

Managerial Summary

A. Objectives, Scope and Methodology

We have completed our review of the Chesapeake Development and Permits Department (Department) for the period June 1, 2015 to May 31, 2017. Our review was conducted for the purpose of determining whether the Department 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 related to permit issuance, inspections, management oversight, contract management, cash and payment processing, safety, security, information technology, and facility operations.

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 conclusion 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.

The Department provided essential services for the City of Chesapeake (City) that improved the quality of life and protected the health, safety and welfare of the community. Its primary purpose was to enforce code compliance, zoning regulations, issue building permits and certificates of occupancy, and cause corrective action to be taken to remove debris, weeds, grass, and abandoned structures. The Department ensured that developments were in compliance with all Federal, State laws, regulations and City Ordinances. Development Engineering's primary function was to approve all site and subdivision plans including Roads, Drainage (Quality & Quantity), Water, Sewer, Erosion & Sediment Control, Franchise Utilities in Public Right-of Way. Additionally, the Development Construction Division's primary function was to ensure all site and subdivision improvements were constructed according to approved plans.

For Fiscal Year (FY) 2017, the Department had an operating budget of slightly under \$7 million (\$6,774,834). This accounted for 0.695% of the City's operating budget. Of this amount 84% (\$5,693,224) was for employee salaries, wages, and benefits. The authorized compliment for the Department was approximately 75 personnel, split over five operational areas: Development Engineering, Development Construction, Code Compliance, Zoning, and Administration. The Department occupied offices on the second and third floors of the City Hall Municipal Building with public access on the second floor.

To conduct this audit, we reviewed and evaluated City and Department policies and procedures and operations documents and reports, both internal and external. We also reviewed applicable Federal and State laws, regulations and City Ordinances. We conducted tours of the various divisions within the Department. We discussed these audit areas and conducted interviews with the Director, Fiscal Administrator, other Department administrators, accounting staff, and various employees.

Major Observations and Conclusions

Based on our review, we determined the Department had accomplished its overall mission of providing essential services for the City of Chesapeake (City) that improved the quality of life and protect the health, safety and welfare of the community. However, we did identify several areas of concern that needed to be addressed. Those areas included the Accela Project, proffers, elevator inspections, building inspections, cash settlement, and staffing.

This report, in draft, was provided to the Department 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, the Audit Report, and Appendix A. The Department Director, Fiscal Administrator, and staff were very helpful throughout the course of this audit. We appreciated their courtesy and cooperation on this assignment.

B. Performance Information

Did you ever want to build a new house or maybe an entire neighborhood of new houses? Did the remodeling craze make you feel the need to add a garage or a hot tub? Did all your gardening efforts make you want to complain about your neighbor's high grass? Chances are if you did any of these things you came into contact with the Department of Development and Permits. This department provided oversight for keeping and maintaining the high property standards that the City aspired to.

The Department reviewed and approved commercial and residential building plans submitted for single houses and entire subdivisions, ensuring that the proposed projects followed the various building codes and zoning uses. Inspectors ensured that the houses, commercial buildings, and additions were built in accordance to the correct standards. After construction, the Department continued to monitor the neighborhoods to enforce the various City and Zoning Codes used to keep residents safe and protect their health, safety and welfare.

1. Creation of the Department of Development and Permits

In February 2009, the Department of Development and Permits was created, with parts taken from the Neighborhood Services and Public Works Departments. The reorganization was carried out in an effort to reduce wait times for approval of businesses' construction projects by bringing key elements of the plan review process under one organizational grouping with improved customer service. The new Department commenced operations on July 1, 2009.

The changes reduced the initial plan review time for businesses' construction projects, allowed cable and phone companies to be able to obtain utility permits more quickly and smoothly, and gave 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 created a more cohesive approach to getting projects approved, permitted, and onto the tax rolls as quickly and as efficiently as possible.

2. Organization

The Department had two primary functions. The first function was to coordinate all phases of development, design, and construction from undeveloped land to the Certificate of Occupancy. The second function was to monitor property maintenance, carry out rental inspections, and the enforcement of zoning ordinances.

To effectively carry out these functions the Department was subdivided into five functional divisions: Development Engineering; Development Construction; Code Compliance; Zoning/Property Maintenance; and Administration. Each division was responsible for providing essential services to citizens of the City and providing a quicker, more coordinated plan review and permitting process for developers.

