



Internal Audit Department

Audit Report 2014-6

**Fire Code Office
Growth Management Department**

**Fire Fee System Conversion and
Processing**

Dwight E. Brock
Clerk of the Circuit Court

3299 Tamiami Trail East
Suite #402
Naples, FL 34112-5746

www.collierclerk.com

Issued: May 28, 2014

Prepared by: Paul Cohen, Internal Auditor

Report Distribution: Board of County Commissioners (BCC)
Leo Ochs Jr., County Manager
Jeff Klatzkow, County Attorney
Nick Casalanguida, Administrator, Growth Management Division
James French, Director of Operations Support
Kingman Schuldt, Fire Chief East Naples Fire Control and Rescue District

Cc: Dwight E. Brock, Clerk of the Circuit Court
Crystal K. Kinzel, Director of Finance & Accounting

TABLE OF CONTENTS

SUMMARY.....	2
OBJECTIVES	3
SCOPE.....	3
BACKGROUND	4
OBSERVATIONS, RECOMMENDATIONS, & MANAGEMENT RESPONSES	6
CONCLUSION.....	18

The files and draft versions of audit reports remain confidential and protected from public records requests during an active audit under *Nicolai v. Baldwin* (Aug. 28, 1998 DCA of FL, 5th District) and Florida Statute 119.0713. Work-papers supporting the observations noted within this report will become public record and can be made available upon request once the final audit report has been issued.

The draft audit report was initially reviewed with the Growth Management Division (GMD) and Fire Code Office on January 17, 2014 and January 27, 2014, respectively. The draft audit report was released to the respective agencies for Management Response on January 28, 2014. The Director of Operations Support for Growth Management Division provided the County Management Responses on February 12, 2014. The Fire Code Officer provided Fire Code Office Management Responses on February 13, 2014. Revised management responses were received from the Growth Management Division on February 25, 2014.

Summary

The following observations were generated during this review:

- The Interlocal Agreement between the Independent Fire District and Growth Management Division has not been revised to reflect Board approved changes to the permitting process. (Growth Management and Fire Code Office)
- A joint, formal, mutually agreed transition plan between the Fire Code Office and the Growth Management Division was not established. (Growth Management and Fire Code Office)
- The audit trail feature in both MobileEyes and CityView should be more robust. (Growth Management and Fire Code Office)
- A formal and detailed change control process has not been established for MobileEyes. (Fire Code Office)
- The System Administrator has too much unsupervised and unmonitored access to the MobileEyes system and performance of position duties. (Fire Code Office)
- The Fire Code Office is manually inputting fee calculations in CityView, despite the system already being able to automatically perform these calculations. (Fire Code Office)
- The new permitting process could result in undetected changes to builder's plans. (Growth Management and Fire Code Office)
- Customers may be inconvenienced due to the new permitting process. (Growth Management and Fire Code Office)
- Fire fee reconciliations have not been performed. (Fire Code Office)
- Due to the need to input data to two systems, the Fire Code Office has duplicated their efforts and man-hours. (Fire Code Office)
- Questionable Fees: Fees are assessed without evidence of work or without approved constructs. (Growth Management and Fire Code Office)
- The permit review process does not timely detect input errors resulting in potential reimbursement or general ledger reclassifications. (Growth Management and Fire Code Office)
- Fire code fee calculations could potentially result in over or understated revenue. (Growth Management and Fire Code Office)
- Departmental/Agency procedures need further clarification and coordination. (Growth Management and Fire Code Office)
- The need for a self-review process was identified by the Growth Management Division. (Growth Management)

Objectives

The objectives of the audit were to determine whether:

1. Calculation, assessment, and collection of the fire service fees were compliant with County and Fire Code Office Procedures.
2. The system integration plan for the Fire Code Office's conversion from the County's system (CityView) to an independent system with MobileEyes is properly documented and any potential risks associated with the conversion have been identified and mitigated.
3. A post conversion testing plan has been established.

Scope

The audit consisted of, but was not limited to the following tasks:

- Review the current process flow for fire service fees collection.
- Document the Growth Management Division's plan for transferring the collection process to Fire Code Office including the approximately 4,000 open permits at the transition date.
- Review the Fire Code Office's new system (MobileEyes) and controls for fee collection.
- Sample 54 permits issued in August and September 2013 and test for accuracy in calculating building and fire service fees.
- Determine the status of 22 errors identified. These were in a notebook binder provided to the Clerk's office at the September 9, 2013 meeting and provided to the Growth Management Division at the September 17, 2013 meeting. Review the responses provided by the Growth Management Division and sample the items to ensure they were adequately addressed as reported.
- Review additional issues raised by the Growth Management Division or the Fire Code Office during the completion of the audit.

A review of all 22 permit fee related issues initially identified by the Fire Code Office and addressed by the Growth Management Division was performed. In addition, a judgmental sample of 54 additional permit files for the period of August and September 2013 representing 1.4 percent was chosen. The permits questioned by the Fire Code Office represent the period from January 1, 2011 to September 30, 2013. Approximately 2,000 permits per month are processed. The audit period chosen for the judgmental sample represents newer permits as the permit process had not changed. During the audit, an additional 11 permit files were questioned by the Fire Code Office resulting in a review of those files as well.

Background

On September 9 and 17, 2013 Internal Audit conducted engagement meetings to establish the audit scope.

Current Process Description

A. Application, Revision, Correction and Issuance of Permits

The customer submits a building permit application/revision to the Growth Management Business Center. The Growth Management Planning Technician verifies the application contents, job location, contractor's license, qualifier's signature or authorization form, duplicate permits, alerts, code cases, and correct number of plans including the correct attachments per the checklist and Building Block A.126 (Growth Management's published guidelines to the construction industry). Information required will vary depending on the type of improvement being sought. If the application is incomplete, the Planning Technician communicates to the customer the information needed to complete the application. Once the application is complete, the Planning Technician enters the permit information into CityView (Permitting software).

