



INTERNAL AUDIT REPORT

Permitting Process

September 21, 2023

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September 21, 2023

Date

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September 21, 2023

Date





This Permitting Process Audit was conducted as part of the Department of Internal Audit's Fiscal Year 2023 Annual Audit Plan.

Executive Summary

The Development Services Department (Development Services) is responsible for issuing a variety of permits including residential and commercial building permits (permits).

Based on our review of a sample of permits, permits were issued in accordance with established City policy, assessed fees were collected, all workflows were approved before permits were issued, and “first review comments” were provided to the customer within seven business days. However, we observed that gaps existed in the sequential order of permits within the Accela automated permitting system (Accela), for which no supporting explanatory documentation existed. Finally, metrics within the “City of Fort Worth Permit Statistics” public dashboard were unreconcilable against data available within Accela.

Furthermore, in our review of a sample of permits, we observed that specific steps and conditions within the permitting process contributed disproportionately to delays resulting in longer than average permit issuance time.

Our audit findings are discussed in further detail within the [Detailed Audit Findings](#) section of this report.

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Background

Development Services is responsible for issuing a variety of permits and is involved in all phases of development coordination and engineering, zoning, permitting, and inspections. Permits are required for new construction, accessory requests, additions, and remodels or modifications that change, move or repair walls, floors, ceilings, windows, doors, electrical, mechanical, or plumbing. Additional requirements may need to be met before a building permit can be issued depending upon a property’s location, zoning, and/or design guidelines for the area.

The City issued 10,572 residential and 1,370 commercial building permits for new, remodel and addition requests in FY2020 (excludes accessory building permits), and 12,702 residential and 1,665 commercial building permits for new, remodel and addition requests in FY2021 (excludes accessory building permits).

The City’s building permit revenue (all types) totaled \$8,815,591.10 in FY2020 and \$9,249,472.76 in FY2021.

Through automated workflows within Accela (City’s permitting system), permit applications are routed to staff within Development Services and other City departments (e.g. Water, Fire, and Park & Recreation). Development Services, by standard practice, provides “first review comments” within seven (7) business days of the application. Actual permit issuance cycle time can vary based on the volume of work in the Plans Examiners’ queue, based on the number and the complexity of workflow reviews required, as well as cooperation from various City departments, third-party contractors, and customers.

Workflow Reviews Related to Commercial and Residential Building Permits

Workflow	Commercial			Commercial Accessory			Residential			Residential Accessory			Change of Use
	Com			Com Acc			Res			Res Acc			
	new	add.	rem.	new	add.	rem.	new	add.	rem.	new	add.	rem.	
Water Review	x	x	x	x	x	x	X	x	-	x	x	-	x
Historical Review	*	*	*	*	*	*	*	*	*	*	*	*	*
Street Review	x	x	**	x	x	**	-	-	-	-	-	-	**
DDRB Review	*	*	*	*	*	*	*	*	*	*	*	*	*
Design District Review	*	*	*	*	*	*	*	*	*	*	*	*	*
Health Review	x	x	**	x	x	**	-	-	-	-	-	-	**
Storm Water Review	x	x	-	-	-	-	-	-	-	-	-	-	-
Water Development Storm Water Review	x	x	-	-	-	-	-	-	-	-	-	-	-
Fire Review	x	x	-	x	x	-	-	-	-	-	-	-	x
Grease Trap Review	x	x	**	x	x	**	-	-	-	-	-	-	**
Transportation Impact Review	x	x	-	-	-	-	x	-	-	-	-	-	x
Backflow Review	x	x	**	x	x	**	-	-	-	-	-	-	**
Urban Forestry Review	x	x	**	x	x	**	x	-	-	-	-	-	**
Zoning Review	x	x	x	x	x	x	x	x	x	x	x	x	x
Building Plan Review	x	x	x	x	x	x	x	x	x	x	x	x	x
Mechanical Plan Review	x	x	x	x	x	x	x	x	x	x	x	x	x
Electrical Plan Review	x	x	x	x	x	x	x	x	x	x	x	x	x
Plumbing Plan Review	x	x	x	x	x	x	x	x	x	x	x	x	x
Flood Plain Review	*	*	-	*	*	-	*	*	*	*	*	*	-
NEZ Review	*	*	*	*	*	*	*	*	*	*	*	*	*
PACS Review	*	*	*	*	*	*	*	*	*	*	*	*	*
Noise Contour Review	*	*	*	*	*	*	*	*	*	*	*	*	*
Gas Well Review	*	*	*	*	*	*	*	*	*	*	*	*	*
Lake Arlington Approval	*	*	*	*	*	*	*	*	*	*	*	*	*
Lake Worth Lease Approval	*	*	*	*	*	*	*	*	*	*	*	*	*