3. Development Engineering Division

The Development Engineering Division's function was to approve all site and subdivision plans. Their work included all aspects of the site plan: water, sewer, roads, drainage, and rights-of-way among others.

The division averaged 1,200 plan reviews per year with more during periods of positive economic growth. They reviewed developments to determine that there was no detrimental effect to the City, that the design of the facilities were adequate, and that the development conformed with state mandated requirements. Other functions included maintaining the permanent file copy for the project, investigation of customer service request related to development, and maintaining the Public Facilities Manual.

4. Development Construction Division

The Development Construction Division's function was to ensure that all site and subdivisions were constructed according to the plans approved. This function included ensuring that all permits were issued, adequate traffic control was maintained, and construction site drainage was provided for and controlled. Also, this division ensured that the contractors were bonded and insured.

The division inspected approximately \$30 million in public facilities development each year and ensured that the level of construction was adequate in quality for City accepted facilities to insure against future City expense. Other functions included monitoring and inspecting borrow pits and landfills within the City, assisting Public Works with enforcement of the Erosion and Sediment Control standards, and inspection and investigation of customer service requests related to construction activity. One function, unique to the City, was to inspect and administer nearly all new utility activations.

5. Code Compliance Division

The primary function of the Code Compliance Division was to enforce the Virginia Uniform Statewide Building Code and City Code. This enforcement was done through the use of inspections on new construction projects (existing structures review was shifted to Zoning/Property Maintenance in 2015). These inspections ensured that a building's gas, electrical, mechanical, structural, plumbing, and other work were performed to code..

6. Zoning/Property Maintenance Division

The primary function of the Zoning/Property Maintenance Division was to enforce various City Code Regulations and Zoning Ordinances, as well as enforce codes for existing structures. These ordinances were established to provide for the public health, safety, and welfare. Their duties were far reaching in enforcing health and safety requirements. 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. They also coordinated with other City departments responsible for mowing and maintenance of City property to ensure the City complied with the same Codes as citizens were required to follow.

7. Administration Division

The Administration Division was responsible for providing overall departmental leadership and necessary supporting functions, such as payroll and accounting, for the Department and the operational divisions. This Division was responsible for coordinating

the Department's operations, preparing the operating and capital improvement budgets, and preparation of all necessary financial reports.

8. Accela eBuild

In November 2015, the Department implemented Accela eBuild, which stood for "electronic Building Utilities Inspections Land use & Development, software. This software was intended to allow contractors to obtain permits through a web enabled and mobile-friendly single gateway system.

The system was intended to give users twenty-four hour a day access to a wide range of services that before were available only during office hours. These services included building (commercial and residential), trade, and elevator permits; development site and subdivision plan reviews and associated construction permits; outdoor special event permits or event-related operational fire code permits; rezoning, conditional use or preliminary site or subdivision plan reviews; utilities for applications related to utility activation or connection fees for new construction; and zoning permits governed by the Chesapeake Zoning Ordinance such as signs, tents, fences or sheds. The system could also process on-line payments for several fees.

C. Operational Issues

Based on our review, we determined the Department had accomplished its overall mission of ensuring that developments were in compliance with applicable laws and protecting the health, safety and welfare services of citizens. However, we did identify several areas of concern that needed to be addressed. Those areas included the Accela Project, proffers, elevator inspections, building inspections, re-inspections, cash settlement, and staffing.

1. Accela Project

Finding - There were 101 remaining Accela change requests that needed to be resolved and implemented for the Department and 30 for Public Utilities, Planning, and Parks and Recreation. These change requests were related to system enhancements, modifications, creating various system reports, and business process enhancements.

Recommendation - The Department should obtain additional resources to hire third-party vendors to resolve and implement the 131 outstanding change requests that have not been completed. It should also consult with IT to develop a program to automate the invoice and payment process for fee revenue to the Accela interface. In addition, all revenue fee accounts should be reconciled each month.