For 5, 10, or 15 day reviews the Planning Technician verifies fees to ensure that CityView was loaded correctly according to the fee schedule for Building and Fire. If correct, the Planning Technician prints a payment slip for the customer and informs the customer that all fees must be paid before plans are routed to the reviewers. The Planning Technician scans the application and creates a job folder. If the customer has made a payment, the Planning Technician manually verifies the payment was made and routes plans to the Growth Management Building Review Routing Center. If not correct, loading assistance is requested from a supervisor and/or CityView Support. If the customer did not make a payment, the Planning Technician logs company name and permit number in Drop-Off Log; e-mails customer a payment slip with a reminder that routing will not occur until all application fees are paid; and, after 30 days of no activity, the system puts the application in a canceled status.

If it is a same day process or after the above process is performed, the Growth Management Building Review Routing Center staff distributes the plans and collects additional fees, if required.

For building plan reviews the Growth Management Planning Technician:

- 1) checks CityView scope of work;
- 2) verifies the occupancy type (dictates cost per square foot to be applied);
- 3) verifies the construction type (dictates cost per square foot in conjunction with occupancy type);
- 4) verifies the number of stories, square feet, and number of units;
- 5) assigns inspections required based on scope of work;
- 6) checks Code conformance; and
- 7) corrects or adds work items based on the scope of work provided on the plans.

For fire plan reviews the Fire Planning Technician:

- 1) checks for compliance with state laws;
- 2) verifies that application fees were correctly collected;
- 3) assigns required inspections;
- 4) confirms the GIS Fire district field in CityView; and
- 5) calculates and manually adds the Fire review, inspection, and impact and/or correction fees as applicable.

For impact fee review the Growth Management Planning Technician reviews for impact fee assessment in accordance with Chapter 74 of Code of Laws and Ordinances and manually enters appropriate fees as applicable.

If the review is rejected, the customer is notified and must submit corrections to Building Plans Review. The Building Review Routing Center staff then distributes the plans and collects corrected fees, if applicable. The plans are then processed. Staff, using CityView, checks if any of the attributes associated with fees has been modified. If modified, staff recalculates the automated fees based on the changed data, which could result in a credit/refund; adds review fees based on work items; and/or additional building inspection fees.

Staff verifies:

- 1) the address, contractor, scope of work and square footage;
- 2) fees with the number of inspections;
- 3) review fees collected at submittal time;
- 4) fire fees manually against route sheet provided by Fire;
- 5) existing building review and inspection fees to ensure that the correct fees have been assessed; and
- 6) any overpayment activity (alerts the supervisor, if applicable).

If the CityView system identifies credits or refunds, the supervisor determines if there is a building fee, fire fee or a refund (a request is prepared, approved, and routed to finance). For building fees, the refund could be netted against the outstanding balance due for other fees, otherwise a refund check would need to be processed. For fire fees, the refund request is processed and forwarded to Fire for signature to be netted against other fees and internally reallocated or refunded by check. If no credit or refund is due, the customer is notified and pays the outstanding balance for building plans review and inspections; and fire plans review and inspections. The fee is submitted to Growth Management Cashiering and the customer receives the permit and inspection job card.

B. Planning Application and Inspection Process

The customer submits the application to the Business Center (Growth Management). Staff checks the requirements for each type of application. If the application is not complete, Growth Management staff communicates with the customer the information needed to complete the application. If the application is complete or once complete, staff enters the application into CityView. Information will vary depending on the type of application. The Growth Management Business Center staff verifies fees to ensure CityView loaded correctly according to the fee schedule for Building and Fire. If the fees are not correct, a request for assistance from a Supervisor and/or City View Support is sought. Once addressed or if the fees are correct, the payment is submitted to Growth Management Cashiering. If no payment is received, the Growth Management Business Center gives the applicant 24 hours to make the payment and then call the applicant again. Once the payment is made, the Business Center routes the plans to the Planning Routing Center. Planning Routing Center staff routes the plans to the reviewers. Assurance is sought that the correct fees are paid before the plans are routed.

Growth Management Staff verifies the CityView scope of work; compliance with the Land Development Code and County Ordinances; the review and inspection fees collected per fee resolution; and collects bonds if applicable. Fire Plans Review verifies compliance with state laws and verifies the application fees were correctly collected. If any reviews are rejected, the customer is notified and submits corrections to the Growth Management Planning Routing Center which begins the review process again. If the review is not rejected, the Growth Management Planning Center staff ensures all reviews have resulted in approval and checks if the application requires Certificate of Appropriateness (COA) review (normally for historical homes to maintain the original integrity of the home). If a COA review is required, impact fees are manually entered by Impact Fee Review and the Growth Management Planning Routing Center prepares a pre-approval letter explaining COA fees due. The customer is then notified and payment is submitted to Cashiering. If no payment is made after a certain number of months based on the application type, the application is cancelled due to inactivity. If payment is made, Planning Routing Center processes the approval letter/permit. If an inspection is not required, the process is completed. If an inspection is required, the applicant requests pre-construction meeting by phone or on-line. The Growth Management Inspector Supervisor notifies the applicant of outstanding inspection fees which must be paid before the meeting is held. If fees are not paid, the applicant goes into a cancelled status after a certain number of months. Once all fees are paid, the Inspector Supervisor schedules a meeting with the applicant. The site is then inspected by both Fire and Growth Management to ensure that all inspections are complete. Once the inspections are completed, a determination on the outstanding bond is made. If there is no bond, the customer is notified and the process is completed. If there was a bond, it is returned to the customer ending the process.

