



CITY AUDITOR 345 6th Street, Suite 600, Bremerton, WA 98337-1873 & Phone (360) 473-5369

April 11, 2014

Honorable Patty Lent, Mayor
Members of the City Council

The City Auditor has completed the attached report entitled Review of the Permit System. This project was scheduled on the 2013 work plan.

The permit system is utilized by the Department of Community Development, Department of Public Works & Utilities, and Bremerton Fire Department to administer the issuance of various permits utilized by them in administering various codes. An updated version of the software was installed during the review period. A few procedural items were noted that should be addressed by the departments.

The cooperation and assistance of the Fire Marshall, Public Works Engineering Technician, and the Department of Community Development- Building Division is greatly appreciated.

Sincerely,

Gary W. Nystul

cc: City Attorney
Fire Chief
Director of Community Development
Director of Public Works & Utilities
Director of Financial Services

REVIEW OF PERMIT SYSTEM

Purpose

The City Auditor routinely reviews various funds, departments, divisions and processes. This review of the permit system was scheduled in the 2013 work plan.

Scope

The procedures and fees related to the issuance of building, fire and public works permits for the period from October 2012 and through September 2013 were reviewed.

Statement of Auditing Standards

This performance audit was conducted in accordance with Generally Accepted Government Auditing Standards, except section 3.82 which requires an external peer review. Those standards require the auditor to plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on audit objectives. The auditor believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

Objectives

- Review the process for the issuance of building, fire and public works permits
- Review fees charged and the related fee structure
- Report any observations for economy, efficiency, effectiveness or improvements to the system of internal control

Summary of Results

- Utility service agreements were not approved as required by ordinance
- One problem was noted with a fire department permit
- Some small fees were not in accordance with the fee schedule
- There are some opportunities to simplify the fee structure

BACKGROUND

Local governments adopt various codes to protect the health, safety and welfare of their jurisdictions. This is accomplished through the adoption and enforcement of several uniform codes including those promulgated by the International Code Council. For example, the purpose of the city adopting the building code as stated in Chapter 17.04 of the Bremerton Municipal Code is: "... to enhance the health, safety and welfare of the public as a whole by ensuring that buildings, dwellings, structures and land will be constructed, maintained and used in a manner so as to reduce hazards, increase durability and require consistent patterns of community development..."

The code activities include the use of building permits, fire permits, code enforcement actions and public works permits. They are coordinated through a centralized permit system. The Department of Community Development (DCD) maintains the permitting system and houses the public customer service counter in its spaces. This allows for the coordination between the Department of Community Development, Fire Department and Department of Public Works & Utilities for activities on property throughout the city and within jurisdictional boundaries of the city utilities.

Individuals who require a permit submit their plans, drawings or other required information. Permits for fire alarms and fire sprinklers are reviewed and issued by the city Fire Marshal. Permits for water, sewer, storm, right-of-way work and similar requests are reviewed and issued by Public Works & Utilities. Permits for buildings, demolition, mechanical, plumbing and etc. are issued by the Building Division of DCD. In addition to the DCD staff, Public Works has an engineer, engineering inspector and an engineering technician staffing the permit center.

The permit system uses a proprietary software system which performs many tasks. It allows the entry in the system of the name of the applicant, contractor, project address, and fees charged. The plan reviewers insert various conditions of the permit and include a list of specific types of inspections that are required. The applicant or their agent signs the permit to acknowledge the conditions and inspection requirements. This software was updated in August 2013.

The city building and code inspectors, public works inspectors, or fire marshal record their inspections in the system. The progress of the project can be observed by all software users. When all conditions and inspections are satisfactory, the permit status is changed to "finalized." In a commercial project, once the contractor or owner completes the required work covered by the permit and calls for a final inspection, a certificate of occupancy can be issued and the status is changed to finalized.

In addition to the building permit fees, some fees and charges for connecting or utilizing city utility systems are also collected through the permit system. These fees are recorded in the various utility funds.

