



## **The Corporation of the City of London**

Building Permit Review

Internal Audit Report

Audit performed: November - December 2017

Final report issued: January 2018

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# Executive summary

## Introduction

As part of the 2017 Internal Audit Plan, Deloitte performed a review of the City of London's ("City's") Building Permit issuance processes. The review commenced in November 2017 and was completed in December 2017. The internal audit review was performed to ensure adequate processes and internal controls are in place to mitigate significant risks over building permits issuance within the City. The review assessed the operational effectiveness and efficiency of processes and controls in place to manage building permit issuances and Deloitte performed sample testing as deemed appropriate to evaluate the extent of building permit issuance compliance with the Building Code Act, the Ontario Building Code, related municipal by-laws and other applicable laws.

## Building Permit Issuance

The Building Division is responsible to review all building permit applications for the City in order to ensure the proposed project's compliance with all applicable zoning by-laws and building code requirements. A building permit application may either be submitted in person at the Building Division counter in City Hall, via the online E-permit system, or by mail. The E-permit system is only used for applications for certain residential plumbing or simple additions and alterations for single detached homes, new single/semi detached and town houses. The Building Division issues a building permit once all reviews required by the type of permit have been completed satisfactorily. These reviews must comply with legislative time frames dependent on the type of building and nature of the proposed work provided a complete application has been submitted. Construction of a project may begin once the building permit has been issued.

The detailed purpose and objectives of this review were to:

- Review and assess the governance framework and organization structure for the Building Division;
- Review and assess Building Division business processes and relevant key controls; and
- Review and identify overall process improvement opportunities within the Building Division.

The specific agreed upon scope details between management and internal audit are in **Appendix 1**.

## Key strengths

**Efforts for continuous improvement:** Building Division management continuously monitors the need to implement new strategies to adjust for increasing demand and improve the overall metrics associated with meeting legislative time frames for building permit issuance. For example, in order to meet record volumes in 2017, the Building division recently re-organized the data input responsibilities within the division and contracted two additional Customer Service Representatives on a temporary basis to add to the team. As indicated by management, this change has contributed to increasing compliance metrics for permits under the 10-day legislative time frame by approximately 10%.

**Commitment to Customer Service:** The Building Division has demonstrated a strong focus of customer service within its processes. Management has indicated that in addition to meeting the

legislative time frames, the Building Division’s priority is to ensure a strong sense of customer service. For example, the Building Division has created a Home Owner’s Guide to Building Permits, Home Builder’s Guide to Building Permits and Acceptable Permit Intake Guidelines for applicants to reference prior to submitting their application. The Building Division also ensures a preliminary review of the application by plan examiners to ensure the applicants are aware of all application requirements.

**Governance Monitoring Activities:** The Building Division has implemented governance activities to monitor the overall performance of the division. These activities include on going monitoring on compliance to legislative time frames, year-over-year construction value of permits and daily email notifications for permit applications approaching or exceeding legislative time frames.

**Roles and Responsibilities:** The Building Division staff interviewed demonstrated a clear understanding of their roles and responsibilities as it relates to building permit processes. Building Division staff were able to communicate how their responsibilities contribute to the different stages of the building permit review and issuance process.

**Processes align to Ontario Building Code:** The Building Division has implemented processes to align to guidance set forth by the Ontario Building Code such as, but not limited to, permit issuance legislative timeframes, building inspections, reasons for refusal and conditional permits.

### Key observations

Deloitte’s review of the Building Permit issuance practices identified the following observations:

Priority	High	Medium	Low
Observations	0	3	1

### Medium priority observations

#### **Observation 1.0: Compliance to legislative time frames**

- **Observation:** Based on results of sample testing, Internal Audit identified that although there has been improvement, the Building Division does not consistently meet the time frames for building permit issuance outlined within the Ontario Building Code. Internal audit noted that 2017 was a record year for building permit application volumes within the Building Division, compounded by significant staffing challenges. Per discussion with management, as of late 2015, an equivalent portion of 40% of plan examination staff moved on, resulting in vacancies that were difficult to fill due to lack of qualified candidates. However, the results of the sample testing included that 20% of sample failed to meet legislative time frames and there is currently no data available to support the root cause analysis of the non-compliance.
- **Risk & implication:** Inability to meet legislative time frames may result in perception of poor customer service and increases the City’s risk with respect to compliance with legislative requirements.
- **Management action plan:** Building Division management will work to perform the following actions to support compliance with legislative time frames. (1) Review possibility to utilize the AMANDA database’s capability for enhanced tracking; (2) consider an internal ‘classification’ system based on permit application type/complexity to assist with data analysis; (3) consider appending electronic plans review comments within AMANDA for tracking purposes; and (4) explore the possibility of automated communication to applicants when an incomplete permit application has been accepted.
- **Responsible party:** Angelo DiCicco, Manager, Plans Examination December 2018