C. Cashiering

The applicant pays fees either in person with cash or check or online with check, debit or credit card. Growth Management Cashiering follows procedures identified in the CityView Job Aid. If the payment is not complete, the Cashier notifies CityView Support and the Final Type Supervisor who then resolves the issue. If it is paid, the applicant is provided with a copy of the receipt. A nightly batch with SAP (financial system) interface is prepared and the process is deemed completed.

Observations

1) The Interlocal Agreement between the Independent Fire Districts and Growth Management Division has not been revised to reflect Board approved changes to the permitting process.

An Interlocal Agreement was executed on January 28, 2003 between the Independent Fire Districts and the County. This agreement creates a contract assigning responsibilities of the different agencies.

On January 9, 2013, the BCC approved a motion to amend the Interlocal Agreement so that the Fire Code Office and Growth Management Division would be responsible for their own fees and quarterly reports. The County Manager was to prepare and negotiate an amendment to the agreement with the Independent Fire Districts. This has not occurred.

Management from both the Fire Code Office and Growth Management Department has recognized that the agreement was not revised and they are not currently operating in conformance with the Interlocal Agreement. However, they seem in conformance with the BCC's intent.

Recommendations:

- Management from both the Fire Code Office and the County should jointly amend the agreement and ensure conformance with their statutory duties.

Fire Code Office Management Response:

"Staff agrees with this assessment."

County Management Response:

"GMD agrees the Interlocal Agreement will be revised."

Internal Audit Response to County Management Response:

As of May 23, 2014, the Growth Management Division has not revised the Interlocal Agreement.

2) A joint, formal, mutually agreed upon transition plan between the Fire Code Office and the Growth Management Division was not established.

A formal transition plan is designed to identify key required processes, process owners, and action dates needed for a successful system conversion.

Several meetings between Fire Code Office and Growth Management Division personnel to discuss the transfer of responsibility for assessing and collecting fees were held; however, a formal transition plan was not developed at the inception of the project. Growth Management's CityView Systems Analyst provided Internal Audit with their transition plan on December 9, 2013. The Systems Analyst further provided documentation of all activity and communication related to the conversion. To date, the Fire Code Office has not created or provided a transition plan to Internal Audit.

Further, per the Operation Manager at MobileEyes, the scope of work for the transition project has changed significantly from the original concept of real time data feeds to manual feeds. The current MobileEyes work order to modify the software was not finalized until December 10, 2013. In addition, MobileEyes Operations Manager indicated that should any additional scope changes occur, his timeline for the implementation will be further delayed.

On December 20, 2013 it was determined that additional changes to the new permitting process had been verbally provided to the Fire Code Office. No evidence was found that the new permitting process was agreed to by the Fire Code Office or captured in the transition plan maintained by the Growth Management Division.

Despite the system conversion occurring on January 2, 2014, the lack of a detailed formal transition plan may have been a contributing factor in the delay in the system conversion.

Recommendations:

- While the transition occurred on January 2, 2014 as agreed, the conversion did not occur as smoothly as it could have. For future system or process conversions, department/agency management should reconcile their transition plans to ensure that timelines do not conflict and all action items are addressed in a timely manner to achieve a successful system conversion.
- Both the Fire Code Office and Growth Management Division should perform a post conversion review to determine whether the conversion was successful and to determine if outstanding items are left to resolve.

Fire Code Office Management Response:

“This is correct. The Fire Code Office worked with County staff for several months to develop a software interface solution which would have created a seamless transition. There seemed to be mutual agreement that a real time connection between the software packages was a viable solution and that work was approximately 70% complete when the Fire Code Office was informed by the County that this would not occur. Data transfer options deteriorated over time from every 15 minutes to once each night. This proposal from the county would have required the customer to wait until the next day to submit to the Fire Code Office. This was not a viable option for the Fire Code Office. This is where the process timeline advanced more quickly. A unilateral decision was issued by the county establishing a turnover date without an agreed upon transition plan. The Fire Code Office worked very hard to devise processes that ensured compliance with Florida Statutes, Florida Fire and Building Codes and that process coordination occurred as well as ensuring that all fees are paid prior to issuance of permits.”

County Management Response:

“In order to determine the scope and approach for the project and develop a separation transition plan for GMD, the CityView systems analyst facilitated several meetings between GMD and the FCO. While the CityView systems analyst acted as a project coordinator for the GMD system, the FCO did not designate a project manager to represent the FCO’s expectations and coordinate critical transition milestones. The CityView systems analyst acted as facilitator between the two parties during the March 13, March 26, April 16, and April 23 meetings in 2013. The CityView systems analyst documented the meeting minutes, captured action items, and created a GMD transition plan. Due to the fact that the MobileEyes vendor was engaged in other project commitments and had no available resources, no meetings were held from May until July 2013 to coordinate a system separation scope between GMD and the FCO. On July 9, 2013, the CityView systems analyst facilitated another meeting to discuss potential scope and approach to a real-time data transfer between the two systems. Both CityView and MobileEyes vendor resources participated in the meeting and the discussion. Based on discussion with the CityView vendor regarding the complexity, cost, and potential interruption to the performance of the existing CityView system, the idea of real-time data transfer between the two systems was abandoned as an approach. Instead, an end-of-day file export solution was selected as an option and communicated to the MobileEyes vendor via an e-mail on July 30, 2013 and to the FCO via e-mail on July 31, 2013.

