



PAT FRANK
Clerk of the Circuit Court
13th Judicial Circuit

COUNTY AUDIT

HILLSBOROUGH COUNTY, FLORIDA

THE CENTER FOR DEVELOPMENT SERVICES

REPORT # 247

MAY 30, 2013

May 30, 2013

The Honorable Ken Hagan, Chairman
The Honorable Kevin Beckner
The Honorable Victor D. Crist
The Honorable Al Higginbotham
The Honorable Lesley "Les" Miller, Jr.
The Honorable Sandra L. Murman
The Honorable Mark Sharpe

Dear Chairman Hagan and Commissioners:

The Audit Team performed an audit of The Center for Development Services (Audit Report #247, dated May 30, 2013). Responses to the Audit Team's recommendations were received from the Director of The Center for Development Services and have been included in the report after each audit comment and recommendation.

The Audit Team appreciates the cooperation and professional courtesies extended the auditors by the Director and personnel of The Center for Development Services during this audit.

Sincerely,

Peggy Caskey, CIA, CISA, CFE
Director, County Audit

cc: Mike Merrill, County Administrator
Lucia Garsys, Deputy County Administrator
Dexter Barge, Interim Director of The Center for Development Services
Mitch Ramos, Director, Fiscal and Support Services – Infrastructure
Bruce Dangremond, Manager, Performance Mgmt, Business and Support Services

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EXECUTIVE SUMMARY

BACKGROUND INFORMATION:

The Florida Building Code (The Code) regulates the construction industry to promote safety and a minimum standard of quality. Updated every three years, The Code is a lengthy publication that contains building requirements. Counties and cities, often called “jurisdictions,” are responsible for enforcing The Code. Hillsborough County enforces The Code by requiring construction contractors to obtain required building permits prior to starting a construction project. State law requires that all persons desiring to engage, advertise, or in any other way infer or lead one to believe they are qualified to work in the business of contracting shall hold a valid and current Certificate of Competency issued by either the State of Florida or by Hillsborough County, except as otherwise exempted by state law. It is unlawful for individuals to perform construction activity without a required license. Unlicensed contractors are not allowed to obtain building permits. During the construction phase, County-employed inspectors physically examine construction work for compliance with The Code. When identified, instances of non-compliance are communicated to the builder or contractor. Any non-compliance concerns must be alleviated prior to issuance of a Certificate of Occupancy or a Certificate of Completion.

The County provides community development services at The Center for Development Services and at the South County Regional Services Center. Some of the services provided include building permits, inspections, counseling, and contractor licensing. Many customer service activities are available in one consolidated location on the 19th floor in the County Center building, the location of The Center for Development Services. A lesser variety of customer service activities are available at the South County Regional Service Center located in Ruskin.

On March 25, 2011, Building and Construction Services was functionally realigned to fall under The Center for Development Services. Building and Construction Services provides complete building permit services, from the application, review, and issuance of structural permits, through inspections and Certificates of Occupancy. It reviews the following areas of the construction industry: building, electrical, gas, mechanical, plumbing, and flood damage control regulations. It conducts field inspections to ensure compliance with building codes, land development codes, and other regulations. Building and Construction Services provides license services to contractors wanting to perform building construction work in Hillsborough County. It also investigates complaints regarding construction activities to determine compliance with County ordinances and building codes.

OBJECTIVE:

The objective of this audit was to evaluate the adequacy and effectiveness of internal controls and compliance with applicable community development related policies and standards.

SCOPE:

The audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*, issued by The Institute of Internal Auditors. The data selected for

sample testing for Audit Comments 1 and 2 was from April 1, 2011, to June 30, 2012, unless otherwise noted. The audit period for Audit Comments 3 – 9 and the Observations was from February 6, 2012, to April 1, 2013. During the audit period, the Center for Development Services was evolving and making changes to its workforce.

The audit procedures included interviewing key personnel; reviewing documents (such as building permits, inspection requests, and contractor licenses); and performing a risk assessment to identify any high risks associated with the building permit process, the building inspection process, customer service, and issuance of contractor licenses.

OVERALL EVALUATION:

The Center for Development Services and the South County Regional Services Center have developed and implemented a number of internal controls over contractor licensing, the building permit process, and building permit inspections. Test results indicate that approximately 86% of the building permit inspections, performed from April 1, 2011, to June 30, 2012, were completed one work day after the request was received by Building and Construction Services. In response to a survey conducted by the Audit Team in October 2012, patrons at both locations rated customer service levels as exceptional. Overall, based upon test results, observations, communications, and survey responses, it appears that management and personnel are knowledgeable, skilled, and dedicated to providing quality products and customer service to the citizens of Hillsborough County.

