take specific action for permits up to two years after the date of discovery.
- 2) The Building Official has created a brochure that includes a checklist for all inspections required per discipline (building, electrical, plumbing and mechanical). The brochure includes the note "It is the permit holder's responsibility to schedule all required inspections". The brochure will be provided to all permit applicants.
- 3) Complete - The IT Department has modified a system that will allow for the creation of reports for permits that are over 6 months old and without a current inspection.
- 4) Important consideration -The implementation of a notification and follow-up program to permit holders with outstanding inspections will significantly increase our postage cost. This cost is not covered in the current budget line item.

## **3. Proffer Entry and Tracking**

**Finding** – The Department's process for initial entry of proffers for collection and the tracking of proffer payments needed to be improved.

**Recommendation** – Neighborhood Services should develop an automated process to monitor the entry, payment collections, and tracking of related expenses for City proffers.

**Response – Agree**

Written procedures have been developed for the proffer tracking process currently in place. The manual procedures have been implemented to assure a reasonable effectiveness until the requested automated system can be completed.

As indicated in the previously noted procedures, all approved proffers are controlled manually. An automated system has been requested that will increase the level of effectiveness of the controls and tracking of the cash proffers.

Exception reports have been requested to IT to extract all payment information.

A procedure has been implemented to have all proffer revenue General Ledger accounts reconciled at the end of each month and documentation supporting the reconcilements is maintained.

As part of our written procedures, a schedule indicating monthly due dates has been created and assigned to staff for implementation.

A minimum of three staff members have been cross-trained on how to maintain the proffer record keeping process. Additional training and refinement is implemented on a regular basis.

A request for the creation of the automated system has been sent to the Department of Information Technology. Information Technology has initiated the information gathering process and a plan has been developed to create a system that functions with the Automated Receipt System. Once all information associated with the various departments' needs has been compiled, the Automated Cash Proffer Tracking program will be created, tested and initiated for use.

**Summary:**

Monthly meetings have been initiated with all departments involved with the tracking, acceptance, and expenditure of cash proffers. The meetings include reconciliation of proffers received, to date, and anticipated revenues. In addition, the meetings focus on the proposed Automated Cash Proffer Tracking program.

When a building permit is initiated, the Automated Cash Proffer Tracking system, when complete, will automatically flag a lot indicating that a cash proffer is required. Reports will be produced from this system for reconciliation, indicating cash proffers paid and anticipated income from required proffers.

The combination of the partial electronic and partial manual system now utilized to track proffers is effective to ensure proffered funds are collected as required. The eventual transition to an Automated Cash Proffer Tracking program will ensure even greater effectiveness.

The Automated Cash Proffer Tracking system is estimated to be completed within the 09-10 FY.

#### **4. Rental Certificate of Approval Controls**

**Finding** – The Rental Certificate of Approval (RCA) issuance process lacked adequate segregation of duties. Code Compliance Inspectors were directly collecting fee payments themselves from owner/agent for the RCAs at the inspection site. Inspectors issued the owner/agent an unnumbered RCA for the payments they received. Finally, rental inspection fee payments collected by the inspectors were not reconciled to the rental inspection fees general ledger account each month.

**Recommendation** – Appropriate segregation of duties should be established for the RCA process.

**Response** – Agree to most findings

All rental inspection fees are only accepted by mail or in person by office staff. No payments of any kind are accepted by inspectors. Training is currently underway to allow the Treasurer's Office to invoice for inspection fees.

We currently do not schedule an inspection until payment is received. We are in the process of transitioning to the City Treasurer's invoice system. Once the invoice is created, the fee is considered paid and an inspection can be scheduled immediately. The Treasurer's Office pursues and assures that all invoices are paid.

Currently, the rental inspection fee general ledger account is manually reconciled each month. Once the new process of invoicing is initiated reconciliation will be performed through the Automated Reports.

The Department of Development and Permits will periodically review the rental payment and reconciliation process to ensure that the above items are completed on a monthly basis.

Summary:

Originally inspectors were allowed to accept checks in the field made payable to the City of Chesapeake as a customer service courtesy. This practice was abandoned immediately upon recommendation by audit staff during the audit review. All payments are required to be made in person or by mail at this time.

## **5. Cash Controls**

**Finding** – Neighborhood Services’ cash controls needed to be improved and safeguards over cash needed to be enhanced.

**Recommendation** – Neighborhood Services should establish and document cash control policies and procedures so that cash is adequately safeguarded. In addition, management should develop an ongoing monitoring process to ensure adherence to cash control policies and procedures.