*On September 4, 2013, the CityView systems analyst followed up with the FCO via e-mail to address outstanding action items and scope questions which the FCO posted via a face-to-face meeting with the CityView systems analyst a day earlier. The CityView systems analyst hosted an additional meeting with the FCO on October 31, 2013 to discuss a proposed separation date, documented the meeting minutes and action items in an e-mail to the FCO on October 31, 2013. The FCO responded to this e-mail that the FCO would not be ready to handle the separation by the proposed deadline of November 27, 2013. Accordingly, GMD extended the separation date to January 2, 2014 allowing a grace period of one year for any existing permits to remain in the CityView system. The audit **report’s** statement that there was a “delay in the system conversion” and “the conversion did not occur as smoothly as it could have,” is disputable because the separation date of January 2, 2014 was met and the system separation did not experience any technical issues.*

The coordination had been further hindered by the FCO and the MobileEyes vendor, who was not yet under contract with the FCO to perform the system separation function in the MobileEyes application. Per the MobileEyes

vendor in an e-mail dated November 12, 2013, "We have not gotten approval to proceed with this yet. Our timeline to implementation is 15 business days from receipt of a PO. We will not be doing any more work on this until we receive approval from Ed in the form of a PO." After numerous attempts to collect information, GMD staff was informed by the FCO on December 2, 2013 that the FCO was expecting a PO for MobileEyes to be issued shortly.

On December 20, 2013, a written communication between the CityView systems analyst and the FCO occurred in which three options were offered to the FCO regarding the collection of Fire Fees for existing CityView Permits and Planning Projects prior to the separation date. The options included: 1) Maintain the existing process to collect all pending CityView Fire Fees at the GMD location (no changes to current process); 2) The FCO office would collect all pending CityView Fire Fees independent from the CityView program. However, as a condition of this change, the FCO would acknowledge the FCO staff would then be responsible to zero out any pending Fire Fees via the "Adjust Fee" feature in CityView and the FCO staff would note that they had collected these fees in the "adjustment description" in order for GMD to issue permits; 3) The FCO office would collect all pending CityView Fire Fees independent from the CityView program. However, as a condition of this change, the FCO would acknowledge that the FCO should grant GMD staff permission, in writing from the FCO, to zero out any pending Fire Fees via "Adjust Fee" feature in CityView and the FCO staff should note that the FCO was responsible to collect these fees in the "adjustment description" in order for GMD to issue permits. The FCO selected option #2 in an e-mail on December 20, 2013.

The cost of the final solution, which included an end-of-day data export and a configuration of the functionality to grandfather the loading of fire fees and inspections of nearly 3,000 existing permits, was \$9,950 and was fully covered by the GMD Fund 113.

Backup documentation is available upon request."

3) The audit trail feature in both MobileEyes and CityView should be more robust.

A system based audit trail will identify users who performed certain functions in the system so that at a future point it could be determined whether the user acted appropriately based on their access permissions or whether the user may have been responsible for system input errors.

While certain features of the CityView audit trail were activated much earlier, audit trail features designed to capture key data such as square footage and project value were activated on September 19, 2013 based on an audit comment during the audit engagement meetings. Users involved with certain system related activity, occurring prior to this date, could not be identified. While the feature has since been activated, it may still not be capturing all transactional and operational activity. Growth Management indicated that it is cumbersome and requires a significant amount of server space and/or bandwidth and slows down the system. The exposure caused by the lack of a comprehensive audit trail is exacerbated as cell change controls are not in place in CityView. Cell data can be manually changed and, prior to September 13, 2013, when the audit trail feature was turned on, the party who made changes could not be identified.

The audit trail feature in MobileEyes could not initially be evidenced. The Fire Code Official indicated that the lack of an audit trail was due to fire fees not being collected through this system. Subsequent to an audit review, the audit trail for MobileEyes was activated for tracking financial records but is not capturing all records, including key data such as square footage and value. MobileEyes has committed to including an audit trail for square footage in a future release during the next six months. The exposure caused by the lack of a comprehensive audit trail is exacerbated as the agency has segregation constraints (See Observation # 4 above for further details).

The lack of an appropriate system based audit trail does not allow management to identify parties who made changes in the system or what changes were made.

Recommendation:

- Management from both the Fire Code Office and the County should be using all appropriate audit trail features and establish a review of the results of the audit trail to detect unusual activity or errors.

Fire Code Office Management Response:

“The auditors viewed MobileEyes and made recommendations. The Fire Code Office implemented all recommendations possible prior to Fire Code Office fee collection responsibility and MobileEyes has agreed to make the recommended software change in their next update.”

County Management Response:

“GMD believes the audit functionality provided in the CityView application is capable of tracking all financial related data. The square footage and project value audit feature that was enabled on September 19, 2013 only matter to GMD when a new building is > 5000 square feet, which occurs infrequently. Plan Review staff procedures are in place to ensure that all pertinent data entered is accurate. The figures presented at time of application represent an estimate given by the applicant only. Fire fees have been historically calculated and manually entered by the FCO staff. Audit features that have been enabled (county staff met with Internal Audit staff to show data capture) are working properly. Staff has reviewed those fields that are currently not audited and has committed to revisiting the features which could be reviewed using the audit trail and identify the rationale for any exclusions. Staff has also identified several additional features which should be enabled in the audit trail.”

4) A formal and detailed change control process has not been established for MobileEyes.

The establishment of a change control process identifies changes which were made to the system and creates a history of those changes. The log should contain a description of the change, the date of the change, the person/party who made the change, the requestor, the approver, and the rationale for the change. Testing protocols should be documented.

While documentation of the MobileEyes system changes is maintained, there is no centralized log of the changes. The Fire Code Official indicated that the log had been implemented the week of December 9, 2013 based on Internal Audit’s recommendation.

