



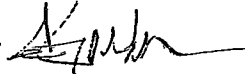
WASHOE COUNTY

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Finance A.H.
DA _____
Risk Mgt. _____
HR _____
Other _____

STAFF REPORT BOARD MEETING DATE: October 26, 2010

DATE: October 6, 2010
TO: Board of County Commissioners
FROM: Alison A. Gordon, Internal Auditor 
328-3651, agordon@washoecounty.us
THROUGH: Katy Simon, County Manager
SUBJECT: Acknowledge Receipt of the Department of Building and Safety Follow-Up Audit Report from the Internal Audit Division (All Commission Districts)

SUMMARY

The purpose of the audit was to perform follow-up on the recommendations included in the Building and Safety Audit Report dated August 18, 2009.

An implementation plan establishing responsibilities and timelines for each recommendation will be updated with Building and Safety. This plan will then be reviewed with the Audit Committee and updated at each of their meetings. Implementation of recommendations having fiscal impact will be brought to the Board of County Commissioners for approval.

Strategic Objective supported by this item: Sustainable Economic, Natural, Organizational, and Social Resources

Strategic Outcome supported by this item: Sustainable relationship between resources and obligations

PREVIOUS ACTION

The Building and Safety Audit Report was acknowledged by the Board of County Commissioners on September 8, 2009.

RECOMMENDATION STATUS

The Internal Audit Division performed an audit of Building and Safety during fiscal year 2010. At that time, 16 recommendations were made to help improve the efficiency and effectiveness of Building and Safety's operations. Since that time Building and Safety has made progress in addressing these recommendations.

The results of the follow-up review indicated:

AGENDA ITEM # 10K(4)

- Improvement has been made over internal controls. The department director is providing supervision over the daily cash receipts and deposits; and a review of the safe contents revealed cash receipts and other negotiable instruments are being restrictively endorsed and deposited timely. However, while the department has been working towards correctly tracking the financial securities in the securities log, a review of the log showed various errors are still occurring.
- Financial assurance administration has been enhanced. Building and Safety now only accepts cash, cashier's checks or pledges that are assigned to Washoe County and issued from a financial institution. Also, a draft revision of Building Code, Chapter 100 is under review that provides for a \$152 administrative fee to be charged to those projects where financial assurance is required. Finally, a decision was made to discontinue the intermittent practice of requiring financial assurance for final grading projects in Reno.
- Permit practices have improved, but some enhancements are still being developed. Specifically, Building and Safety is in the process of identifying methods to help customers with expired permits to renew and monitor their permits timely. The department also can use the Administrative Enforcement Ordinance to encourage non-compliant customers to renew their permits. Additionally, the revisions proposed to Building Code, Chapter 100 will help the department comply with the permit renewal requirements; and staff is now ensuring all inspections are complete prior to approval. Finally, Building and Safety is in the process of identifying best practices for assessing the quality of inspection and code enforcement performed by its inspection staff.
- Building and Safety is in the process of implementing persuasive building code enforcement practices. Notices of violation are now tracked and scheduled for follow up using Permits Plus. Also, the proposed revisions to Building Code, Chapter 100 would allow the department to charge an investigative fee double the amount of the permit fee. Since the previous audit report, the Administrative Enforcement Ordinance also has been approved which can be used to help persuade non-compliant property owners to address building code violations. This ordinance includes enforcement tools such as an administrative hearing process, and the authority to cloud title of properties where non-compliance continues.
- The previous audit report showed that Building and Safety's operations would be enhanced with some changes to the Permits Plus system. However at this time, Technology Services does not have staff available to make the more extensive changes.
- Continuing professional education requirements are tracked using the International Code Council website. This website can be accessed by staff and their supervisors. Management has determined that it is the employee's responsibility to ensure they received the required training every three years to maintain their professional certifications.

FISCAL IMPACT

This report has no fiscal impact. Any costs incurred as part of implementing the report recommendations were absorbed in Building and Safety's existing operational budget so additional funding was not required.

RECOMMENDATION

It is recommended the Board of County Commissioners acknowledge receipt of this follow-up audit report of the Department of Building and Safety.

POSSIBLE MOTION

Should the Board of County Commissioners acknowledge receipt of this follow up audit report, a possible motion would be:

Move to acknowledge receipt of the Department of Building and Safety Follow-Up Audit Report from the Internal Audit Division.