**Response** – Agree with findings. A new safe with dual controls has been purchased, secured and installed. Procedures for controls of cash have been created to include procedures for the personnel who will conduct the internal surprise audits. Specific staff members have been issued either a key or a combination to the new safe. One of each will be required to open the safe which should normally be only once a day. All other uses of the safe will be to drop deposits at the close of the day using Bank of America tamper-proof deposit bags. The new procedures are clear and provide for the easy monitoring of compliance.

## **6. Processed Work, Permit Application, and Payment Controls**

**Finding** – Neighborhood Services’ controls over processed work, permit applications and payments received in the mail or by fax needed to be improved. In addition, Neighborhood Services did not reconcile revenue accounts against the General Ledger.

**Recommendation** – Neighborhood Services should take steps to improve controls over the transaction process and ensure that revenue accounts are periodically reconciled.

**Response** – Agreed with most findings.

The creation and implementation of the Automated Receipt System (ARS) has eliminated the use of manual receipts which was the main contributor to most issues noted in this area of the audit report. All permit applications received by fax, mail or dropped off at the front counter are logged, assigned to an individual to process and are checked at the end of the day to assure completion. ARS has provided a means to reconcile to the GL in less than 1 hour through reports created by Information Technology. The reports not only shorten the length of time to reconcile but also allows for multiple persons to monitor revenues.

Credit card authorizations received by fax are kept in a secure location until processed and then are shredded. All applications received in this office are date/time stamped.

Controls to minimize access to processed work by unauthorized staff and customers are no longer a concern since the implementation of the ARS system. All work is processed completely and all payments secured at all times.

Disagree with the finding that opening mail should require two staff members for practicality reasons. Agree with the finding in substance but not application due to staffing levels. However, one staff member shall be designated to open all mail, endorse any payments (checks) and date/time stamp any applications for work. All applications for permits shall be logged for easy tracking.

We have an existing process in place for recording and reconciliation in emergency situations. The department has manual permit forms and receipts stored in our storage facility that would be used in the event the electronic permit process was not available. The reconciliation of receipts would revert to a manual process through the PIV system.

## **7. Use of City Travel Log**

**Finding** – Neighborhood Services did not use the “City Travel Log” as required by Administrative Regulation 4.07 and did not adequately control the use of fuel keys. In addition, control practices related to the use of vehicles needed improvement.

**Recommendation** – Neighborhood Services should begin requiring usage of the City Travel Log; establish controls over chip key use; and request and review the vehicle fuel and mileage reports produced by Fleet Management.

**Response** – Agree – As a cost saver, Neighborhood Services will continue to use the existing department travel log while supplies last and have requested the ability to transition to a modified City Travel Log subject to the City Manager’s approval. The new travel log will incorporate both NS’s and PW’s data tracking requirements for use by the new Department of Development and Permits. The information regarding fueling information will be added to the travel log form. Inspectors are required to note the odometer readings for each trip. This information is now added and captured on our existing forms.

Complete - an existing form is on file to ensure the return of personal and vehicle fuel chip keys. A clearance form is in place to ensure all equipment, including chip key, is returned. This is required prior to receiving final paycheck.

Complete - Quality Control check list has been updated to include vehicle care, maintenance and location of vehicle chip key.

## **8. Use of Signature Stamps**

**Finding** – The Zoning Administrator and Code Compliance Manager utilized signature stamps for document approval. In addition, the stamps were uncontrolled and accessible to unauthorized personnel.

**Recommendation** – Neighborhood Services should discontinue the use of signature stamps.

**Response – Agreed with findings.**

Complete - Signature stamps were available for the purpose of endorsing certificates of occupancy without requiring the physical signature of the Code Official and Zoning Administrator.

A legal opinion of the City Attorney's Office has resulted in a modification to the certificate of occupancy form whereby the signature blocks have been deleted since they are not required. Accordingly, the signature stamps have been destroyed.

## **E. Inspections**

### **1. Permit Inspection Process**

**Finding –** The effectiveness and efficiency of the permit inspection process needed to be improved to ensure the quality of inspections.

**Recommendation –** Neighborhood Services should review, analyze and reengineer the inspection process so that it is effective, efficient and ensures that all inspections of commercial and residential projects are properly documented and reviewed.

**Response – Agree with most findings.**

Although the recommendations will lead to better productivity there are limitations to the City's data base system that will not allow full implementation. The Department has determined the phased-in use of laptop computers can greatly enhance the productivity and accuracy of the current paper system. The department plans to implement the first phase of laptops in FY09-10 and the second phase is projected to be mid year of 09-10 or early FY10-11.

Staff is in the process of providing more detailed procedures and policy manual for each division and function area as recommended.