The lack of a log could result in undetected or unauthorized system changes. Testing protocols are critical for systems implementation and change management.

Recommendation:

- Fire Code Management should establish a change control log which should be maintained by the Fire Control Official as the System Administrator has a segregation of duties issue.

Fire Code Office Management Response:

“A formal and detailed change control process was initiated prior to Fire Code Office fee collection responsibility.”

5) The System Administrator has too much unsupervised and unmonitored access to the MobileEyes system and performance of position duties.

Segregation or separation of duties is the concept of having more than one person required to complete a task. In business the separation by sharing of more than one individual in one single task is an internal control intended to prevent fraud and error.

The system administrator for MobileEyes has the sole ability to make system changes, input permits, and perform edits and overrides and reconciliations which violates segregations of authority and diminishes a proper oversight process.

Further, based on the Internal Auditor’s review of user system access to MobileEyes, it was found that an employee had been inadvertently granted system administrator rights due to a previously undetected input error.

The lack of adequate segregations of duties could result in undetected errors and may increase exposure to fraudulent activity.

Recommendation:

- Fire Code Management should reassess the duties and responsibilities of Agency personnel and identify potential segregation of duties issues. Once identified, management should establish mitigating controls including additional oversight and review of those persons having segregation of duties issues.

Fire Code Office Management Response:

“The segregation of duties was enhanced prior to the Fire Code fee collection responsibilities. This was accomplished with an additional staff support person.”

6) The Fire Code Office is manually inputting fee calculations in CityView despite the system already being able to automatically perform calculations.

The establishment of automated controls is designed to reduce manual input errors.

The Fire Code Office has opted to bypass automated fee calculations and perform manual calculations and input with respect to permit rejections. This has resulted in potential double billing for second fire reviews where a rejection of the application by Fire Code Office occurred. The Fire Code Official manually inputs the \$75 fee thus creating a double charge for the same service which then must be manually adjusted so that the customer is not double billed. However, this process has occasionally not worked and a bill has been sent and then a credit must be provided to the customer.

As the system conversion occurred on January 2, 2014, only those permits (approximately 1,000 permits) which existed prior to the conversion date would be impacted by this control weakness. These permits should be resolved during 2014. Subsequent to that date, only Growth Management will have access to CityView. Growth Management has consistently used the automated controls within the system.

Due to manual override capabilities in CityView, the potential exists for duplication of fees or missed input errors even though there is a review process in place.

Recommendations:

- Fire Code Management should allow the automated controls and setting within CityView to operate as intended but to still review the data to confirm that the data was properly calculated.
- If there is a required change to a cell needed, an adjustment field should be utilized with details of the adjustment provided in the Notes section.

Fire Code Office Management Response:

“The automated controls and settings of CityView allowed for untraceable alterations to key information fields that affected the fee calculations. This was noted in the testing phase and the Fire Code Office requested this to be corrected by the County. The Growth Management Division advised that the only way to address the issue was to shut the auto calculate feature off for fire fee calculation and that manual input of fees would be required. The automated controls have basic design flaws that make it difficult to calculate both the building and fire fees using common input fields. For example: the "Occupancy Type" field is used as a component of the calculated valuation in the Building Code "Construction Valuation Table." The Building Code could classify an occupancy as a "Business" where the Fire Code could classify it as a "Mercantile." The selection of the occupancy type changes the "Building Valuation" and therefore the fire fees to be charged.

The recommendation to review the data to confirm that it was properly calculated, would need to occur after "final typing" has finished their process and the permit is issued. The process may be laborious and any corrections could also be very time consuming to rectify. This issue should resolve itself as soon as all the legacy permits are exhausted from the system.”

7) The new permitting process could result in undetected changes to builder's plans.

The Growth Management Division and Fire Code Office will be relying on the integrity of builders in the delivery of submitted plans from the Growth Management Division to the Fire Code Office.

Starting with the January 2, 2014 conversion date, contractors can manually deliver to Growth Management six copies of proposed plans, four of which are stamped and retained by Growth Management. The contractor can manually carry the remaining two copies to the Fire Code Office with a letter of attestation that the copies are true. The attestation letter was approved by the County Attorney's Office. The customer can alternatively mail or electronically deliver the plans to Growth Management. Mailed or e-mailed plans alleviate the need to manually deliver the plans to the Fire Code Office as the Fire Code Office physically picks up these plans from the Growth Management.

As a result of the process change regarding delivery method, Growth Management asserted that a significant increase in e-mailed plans has occurred since the January 2, 2014 conversion date. Growth Management believes it is due to the reduced time needed to physically deliver documents. This is anticipated to result in a shifting of staff to address the increase in e-mailed applications.

The new process change could result in undetected changes to the plans.

Recommendation:

- Management from both the Fire Code Office and the County should identify a process to ensure that the plans reviewed by each agency are the same to not result in improper or uninformed approvals.

Fire Code Office Management Response:

"The Fire Code Office noted this possibility and recommended an alternate approach that was rejected by the County. As a result, an extra "fire job site" set of plans is now required to be submitted. This ensures that the fire inspector inspects to the same plans the Fire Code Office reviewed and approved."

County Management Response:

"The GMD had recommended that plans continue to be picked up by the FCO at GMD, as had been the standard practice, only separating payment as directed by the Board of County Commissioners, but the FCO refused and insisted that the customer deliver the plans. In order to mitigate the possibility of fraud, the GMD developed the requirement that the customer sign a letter of attestation that the copies are true. This letter was created by the County Building Official and approved by the County Attorney's Office."

Backup documentation is available upon request."

8) Customers may be inconvenienced due to the new permitting process.