During the review period the following number of permits were issued:

Building	715
Public Works Utility	292
Public Works R/W	117
Fire	138

METHODOLOGY

A sample of building, fire and utility permits issued in the period October 1, 2012 through September 30, 2013 was selected. The actual fees charged were compared to the approved fee schedule. The procedures used to issue building permits, fire permits and utility permits were also reviewed.

REVENUE

The following is a schedule of General Fund permit revenue for Community Development and Fire Department by source for the years indicated:

Account Title	2009 ACTUAL	2010 ACTUAL	2011 ACTUAL	2012 ACTUAL	2013 BUDGET
Building Permits	244,754	236,905	271,264	211,057	207,000
Plan Checking Fees	149,626	158,207	160,803	162,386	100,000
Mechanical Permits	14,521	22,739	23,290	15,626	10,000
Plumbing Permits	11,822	18,580	16,750	10,783	10,000
Inter-fund Permits	8,861	57,918	11,067	8,348	0
Grading Permits	11,299	233	(58)	1,157	2,000
Demolition Permits	6,693	4,159	8,765	693	1,500
Re-inspection Fees	423	705	875	274	250
Mobile Home Permits	300	150	150	0	0
Total	448,299	499,596	492,906	410,325	330,750

OBSERVATIONS AND RECOMMENDATIONS

Items noted from reviewing a sample of DCD, Fire and Public Works permits issued between October 2012 and September 2013 and the processes followed in the permit system are as follows:

COMMON ISSUE

Some of the issues observed are precipitated by an absence of a standard procedure manual or written guidance on the use of the permit system, procedures, and the flow of documents.

RECOMMENDATION

City management should address the issue of departments working together to correct errors and procedures in the permit system. It would be beneficial for the Department of Community Development, Fire Department and Department of Public Works & Utilities to review and document the permitting process. Such a document may help reduce misunderstandings of various responsibilities in the process.

PUBLIC WORKS AND UTILITIES

1. PUBLIC WORKS UTILITY SERVICE AGREEMENTS

Chapter 15.01 of the BMC establishes procedures to regulate the city utilities. One provision requires each customer or person requesting utility service, to make an application and enter into a utility service agreement. This agreement is the “utility permit” issued by Public Works & Utilities. The ordinance also states: “The agreement shall be effective at the time it is signed by the Director or his designee.” None of the permits examined were signed by the Public Works Director or his designee. The current procedure used for the permit process does not include this requirement in the issuance process.

RECOMMENDATION

The Public Works Director or designee should sign each permit as required by Chapter 15.01 of the Bremerton Municipal Code.

2. PUBLIC WORKS PERMIT DETAIL

The permit software has a provision for entering the project description. However, during the 12 month period under review, there were 38 of 292 Public Works permits that did not have a project description.

The status of one right-of-way permit was incorrectly listed as “issued” when it was actually cancelled. It had been determined the permit was not needed and should not have been issued.

RECOMMENDATION

Public Works should enter the project descriptions and site address on all permits. This information is helpful to the Public Works field staff performing the work.

Staff entering permit data should take care to ensure the status is correct.

DEPARTMENT OF COMMUNITY DEVELOPMENT

3. DCD PERMIT PROCESSING

A random sample of permits was selected for review. A number of inconsistencies were noted in the status of these permits. Some examples are as follows.

The “old version” of software required a manual entry to change the status to “finalized” after all inspections were completed. The new version automatically changes the status to “finalized” when all inspections have been completed. Several permits reviewed still had a status of “Issued” when the work and inspections have actually been completed and the status should have been “Finalized”.

RECOMMENDATION

The Department should periodically review the status of permits to ensure their status is correctly being reported.

4. ERRORS IN FEES

A few minor issues were noted while examining fees charged for building permits.

The plan review fee has been established at 65% of the building permit fee. Two small instances were noted where the fee calculation did not agree with the permit fee.

One permit charged \$12.00 for a gas fireplace. The rate is in the permit computer fee schedule but there is no such rate in the resolution establishing the fee schedule.

Another permit reviewed charged a mechanical gas pipe fee of \$10. There was no such rate in the resolution fee schedule in use at that time.

RECOMMENDATION

DCD should review the rate tables in the computer system to ensure they agree with the adopted fee schedules. The new software appears to have corrected the plan review issue on small permits.