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Attachment

Washoe County Building and Safety

Internal Audit Follow-Up Report

October 6, 2010

Executive Summary

Follow Up Review Observations

1. Internal Controls/Policies and Procedures
 - Provide cash receipts supervision – Implemented
 - Restrictively endorse and deposit all payments – Implemented
 - Improve tracking of financial assurance – Partially Implemented
2. Financial Assurance
 - Require valid TRPA financial assurance – Implemented
 - Charge a TRPA administrative fee – Partially Implemented
 - Improve practices over final grading permit financial assurance – Implemented
3. Permit Practices
 - Track, monitor and follow up on expired permits – Partially Implemented
 - Perform inspections prior to renewing permits – Partially Implemented
 - Ensure all required inspections are completed prior to final approval – Implemented
 - Develop a policy establishing the extent and frequency of inspection supervision – Partially Implemented
4. Code Enforcement
 - Track and monitor building code violation notices – Implemented
 - Follow up promptly on building code violation notices – Partially Implemented
 - Ensure investigation fees cover the costs of investigation – Partially Implemented
 - Strengthen the code enforcement methods used – Partially Implemented
5. Permits Plus
 - Work with Technology Services to enhance Permits Plus – Not Implemented
6. Continuing Education
 - Track and monitor staff technical training – Implemented
 - Ensure training requirements are met every three years - Implemented

Observations and Recommendations

1. Internal Controls/Policies and Procedures

Recommendation 1.1: Provide supervision over cash receipting.

Implementation Status: Implemented

Follow-Up Review: The department director reviews the daily receipts using SAP and Permits Plus reports. The daily receipts are also compared to monthly financial reports. Any discrepancies identified are resolved with staff.

Recommendation 1.2: Permit payments and financial assurance should be restrictively endorsed and deposited the day of receipt.

Implementation Status: Implemented

Follow-Up Review: Building and Safety reported all permit payments and financial assurance is restrictively endorsed and deposited into specific accounts in SAP, the County's financial system. An inventory of the safe was performed and no un-deposited permit payments or financial assurance instruments were found.

Recommendation 1.3: Correctly track the financial assurance in the securities log.

Implementation Status: Partially Implemented

Follow-Up Review: Building and Safety reported this recommendation as implemented. We found the department has been working toward correctly maintaining the securities log. However, a review of the log was performed and various errors were identified. For example, fourteen securities did not show a release date on the securities log, even though the security had been returned. Also, five projects and the related financial assurance were not recorded in the securities log. A list showing the errors identified was provided to Building and Safety for correction.

Recommendation 2.1: Comply with TRPA regulations by requiring valid securities be submitted for financial assurance.

Implementation Status: Implemented

Follow-Up Review: Requirements are now in place identifying the types of securities that will be accepted as financial assurance. These requirements are stricter than those in TRPA regulations and only cash, cashier's checks, checks and pledges with assignment to Washoe County will be accepted.

Recommendation 2.2: Charge an administrative fee to cover the costs of administering financial assurance.

Implementation Status: Partially Implemented

Follow-Up Review: A revision to Building Code, Chapter 100 is under review that includes an administrative fee of \$152 to cover the costs of administering financial assurance. Once the revisions to Chapter 100 are approved, the department will begin assessing the administrative fee on new TRPA projects which require financial assurance be obtained.

Recommendation 2.3: Determine an appropriate amount to cover potential costs for final grading financial assurance and propose changes to building code.

Implementation Status: Implemented

Follow-Up Review: Building and Safety has discontinued requiring financial assurance for final grading projects in Reno. However, in accordance with TRPA guidelines, the department continues to collect financial assurance for those projects in the Incline Village/Crystal Bay area.

Recommendation 3.1: Track, monitor, and follow up on expired permits.

Implementation Status: Partially Implemented

Follow-Up Review: Building and Safety reported it is in the process of seeking new ways to help customers renew and monitor their permits timely. For example, new monthly reports of the permits that expired during the month are used to generate post cards that are sent to customers notifying them that their permits have expired.

In addition, the Administrative Enforcement Ordinance (nuisance code) was adopted effective September 18, 2009.

Based on a review of this code and discussions with the District Attorney's Office, it appears the nuisance code can be used to include work being performed under a building permit that has expired. As this program just became operational mid-July 2010 and staff was trained in August 2010, the department is in the process of developing forms and procedures for implementation. Once these steps are taken, Building and Safety can use the nuisance code as a tool to help enforce the requirements of building code pertaining to expired permits.

Recommendation 3.2: Perform inspections to ensure project work has commenced prior to renewing permits.

Implementation Status: Partially Implemented

Follow-Up Review: A draft revision to Building Code, Chapter 100 is currently under review. Included in this draft document is a revision that clarifies the requirement to perform inspections prior to renewal. Once approved, this revision allows the renewal of a permit if the building official is satisfied justifiable cause exists for the renewal or a site inspection by the building official establishes the work authorized by the permit commenced before the permit expires.