The Audit Team identified several opportunities to strengthen and improve existing controls. The table below summarizes the audit comments contained in this report.

AUDIT COMMENT	DESCRIPTION	PAGE REFERENCE
	April 1, 2011, - June 30, 2012, Test Results	
1	The County’s Building and Construction Services inspectors are exceeding the Insurance Services Office’s (ISO’s) recommended maximum number of inspections per day.	Page 4
2	Delays exist in issuing some building permits.	Page 6
	February 6, 2012, to April 1, 2013, Assessment Results	
3	The software utilized by Building and Construction Services has limited reporting capabilities and is unable to track actual permit processing times.	Page 7
4	Some building permit fees charged to customers were not approved by the BOCC.	Page 8
5	The Center for Development Services does not verify the status of a State contractor’s license certificate holder or registrant status prior to approving a building permit.	Page 9
6	Expired permits are not detected, monitored and resolved on a regular basis.	Page 10
7	There is an opportunity for The Center for Development Services to enhance its approach in addressing work performed by unlicensed contractors.	Page 12
8	Some contractor license applications files are incomplete.	Page 13
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1	Driver distractions while operating a County owned vehicle could increase the County’s potential for liability.	Page 14
2	Contrary to BOCC Policy 02.16.00.00, some employees and management have not received an adequate practical level of fraud training.	Page 15

OPINION:

Overall, The Center for Development Services' and the South County Regional Services Center's control environment and compliance with policy and standards leaves room for some improvement. The Audit Team's recommendations, if implemented, will further enhance operations.

The exit conference was held on April 1, 2013.

AUDIT BY:

Peggy Caskey, Director, County Audit
Steve Hooper, Audit Manager
Benjamin Everett, Internal Auditor II
Brenda Tyler, Internal Auditor II

AUDIT COMMENTS & RECOMMENDATIONS

Control Activities: Listed below are opportunities for The Center for Development Services and the South County Regional Services Center to strengthen the internal controls related to the building permits, building inspections, and contractor licensing processes. A recommendation for enhancement of operations has been included with each audit comment.

AUDIT COMMENT 1

The County's Building and Construction Services inspectors are exceeding the Insurance Services Office's (ISO's) recommended maximum number of inspections per day.

The national Insurance Services Office (ISO) rates local areas around the country for insurance risks. These ISO ratings are used by insurance companies to help determine insurance premiums. Per the ISO, *"A community receives points based on whether the department (i.e. the agency performing the inspections) has sufficient staffing to complete a maximum of ten inspections per day per inspector over the course of a year. An increased workload — as indicated by more inspections — can mean fewer points earned."*

The City Of Tampa's goal is 16 inspections per inspector per day. Its inspectors currently average about 15 inspections per day.

Based on testing performed by the Audit Team, during the 15 month period ending June 30, 2012, twenty-seven of the 50 Building and Construction Services inspectors averaged more than 19 inspections per work day and in some instances, performed 30 or more inspections. The Building and Construction Services' performance dashboard states that individual staff inspections that are "consistently over 19 per day indicate a need for additional inspection personnel."

Per Building and Construction Services management, the above average building inspections were caused by low inspector staffing levels, adverse weather conditions delaying inspections, and an increase in construction activity.

The Building and Construction Services inspectors are exceeding, the ISO's recommended maximum number of 10 inspections per day (by approximately 90%). With this daily workload, the inspectors' work quality and thoroughness of inspections could cause the ISO to reduce its ratings of Hillsborough County, which may contribute toward higher property insurance rates for its citizens.

RECOMMENDATION:

Consideration should be given to taking measures to reduce the average number of permit inspections per inspector per day. This may include increasing the inspector staffing level and/or using outside private providers to assist when there is a high volume of inspection activities.

CLIENT RESPONSE:

Concur

CORRECTIVE ACTION PLAN:

The County's current contract that allows for the use of private providers for building inspections has been expanded to add three additional vendors. The department is also filling two vacant inspector positions and transferring and re-classifying three more positions within the Infrastructure and Development Team to supplement the increasing demand for building inspections. However, while the Insurance Services Office (ISO) figure is a potential benchmark, the number of inspections that can be effectively performed varies greatly by the type of construction and development activity being inspected. It should also be noted that a short survey of some of our neighbors found that the average was 15-20 inspections per day. With the current volume of requests (>900/day), reducing to a level of 10 inspections per inspector per day, may be an unattainable goal.

