

AUDIT SERVICES OVERSIGHT COMMITTEE
Monday, March 28th, 2022
Virtual Meeting via Zoom 3:30 P.M.

The Audit Services Oversight Committee met at the above date and time with the following members present: Chair-Nick Long, Vice-Chair-Shanell Frazer, Resident Member Matthew Ruterbories, Council Member DeDreana Freeman.

Also present: Wanda S. Page, City Manager; Bertha T. Johnson, Deputy City Manager; Thomas Hosey, Director, City-County Inspections; Tim Flora, Director, Finance; Keith Chadwell, Deputy City Manager; Debbie Compton, Administrative Analyst, City-County Inspections; Christina Riordan, Assistant Director, Budget and Management Services Department; Dr. Germaine F. Brewington, Director, Audit Services Department; the Audit Services Department Staff; and other guests.

Chair, Nick Long, called the meeting to order at 3:30 p.m.

SUBJECT: APPROVAL OF MINUTES – February 28th, 2022

Motion was made and it was properly seconded to approve the minutes of the February 28th, 2022 Audit Services Oversight Committee meeting.

The motion passed unanimously.

SUBJECT: EXCUSED ABSENCES

Motion was made and properly seconded to excuse absences for Mayor Elaine O’Neal and Council Member Jillian Johnson.

The motion passed unanimously.

SUBJECT: CANCELLATION OF MAY 23rd, 2022 MEETING

Motion was made and properly seconded to cancel May 23rd, 2022 meeting.

The motion passed unanimously.

SUBJECT: ADJUSTMENTS TO AGENDA

There were no adjustments to the agenda.

SUBJECT: BUILDING PERMITS AND INSPECTIONS PERFORMANCE AUDIT

Dr. Germaine Brewington, Director of the Audit Services Department gave a PowerPoint presentation on the Building Permits and Inspections Performance Audit. She stated that

the City-County Inspections Department administers and enforces the North Carolina State Building Code and zoning ordinance for both the City and County of Durham. The need for thorough building inspections is critical with the increased construction activity in the area. Having a comprehensive permitting and inspections process undergird the day to day work is needed. City-County Inspections is responsible for several activities; but, this Audit focused on the permit application and review processes.

Dr. Brewington discussed the objectives of the audit which were three-fold – to determine: 1) if adequate controls existed over billing and collections of the permit application process; 2) if adequate controls existed over the permit applications approval process; and 3) if adequate controls existed over the inspections process.

Overall, adequate controls existed over the billing and collections of the permit application process. The process could be strengthened by using pre-numbered receipts for transactions processed outside of Paymentus—the City’s payment processing system. Controls existed over the permit application approval process and the inspections process; and staff are certified to perform the work that they are assigned. The Inspections Department staff have both established service goals and monitor those goals for the inspections and permitting function. Supervisors keep track of inspections performed and permits processed. Quality checks are performed to review the work of the inspectors, but the controls can be strengthened.

Finding 1: The current fee schedule has been in place since July 1, 2018; and was only partially updated at that time, and does not include any automatic indexing mechanism.

Finding 2: Controls over manual receipts provided to consumers on rare occasions for transactions outside of the normal process, were not adequate. Audit staff observed that the receipt form is not pre-number and a log is not maintained.

Finding 3: Some standard operating procedures (SOPs) were outdated. Standard operating procedures existed; however, many were outdated. Controls over the quality control process existed; but they were not comprehensive.

Finding 4: Opportunity existed to strengthen the current quality control process. The Inspectors were completing on average 22-25 inspections per day for calendar year 2021. By design to ensure true results, random quality checks to monitor the quality of inspections performed were being performed by the Inspections Department Supervisors for each trade. The current goal was for the supervisors to perform two quality checks per inspector per month.

Finding 5: Opportunity exists to upgrade the system used to process permits and inspections. At present the Inspections Department staff use five different systems to perform their work activities: LDO, DPlans, Box, Blue Beam, and Workforce. Some issues noted with the current systems included: systems that are not electronically interfaced or linked, supervisors having to check the completeness of data transfers because of known issues with data transfers, performance measures being tracked daily (as opposed to an automated integration) from data retrieved from LDO, and unrestricted access in LDO.

Recommendation 1 (Management concurred)

The Inspections Department staff should revise the standard operating procedures and ensure they are comprehensive.

Value Added: *Risk Reduction; Compliance*

Recommendation 2 (Management Concurred)

The Inspections Department staff should evaluate the sufficiency of the current quality control checks performed and update the current quality control standard operating procedures.

Value Added: *Risk Reduction; Compliance*

Recommendation 3 (Management Concurred)

The Inspections Department staff should review the existing fee structure to ensure fees charged are still appropriate.

Value Added: *Risk Reduction*

Recommendation 4 (Management Concurred)

The Finance Department staff should issue pre-numbered receipts to the Inspections Department for manual transactions processed outside of Paymentus and all manual transactions should be logged.

