

December 2023



Office of Internal Audit

Why We Did This Audit

We performed this audit in accordance with our approved annual audit plan.

What We Recommend

We made the following recommendations:

- The Building Commissioner perform a study of the current fee structure and propose adjustments, if deemed warranted, for the City Council's consideration.
- All customers receive a receipt, without exception, as proof of payment.
- Maintain a log listing the sequence of the receipt numbers.
- Deposit at least weekly checks that are received with permit applications.
- Fully implement the online permitting platform.
- Maintain a log to document the flow of permit information requested and information received.
- Develop guidelines to ensure that inspectors are consistent when charging for reinspection fees.
- Hire the necessary inspectors to work through the backlog of health and safety inspections.
- Implement a formal supervisory review process over the work products of its clerks and inspectors.
- An employee who does not have access to MUNIS keep a log of the checks received for the department.

(Continued on page 2)

Performance Audit of The Building Code Department Executive Summary

Background

The Building Code department administers and enforces the Massachusetts State Building Code and the zoning ordinances for the City of Springfield. The Department ensures the health, safety and welfare of the public and strives to support the City's goal of having a safe and secure community. Building Code inspection responsibilities include:

- Conducting inspections of building projects in progress
- Issuing health and safety certificates (Certificates of Inspections)
- Reviewing applications for Building, Electrical, Mechanical, Plumbing, Fire and Sign permits

The Department also provides enforcement of all Massachusetts General Laws pertaining to weighing and measuring devices.

Objectives and Scope

The primary objectives of this audit were to assess the internal controls over the following processes:

- Billing and collections of permit applications,
- Permit application approval, and
- Inspections

What We Found

- The current fee schedule has been in place for over 10 years.
- The check handling process needs improvement.
- The permitting application process is manual, inefficient, prone to errors, and omits the recording of customer payments in their accounts.
- Reinspection fees are not consistently assessed.
 - Numerous health and safety inspection certificates continue to remain expired.
- Opportunity exists to strengthen Department's quality control process.
- Certain employees have conflicting duties.
- Inspection assignments are unmonitored.

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What We Recommend (continued)

- Supervisors regularly confirm the inspector's work assignments as denoted on the daily inspection logs against the vehicle's GPS data.
- Establish notification alerts from the vehicle's GPS system for the employee's home address, locations outside of the City of Springfield, and other parameters as deemed warranted by management.

For more information, contact Yong No at (413)784-4844 or yno@springfieldcityhall.com



INTRODUCTION

Chapter 468 of the Acts of 2008 authorizes the Director of Internal Audit to examine the records of the City and its departments to prevent and detect waste, fraud and abuse and to improve the efficiency, effectiveness and quality of public services provided in and by the City. In accordance with this legislation, all offices and employees of officers, boards, commissions, agencies and other units of City government are required to comply with requests for information or access to systems and records by the Office of Internal Audit (OIA). The following review aligns the authority and goals of the OIA with those of the City. Specifically, this audit addresses the City's values related to accountability such as integrity, fiscal responsibility and transparent practices. The audit also supports the City's strategic priorities ensuring operational excellence, fiscal health and sustainability in all divisions, departments, programs and activities.

This report is not intended to be an adverse reflection of the City or of its vendors. The intent is for City management to utilize these findings and recommendations to help in making future well-informed strategic decisions while ultimately meeting City objectives.

BACKGROUND

The Building Code department (Department) is a division within the City's Development Services Division and provides inspectional services as required by the state of Massachusetts. The Department administers and enforces the Massachusetts State Building Code and the zoning ordinances for the City of Springfield. The Department ensures the health, safety and welfare of the public and strives to support the City's goal of having a safe and secure community. Building Code inspection responsibilities include:

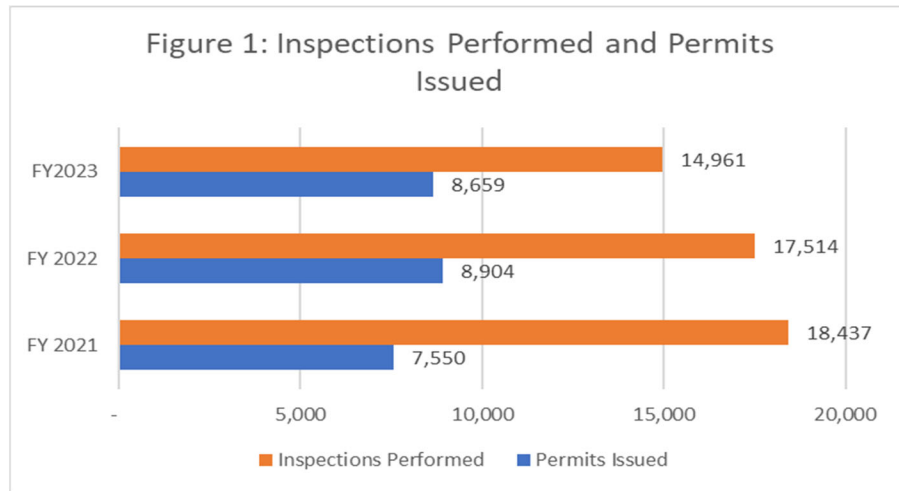
- Conducting inspections of building projects in progress
- Issuing health and safety certificates (Certificates of Inspections)
- Reviewing applications for Building, Electrical, Mechanical, Plumbing, Fire and Sign permits

The Department also provides enforcement of all Massachusetts General Laws pertaining to weighing and measuring devices.

Total revenues for Fiscal Year 2022 amounted to approximately \$2.6 million, of which permit fees constituted approximately 82% or \$2.2 million, compared to approximately \$2.3 million, of which permit fees constituted approximately 81% or 1.9 million, for Fiscal Year 2021. For Fiscal Year 2023, total revenues amounted to approximately \$2.2 million, of which permit fees constituted approximately \$1.7 million or 77%. Payments for permits and inspections are collected in person or by mail.

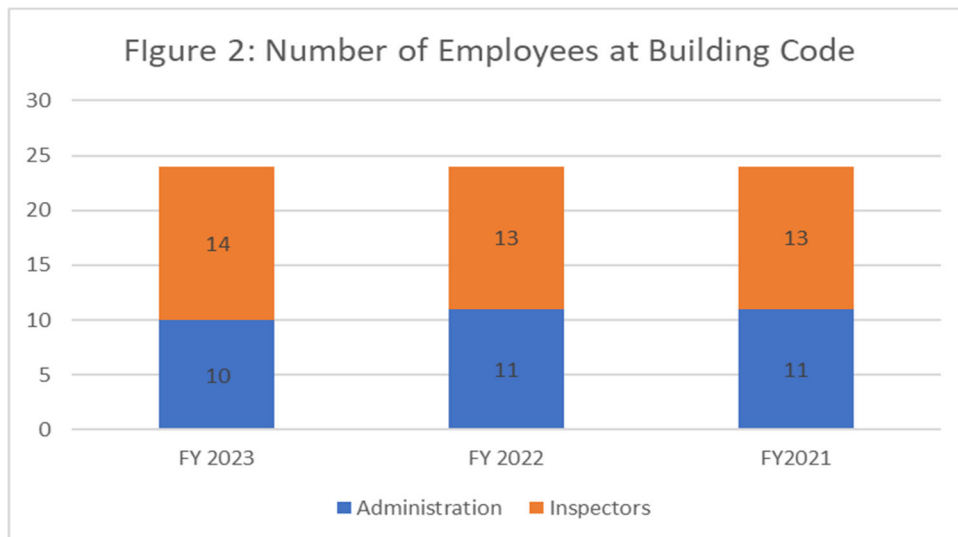


Figure 1 illustrates the number of permits issued and inspections performed:



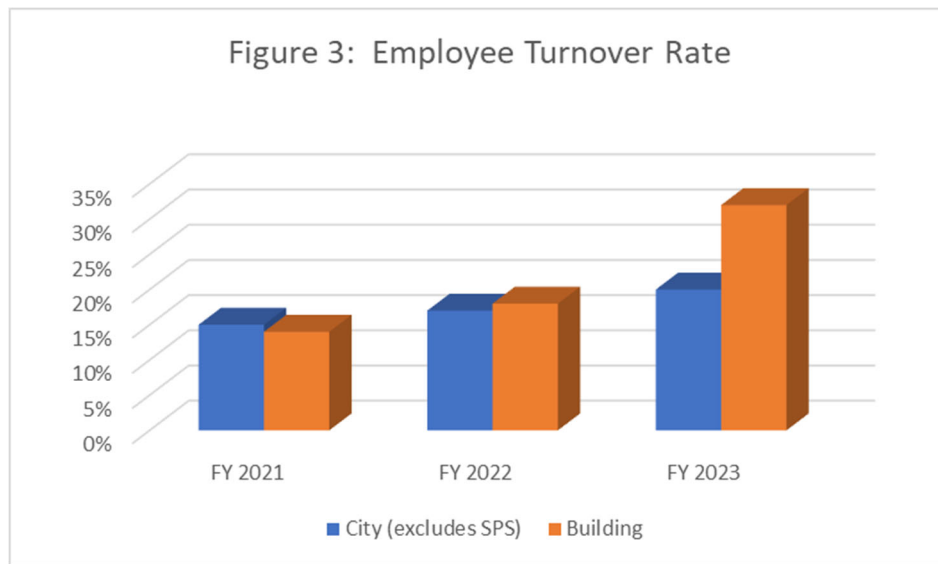
Source: Accela

Figure 2 shows the number of employees at the Department:



Source: MUNIS

The Department mentioned that employee turnover in FY2023 had adversely affected them in that less permit applications were processed and less inspections were performed than in previous years. As shown in Figure 3, the employee turnover rate at the Department was greater than the City as a whole:



Source: MUNIS

The Department’s explanations for the staff departures include the following:

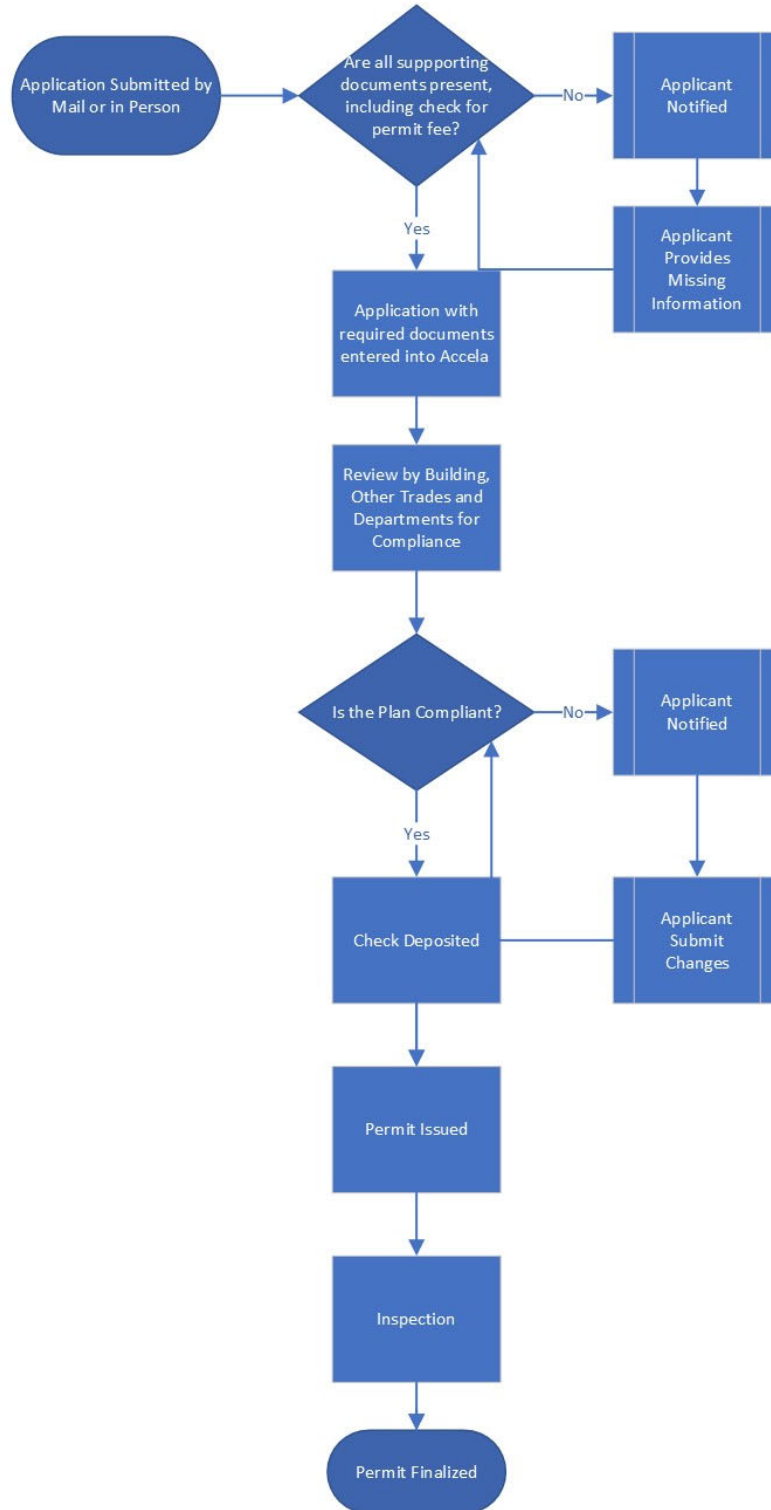
- Unable to hire employees living in other communities,
- Other towns/cities recruit and hire our employees,
- Employees lost due to larger pay in other communities, and
- Potential new hires will not commit to permanent residency.