TARGET COMPLETION DATE:

01/01/2014

AUDIT COMMENT 2

Delays exist in issuing some building permits.

Building and Construction Services does not have a written policy that denotes the acceptable number of days allowed to process residential and commercial building permit applications. Management stated that its processing standard is five (5) business days for residential permits and 12 business days for commercial permits.

The Audit Team's test results indicate that during the 15 month period ending June 30, 2012, of the thirty permit applications examined, 10 (or 33%) took longer to process than the standard identified by management.

RECOMMENDATION:

Consideration should be given to implementing a written policy that denotes the acceptable number of days allowed to process residential and commercial building permit applications. Once established, management should implement monitoring controls to ensure productivity meets the standards.

CLIENT RESPONSE:

Concur

CORRECTIVE ACTION PLAN:

Since this audit concluded in June 2012, many of these delays have been addressed and the issuance time for permits has been reduced significantly. The BOCC recently received a staff report on permit process time and a subsequent policy will be implemented.

In April of 2013 the department brought on board a Center manager to specifically focus on services at The Center including the turnaround time for permits. This manager will be supported by a dedicated business analyst to improve business processes and data reporting of this information to ensure timely and efficient services.

A survey of Orange, Manatee and Pasco counties found that the average turnaround times for permit issuance in those jurisdictions is between two and four weeks. In FY2011 Hillsborough County's average turnaround was 15.82 days, so far in FY2013 that number has been reduced to just over 9 days (in neither instance are we able to subtract the amount of time staff spent waiting for client corrections). Pending the Accela Automation software and procedural improvements will further speed the department's effectiveness in turning these products out.

TARGET COMPLETION DATE:

06/01/2013

AUDIT COMMENT 3

The software utilized by Building and Construction Services has limited reporting capabilities and is unable to track actual permit processing times.

Building and Construction Services utilizes Permits' Plus software to process building permit applications, approve or deny building plan reviews, document the completion of building inspections, process and monitor contractor licenses, and to record the collection of applicable fees by cashiers. This software has limited reporting capabilities and is unable to track actual permit processing times (such as when a permit sits idle pending customer corrective action or response from an outside department). The Center for Development Services' management needs this reporting information to assist with providing timely services to its customers. Due to the software's limited capabilities, personnel manually collect, record and report actual permit processing times in Excel spreadsheets outside of Permits' Plus. Management has recognized the need for improved information technology and has obtained approval to purchase new software.

RECOMMENDATION:

As part of the software selection process, consideration should be given to ensuring that the new software's reporting capabilities can accurately calculate permit processing times.

CLIENT RESPONSE:

Concur

CORRECTIVE ACTION PLAN:

The department is currently using an outdated software called Permit Plus, this program has proven woefully inadequate to meet the needs of the County, as such staff began, prior to the conclusion of this audit, the process of replacing this software with a program called Accela Automation. Procurement has been completed and the Implementation of Accela Automation software is already underway with an expected roll out date in December 2013. This software will allow for enhanced reporting and accurate accounting of workflow procedures.

TARGET COMPLETION DATE:

12/31/2014.

AUDIT COMMENT 4

Some building permit fees charged to customers were not approved by the BOCC.

Building and Construction Services utilizes a BOCC approved fee schedule to calculate building permit fees that are charged to customers during the permit application process.

The Audit Team compared the fee schedule to customer charges and found that Building and Construction Services charged fees that have not been approved by the BOCC. For example:

1. a \$4.00 paint fee for new single-family home construction permits;
2. a \$5.00 fee for submittal of Notice of Commencement forms; and
3. a \$25.50 administrative fee charged to contractors who apply for a permit in-person that could have been applied for online.

Additionally, the fee schedule is available for download by the public. The Center's management has acknowledged however that the fee schedule is not always accurate, yet it is made publicly available online.

RECOMMENDATION:

Consideration should be given to designing and implementing controls to ensure that only the fees that have been approved by the BOCC are charged to customers.

CLIENT RESPONSE:

Concur:

CORRECTIVE ACTION PLAN:

It was discovered that a \$4 fee was being charged for paint on new single family construction, and a \$5 fee for the submittal of notice of commencement. All fees currently being charged can be found on the BOCC approved fee schedule and staff has been provided with the approved BOCC fee schedule for building services.