5. FEE SCHEDULE UPDATED

As part of the annual budget process the city adopts a resolution establishing the fees and charges for several departments in the city. The update proposed in December 2013 includes several improvements. For example, the rates used for many years had a provision for inspections outside of normal business hours, re-inspection fees assessed, inspections for which no fee is specifically indicated, additional plan review required by changes, and additions or revisions. These hourly fees were: building \$56, mechanical \$49.50 and plumbing \$30. The revised rate for all the above is now a consistent \$56 per hour.

Also revised were the mechanical permit fee issuance and plumbing permit fee issuance. These were \$23.50 and \$20.00 respectively and are revised to \$25. However, the grading permit fee remains at \$23.50.

There is a charge listed on new single family permits as “State Energy Code”. The fee is for the review by the city to ensure that the plans comply with the

Washington State Energy Code. This is a city charge to do an energy code plan review and is not a state surcharge.

RECOMMENDATION

Consideration could be given to further reviewing the fee structure for simplification and clarity.

Consideration could also be given to the title of the energy code charge to ensure that the name conveys an accurate meaning to the public.

FIRE DEPARTMENT

6. FIRE PERMIT ISSUE

An application for a fire alarm permit was made on August 14, 2013 on behalf of an organization that has several commercial properties. The street address and assessor number of the property were entered incorrectly. Also, the name of the contractor was not entered. On September 11, 2013 the firm doing the work paid for two permits intending to pay for the August 14 application and another additional permit. One of the payments was applied to a permit of a different contractor.

This error was discovered soon after the payment was received. However, no action was taken to correct the error until January 15, 2014 when the receipt was reversed and corrected.

The issues:

- The permit file address and assessor number were for a parcel across the street from the work location
- The work for this permit was completed, but the permit was not issued.
- The payment was incorrectly applied to the permit of a different vendor.
- The contractor did not review the permit for correctness when making the payment.

- Several individuals noted the problem but no one took leadership action to correct problem for four months.

RECOMMENDATION

Care should be taken to review the data on a permit for accuracy when receiving payment and issuing permits. The error could have been detected if the person issuing the permit/receipt had noted that the contractor's name was different than the person making the payment.

The fire marshal should take care to ensure that the street address and the property assessor number are correctly entered.

7. FIRE DEPARTMENT PERMIT RECORDS

During the review of the permit process it was discovered that permits issued by the fire marshal for fire alarms and fire sprinkler systems were not being signed by the applicant. The process was for the applicant to deliver or send the plans to the fire marshal. After his review he would notify the applicant who would then pay at the DCD permit counter. A receipt would be issued by DCD but the permit was not issued at that location and no signature was obtained. The applicant would receive the approved plans from the fire marshal.

The result is that the city does not have a record of the owner or his agent acknowledging the conditions and requirements of any fire department permit.

RECOMMENDATION

The Fire Department and the Department of Community Development should prepare a written outline of the process for issuing permits for the Fire Department. The outline should be specific regarding:

- what documents are acceptable to support an application
- the permit issuing process including signature of the owner or agent
- record retention requirements

8. FIRE FEE SCHEDULE

Item 8 of Rate Table E, the Annual Rate Resolution adopted by the City Council, states that the Fire Sprinkler/Fire Alarm Plan fee charged is in accordance with the International Fire Code. However, that code does not have any provision for establishing fees. The practice has been to charge the same rate as the building permit schedule using the value of the fire installation.

This Rate Table section provides for after-hours inspection or rush plan review at “actual cost.” Computing actual costs could be subject to different interpretations and will vary for different employees. Someone would need to calculate it for each situation.

RECOMMENDATION

The Fee Resolution should state how the plan and permit fees are calculated. Adopting the building permit fee schedule is a logical option. It may also be helpful to establish a fixed fee charge for after-hours inspection and rush plan reviews. An established fee gives the user a clear statement of what their cost would be.