Recommendation 3.3: Ensure all prior inspections are completed prior to giving a project final approval.

Implementation Status: Implemented

Follow-Up Review: Training was provided to the inspectors on ensuring all required inspections are completed prior to final approval. In addition, each day the supervisor prints out the list of inspections from Permits Plus and highlights the inspections requiring action for the inspectors in the field. At the end of the day, these are returned to the supervisor with any notes for review.

We tested a random sample of 15 building permits that received final approval during the period 01/01/2010 and 08/30/2010. Of the 15 building permits reviewed, all showed that the required inspections were complete at the time of final approval.

Recommendation 3.4: Develop and follow a policy that establishes the extent and frequency of supervisory activities pertaining to permit inspections.

Implementation Status: Partially Implemented

Follow-Up Review: Building and Safety reported it is continuing to research best practices. For example, currently the department is reviewing a model used by the Clark County Building Department. This model includes having supervisors follow inspectors at their job sites using a check list of requirements. Also, this model includes using a GPS survey to compare the routes taken by the inspectors to the preferred route on scheduled inspections.

Building and Safety supervisors are also performing random spot checks of project inspections and currently analyzing the results to determine their effectiveness and whether the types of spot checks performed provide useful, pertinent information.

Recommendation 4.1: Track and monitor building code violation notices.

Implementation Status: Implemented

Follow-Up Review: Building and Safety has implemented a process whereby once a building code violation notice is issued, it is recorded in Permits Plus. In addition, building code violation notices identify the number of days the property owner has to comply with building code. The violation notice is scheduled on the Permits Plus permitting calendar for further action once the number of days given for compliance have expired.

Recommendation 4.2: Promptly follow up on building code violation notices.

Implementation Status: Partially Implemented

Follow-Up Review: As discussed in Recommendation 4.1 above, notices of violation are scheduled in the Permits Plus permitting calendar for further action. However, for those property owners who remain non-compliant, the department needs to use the new Administrative Enforcement Ordinance. The program for this new ordinance was just recently developed

and the department is in the process of taking steps towards implementation.

Recommendation 4.3: Charge investigative fees uniformly and consistently to all property owners who are found non-compliant.

Implementation Status: Partially Implemented

Follow-Up Review: As previously discussed, a draft revision of Building Code, Chapter 100 is currently under review. Included in this draft document is a revision that allows the department to charge an investigation fee that is twice the amount of the permit fee as set forth in the Building Code, Chapter 100 fee schedule.

Recommendation 4.4: Ensure investigation fees cover the cost of the investigation.

Implementation Status: Partially Implemented

Follow-Up Review: As discussed in the follow-up review in Recommendation 4.3 above, the proposed revision to Building Code, Chapter 100 includes an investigation fee of double the permit amount. Until this revision is approved and department begins fully implementing the report recommendations for addressing violation notices, data will not be available to determine whether the fees charged cover the costs of the investigation.

Recommendation 4.5 Strengthen the code enforcement methods used.

Implementation Status: Partially Implemented

Follow-Up Review: As previously discussed, the new Administrative Enforcement Ordinance was adopted. This code provides specific steps for addressing non-compliance issues including a process for issuing and responding to a notice of violation; administrative hearings; and various remedial actions that can be imposed. These include withholding approval of permits and/or licenses; recording a notice of violation/clouding against a property title; penalties; and/or abatement. Building and Safety is in the process of developing forms and procedures to implement these enforcement methods.

Recommendation 5.1 Work with Technology Services to enhance Permits Plus.

Implementation Status: Not Implemented

Follow-Up Review: The enhancements to Permits Plus included in the audit report were identified as those which would assist Building and Safety to operate more efficiently and effectively. However, Technology Services has informed to Building and Safety that they do not have the resources to make substantial enhancements to Permits Plus.

Recommendation 6.1: Track and monitor the hours of technical training each plans examiner and building inspector has attended; and notify these staff and their supervisors when training requirements may not be met.

Implementation Status: Implemented

Follow-Up Review: Technical training can be tracked and monitored on the International Code Council website for each plans examiner and building inspector. Management has determined it is the employee's responsibility to ensure they are meeting their training requirements.

Recommendation 6.2: Ensure training requirements are met every three years.

Implementation Status: Implemented

Follow-Up Review: Professional certification cannot be renewed unless the technical training requirements are met every three years. Building and Safety pays for the staff technical training and the cost of certification renewal, and it is the employee's responsibility to remain certified.