x Required
 - Not Required
 * Turn Off Based on ASI/GIS
 ** Turn Off Based on Questionnaire

Source: Development Services Department

Objectives

The objectives of this audit were to:

- determine whether permits were issued in accordance with established policy and applicable legislation;
- ensure that existing controls help establish accountability for permits issued; and,
- analyze permit timelines and opportunities for improved permitting process efficiency.

Scope

Review issued new construction, addition, and remodel commercial and residential building permits from October 1, 2019 to September 30, 2021.

- The scope included a limited review of permitting fees and individual workflow steps.
- Accessory structure building permits were excluded from this audit.
- Eligibility for waived fees were not reviewed during the course of the audit.

Methodology

To achieve the audit objectives, the Department of Internal Audit performed the following:

- interviewed Development Services, Transportation and Public Works (TPW) and Water Department (Water) staff;
- surveyed City departments regarding their respective department's corresponding workflow steps within the permit process;
- reviewed building permits obtained from Accela;
- reviewed §245.002 of the State of Texas Local Government Code;
- reviewed Development Services departmental policies, City Code and City Charter;
- reviewed permit issuance timelines;
- reviewed permitting statistics and reports; and,
- evaluated internal controls related to the permitting process.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The Department of Internal Audit would like to thank the Development Services, TPW, and Water Departments for their cooperation and assistance during this audit.

Audit Results

Based on our review of a sample, permits were issued in accordance with established City policy, assessed fees were paid to the City before permits were issued, “first review comments” were provided to the customer within seven business days of application, and all workflow steps were approved within Accela prior to permit issuance. However, we observed opportunities for improvement related to gaps in the sequential order of permits within Accela without supporting documentation. Additionally, metrics within the “City of Fort Worth Permit Statistics” public dashboard were unreconcilable against data available within Accela.

Timeline Review

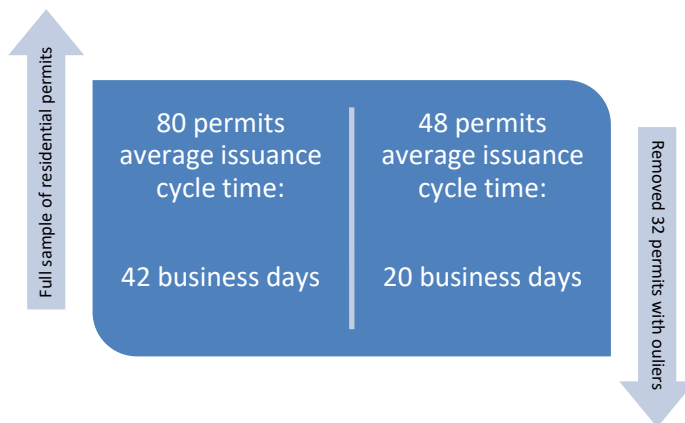
Using a random sampling method within the identified time periods below, Internal Audit selected a total of 130 residential and commercial (“new construction”, “remodel”, and “addition”) building permits to review. Based on the issuance cycle time calculated from “application submittal” and “permit issuance” dates, the time periods were as follows:

- 40 residential and commercial permits issued within zero (0) to seven (7) business days;
 - Time period selection due to the City’s practice of providing “first review comments” to the customer within 7 business days.
- 40 residential and commercial permits issued within eight (8) to 45 business days; and,
 - Time period selection based on §245.002 (e) of the State of Texas Local Government Code which indicates that “...a regulatory agency may provide that a permit application expires on or after the 45th day after the date the application...”
- 50 residential and commercial permits issued within 46 or more business days.
 - Time period selection based on Internal Audit’s risk assessment.