At the end of Fiscal Year 2023, the Department had four vacancies.

In order to construct, enlarge, or alter a building, an applicant must receive permission by the Department. Once the permit application or building plans are approved, the applicant is assessed permit fees based on the type of building permit sought. These assessed fees must be paid before the permit is issued and applicants are not allowed to begin work before receiving a permit. An overview of the Department’s permit process is illustrated in Figure 4:



Figure 4: Building Permit Application Process





OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

The primary objectives of this audit were to assess the internal controls over the following processes:

- Billing and collections of permit applications,
- Permit application approval, and
- Inspections

Scope

The scope of the audit covered Fiscal Year 2023.

Methodology

To accomplish our objectives, we performed the following procedures:

- Reviewed the Department's policies and procedures.
- Reviewed City Ordinances and Massachusetts General Laws pertaining to building permits and inspections.
- Developed process narratives to identify current control activities in the building permit application intake, inspection, and payment management processes.
- Interviewed employees in Building Code department.
- Judgmentally selected a sample of permits issued to ensure that they had the supporting documentation and were reviewed, managed, and approved in accordance with the Department's policy and procedures.
- Judgmentally selected a sample of inspections performed to ensure they were performed in accordance with Department's policy and procedures.
- Reviewed qualifications for employees responsible for approving permits.
- Obtained the Department's performance measures for inspections and compared them to Massachusetts General Laws.
- Performed an inspection walkthrough with a Building Inspector.
- Reviewed the process of addressing citizens' tips on building code violations.
- Analyzed timing of when permits were issued.
- Performed other tests deemed as necessary.

Our findings and related recommendations are in the following sections of the report. The Building Code Department was given the opportunity to respond to the findings. The Department's responses are incorporated verbatim into the report following each finding and recommendation.



Finding/Recommendation Priority Ranking Definitions and Criteria

The OIA’s assignment of a ranking to findings and recommendations is intended to provide guidance to management on how to prioritize corrective actions. We consider both the effect and the likelihood of unimplemented recommendations in our categories. The OIA classifies the priority levels to be considered by Management when addressing findings and implementing recommendations as follows:

High	Internal control weaknesses and compliance issues that that require immediate corrective action.
Moderate	Internal control weaknesses and compliance issues that require prompt corrective action. Short term action is appropriate, e.g., less than 90 days.
Low	Internal control weaknesses and compliance issues that warrant timely corrective actions. Action with 360 days is deemed appropriate.
Management Discussion	Opportunities to strengthen internal controls.