TARGET COMPLETION DATE:

04/01/2013

AUDIT COMMENT 5

The Center for Development Services does not verify the status of a State contractor's license certificate holder or registrant prior to approving a building permit.

Florida Statutes 489.116 states that, "A (State contractor's license) *certificate holder or registrant may not engage in contracting unless the certificate holder or registrant has an active status certificate or registration.*" Per the Hillsborough County Construction Code Ordinance 12-5, Section 201.1, State certified and registered contractors are required to register a current and valid license in Hillsborough County records prior to engaging in the practice of contracting. To comply with the above referenced Statutes and Ordinance, the County requires State licensed contractors to:

- register with the County,
- have an active contractor's license, and
- obtain a building permit prior to performing residential and/or commercial construction activities.

The Center for Development Services utilizes the Permits' Plus software to track State contractor licenses and their expiration dates (active status). However, during the permitting process, status verification is not part of the decision making process. This could allow an inactive certificate holder or registrant to obtain a building permit.

There is a manual compensating control that provides some level of assurance that any expired (inactive) State contractor's license is identified and flagged (placed "on hold" in Permits' Plus) within one day to four months after expiration.

RECOMMENDATION:

Consideration should be given to implementing an automated preventative control that verifies the active status of contractor licenses prior to issuance of a building permit.

CLIENT RESPONSE:

Concur

CORRECTIVE ACTION PLAN:

Effective immediately the department will be running periodic reports to identify any contractors whose State license has expired as indicated in the department's records. Any records found where this date has passed will be flagged in the system and their ability to pull a permit through Hillsborough County will be placed on hold until such time as they have updated their information with proof of State licensure renewal.

It should also be noted that any person who falsely holds themselves out as a licensed contractor violates State law and is subject to fines and or criminal prosecution.

TARGET COMPLETION DATE:

6/10/2013

AUDIT COMMENT 6

Expired permits are not detected, monitored and resolved on a regular basis.

An expired permit is an indication that the contractor may not have completed the permitted work or the work performed may not have been inspected and/or then recorded into the County's records. For certain construction work, a final inspection is required for the property owner to obtain a Certificate of Occupancy or a Certificate of Completion. If the property owner later attempts to re-sell the property, the title insurance company may not be able to provide proper title insurance.

The Center for Development Services will allow a contractor who applies for a renewal of his license to renew that license even if that contractor has expired permits. The contractor is also allowed to obtain additional permits for construction projects. The Center for Development Services has the ability to detect expired permits in the Permits' Plus software. There is no process in place to monitor expired permits.

RECOMMENDATION:

Consideration should be given to implementing a control that detects expired permits and monitors for their resolution.

CLIENT RESPONSE:

Partially Concur:

CORRECTIVE ACTION PLAN: The Department's software is able to easily identify expired permits, however resolving these defaulted permits would require considerable resources for minimal benefit. While some efforts are being made to resolve expired permits the department accepts the minimal risk associated with these unresolved issues.

A permit may expire where no work was performed and could logically be cancelled, however a permit may also expire because inspections were not requested on the work performed. In the latter case this permit should not be cancelled, however determining which case would require an inspection of the site to determine if the permit should be cancelled or continued. Staff is currently unable to meet the full demand for inspections with current staffing; performing several thousand additional inspections for expired permits does not provide additional information useful to the permitting process.

There is however a mechanism in place to resolve some expired permits; as new permits are applied for a check is done to see if the contractor has any outstanding expired permits, if records show multiple expired permits the contractor is required to submit an action plan to address the expired permits. Additionally, as tips are reported to the department, enforcement action is taken to ensure the permitting process is completed.

Development Services has initiated dialog with Code Enforcement to aid in the resolution of these expired permits and will be exploring methods to reconcile expired permits through property tax assessment. The field staff in these departments have access to permitting information and do occasionally notify the department of unpermitted and or expired work.

TARGET COMPLETION DATE:

05/01/2013

AUDIT COMMENT 7

There is an opportunity for The Center for Development Services to enhance its approach in addressing work performed by unlicensed contractors.

The Center for Development Services takes action against unlicensed contractors only when a report or a complaint is received.

Unlicensed contractors could perform construction that is not properly permitted, performed to code, or inspected. This is a life-safety issue to the citizens of the County, as well as, an unfair business advantage over properly licensed contractors.