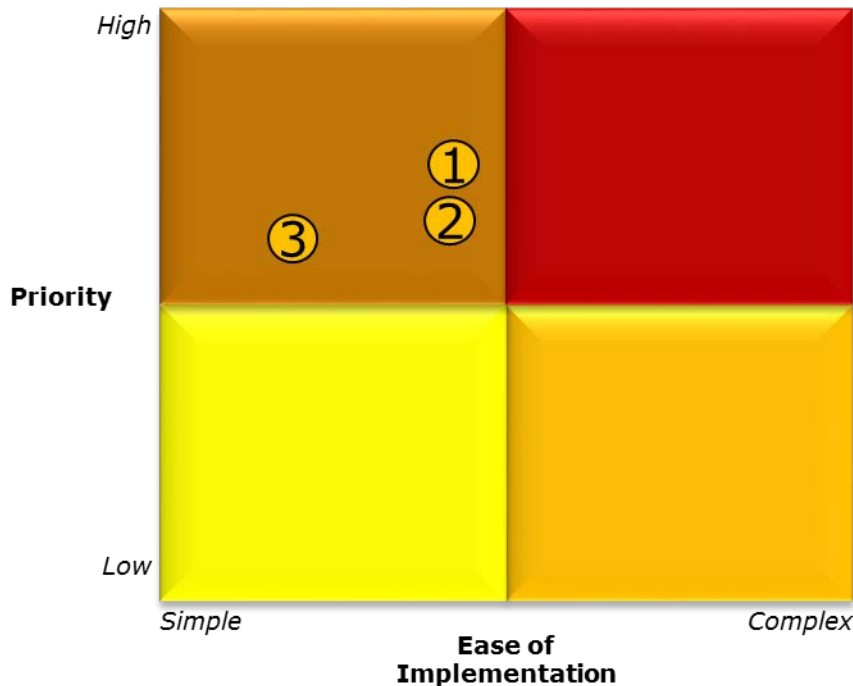
**Observation 2.0: Technology improvements**

- **Observation:** The Building Division uses the AMANDA system as a platform, to process building permits, site plans, and zoning information. Internal Audit noted that there is currently limited tracking within the AMANDA system for internal handoffs for a building permit application. Thus resulting in an inability to track delays and/or bottlenecks throughout the issuance process.
- **Risk & implication:** Inefficiencies may lead to exceeding legislative time frames increasing the perception of poor customer service and the City’s risk with respect to compliance with legislative requirements.
- **Management action plan:** Building Division management will explore the possibility of enhancing the AMANDA database for tracking purposes.
- **Responsible party:** Angelo DiCicco, Manager, Plans Examination December 2018

**Observation 3.0: Formalized process documentation**

- **Observation:** There are limited formalized processes documented for management to ensure processes and controls are operating effectively throughout the year and that the controls established are being consistently followed. Furthermore; for new hires there is limited detailed documentation for reference during their initial period with the Building Division and their training consists of job shadowing.
- **Risk & implication:** The lack of detailed documented procedures increases the risk that processes and controls are not being consistently followed as per management’s expectations.
- **Management action plan:** While a procedure manual is available to staff, Building Division management will explore the possibility to enhance it in a more detailed format. In addition, will utilize electronic, automated communication format for permits ‘holding for fees’, as well work on the production of a monthly ‘fee report’ that will track fees received as well as fees refunded.
- **Responsible party:** Angelo DiCicco, Manager, Plans Examination February 2019

Priority heat map

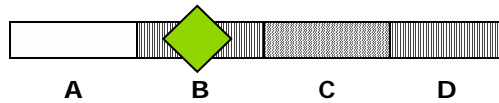


### Conclusion

Based on our review of Building Permit issuance processes we noted three medium and one low observation weaknesses with the potential to impair the effectiveness of current processes. The issues noted in the report should be addressed in a timely manner to enhance current controls and mitigate relevant risks.

Management has provided action plans for the observations noted in the 'Detailed observations and recommendations' section.