FINDINGS AND RECOMMENDATIONS

Finding Number	Finding	Finding Description	Recommendations	Priority Ranking	Management Response
1.	Check handling process needs improvement				
a.	Receipts are not issued to customers	<p>Permit applications are submitted in person or by mail. The application submission is accompanied by a check for the permit. The Clerk receiving the application notes the check number on the application. However, the Clerk does not provide a receipt for the payment received and maintain a log to document the receipt issued. The City’s policy states that receipts be issued upon the receipt of funds¹.</p> <p>Without issuing receipts, there is a risk that payments could be misappropriated as the Clerks have the ability to mark permit as paid and subsequently issue a permit without depositing the funds.</p>	<p>We recommend that all customers who submit their application and payment, receive a receipt without exception as proof of payment. A log listing out the sequence of the receipt numbers and a copy of the receipts should be maintained by the Department.</p> <p>The Department should consider obtaining a MUNIS printer/validator, so that they could enter the check into MUNIS immediately when received then a system receipt</p>	High	<p>We agree with the auditor’s recommendation.</p> <p>We have recently initiated email communication with the city collector / treasurer Stephen Lonergan who said he would assist us and referred us to contact the Information and Technology department. Robert Houldson from the IT department has stopped into our office as of last week to acknowledge Stephen’s email.</p> <p>As of 1-24-2024 a validator has been installed. We are awaiting training instructions for our staff.</p>

¹ City Treasurer’s Cash Handling Policy



			<p>would be generated that can be provided/sent to the customer and a copy attached to the application.</p>		
<p>b.</p>	<p>Checks are not deposited in accordance with City Policy</p>	<p>The City’s check turnover policy states that checks received by a department should be turned over to the City Treasurer for deposit at least weekly¹.</p> <p>Permit applicants must submit checks along with their permit applications. The Department places these checks in a file until permit applications are approved. For the period under review, we noted that checks totaling \$146,193 had been reversed in MUNIS. When asked about these reversals, the Department indicated that they were related to expired checks. According to the Department, due to staff shortages, approving permit applications did not occur timely, and at times, occurred outside of the check expiration dates. Of the \$ 146,194 expired checks, we noted that \$51,617 appeared to be still unpaid as of November 2023. We have provided the Department with a list of these outstanding amounts for their research.</p> <p>Delays in depositing cash/checks increases the risk to theft or loss of funds.</p>	<p>We recommend that the Department perform the following:</p> <ul style="list-style-type: none"> • Deposit at least weekly checks that are received with permit applications. • Research those expired checks that appear to be outstanding as of November 2023. 	<p>High</p>	<p>We agree with the auditor’s recommendation.</p> <p>The research has already been underway at the time of this reply. This really was a one-off issue that, along with the chaos of a clerical staffing vacancies and turnover created.</p> <p>Our standard history and practice have always been that depositing of checks be handled a minimum of weekly, sometimes twice a week.</p>



<p>2.</p>	<p>Numerous health and safety permits continue to remain expired.</p>	<p>The Department performs health and safety inspections annually for businesses, schools, and multifamily dwellings in accordance with regulations². For those entities that pass the annual inspections, they are issued a Certificate of Inspection (also known as CofIs). The Department monitors the expiration of CofIs monthly and remind those affected entities to schedule their inspections prior their expiration. For those entities that do not comply, the Department issues a cease-and-desist order, and ultimately refers the matter to the City’s Legal department for continuing noncompliance. As of June 30, 2023, we noted 605 expired CofIs. In many of these instances there were notes in the Building Code database from inspectors to follow up with the property owner to schedule inspections. When asked about these lapsed inspections, the Department had indicated that many of these entities had changed owners which the Department was tracking down, and that due to staff shortages, it has taken longer than anticipated to update the CofI database.</p> <p>Properties with expired CofIs could pose a risk to public safety.</p>	<p>We recommend the following:</p> <ul style="list-style-type: none"> • HR perform a payroll study for the Department and recommend adjustments, if any, to the Department, including vacancies, with the aim of retaining current employees and attracting more applicants for vacancies. • The Department allocate the necessary resources, including use of overtime, to address the expired CofIs. • Have supervisors review expired CofI reports monthly and ensure appropriate action is taken on those 	<p>High</p>	<p>We agree with the auditor’s recommendation.</p> <p>Our management has consulted with HR quite often in our past and recent history about this very subject due to our current status with 5 vacant building inspector positions. Also, we have been communicating heavily to try to strategize in advance of the up-and-coming union contract negotiations to increase the first and top steps of their contract to increase the ability to hire and retain Inspectors.</p> <p>Overtime hours, in the short term, has been granted to our two veteran inspectors along with supporting clerical staff to work extra hours. Mostly with working half day on Saturdays to concentrate on C of I inspections and data entry.</p> <p>Supervision of C of I inspection data is continuous and group meetings are held weekly during this time of special needed attention. Reports are updated by the supporting clerical staff member on a constant basis. The backlog of outstanding C of I’s has been due to the chronic vacancies.</p>
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² Massachusetts State Building Code 780 CMR Article 110.7