Moreover, we included 20 residential and commercial permits with the highest issuance cycle time, for a total sample of 150 residential and commercial permits.

Residential Permits

The average issuance cycle time of 80 sampled residential permits across the various time periods, was 42 business days (ranging from five to 421 business days). We noted that 32 of the 80 permits had workflow review completion time anomalies. However, for 17 (53.1%) of these, the “Water Development Review” workflow step had the most impact on extending the average issuance cycle time. When the 32 are removed, the issuance cycle time drops to an average of 20 business days. It should be noted that the data entry point of when the “Water Service Report” was received by the Water Department for their review, is not readily available (as a queryable data field) within Accela to determine actual review time of the report (between receipt date and workflow approval date).



It should be noted that the data entry point of when the “Water Service Report” was received by the Water Department for their review, is not readily available (as a queryable data field) within Accela to determine actual review time of the report (between receipt date and workflow approval date).

The cycle time of the “Water Development Review” includes: i) Water Applications Division staff review of each completed “Water Service Report” provided by the City’s TPW inspectors, and ii) confirming receipt of



all required Water related fees due from customer. A “Water Service Report” cannot be submitted to the Water Applications Division staff for review until each of the following is completed: a) completion of construction of new infrastructure (i.e. stormwater, water, sewer, street lights, etc.) based on the City’s standards, b) satisfactory inspection by City’s TPW staff of said construction, and c) completed laboratory tests (e.g. bacterial/water quality testing) indicating compliance with water safety regulations aimed at safeguarding public health. Once the workflow step is approved, work orders can then be submitted for installation of water meters.

Internal Audit observed that permit notes (“conditions”) were added in Accela, by staff, that highlight instances wherein the Water Applications Division did not receive a “Water Service Report” on a timely basis.

Per our conversations with Water Department staff, in the past, building permits could not be requested until the completion of all infrastructure. However, in recent years, to streamline the process, the City allowed infrastructure construction to be completed concurrently with the building permit process; while this can shorten the overall duration of the process, we noticed issues such as delays in the “Water Service Report” can increase the reported cycle time.

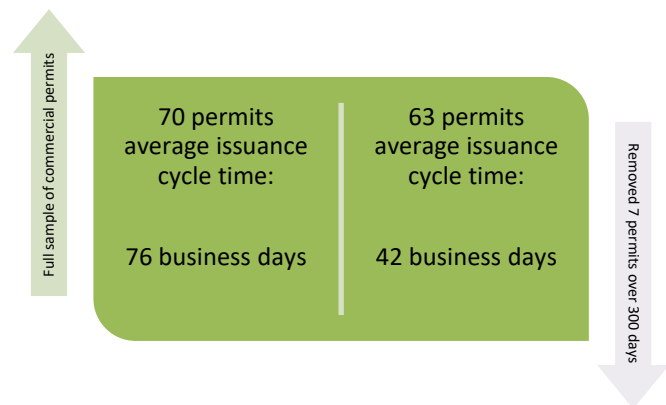
Additionally, we did not see evidence on the City’s website that clearly communicated to the permit applicant that a “Water Service Report” is required by the City’s Water Department prior to issuing new building permits.

Development Services has a comprehensive checklist of documentation required to obtain a residential building permit, however, we noted that the checklist was not available on the City website and informational links of the website were broken. We communicated with Development Services staff during the audit, and the checklist and links have since been fixed.