The following scale depicts our overall conclusion for the priority of observations noted for improvement within this review as it relates to the scope of areas audited as outlined above:



Description	Definition
A	No or insignificant process control or efficiency weaknesses identified
B	Minor process control or efficiency weaknesses identified
C	Moderate process control or efficiency weaknesses identified
D	Significant control process or efficiency weaknesses identified Impairing the effectiveness of the process

# Detailed observations and recommendations

## Observation 1.0 – Compliance to legislative time frames

Observation	Implication	Recommendation	Management comments and action plan	Responsible party and timing
<p><b>1.0 Compliance to legislative time frames</b></p> <p>Through sample testing and documentation review, Internal Audit noted that although there has been improvement, the Building Division does not consistently meet the time frames for building permit issuance outlined within the Ontario Building Code. Specifically, 20% of samples failed to meet legislative time frames.</p> <p>Internal audit noted that 2017 was a record year for volumes within the Building Division compounded by significant staffing challenges. Per discussion with management, as of late 2015, an equivalent portion of 40% of plan examination staff moved on resulting in vacancies that were difficult to fill due to lack of qualified candidates.</p> <p>Although the results of the sample testing included that 20% of samples failed to meet legislative timeframes, there is currently no data to support the root cause analysis for non-compliance. Furthermore, the overall percentage of building permits issued beyond legislated</p>	<p><b>1.0 Compliance to legislative time frames</b></p> <p>Inability to meet legislative time frames may result in perception of poor customer service and increases the City's risk with respect to compliance with legislative requirements.</p>	<p><b>1.0 Compliance to legislative time frames</b></p> <p>Management should consider developing a process to document the reason for delays in permits issued or applicants notified beyond the legislated time frame. Management should consider including the following:</p> <ul style="list-style-type: none"> <li>Total durations of days spent with each reviewer, e.g. zoning, plans examination, structural examination, mechanical examination, site plan approval</li> <li>Description of interactions with the applicant (if any)</li> <li>Overall reason of delay</li> <li>Overall complexity of the application</li> </ul> <p>After documenting the reason(s), management can analyze the data to identify the top reasons for delays in building permit issuance or notification and take</p>	<p><b>Management agrees.</b></p> <p>Management will perform the following actions to support compliance with legislative time frames:</p> <ul style="list-style-type: none"> <li>Review possibility to utilize the AMANDA database's capability for enhanced tracking.</li> <li>Consider an internal 'classification' system based on permit application type/complexity to assist with data analysis.</li> <li>Consider appending electronic plans review comments within AMANDA for tracking purposes.</li> <li>Explore the possibility of automated communication to applicants when an</li> </ul>	<p>Angelo DiCicco, Manager, Plans Examination</p> <p>December 2018</p>

Observation	Implication	Recommendation	Management comments and action plan	Responsible party and timing
<p>time frames is reported on, however there is no specific analysis performed on why those permits were issued late or had delivered notification to the applicant late.</p> <p>Internal Audit noted that the following may contribute to not meeting legislative time frames, such as:</p> <ul style="list-style-type: none"> <li>• High turnover and resulting staffing shortage in the Building Division</li> <li>• Staff potentially indicate incomplete applications as complete in order for the application to fall under regular legislative time frame processing guidelines.</li> <li>• As the majority of permit applications are submitted in person at the Building Division counter, with the multiple reviews required within any given building permit application, in most cases, is reviewed sequentially. Therefore, delays in one part of the review can significantly impact the overall time to issue a building permit. As deficiency notifications must include all reasons the permit is deficient, dependency on sequential review can significantly increase the risk of delayed notification and/or issuance.</li> </ul>		<p>corrective steps to improve the timeliness of the process.</p> <p>Management should also consider the following:</p> <ul style="list-style-type: none"> <li>• Creating a plan to supplement the shortage of staff in the Building Division in order to meet increasing demand and volumes</li> <li>• Reviewing the building permit intake process to consider only allocating complete building permit applications to the legislative time frame requirement. Management should ensure front line staff communicate to applicants that legislative time frames for review will not be applied to partial applications. Alternatively, the applicant should be provided the option to obtain the missing documentation and re-submit the complete application at a later time.</li> <li>• Management should continue to consider prioritizing the enhancement of the e-permit system to handle additional permit types. Enhancing the e-permit capabilities will facilitate obtaining electronic plans and thus allow for concurrent review of the building permit and decreased time spent on scanning drawings.</li> </ul>	<p>incomplete permit application has been accepted.</p> <p>Management notes that to assist with increased volume, they have officially reallocated work and focused the property standards officers (PSOs) to assist with new construction.</p>	