			affected properties.		
3.	The Permit application system does not reflect payments made by customers in their accounts.	As mentioned in Finding 4 below, the Department enters permit application information into two systems: Accela for bills and MUNIS for payments received. However, we noted that the payments in MUNIS are not also entered into Accela. The Department has indicated that it does not record payments to customer accounts in Accela. According to City ordinance, the Department is required to keep accurate records, including payment information, for the property owner's account ³ . Without the payment information reflected in the owner's account in Accela, a reconciliation process cannot occur to ensure the completeness and accuracy of payments in MUNIS.	We recommend that the Department record all payments received from customers in Accela and reconcile the payment information in MUNIS to Accela monthly.	High	We agree with the auditor's recommendation This is an issue that we have tried to resolve with the Accela permitting system project when Accela was first initiated back in 2011 but the online permitting process was never completed, leaving the inability to reconcile payments from Accela to Munis. We currently do record the payments in Accela along with a photo copy of the check on the permit applications which includes a stamped received date.
4.	Permitting application process is manual, inefficient, and prone to errors and issues.	Currently, the Building Code staff processes paper permit applications manually by entering the applicants' information into two different systems (Accela and Munis). These two systems are not electronically interfaced. If an application and/or check for permitting is incorrect, they are returned to the application for correction. The process is labor intensive, inefficient, and above all prone to errors. For example, out of the	We recommend that the Department perform the following: <ul style="list-style-type: none"> Fully implement its online permitting platform by devoting the necessary 		We agree with the auditor's recommendation. It is our opinion that this should be considered a high priority on our audit.

³ City Ordinance, Section 175-19



		<p>25 permit applications tested, we noted the following errors and issues:</p> <ul style="list-style-type: none"> • 3 fee errors entered into Accela, • 4 missing copies of issued permits in Accela, • 1 missing permit application in Accela, • 1 permit in Accela without payment, • 2 permits with incorrect issuance dates, • 13 permits issued before the respective check cleared, and • 6 instances where the permit was issued beyond 30 days from the time when the completed permit application was submitted contrary to regulations⁴. <p>Also, we noted that the Department does not keep a log or document the workflow in Accela to track the dates when an application was received, additional information was requested from the customer and when that information was received. Without such a log or workflow documentation in Accela, the application status becomes more difficult to determine, increasing the likelihood that applications could “slip through the cracks” and pile up without management’s knowledge</p> <p>The Department has begun to pilot an online permitting platform which makes</p>	<p>resources to ensure the system is up and running as quickly as possible.</p> <ul style="list-style-type: none"> • For those permit application received in person or by mail, maintain a log to document the flow of information received and requested. • Correct the errors found by the OIA. 	Moderate	
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⁴ 780 CMR: Massachusetts Amendments to the International Building Code 2009, 105.3.1 *Action on Application* – The building official shall examine or cause to be examined applications for permits and amendments, and shall issue or deny the permit, within 30 days of filing.