We noticed several instances in which residential customers did not provide the required Neighborhood Empowerment Zones (NEZ) Incentives Opt-Out form(s) to the City. Without this form, City staff is unable to determine whether fees should be assessed or waived for a given permit application. Although the residential permit checklist includes an item for NEZ or Opt-Out forms, it could be improved by the addition of a link to the form, and by adding language that clarifies that the Opt-Out form must be provided to the City when a NEZ incentive is not being requested.

Commercial Permits

The average issuance cycle time of 70 sampled commercial permits across the various time periods, was 76 business days. The issuance cycle time ranged from one to 473 business days. However, when we exclude the seven (10%) permits with the longest issuance cycle time (each issued in over 300 business days) from the calculation, the issuance cycle time is reduced to an average of 42 business days. Based on our review of conditions within Accela, the most common documented reasons within these seven permits included corrections/revisions required and missing documentation from the customer.





Commercial and Residential Conditions

During audit testing, we identified several factors that may have contributed to delays in the workflow reviews. For instance, although Development Services staff and other teams in the workflow were timely with their “first review comments”, there were instances where the customer did not follow up timely, resulting in delays. Additionally, we saw evidence of insufficient submitted information and delayed payment of fees, each of which contributed to permit issuance delays.

Conditions were reviewed for all sampled permits issued after seven days (110 permits), approximately 67 of these permits had conditions related to incorrect or insufficient information/documentation, as follows:

Permits issued within 7 days	40
No related conditions identified	43
Conditions related to missing information, documentation and/or additional permits	67
Total Count of Permits	150

Source: Accela Data

Oversight/Ownership

Based on information provided by Development Services staff, a past due task report is created daily and forwarded to department management for review.

Development Services management indicated that responsibilities within the Plan Coordination and Plan Distribution tasks included the distribution of workflows and coordination with both customers and City staff.

- In the Plan Distribution phase, Customer Service Representatives review permit applications for completeness and to ensure that the correct type of permit was selected by the permit applicant, they then “distribute” the application into the workflow within Accela, which routes it for review.
- In the Plans Coordination phase, assigned staff review whether Workflow Reviews were marked as complete in Accela, and whether fees assessed were paid in full, prior to issuing the permit.

However, based on our audit results, neither the Plans Distribution nor Coordination phases included a designated, accountable project manager role to ensure that all required Workflow Reviews are performed on a timely basis, provide for a centralized contact person for the customer, or provide general oversight of the process from inception through issuance of permit.

Accela Tracking of Fees

Lastly, although we did not perform a full review of fees and payments, we believe it is important to mention the following two observations to management for their consideration:

- 1) We noted instances of an apparent account receivable balance on permit applicant accounts within Accela, however, these were not legitimate amounts due to the City, but were in fact adjustments. A system configuration in Accela to account for these adjustments would be a better way to track them.
- 2) We also identified entries in Accela labeled “new fees” which were not in fact charged to the customer. According to City staff, these entries represent fee waivers related to NEZ. Therefore, Audit staff believes these entries should be labeled as “waived fees”.

Overall Risk Evaluation

High	Medium	Low
Deficient controls related to accountability of permits within Accela		

Detailed Audit Findings

1. Deficient controls related to accountability of permits within Accela.

The U.S. Government Accountability Standards for Internal Control Activities states that management should design appropriate types of control activities in the entity’s information systems so that appropriate coverage of its operational business objectives is achieved. It also states that management obtains relevant data from reliable internal and external sources in a timely manner based on the identified information requirements. Reliable internal and external sources provide data that are reasonably free from error and bias and faithfully represent what they purport to represent.

Per Development Services staff, the Accela system is set up to automatically assign the next permit number in sequence upon submittal of a building permit application within the system. However, through our independent query of building permits within Accela, we noted 129 missing potential permits in FY2020 and FY2021 where there were gaps in the sequence of permit numbers. There was no documentation that served to explain the gaps in the sequence of permit numbers.

Without a process or proper controls in Accela, permits may be deleted from the system without management’s awareness, and may facilitate the opportunity to misappropriate funds related to permit fees. Additionally, the lack of an audit trail may fail to provide information on the status of the permit which could also cause frustration among customers if their permit was inadvertently or purposefully deleted.