1. A data base link or server required to interface between C3 and the data base.
2. Reprogramming of the AIS system for automatic assignments is not especially helpful due to the limited manpower of field staff and fluctuations in the workload and staff availability.
3. Field rotation of staff has been implemented. Rotation will be re-evaluated every July and January of each year.
4. Inspection forms and trip sheet reviews have been established in our quality control inspections procedures.
5. The IT Department is in the process of creating an expanded data base to allow Stop Work Orders, late fees, etc. to be captured in a "Permit Alert Database".
6. The re-inspection fee and late fee policy has been updated to establish standards and specific application of fees.
7. An Application Hub is scheduled to be purchased and installed by IT during the 09-10 FY. This will provide the interface between C-3 and the AIS system.

## **2. Elevator Inspection Process**

**Finding** – The effectiveness and efficiency of the elevator inspection process needed to be improved to provide adequate public safety over City and commercial elevators.

**Recommendation** – Neighborhood Services should review, analyze and reengineer the elevator inspection process so that it effective, efficient and ensures that all commercial and City elevators and other people/equipment moving devices are identified and inspected in accordance with current State and City Codes.

**Response** – **Agreed with most findings.**

1. SOP's are under development for the elevator inspection program.
2. The existing Excel database is reviewed and maintained almost daily for accuracy.
3. Wheelchair lifts and dumbwaiters only require an inspection once a year.
4. Procedure for adding new elevators to elevator data base and monthly review is part of new SOP.
5. The fee discrepancy associated with elevator inspections has been addressed as part of the budget development process for FY 2009-2010 and will be amended in the City Code.
6. Standard inspection forms are under review to ensure documentation consistency with the third-party inspection firms.
7. Reports for rejected items are reviewed by the Code Compliance Manager.
8. The department has a pre-existing form that requires each third-party elevator inspection company to provide the City a copy of credentials, proof of insurance and valid business license. The insurance bonds, licensing, etc., of each elevator company are maintained and reviewed for compliance. Additionally, the existing form lists performance requirements and requires the inspections to be conducted under the latest edition of the Virginia Uniform Statewide Building Code.
9. The latest edition of the ANSI Standard has been obtained.

## **F. Fees**

### **1. Fee Discrepancies**

**Finding** – The fees from Neighborhood Services' forms, the public website (<http://www.chesapeake.va.us/services/depart/neighborhood/index.shtml>), and the fee schedule booklet were not the same as City code and ordinances or those allowed by State Code.

**Recommendation** – Neighborhood Services should establish a system to ensure that published fee information is accurate and represents what is allowed by Code.

**Response** – **Agree with findings.**

Completed - Staff has pulled the web-site information that displayed inaccurate information. Implementation of the ARS system of receipting has improved the collection and accuracy of fees during the issuance of the permits.

Staff is in the process of reviewing and updating the web and printed forms to verify accuracy and correctness. Anticipate completion within the first quarter of FY09-10.

The fees will be updated to reflect current practice subject to Council review and approval.

Completed - A proposal requesting the updating of the allowed fees has been submitted to the City Attorney's Office for revision or inclusion in City Code.

## **2. Re-Inspection Fees**

**Finding** – The process for collecting re-inspection fees, late fees and additional fees when the project scope exceeded the permit was not consistent.

**Recommendation** – Neighborhood Services should develop a system that ensures consistent collection of the above noted of fees.

**Response** – Agree:

Completed - Inspectors for each division have been provided additional training to pre-review the Inspection Detail Sheet for outstanding Re-inspection Fees or Late Fees prior to performing the inspection.

Completed - The policy and procedure has been updated and placed into effect placing a hold on inspections, within the affected discipline, until payment is made. The policy and procedure as to when a re-inspection fee and late fee is applied has been updated for consistency.

Completed - A procedure and policy has been created that notifies the permit holder of a specific time period to make correct payment.

In Process - IT is in the process of creating an expanded data base to allow Stop Work Orders, late fees, etc., to be captured in a "Permit Alert Database". This provides staff a "warning notice" that fees are owed when entering a transaction. The expanded data base is scheduled for production and implementation on July 1<sup>st</sup>.

Please note: Re-inspection fees are based upon the individual inspector's determination of the job status and many variables as determined during the inspection. Certain permits will contain several rejected inspection due to the manner in which commercial projects are constructed.

## Grants

### 1. Reprogramming of Grant Funds

**Finding** – Neighborhood Services had not yet reprogrammed several significant balances from the Community Development Block Grant (CDBG) program.

**Recommendation** – The City should take steps to reprogram available CDBG funding as soon as is feasibly possible.

**Response** – Agree

Completed - The department has reprogrammed available CDBG funding for the program years identified.

In the request to the City Manager's Office for a departmental audit, the Neighborhood Service's Director asked that a review of the newly created Office of Housing be a particular area of focus. Since the office was created in June of 2007, (due to a break-up of the Intergovernmental Affairs Department) a review had been underway to determine the status of the CDBG funds and fiscal management.