9. FIRE PERMIT ISSUE

A permit was approved and issued 1/28/2013 for the construction of a new single family residence. One condition of the permit was that a fire sprinkler system be installed. The fire permit was approved 4/4/13. The final building inspection was 5/24/13 but the final fire inspection was not until 8/28/13. The fire inspector also imposed a code violation penalty of \$125 because the required plans were not on site and the owner’s agent was not present at the scheduled time for the inspection. The Building Department closed the permit before the fire department did their final inspection. The \$125 code violation penalty has not been collected

RECOMMENDATION

The new permit software allows for linking building and fire permits. This will allow for communication between the departments. The departments may also wish to establish a procedure to notify each other when additional fees are imposed or unusual circumstances occur.

BUILDING PERMIT FEE COMPARISON

For a single family residence with
a value of \$250,000.

Jurisdiction	Population	Fee
Olympia	48,480	\$4,195
Sammamish	48,060	\$3,313
Burien	48,030	\$3,390
Lacey	44,350	\$2,751
Edmonds	39,950	\$3,515
Puyallup	37,980	\$3,026
Bremerton	37,850	\$3,427
Longview	36,940	\$3,963
Lynnwood	35,960	\$3,686
Bothell	34,460	\$4,826
Bainbridge Island	23,190	\$4,267
Port Orchard	12,870	\$3,239
Poulsbo	9,585	\$3,760
Kitsap County		\$4,350
Average		\$3,694
Median		\$3,601

Note: Kitsap County includes plumbing and mechanical fees in the cost of their permits.

Plan review fees in most jurisdictions are 65% of the building permit fee and are included.



MEMORANDUM

Andrea L. Spencer, AICP
Director of Community Development
City of Bremerton

345 6th Street, Suite 600, Bremerton WA 98337
360.473.5283 ~ andrea.spencer@ci.bremerton.wa.us

TO: Gary Nystul, City Auditor
CC: Mayor Lent
Jeannie Vaughn, Building Official
Al Duke, Fire Chief
Chal Martin, Director of Public Works & Utilities
Tom Knuckey, City Engineer
FROM: Andrea L. Spencer, AICP 
DATE: March 21, 2014
SUBJECT: Review of Permit System Response

I've appreciated the opportunity to work with you as you have examined the City's building permit processes over the past several months. Over the years I have made it a priority to make continuous process improvements within Community Development and your evaluation has been another positive step toward making process improvements to ensure that the City has an excellent permitting process.

As stated in your report, this has been a procedural audit, not a fact-finding statistical audit. We welcome ways to improve our procedures and in turn offer better services to the citizens of Bremerton. I have personally been promoting a more cohesive collaboration between the three departments involved in permitting and in 2012 successfully lobbied to have Public Works staff located at the DCD permit counter so that the city has a "one-stop" permit center. That being said, it is important to be clear that these individuals and their respective departments (Public Works and Fire) are separate for reporting and financial purposes. Therefore my comments regarding the audit will only address my area of authority and responsibility; Community Development.

My comments below are organized by the headings outlined in your draft report.

SCOPE

"...for the period from October 2012 through September 2013 were reviewed."

DCD Comment:

The reader of this report should note that the city's software program that is used for our permitting system was implemented August 5, 2013. This audit period then considers different variables and outcomes during the last few months. We have been in a testing period with the new software and have been continuously making process improvements.

METHODOLOGY

“A sample of building, fire and utility permits issued.....”:

DCD Comment:

While I can easily respond to the issues that were identified in the audit report, it would be useful to clearly understand what the “sample” or “random sample” selection criteria were for various topical sections in the report.

For example:

- How many permits were selected for review in relation to the total permits issued?
- How many sampled were from old version of software or is it a mix?
- What determined quantity examined and how was that selected?

The report should detail the selection process and what formula was used to determine which permits would be evaluated. It would be useful to know how many permits were examined that had no identified issues. In the Background section of the report it is summarized that there were 715 building permits issued, and the audit report only indicates there were issues with a couple of permits. I would like to understand in your opinion how statistically prevalent these issues are throughout all the permits we issued in 2013.

In consideration of the large volume of permits issued and revenue received, all processed by a small staff, it seems the resulting findings are very minimal and easily resolved.