Subsequent to the January 2, 2014 conversion date, contractors will need to manually deliver the Growth Management Division approved plans to Fire Code Office and prepare two separate permit applications (one for each agency).

The increased inconvenience is evidenced by a significant increase in e-mailed permit applications purported to be a result of the customer's desire to spend less time in the new permit submission process.

The decision to have the Fire Code Office delete all fees from CityView may slow down the process as the Growth Management Division cannot issue permits until all fees are accounted for or deleted.

As a result of the change, the builders will be required to provide documents to agency in two separate buildings.

Recommendation:

- Management from both the Fire Code Office and the County should reassess the permitting process to better address customer inconvenience and complaints while still maintaining a proper control environment.

Fire Code Office Management Response:

“The original concept of linking the systems as proposed by the Fire Code Office would have made the transition relatively seamless. However, the lack of computer connectivity has resulted in the required process changes.

The requirement of the applicant to drop off plans at the Fire Code Office when fees are paid could save from 3-5 days in the fire review process. These 3-5 days are the normal processing time to get from County drop-off to the Fire Code Office.”

County Management Response:

“GMD’s process has not changed. The new Fire Plan Review routing process was changed at the direction of the FCO. This new process has caused a great deal of inconvenience to the customer.”

Internal Audit Response to County and Fire Code Office Management Responses:

This is an example of how the process surrounding the planning for the conversion could have been better thought out and reduced the negative impact on the customer.

9) Fire fee reconciliations have not been performed.

In accounting, reconciliation refers to the process of ensuring that two sets of records (usually the balances of two accounts) are in agreement. Reconciliation is used to ensure that the money leaving an account matches the actual money spent. This is done by making sure the balances match at the end of a particular accounting period. To ensure the reliability of the financial records, reconciliations must, therefore, be performed for all Balance Sheet accounts on a regular and ongoing basis. A robust reconciliation process improves the accuracy of the financial reporting function and allows the Finance Department to publish financial reports with confidence.

The Fire Code Office has not performed a reconciliation of fire fees which has resulted in delayed identification of fee miscalculations and general ledger mis-postings.

Several years ago, Fire Code Office management requested either reconciliation or a report of fire related fees from Growth Management Division. Growth Management provided access to data downloads from CityView to the Fire Code Office. However, these data downloads do not provide specific permit and fee details including the breakdown of fees and the calculation used. The Fire Code Office has the ability to perform queries to obtain desired information from CityView and the data download. The Fire Code Office has performed their own limited permit by permit review.

Internal Audit performed its own reconciliation of the downloaded data for the month of November 2013. This resulted in the detection of two fee mis-postings to the wrong fire district for \$1,383.76 and \$1,137.62.

As a result of the audit, the Fire Code Office has begun an informal reconciliation process.

The lack of a reconciliation process could result in misapplication of fee income between the Growth Management Division and the Fire Code Office.

Recommendation:

- Fire Code Management should reconcile their fees to support documentation on a periodic basis and monitor corrective action of unreconciled differences.

Fire Code Office Management Response:

“Staff has not reconciled every transaction. A limited random permit review has been performed which identified issues which were rectified by the County. However the root problems were not addressed and the same “issues” continued to occur. The Fire Code Office has implemented monthly reconciliation of all data provided by the County.”

10) Due to the need to input data to two systems, the Fire Code Office has duplicated their efforts and man-hours.

The Fire Code Office has been inputting in excess of 1,000 plan reviews per month into MobileEyes and CityView resulting in a duplication of effort and increased man-hours.

This process ceased with the system conversion scheduled for January 2, 2014 as the Fire Code Office will just have to input data into MobileEyes for new permits. Legacy permit information will still be input into both systems by the Fire Code Office.

Recommendation:

- Fire Code Management should revisit their man-power needs subsequent to the system conversion.

Fire Code Office Management Response:

“This is a temporary issue that will resolve with the exhaustion of the legacy permits.”

11) Questionable Fees: Fees are assessed without evidence of work or without approved constructs.

The following fees are currently being assessed with no evidence of the work being performed or of approval to charge for such work:

- a. Thirty-two (32) pre-application meetings were held during the months of August to October 2013 where a representative of the Fire Code Office was not in attendance, yet a \$75 fee was charged. The fee was assessed at the Growth Management intake desk when the applicant requested a pre-application meeting. When the meeting occurred and a scheduled Fire Code Office representative did not attend, both Growth Management and the Fire Code Office had the opportunity to amend these fees during the review process. Fee reductions for nonparticipation should have been made prior to or at final review. The Fire Code Office concurred with this finding and will reimburse customers upon their request.
- b. The Fire Code Office is charging customers for overtime review fees (work performed by agency personnel outside of normal business hours to assist in expediting a permit request) despite this fee not being identified in the approved and posted fee schedule. The Fire Code Official indicated the customer is provided with a preliminary fee estimate for this service then it is the customer’s choice whether or not to use the service.
- c. The Growth Management Division presently receives a Board of County Commissioners approved fee of \$500 for early work authorization which allows the customer to perform certain work prior to receipt of a permit approval in conformance with Florida Building Code 105.12. The fee is then split evenly with the Fire Code Office based on an informal agreement between the prior Building Code Official and the Fire Official because both agencies service the early work authorized. Neither agency could readily obtain support documentation allowing for the distribution of that fee. As of January 2, 2014, the system conversion date, per Growth Management, the fee will no longer be split with the Fire Code Office.

Recommendations:

- Management from both the Fire Code Office and the County should revisit their fee schedules and ensure that all fees are formally approved by an authorizing body and identified on the schedule for proper customer disclosure.