The Neighborhood Services Department found that HUD had provided a number of "Red Flag" concerns regarding the CDBG funds of previous program years. The HUD recommendations required an extensive review of the IDIS program, the City's general ledger and collaboration with CRHA for required expenditure documentation.

Due to poor record keeping of the old Intergovernmental Affairs Department, significant staff time from Audit, Finance, Budget, Office of Housing and CRHA was required to identify program years and activities that could be re-programmed and document any discrepancies between IDIS and the City's general ledger.

Based on an extensive review and with the assistance of the interim Audit Department's report of March of 2008, \$253,812.71 of unused funds from prior program years was identified for reprogramming.

As of April 28, 2008, a request was made to the Manager's Office for approval to reprogram the CDBG funds. On May 13, 2008, \$252,562.09 was approved by Council for reprogramming.

As of May 15, 2008, the oversight of the Office of Housing transferred from Neighborhood Services to the City Manager's Office. Program direction, budget requests and personnel action were directed by the Manager's Office.

Since May of 2008, the Office of Housing has continued to reprogram the remaining past program years' funds. As of April 27, 2009, the Office of Housing has reallocated HOME rehab funding for program year 30, 31, 32 and 33.

# **APPENDIX B**

## **FEE COMPARISON MATRIX**

**Comparison of City Code to Neighborhood Services Forms,  
Public Website, and Fee Schedule Booklet**

City Code Sec 14-33	Title	Amount	Available Form	Comments	Public Website	Comments	Fee Schedule Booklet	Comments
(a)(9)a	Demolitions -	\$25.00	\$35.00	On Rodent Fee Certification	\$35.00	for rat free certificate	\$35.00	
(a)(11)a	Signs		\$25.00	Application fee	n/a		n/a	no fee for Zoning \$35 for Building
14-710(B)(3)	Temporary sign	\$50.00	\$20.00		not listed		\$50.00	
n/a	Sign permit form CG-7, 125/R-99 lists the State Levy fee incorrectly.			State Levy fee of 1%	n/a		n/a	No State Levy for Zoning
n/a	There were two sign permit applications (CG-7, 125/R-99 and CG-7, 125/R-97)				n/a		n/a	
(a)(13)a	Elevator - annual inspection	\$100.00	no form		\$100.00		\$35.00	NS charges \$35 for the annual inspection only.
(a)(13)b	Elevator - periodic inspection	\$100.00	no form		\$100.00		no charge	NS charges \$35 for the annual inspection only.
(a)(14)	Farm buildings \$2 per sq ft without limit	\$2.00	n/a		n/a		\$2.00	\$2 per 100 sq ft
(b)(2)d	Each manhole	\$5.00	not listed		not listed		not listed	
(b)(2)f	Each drain	\$5.00	not listed		not listed		not listed	
(b)(2)i	Each gas outlet (for lighting)	\$2.00	\$2.00	Does not specify lighting	\$2.00	Does not specify lighting	\$2.00	Does not specify lighting
(b)(2)j	Per-trip fee for storm drain inspections	\$20.00	not listed		not listed		not listed	
(b)(4)	Re-inspection fee	\$25.00	\$35.00		\$35.00		\$35.00	
(c)(2)a.2	Temporary service - 100 amps	\$15.00	\$15.00	listed as "60 amps and over"	not listed		\$15.00	
no code	Early release - not listed		no form		\$25.00	Early release	\$25.00	Early release

City Code Sec 14-33	Title	Amount	Available Form	Comments	Public Website	Comments	Fee Schedule Booklet	Comments
(c)(2)e.3	Miscellaneous - Pool grounding	\$15.00	\$30.00	Pool – In ground	\$30.00	Pool – In ground	\$15.00	
(c)(2)e.6	Re-inspection fee	\$25.00	\$35.00		\$35.00		\$35.00	
no code	Mechanical fee – re-inspection - not listed.		\$35.00	Re-inspection fee	not listed		\$35.00	
no code	Mechanical fee - late fee - not listed		\$75.00	Late fee	not listed		\$75.00	
no code	Certificate of occupancy - duplicate - not listed		no form		\$25.00	For duplicate	\$25.00	For duplicate
Amusement devices Administrative Code of Virginia 13 VAC 5-31- 100.	If amusement device is inspected by 3rd party then rate is 1/2.	sm - \$25 maj - \$35 spec -\$55	no form		not listed		not listed	
Section 34-6(b)	Fire permit - commercial inspection	\$50.00	\$35.00		not listed		not listed	
Section 78-86	Water	see tables	no form		\$3,258.00	should indicate see table rather than amount	not listed	
Section 78-86	Sewer	see tables	no form		\$2,702.00	should indicate see table rather than amount	not listed	