REVENUE

“The following is a schedule of General Fund permit revenue for Community Development and Fire Department by source for the years indicated:”

DCD Comment:

The report should be updated with the 2013 Actuals now that that budget year is closed out.

OBSERVATIONS AND RECOMMENDATIONS COMMON ISSUE

RECOMMENDATION: “It would be beneficial for the Department of Community Development, Fire Department, and Department of Public Works & Utilities to review and document the permitting Process.”

DCD Response:

I concur with your recommendation regarding the departments working together to correct errors and procedures in the permit system and further agree it would be beneficial to document the permitting process.

We are still making changes to the procedures and have implemented several new cross checks and reports to identify errors. Additionally, we are still in training mode with the new permitting software upgrade. Staff has already conducted trainings and group discussions to work on procedures and will continue to do so in the future. Janet Lunceford, the permitting system administrator, has recently joined a permitting system users group in the County with other jurisdictions so that she can better understand the system features and will bring that information back to the staff training sessions. Once staff is fully proficient in the system they will work with the other departments to document procedures.

OBSERVATIONS AND RECOMMENDATIONS

3. DCD PERMIT PROCESSING

RECOMMENDATION: "The Department should periodically review the status of permits to ensure their status is correctly being reported."

DCD Response:

The permit system upgrade has resolved the issue identified, and therefore I do not believe that there is any further action that is required of DCD staff. The Building Official has implemented a procedure to do a monthly report of all building permits for the purpose of reviewing their status. No further action is required by DCD.

OBSERVATIONS AND RECOMMENDATIONS

4. ERRORS IN FEES

RECOMMENDATION: "DCD should review the rate tables in the computer system to ensure they agree with the adopted fee schedules. The new software appears to have corrected the plan review issue on small permits."

DCD Response:

I concur, with the new software upgrade we've ensured that the fee schedule and the permitting system are consistent. No further action is required of DCD.

I would like to note that the comments made that read "two small instances were noted where the fee calculation did not agree with the permit fee" are likely attributed to a change in project valuation as the permit progressed through the review process. It is often the case that through the plan check review process staff determines that the applicant has incorrectly noted the building valuation and adjusts it before the permit is issued, and any underpayment or overpayment of plan check fees are corrected during the permit fee calculation and issuance.

OBSERVATIONS AND RECOMMENDATIONS
5. FEE SCHEDULE UPDATED

RECOMMENDATION: "Consideration could be given to further reviewing the fee structure for simplification and clarity. Consideration could also be given to the title of the energy code charge to ensure that the name conveys an accurate meaning to the public."

DCD Response:

DCD evaluates the fee schedule (referred to as "Rate Table C") on an annual basis during the budget process. While your audit was in progress, we were in the midst of updating the fees for consistency and simplification. DCD will continue to review the rate table annually.

OBSERVATIONS AND RECOMMENDATIONS
6. 7. 9. FIRE PERMITS

RECOMMENDATION: (Paraphrase) Generally across all of these audit items is identified a theme of better data entry and fee collection, departmental coordination, and record keeping.

DCD Response:

On March 12, 2014 we made a procedural change that now requires all permits issued by the Fire Department to be submitted at the DCD one-stop permit counter. The permits will be processed in the same method as any other building permit, with the plan check fee required at the time of submittal and signature of the applicant required at the time of issuance. The records will also be kept in DCD in the same manner building permits are kept. The permit that was issued to the wrong contractor was an anomaly that is unlikely to recur.



Public Works and Utilities Department

100 Oyster Bay Ave. N. • Bremerton, WA 98312 • (360) 473-5315 • FAX (360) 473-5360

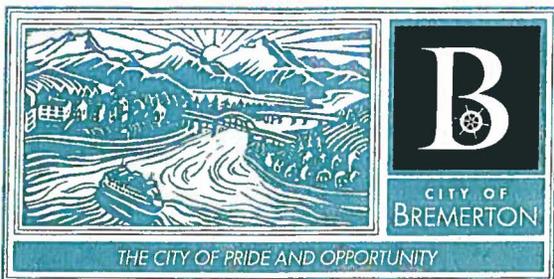
MEMORANDUM

DATE: March 12, 2014
TO: Gary W. Nystul, Auditor
FROM: Chal Martin, Public Works & Utilities Director *Chal Martin 3/20*
SUBJECT: Response to Draft Audit Report of Review of Permit System

This memo is provided in response to the Draft Audit Report regarding review of the permit system that you distributed on February 21, 2014. My response is limited to the observations and recommendations for Public Works & Utilities.