Information Technology Services (ITS) staff confirmed that there was no audit trail within Accela, while Development Support Services Division staff indicated that they were not aware of the reason for the gaps in sequence, and that many changes occurred in FY2021 as the Development Services Department worked towards automating the permit process.

Furthermore, Internal Audit attempted to reconcile the “City of Fort Worth Permit Statistics” dashboard to permitting data within Accela, and was unable to recreate the published permitting data within the dashboard. In conversations with Development Services staff, they indicated that they were aware of some of the discrepancies and the need to reconcile and verify those numbers, and were working towards a solution. The “City of Fort Worth Permit Statistics” dashboard was available to the public during the course of the audit. Without internal controls to ensure that figures reported on the dashboard are accurate, there could be negative public perception and lack of reporting abilities.

Recommendation 1A: *The Development Services Director should ensure that an audit trail of building permits is maintained within Accela.*

Auditee’s Response: Concur. Development Services concurs with the audit finding and that this is an area of concern for the program. Maintaining an audit trail is critical due to the amount of project permits received on a monthly and annual basis. Staff has identified the following strategies to correct this issue.



The Permitting and Inspections and Development Coordination division staff will work with Accela in create a system of tracking all project flows in Accela.

Target Implementation Date: January 1, 2024

Responsibility: Evan Roberts, Assistant Development Services Director
Clint Spruill, Sr. Business Process Analyst

Applicable Department Head: D.J. Harrell, Development Services Director

Applicable Assistant City Manager: Dana Burghdoff, Assistant City Manager

Recommendation 1B: *The Development Services Director should require that a process is developed and implemented to identify any permits that were deleted and ensure that follow-up occurs.*

Auditee's Response: Concur. Development Services concurs that with the audit finding that this could be an area of vulnerability for the City's permitting systems. Staff has identified the following strategy to evaluate and/or correct this issue.

The Permitting and Inspections and Development Coordination division staff will work with Accela and the city's ITS department to research the possibility of deleting building permits. If found, department will work to make sure this ability is taken away from all city staff.

Target Implementation Date: January 1, 2024

Responsibility: Evan Roberts, Assistant Development Services Director
Clint Spruill, Sr. Business Process Analyst

Applicable Department Head: D.J. Harrell, Development Services Director

Applicable Assistant City Manager: Dana Burghdoff, Assistant City Manager

Recommendation 1C: *The Development Services Director should require a review of Accela user access and should consider restricting the ability to delete permits.*

Auditee's Response: Concur. Development Services concurs that with the audit finding that this could be an area of vulnerability for the City's permitting systems. Staff has identified the following strategy to evaluate and/or correct this issue.

The Permitting and Inspections and Development Coordination division staff will work with Accela and the city's ITS department to research the possibility of deleting building permits. If found, department will work to make sure this ability is taken away from all city staff.

Target Implementation Date: January 1, 2024

Responsibility: Evan Roberts, Assistant Development Services Director
Clint Spruill, Sr. Business Process Analyst

Applicable Department Head: D.J. Harrell, Development Services Director

Applicable Assistant City Manager: Dana Burghdoff, Assistant City Manager



Recommendation 1D: *The Development Services Director should ensure that the figures displayed on the “City of Fort Worth Permit Statistics” dashboard are accurate and that the verification process is documented.*

Auditee’s Response: Concur. Development Services concurs with the audit finding and that this is an area of concern for the program. Providing accurate and transparent permitting statistics on our website is critical due to the fact that our residents and development community have come to depend on this information to inform on growth and development within our City. The Permitting and Inspections and Development Coordination division staff will work with Accela and the city’s ITS department to identify the source of this issue and correct all deficiencies.

Target Implementation Date: January 1, 2024

Responsibility: Evan Roberts, Assistant Development Services Director
Clint Spruill, Sr. Business Process Analyst

Applicable Department Head: D.J. Harrell, Development Services Director

Applicable Assistant City Manager: Dana Burghdoff, Assistant City Manager