		<p>the process more efficient and reduces the clerical errors and issues as follows:</p> <ul style="list-style-type: none">• Applications are completed online.• Any missing information is communicated using the online system to the applicant.• Applicants can submit the missing information online.• Applicants can check on the status of their applications online and receive notification once their applications have been approved.• Invoice is billed in the online system and the applicant must pay prior to the permit issuance.• Once the bill is paid by the applicant, the permit is issued.• Applicant can schedule the inspection in the online system.• All of the processes above are documented and dated, thereby creating transparency in the process. <p>However, we noted that the online platform has only been configured for one building permit fee category due to technological constraints on the current permitting application system.</p> <p>Some surrounding communities, e.g., Town of West Springfield, have already implemented an online permitting application system, making the permit application process easier and more transparent for their constituents.</p>			
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		<p>According to the Department, the inefficiency of a manual permitting application process has been compounded by staff shortages, leading to delays in the issuances of permits.</p>			
5.	<p>The current fee schedule has been in place for over 10 years</p>	<p>The current fee structures for permits and weights and measures have been in place since 2012 and 2004, respectively. The consumer price index has increased by 33% from 2012 and by 61% from 2004.</p> <p>We noted that the building fee structure does not include a permit for solar panel installation despite the Department issuing more than 600 permits pertaining to solar panel installation. Such permits are classified as Other Permits.</p> <p>Also, the City's permit fees may not be comparable to what other neighboring towns charge. For example, the Towns of Westfield's, Agawam's, and Wilbraham's minimum permit fee for a 1 or 2 family alteration has a minimum fee of \$100, \$100, and \$150, respectively, which are all greater than that of the City's minimum permit fee of \$80. The OIA noted that these municipalities all have an effective price list date, which range from 2016 to 2022, more current than that of City of Springfield.</p> <p>Best practice suggests reviewing and updating fees periodically based on</p>	<p>We recommend that the Building Commissioner perform a study of the current fee structure and propose adjustments, if deemed warranted, for the City Council's consideration.</p>	<p>Moderate</p>	<p>We agree with the auditor's recommendation.</p> <p>It is assumed that this correction will coincide with the timing of implementing an online permitting and payment system.</p>



		<p>factors such as the impact of inflation and other cost increases, adequacy of cost recovery, and use of services.</p> <p>Benchmarking individual fees and charges with those charged by comparable or neighboring jurisdictions can guide the City with settling rates.</p>			
6.	Reinspection fees are inconsistently assessed.	<p>According to Department’s fee schedule, the reinspection fee for unsatisfactory work is \$80. During the review period, we noted that there were 1,480 re-inspections for unsatisfactory work, of which only 13 were billed. We estimate that the potential lost revenue to the City for the unbilled reinspection work was approximately \$117,000 in FY23. A reinspection results in the inspector having to do a second or third reinspection. In one instance a property was reinspected on four separate occasions, with no reinspection fees charged. According to the department the charging of reinspection fee is at the discretion of the inspector. If reinspection fees are not consistently charged, the City incurs costs which are not reimbursed and the public could perceive inequitable treatment of property owners/contractors.</p>	<p>The Department should develop guidelines to ensure that inspectors are consistent when charging for reinspection fees.</p>	Moderate	<p>We agree with the auditor’s recommendation.</p> <p>The majority of our inspectors have the discretion to implement when a reinspection fee is needed. Some notify management in advance or they do this on their own with our clerical staff assistance.</p> <p>During this time of turmoil with staffing for both inspectors and clerical staff and the terminology of reinspection vs rescheduling within our current software, meaning when a reinspection fee is genuinely necessary vs a terminology of what is applicable.</p> <p>We have every intention to address this</p>
7.	Certain employees have conflicting duties	<p>Segregation of duties is an important preventative control to prevent opportunities for misappropriation and human error. The concept of segregation</p>	<p>We recommend the following:</p>		<p>We agree with the auditor’s recommendation</p>