- 1) **Public Works Utility Service Agreements:** A Delegation of Authority Letter will be provided to the Permit staff. This will allow them to sign the Utility Agreements so that we are in compliance with the Ordinance. The current procedure will be modified to allow for this step in the process.
- 2) **Public Works Permit Detail:** Our Public Works Staff staff will be directed to enter the description of work and site addresses on all permits. Permit staff that is entering the data will be counseled to ensure that the status of the permit is correct.

CC: Tom Knuckey, City Engineer
Andrea Spencer, DCD



BREMERTON FIRE DEPARTMENT

Allison Duke III, Fire Chief

Al.duke@cf.bremerton.wa.us

Tel 360-473-5381
Fax 360-473-5397
911 Park Avenue
Bremerton, WA 98337

To: Gary Nystul, City Auditor
From: Al Duke, Fire Chief *AD*
Michael Six, Captain Fire Marshal
Subject: Audit Report

6. FIRE PERMIT ISSUE

To even partially understand the complexities of a permitting system would literally take hours to explain, but it all starts simply enough with the permit application. This application has the basic information, contractor name, phone number etc. and project address. More times than not the information on the permit application is not accurate, but this is a starting point. And there may not be any clues as to the address or other information and/or may not be correct. So most often the parcel number is used to "auto fill" the address. The parcel number is entered or copied and the address of record is filled in based on county records. In many cases this address is not correct, but it is the closest thing to consistent available.

It is worth noting that on new building or site address it is a moving target and is likely to change, sometimes more than once, during construction. So this field is not considered a vital field, this is why a proximity map is also provided during the construction to assist in locating the actual job. One last point, this address mis-print did not affect any portion of the job, nor will it affect any element in the future. I would agree the paperwork needs to as accurate as possible.

(last bullet) This item is incorrect; I personally notified the building department several times. I provided the detailed specifics of which permit numbers were crossed and who needed to receive refunds and who needed still to pay. The Fire Department does not make/do refunds and it was my understanding this process was underway. I would have no way to confirm who has or has not corrected payment.

7. FIRE DEPARTMENT PERMIT RECORDS

Up until the rough time of this audit it was my understanding the conditions list was being signed at the time the permit was being paid for at DCD. However, this particular point is not critical because any specific issues were addressed during plan review and those specific points were clearly noted on the plans with notes made on the permit card itself, which is a part of the plan set. Lastly, I don't believe the conditions piece is a required

element. There are a number of features many programs we don't utilize. I was not aware this is a required item.

8. **FIRE FEE SCHEDULE**

113.2 Schedule of permit fees. A fee for each permit shall be paid as required, in accordance with the schedule as established by the applicable governing authority.

The overall intent of the language in Rate Table E related to "fees per the IFC" originated from the Uniform Fire Code days when the fees were listed, however it does not create a problem with this language pulling together the IFC with rate table E as referenced in IFC 113.2 and allows for easy incorporation of future fee schedules, pending council approval, in the future.

The rate table will be updated and clarified.

9. **FIRE PERMIT ISSUE**

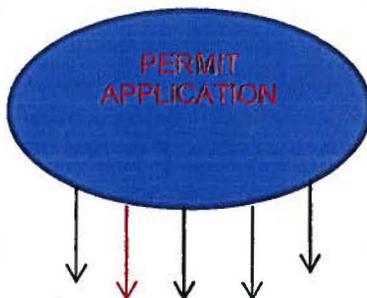
The linking of the fire and building permits within "SmartGov" will reduce the likelihood of a repeat of this issue. There was a "rush" to final the house and in fact the final fire sprinkler inspection was never completed. An organized and methodical process needs to be created and stuck to for all situations. This will be the most efficient way to improve the overall permit process. A systematic approach, as adopted in the airline industry and medical fields are models for creating expeditious accuracy.