Fire Code Office Management Response:

“a. Previously the Fire Code Office did not schedule the pre-application meetings nor did the Office input the fees into CityView or collect those fees. Additionally, the County was notified in advance of our inability to attend most of the meetings noted. However, the Fire Code Office asked that a handout be provided to the applicant and to notify them that the Fire Code Office would be happy to meet with them individually if necessary, a practice the County also utilizes. Some of those applicants did so.

When this issue was brought forward, the Fire Code Office offered to refund the pre-application meeting fees to any applicant upon request. Since the County schedules these meetings it is necessary for applicants to provide documentation to the Fire Code Office to determine if the refund is warranted (fees received by Fire Code Office) or the applicant did not meet individually with Fire Code Office Staff regarding the project.

b. The practice of requesting optional overtime for plans review has been in place since approximately 2000 under the administrative oversight of North Naples Fire District. Upon transfer of administrative oversight to East Naples Fire District in 2003, that administration approved the continuation of said practice. Current administration has discontinued this practice.

c. Early Work Authorizations — This fee is generated by the County in accordance with Building Blocks A-120. Disbursement of any or all of that fee to the Fire Code Office is at their discretion. The Fire Code Office has requested the County no longer disburse any portion of these fees to the Fire Code Office.

The Fire Code Office has been given direction by the East Naples Board of Fire Commissioners to pursue fee changes to address these and similar issues as well as seek a third party agency to provide a fee study analysis to determine an updated fee structure.”

County Management Response:

“Effective January 2, 2014, the fee split was removed from CityView and recorded in the configuration notes.”

12) The permit review process does not timely detect input errors resulting in potential reimbursement or general ledger reclassifications.

At the Permit Intake desk, staff receives the permit application and inputs data from the application into CityView. There is a review process involving both the Growth Management Division and Fire Code Office which is designed to capture input errors.

Despite an established review process involving both Fire and Growth Management Division personnel, issues noted by the Fire Code Office which were identified subsequent to their review process, are not always properly addressed including incorrect fees being collected, the wrong general ledger account being credited for fees, fee miscalculations and the wrong permit code being input or changed after initial review.

Prior to the commencement of the audit, the Fire Code Official had identified 22 such issues. These were then researched and documented by the Growth Management Division. As of the audit date, all issues were not addressed. Open items are as follows:

- Two issues representing 9.1% will require ongoing corrective action.
- Four issues representing 18.2% will require the system conversion to adequately address the issue. Based on discussion with Growth Management personnel, these four issues have been resolved as the Fire Code Office has assumed full responsibility for identifying and collecting fire fees.

- Three issues representing 13.6% related to posting of fees to the wrong general ledger account remain unaddressed. One of these issues has been resolved as of May 2013 and the Growth Management Division is working in conjunction with the Fire Code Office to address the other two issues.
- The outstanding errors involve the wrong permit type being input or an incorrect amount of fees being collected.

During the performance of the audit, eleven additional permit files with issues were identified. Of those files, four permits representing 36.4% had the wrong permit type input. The financial impact is approximately \$225.

The fee schedules for the two agencies differ regarding the timing of fee payments. Growth Management, in accordance with Florida Statute, will not issue a permit until all fees have been collected and Fire has more flexibility in obtaining their fees. Due to this difference, the timing of reviews by each agency differs resulting in changes made by Growth Management occurring outside of the Fire Code Office's review period which are detected subsequently by Fire during other reviews.

As a result of the audit, the Fire Code Office is more frequently reviewing fees charged and collected by Growth Management; therefore, discrepancies are being addressed in a timely manner. Further, as a result of the system conversion, only fees on legacy permits are being processed in CityView and those permits are anticipated to be resolved by December 31, 2014. The other permit fees are now solely calculated and collected by the Fire Code Office.

Untimely detection of errors may result in potential reimbursement of fees to the customer or agency, uncollected fees, or general ledger reclassifications.

Recommendation:

- Fire Code Management should revisit their fee schedule and ensure that all fees are identified on the schedule for proper customer disclosure and collection.

Fire Code Office Management Response:

“The process in place does not work as intended. CityView contains design flaws, as identified by the audit, that make it difficult to accurately calculate both the Building and Fire fees, and to maintain the correct fees throughout the process while complete automation is activated (see #6).

As previously discussed in #11, a new fee study is being pursued.”

County Management Response:

“The GMD review process has quality control measures that identify application and entry discrepancies. Corrections and all required fee collection occur prior to the issuance of building permits, in accordance with the Florida Building Code and the Board of County Commissioners approved GMD/P&R Fee Schedule. Both the GMD and the FCO Plan Review staffs reviewed the same permits and shared responsibility to ensure that proper information was collected at time of application.

Since the implementation of the Building Permit module in the CityView application, nearly 60,000 permits have been issued. The 33 potential issues that were identified by the FCO occurred between 2011 through 2013, and were addressed through system updates and control modifications, e.g., since 2012 GMD staff ceased entering or adjusting any FCO fees unless provided written direction and authorization by the FCO. Of the 54 permits selected randomly by the Internal Auditor, all fees were collected prior to issuance. The audit of those 54 permits revealed there were three permits that required refunds by the FCO due to overcharges entered during the FCO review.

As of January 2, 2014, GMD is not collecting any FCO fees, including legacy permits. GMD is currently revising the permit application.”

Internal Audit Response to County and Fire Code Office Management Responses:

Management responses did not address how the errors will be more timely detected and addressed.

13) Fire code fee calculations could potentially result in over or understated revenue.

The Fire Code Office's fee structure has a fee escalation scale until the job cost reaches \$120,000. Once the job cost exceeds this amount, the fee reduces back to a \$1 plus calculation, with a minimum fee of \$100.