Based upon communications with management, The Center for Development Services may not have the available staffing level to proactively detect unlicensed contractors. Also, management is concerned for the physical safety of personnel who confront unlicensed contractors. The City of Tampa utilizes law enforcement to detect unlicensed contractors. The Center for Development Services does not.

RECOMMENDATION:

Consideration should be given to partnering with law enforcement to implement a proactive approach to detect unlicensed contractors.

CLIENT RESPONSE:

Concur

CORRECTIVE ACTION PLAN:

The County has entered into an arrangement with the Hillsborough County Sheriff's Department to utilize environmental deputies to aid in the enforcement of construction by unlicensed contractors.

TARGET COMPLETION DATE:

03/01/2013

AUDIT COMMENT 8

Some contractor license applications files are incomplete.

The Center for Development Services enters State certified license data into the Permits' Plus software but does not retain any backup documentation. For the other applicant types (first-time and reciprocity), there is inconsistency in what is retained for backup documentation (i.e., exam scores, worker's compensation insurance, general liability insurance, and surety bonds). One of the 30 files selected by the Audit Team for testing could not be located. Applicant folders typically contain sensitive personal information, such as a copy of the applicant's driver's license and a social security number.

RECOMMENDATION:

To ensure complete and accurate records, and confidentiality of sensitive personal information, consideration should be given to implementing policies and processes for retaining contractor license application documents.

CLIENT RESPONSE:

Concur

CORRECTIVE ACTION PLAN:

These records are now stored in a secure area until they are shipped out to the records warehouse for retention. When they have reached their retention period, as defined by the State, these records will be disposed.

A written policy will be developed and provided to staff, regarding the storage and retention of this information.

TARGET COMPLETION DATE:

04/01/2013 Policy: 06/01/2013

OBSERVATIONS

Listed below are items we observed during the audit which we felt were either outside the scope of our audit or not directly within the control of The Center For Development Services but worthy of being brought to the attention of management.

OBSERVATION 1

Driver distractions while operating a County owned vehicle could increase the County's potential for liability.

During a site inspection, the Audit Team observed a building inspector operating a County owned vehicle while talking on a cellular telephone and entering data into a laptop computer. These types of driver distractions could increase the County's potential for liability. There is no known Board of County Commission policy that prohibits distractions while operating a County owned vehicle.

RECOMMENDATION:

Consideration should be given to adopting a policy that prohibits driver distractions while operating a County owned vehicle.

CLIENT RESPONSE:

Concur

CORRECTIVE ACTION PLAN:

The County Executive Team will assign staff to review possible approaches to minimizing driver distractions while operating county vehicles and consider whether implementing a formal policy is appropriate.

TARGET COMPLETION DATE:

01/01/2014.

OBSERVATION 2

Contrary to BOCC Policy 02.16.00.00, some employees and management have not received an adequate practical level of fraud training.

Per the BOCC's *Fraudulent Misconduct Policy* (Policy No. 02.16.00.00), individuals are prohibited from placing County resources at risk through fraudulent misconduct, misappropriation of assets, and fraudulent reporting of information affecting the County. Additionally, it requires the County Administrator and agencies that adopt the Policy to develop and implement procedures that assign prevention, detection, and investigation responsibilities to ensure the consistent enforcement of the Policy. Per this Policy's Administrative Directive MS-15, *Responsibilities and Procedures for Implementing the Fraudulent Misconduct Policy*, all employees will receive training on the Policy and the procedures for reporting and addressing fraudulent behavior.

The Audit Team conducted one-on-one fraud risk interviews with The Center for Development Services and South County Regional Services Center personnel. Based on the responses, it appears that employees and management have not received adequate fraud training.

Without adequate training, a more lenient environment may occur when it comes to the deterrence, detection, and reporting of fraud. If and when fraud occurs, this could result in the fraud not being reported in a timely and appropriate manner.

RECOMMENDATION:

Consideration should be given to complying with Administrative Directive MS-15, *Responsibilities and Procedures for Implementing the Fraudulent Misconduct Policy*, by providing all employees training on the BOCC Fraudulent Misconduct Policy, and the procedures for reporting and addressing fraudulent behavior.

CLIENT RESPONSE:

Concur

CORRECTIVE ACTION PLAN:

Staff will coordinate with Human Resources and the executive team to expand the availability of this mandatory training, employees and managers will be scheduled for training as it becomes available.

TARGET COMPLETION DATE:

Ongoing

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