		<p>of duties means that certain roles and responsibilities should be assigned to different employees to ensure that one single employee cannot process a transaction from beginning to end.</p> <p>The Department’s clerk duties include processing checks received as well as recording the payments into MUNIS. Likewise, the Department’s Manager of Weights & Measures is responsible for billing and processing checks received into MUNIS.</p>	<ul style="list-style-type: none"> • An employee who does not have access to MUNIS keep a log of the checks received. • All checks relating to Weights and Measures be mailed to the Department’s main office and recorded in the log. • Supervisors regularly review this log and check it against the amount turned over to the City Treasurer. 	Moderate	<p>This will also be resolved with the implementation of an online permitting and payment system.</p>
8.	<p>Opportunity exists to strengthen Department’s quality control process</p>	<p>We noted that neither the work product of Department’s clerks nor its inspectors are reviewed by their supervisors. Supervisory reviews would serve as a control to catch errors in data entries and missed deficiencies in inspections. They would also ensure the employees’ work product complies with the Department’s quality standards.</p>	<p>We recommend that the Department implement a formal supervisory review process over the work products of its clerks and inspectors.</p>	Moderate	<p>We currently have an internal employee review format that the Commissioner has actively performed in consultation with staff employees and documenting for a few years now. Which includes the review of all Notice of Violation letters, including notes, pictures and proper code referencing of articles from the code</p>



					<p>books. Also, standard is the review of final documentations and inspections performed to make sure inspectors have entered proper information into Accela records and have completed the mandatory required inspections for the issuance of Certificates of Occupancies or Certificates of Completion. Monthly and quarterly performance reports are generated and reviewed for any notable issues.</p>
9.	<p>Inspection assignments are unmonitored</p>	<p>Inspectors have assigned City vehicles for use to travel to and from various inspection sites; and their assignments are documented on daily logs. However, we noted that supervisors do not verify the inspectors' assignments on the daily inspection log by checking them against the GPS data from the inspectors' assigned vehicles.</p> <p>The Department informed the OIA that in the past certain inspectors misused City time to work on personal matters.</p> <p>Without regularly checking the inspection logs against the employee's vehicle GPS data, there is a risk that the employee could potentially misuse their time, e.g., being at home or working on side jobs.</p>	<p>We recommend the following:</p> <ul style="list-style-type: none"> Supervisors regularly confirm the inspector's assignment as denoted on the daily inspection logs against the vehicles GPS data. Establish notification alerts from the vehicle's GPS system for the employee's home address, locations outside of the City of Springfield, and 	<p style="text-align: center;">Moderate</p>	<p>We agree with the auditor's recommendation.</p> <p>This is a very active part of our management duties. We have a very well documented history of using our GPS database and comparisons of daily scheduling when needed. Including disciplinary action with consultation from the Human Resource's department</p> <p>We understand the critiques noted as far as setting up a GEO fence or an alert part of the software that we may not be familiar with in some of the accessory functions of the software. We will explore these options.</p>



			others parameters as deemed warranted by management.		
10.	The Department lacks standard operating procedures	With the exception of handling customer checks, we noted that the Department lacks written standard operating procedures for its clerks and inspectors. An essential element of internal control is a formalized system of documentation and authorization, which can be achieved through the establishment of written policies and procedures. Formal policies and procedures communicate management’s expectations and intentions, and provide employees with guidance to carry out tasks in an effective and efficient manner. A lack of formal written policies and procedures can lead to individual interpretation creating a risk of inconsistent job performance and reduced efficiency.	Formal policies and procedures should be documented to communicate management’s expectations, provide employees with written guidance to carry out their activities in an effective and efficient manner, and to assist with training or cross-training employees. In the formal policies and procedures, we recommend that there be guidance on how supervisors perform quality checks, what to do if errors are found and how to communicate the results to employees – see Findings 8 and 9 above.	Low	We agree with the auditor’s recommendation This recommendation, as noted, coincides with the findings of sections 8 and 9 also carries the same response as we have noted in sections 8 and 9.



11.	The City Ordinance does not reflect the current permit fee schedule.	<p>The current permit fee schedule was approved by City Council in 2014. However, the City Ordinance was not updated to reflect the approved permit fee schedule.</p> <p>Inaccurate permit fee information in the City Ordinance could lead to customers paying inaccurate permit fees and could pose legal risks to the City.</p>	We recommend that the Department work with the Law department to update the City Ordinance to reflect the current permit fee schedule.	Low	<p>We agree with the auditor’s recommendation</p> <p>This will be attended to as part of our fee schedule modification mentioned above in section 5. We understand the confusion this may impose in the future.</p>