The job cost on a permit was manually changed, by the Growth Management Division, from \$120,000 to \$121,000 but there is no record of who authorized the change or the reason for the change. This resulted in reduced fire fees of \$584. The fee of \$684 was collected before the issuance of the permit but \$584 was later refunded to the customer and reversed from Fire's fee income based on the increased job cost.

This anomaly could result in lost revenue in the event a customer or employee change the job cost from \$120,000 to an amount greater than \$120,000.

Recommendation:

- The Fire Code Office should review their fees to ensure that fee calculation anomalies do not exist which could result in lost revenue.

Fire Code Office Management Response:

"The Fire Code Office has been given direction by the East Naples Board of Fire Commissioners to seek a third party agency to provide a fee study analysis to determine an updated fee structure. Based on our new process, we would catch most of these anomalies."

County Management Response:

"In this example the GMD permitting tech changed the value in the system to reflect changes made by the applicant, who authorized the change. This change was caught during Plan Review and all fees were collected prior to the issuance of the building permit, in accordance with the Florida Building Code and the Board of County Commissioners approved GMD/P&R Fee Schedule."

Backup documentation is available upon request."

Internal Audit Response to County Management Response:

The backup document was not signed by the applicant or the technician.

14) Departmental/Agency procedures need further clarification and coordination.

Written procedures provide agency staff with a consistent approach to performing certain operational processes which are in accordance with applicable regulations and Senior Management dictate.

Both the Fire Code Office and Growth Management Division have created formal written procedures for the daily operations of their respective agencies. However, the procedures lack the implementation date (this is captured in SharePoint), identification of responsible parties, or evidence of dual control or oversight. Further, it does not define the author of the document so that clarification can be obtained in the event of questions. There are no written or approved agency policies which would serve as Board authorization of key processes. As a result of the audit and process review, the Growth Management Division determined that a procedure related to the verification of the need for separate permits was needed.

The lack of detailed procedures can create inconsistent practices which could result in increased undetected errors.

Recommendations:

- Procedures should be revised to reflect the implementation date, identification of responsible parties, or evidence of dual control and/or oversight.
- Procedures should define the author of the document so that clarification can be obtained in the event of questions.
- Written and approved agency policies should be created.
- Agency staff should acknowledge receipt of the procedures and documentation of training staff regarding the procedures should be maintained.

Fire Code Office Management Response:

“In accordance with recommendations provided through the audit, the Fire Code Office has developed and implemented additional procedures.”

County Management Response:

“GMD policies have been written and approved and are located in the department’s “Building Blocks”. GMD procedures have been written and approved and tracked in a Microsoft SharePoint application, which documents who last updated the document and the date/time the document was last updated; however, based on the recommendations of the Internal Auditor, GMD will add the author and the version on the actual document.

GMD management staff will review the above recommendations and will make appropriate changes as necessary. We will also have employees acknowledge how to find Building Blocks and procedures published on the SharePoint site.”

15) The need for a self-review process was identified by the Growth Management Division.

A self-review is designed to identify potential issues and risks and assist in the development of mitigating controls. Internal Audit will normally perform audits on a cyclical basis; therefore, a self-review for a department with high transaction volume is deemed to be an appropriate process to identify and mitigate risks in the interim.

The Growth Management Division has acknowledged that based on the high volume permitting process and system conversion, they plan to create a self-review process and provide better staff training.

Management has recognized the need for a self-review process and has mitigated potential risks or errors.

Recommendations:

- Management should continue to establish a self-review program and ensure that staff assigned the review role have the requisite skills and knowledge to perform the role.
- Management should identify a reporting and issue resolution process for this role.

County Management Response:

“As development and permit activity continue to increase and additional staff is hired, e.g., FTE, job bank, or contract labor, GMD acknowledges the need for training coordination, monitoring, and taking appropriate action with staff development and control procedures.”

Conclusion

This audit was a special request from the East Naples Fire District, related to the proper calculation and collection of fire fees and management preparedness for the impending system conversion.

The conversion process has identified a need for better transition planning particularly when multiple departments and/or agencies are affected. Due to a misalignment in objectives and approach to the conversion, it has been delayed several times. This has resulted in potential additional expenses and despite a promised deadline of January 2, 2014, a more automated process will actually not be completed on schedule due to Fire software enhancements occurring in two phases.

Based on discussions with Fire Code Office and County Management and their responses to the audit, the anticipated system conversion, which occurred on January 2, 2014, should address some of the issues identified by the Fire Code Office. It is too early in the post conversion process to determine whether previously identified issues have been addressed. However, for the next year it is likely more than 1,000 permits be administered by both the Growth Management Division and Fire Code Office and there will continue to be disparity in approaches taken by these agencies in processing the permit requests. The Fire Code Office is seeking approval to simplify the fire code fees with the independent fire districts. This may alleviate the different approaches taken by the two agencies. Therefore, the manual entries made by the Fire Code Office will require additional review from both Fire and the Growth Management Division. Further, the customer will be inconvenienced as they will need to travel with their plans between two locations despite their close proximity, which could result in reputational risk.

Audits do not relieve management of their responsibilities. It is the responsibility of County management to understand and implement the proper procedural controls in order to reduce and limit the risk of fraud, error, and misappropriation of County assets. Internal Audit may recommend improvements in audit reports, but ultimately it is the duty and decision of County management to formulate processes and controls that ensure compliance with Federal regulation, State statute, County ordinance, and County policies.

The Internal Audit Department gratefully acknowledges the cooperation and assistance provided by the Growth Management Division and Fire Code Office. The division/agency willingness and diligence in providing information and responses to the recommendations has greatly assisted the Internal Audit Department with this audit.