Value Added: *Risk Reduction*

Recommendation 5 (Management Concurred)

The City Manager’s Office should examine the feasibility of implementing a new permitting software system which would support the City’s strategic initiative of, “Implement strategies from reimagining government to deliver enhanced processes and programs.”

Value Added: *Risk Reduction; Efficiency*

Questions/Comments:

Questions by ASOC members:

Chair Nick Long asked when the start of the Departmental Time Study On Efficiency is expected to be completed?

Dr. Brewington said the study had been completed and a copy of the report results was submitted to her on Friday. She stated that she read some of the 70-page report over the weekend but had not completed it. Dr. Brewington asked the Director of City-County Inspections, Tom Hosey if he would like to provide more details.

Director of City-County Inspections, Hosey stated the study was completed and it does show staff is needed in certain areas. They did expect that result; but, now they have an analytical tool that quantifies the information.

Chairman Nick Long stated that most of the recommendations had to do with time—specifically lack of time and staff. Chairman Long indicated that he would be interested in seeing the results of that study; but that performing only two quality checks per inspector per month does make sense with capacity issues. Chairman Long stated that it is mind blowing that the inspectors are doing approximately 25 inspections a day; and doing them correctly. Hats off to that Department.

Director Hosey stated it's a matter of resources. The inspectors are doing far more reviews than they should in order to do a quality review, which is the whole goal to ensure safety. Administrative functions for the Department are the sole responsibility of one Admin Assistant. During the budget process we will try to rectify the Department's capacity issue and hopefully we will be successful.

Member Matthew Ruterbories stated he had one question regarding recommendation two: quality control review. He stated that he was interested in knowing what each of the quality checks currently entailed. Was it a review of documentation that the inspectors generated or was the supervisor actually conducting another site visit to go back out and recheck the work? I am interested in knowing how long one of these inspections or re-reviews took, what sort of deficiency rates were expected, and what sort of deficiency rates were noted.

Director Hosey stated it is all of the above. It's a comprehensive inspection. They are checking the inspector's paperwork and seeing if they are doing that adequately. They are going behind them actually on the site, they re-do the inspection. On occasion if an inspector has been found to have deficiencies or needs a little bit of additional training, they will do inspections with them. It's all logged. I get a monthly report from all of the trade chiefs. It's broken up by individual. I can see which inspections were performed on various projects; what they found; if they found an issue and what it was; and what the remedial action was. I do not have the stats in front of me with regard to the number of deficiencies or percentages but I can assure you that it wasn't a bad number; but I can obtain that information if you would like to have it. Typically, if a deficiency is found, it happens one time and it's corrected. Everyone is learning when this happens and they distribute it in staff meetings so that everyone is doing it correctly. It's a really good process and we would like to do more than two reviews per inspector per month. But we have to remember there is one field supervisor per trade. The field supervisor also does plan reviews as well as supervision, audits and also participates in inspections for the more complicated projects. There is not enough supervisory capacity to do more audits. Also, the audit process is working and there is nothing indicating that it isn't working.

Member Matthew Ruterbories stated the reason he asked that question was to validate that the process is working and it sounds like you are not finding things you didn't expect. The second reason I asked that question is to understand if Department staff are thinking innovatively about where there are issues in the review process. If the issues are more related to paper work, desk reviews in addition to the two walk-throughs could provide a higher sample count if staff only needed to do a paper work review, something like that. I agree that you are absolutely right that the issues go back to resources. I just wanted to make sure we were thinking innovatively about how to expand opportunities for more reviews.

Director Hosey stated they (the audits) are very comprehensive. He stated that he had only been with The City for about 4 months coming here from Raleigh; but looking at what his staff do find, he knows they doing robust audits or they wouldn't be uncovering what they are finding.

There were no further questions on the audit report.

SUBJECT: DISCUSSION OF THE PROCESS FOR THE DEVELOPMENT OF THE ANNUAL AUDIT PLAN

Dr. Brewington moved on to discussing the development of the list of audit topics for the annual audit plan. Dr. Brewington stated that staff will send the entire list out to the directors as well as the final list approved. She stated that staff were currently analyzing the information individually and as a group; and that the ultimate selection of topics would also be compared to City's risk factors. Dr. Brewington stated that she would send the Members the entire list and the staff's proposal for FY23 of auditable areas prior to the meeting on April 25th. She asked that the members review that list with the preliminary scopes so they could have a robust discussion at the ASOC meeting in April. Dr. Brewington stated that she would share the criteria used to arrive at the ranking and ultimate proposed annual audit plan for FY23.

OTHER BUSINESS

There was no other business to discuss.

Next meeting is scheduled for April 25th, 2022. The meeting will begin at 3:30 p.m. and it will be virtual.

Chair Nick Long adjourned the meeting at 4:13pm

Respectfully submitted,

Francisca Fabian