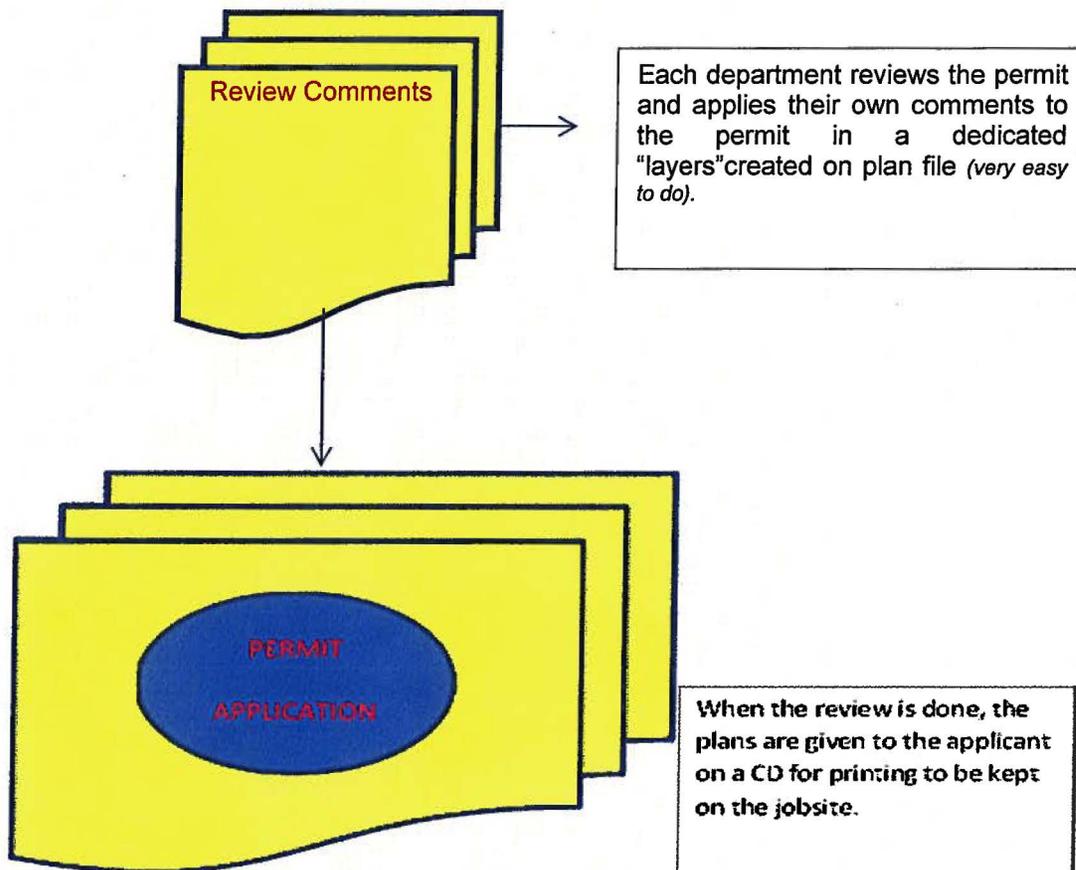
In Summary

Overall I agree with the audit. However this review of the system should be a credit to the staff working within the system. The permit counter is a rough neighborhood with only the "City" standing in the way of the project. The City could/should use this audit as an opportunity to unleash more of the capability of the "SmartGov" system purchased last year and allow for a more automated permit experience. This would include applying for a permit, digital review, online payment and issuance.

Example:

Permit submitted via portal → Stored on a common folder in the "R" drive.





Advantages:

Saves printing costs

Easy to submit and resubmit plans

All departments will have access to other department comments while still conducting concurrent review

All notes on the plans will be legible and clear

Allows for faster review with plan review software

Simplifies field inspections

Disadvantages:

New -Some upfront costs (software)

Hard drive Storage space, but reduces traditional storage