Response – The Department agrees with the assessment. This relatively new system had many unknowns when it was procured, particularly the long term resource needs to maintain the system. At this point we know we have three categories of needs for operating Accela; 1) A need to finish the project implementation consistent with the original scope (unfinished components/functions), 2) There is an operating component with trouble shooting system failures, customer assistance (internal and external), and implementation of frequent Accela updates, 3) Development of applications for other key development and permitting functions still done manually, like hauling permits, elevator inspections, capital project review to name a few. This category will continue to be a demand as the City changes policies and procedures as well as seek to improve customer service. The current Business Applications Specialist II staff member spends a significant portion of their time on category 2, which was not anticipated when the project was developed. (Note: The full text of the response is included in the report)

2. Voluntary Developers Proffers

Finding - A review of the proffers offered by developers identified several areas of concern. The Department did not have a means to verify that they were receiving all the approved proffers; the naming and numbering nomenclature was not consistent with other users; and Accela was not used as the primary accounting platform to track the proffers.

Recommendation - The Department should lead other departments in developing a citywide process to ensure that all proffers were tracked through each department and that none had been misplaced.

Response – The Department agrees that there are potential improvements in the proffer tracking process. We do not believe that there is an unreasonable risk in missing the collection of cash proffers because of existing system redundancy within this Department and the proffer affiliated departments. There have been short term errors in the past, caused in part by proffer complexity and inefficient tracking methods; but each time there was system redundancy that discovered the miss. The single biggest efficiency gain would be the completion of the proffer functions within Accela. There are clearly far too many different disconnected tools/systems used for proffer tracking.

The Department will continue to make Accela completion a priority effort as resources permit. This matter will also be added to the agenda for the Development Coordination work group (departments involved with development) to address.

3. Elevator Inspection Process

Finding – The elevator inspection process needed improvement

Recommendation – The Department should continue to review, analyze and reengineer the elevator inspection process so that it ensures that all commercial and City elevators and other people/equipment moving devices are identified and inspected in accordance with State and City Codes.

Response – This audit identified some written procedures that were not being followed consistently, in addition to the need for enhanced procedures. The zoning/property maintenance division has already started making some changes to address the issues.

The Department will do a comprehensive review of the process used for reviewing and tracking elevator inspections. This will include an effort to modify Accela to address not just billing, but also the tracking and notifications to owners.

4. Permit Inspection Process

Finding – The permit inspection process needed to be improved.

Recommendation – The Department should review, analyze and reengineer the inspection process so that it ensures that all inspections of commercial and residential projects are properly documented and reviewed.

Response – The Department agrees that quality control should be reviewed and enhanced to insure accuracy and timeliness. The Department's ongoing review of inspector field devices will facilitate resolution of some of the identified concerns.

The Department is also making completion of the Accela scheduling functions a priority.

5. Re-inspection Fees

Finding – The process for collecting re-inspection fees was not consistent.

Recommendation – The Department should develop a minimum standard that ensures consistent assessment of the above re-inspection fees.

Response – The Department’s current written policy will be modified to provide more consistency of application. It should be noted that this fee has been applied as a deterrent to inadequate construction as opposed to a revenue generation tool. As such some degree of flexibility should remain for appropriate customer service reasons.

6. Cash settlement Process

Finding - The cash settlement process in place for the Department’s customer service area was not efficient and was not designed to promote good customer service. In addition, internal controls and the safeguards over assets could be enhanced.

Recommendation – The Department should enhance their cash settlement and verification processes to ensure that customers are serviced in a timely manner and that internal controls are strengthened.

Response – The Department agrees with this recommendation. Steps have already begun to secure additional registers that will allow us to maintain full cashier functions during operating hours (no shutdowns). The Department’s new fiscal administrator will develop an action plan to address the remaining identified issues.

7. Staffing Concerns

Finding - The Department was losing code compliance staff to other localities, most notably Virginia Beach.

Recommendation – The City should evaluate the compensation and staffing levels of the various inspectors and adjust as required

Response – The Department completely agrees with the assessment. The Property Maintenance/Zoning inspectors that share the same classification (Code Compliance Inspector) have a frequency of turnover that effects both the quality and quantity of enforcement, drastically impacting customer service. The current pool of 10 inspector positions has an average tenure of 9 months on the job. The Department loses staff not only to other Cities, but also other departments with higher grade positions for similar experience. The Department has had discussions with Human Resources about this issue, however changes were not included in previous citywide classification range adjustments. The Department has also started doing our, position specific, exit survey to identify potential factors.

We are also considering modifying some administrative job functions that would make the inspectors more efficient. This was one factor identified in the Department exit survey, in addition to the uncompetitive salaries.