**Observation 2.0 – Technology improvements**

Observation	Implication	Recommendation	Management comments and action plan	Responsible party and timing
<p><b>2.0 Technology improvements</b></p> <p>The Building Division uses the AMANDA system as a platform, to process building permits, site plans, and zoning information.</p> <p>Internal Audit noted that there is currently limited tracking within the AMANDA system for internal handoffs for any given permit application. Although AMANDA does have the ability to track the start and end dates for each internal review within the process, the current configuration does not allow the start and end dates to be updated as it has been assigned to auto populate. Thus, in its current configuration, AMANDA cannot be used to track the true time spent by each reviewer.</p>	<p><b>2.0 Technology improvements</b></p> <p>Inefficiencies may lead to exceeding legislative timeframes increasing the perception of poor customer service and the City's risk with respect to compliance with legislative requirements.</p>	<p><b>2.0 Technology improvements</b></p> <p>Management should conduct a review of the AMANDA system for efficiency opportunities for enhanced tracking and automation within current processes. Specifically, Management should review the process for amending the current configuration of the start and end dates in the AMANDA system to include functionality for reviewers to edit based on the time they spent for each review. This will allow management to track the review lifecycle and identify where bottlenecks or analyze delays that may occur throughout the process.</p>	<p><b>Management agrees.</b></p> <p>Management will explore the possibility of enhancing the AMANDA database for tracking purposes.</p>	<p>Angelo DiCicco, Manager, Plans Examination</p> <p>December 2018</p>

**Observation 3.0 – Formalized Processes**

Observation	Implication	Recommendation	Management comments and action plan	Responsible party and timing
<p><b>3.0 Formalized process documentation</b></p> <p>Through discussion with Management, Internal Audit noted there are limited formalized processes documented for management to ensure processes and controls are operating effectively throughout the year and that the controls established are being consistently followed. Furthermore; for new hires there is limited detailed documentation for reference during their initial period with the Building Division and their training consists of job shadowing.</p>	<p><b>3.0 Formalized process documentation</b></p> <p>The lack of detailed documented procedures increases the risk that processes and controls are not being consistently followed as per management's expectations</p>	<p><b>3.0 Formalized process documentation</b></p> <p>The Building Division should formally document their processes and controls for building permit issuance operations. When creating the documentation, the Building Division should consider the following:</p> <ul style="list-style-type: none"> <li>• The various processes and controls to issue a building permit throughout its lifecycle to ensure Building Permit staff consistently adhere to the expectations and processes set out by Management.</li> <li>• Formalized processes to track and monitor permits that are holding for fees in order to contact the applicant in a timely fashion. Management should review the capabilities in AMANDA for automatic notifications for hold for fee permits, and review the current system's functionality.</li> <li>• Formalized processes to track and monitor the refunds administrated on a monthly basis within the Building Division, including keeping a listing of all refunds administered within the year.</li> </ul>	<p><b>Management agrees.</b></p> <p>While a procedure manual is available to staff, management will explore the possibility to enhance it in a more detailed format.</p> <p>Management will also perform the following actions with respect to refunds:</p> <ul style="list-style-type: none"> <li>• Utilize electronic, automated communication format for permits 'holding for fees'.</li> <li>• Work on the production of a monthly 'fee report' that will track fees received as well as fees refunded.</li> </ul>	<p>Angelo DiCicco, Manager, Plans Examination</p> <p>February 2019</p>

**Observation 4.0 – Continuous education**

Observation	Implication	Recommendation	Management comments and action plan	Responsible party and timing
<p><b>4.0 Continuous education</b>                      Through discussion with management and staff, Internal Audit noted a lack of a formalized annual continuous education plan for Building Division staff. Much of the continuous education was ad-hoc in nature and based on upcoming changes to the Ontario Building Code. Additional continuing education is available to staff through the Ontario Building Officials Association on a first come first serve basis. However, internal audit noted that there is no scheduled plan or framework for ongoing training, updated processes, common review errors or other professional development opportunities.</p>	<p><b>4.0 Continuous education</b>                      Lack of formal ongoing training may lead to a lack of guidance on how to comply with Building Division policies and procedures, and missed opportunity to further staff's professional development.</p>	<p><b>4.0 Continuous education</b>                      Management should review key opportunities for training in order to create a formal training plan for Building Division staff that includes objectives/topics to be covered over the calendar year. The plan should consider:</p> <ul style="list-style-type: none"> <li>• Upcoming building code changes</li> <li>• New/Updated Processes</li> <li>• Ontario Building Official's Association training schedule</li> <li>• Common review errors</li> <li>• Ongoing professional development</li> </ul>	<p><b>Management agrees.</b>                      Management will establish an annual training matrix to identify upcoming topics for staff training.</p>	<p>Angelo DiCicco,                      Manager, Plans Examination                      September 2018</p>

# Appendix 1: Internal Audit Detailed Scope

## Review and assess the governance framework and organization structure for the Building Division

- Reviewed and assess the current Building Division's organizational structure and departmental charts to ensure roles, reporting lines, and responsibilities are effectively designed and established to enforce existing policies, guidelines, and procedures;
- Assessed whether roles, reporting lines, and responsibilities are adequately understood by staff to ensure staff are enabled to fulfill their responsibilities;
- Assessed governing guidelines and procedures in place to assure the building permit application process is adhering to legislation and meeting established timelines;
- Assessed the governing guidelines in place to review and assess the fees associated to issuing a building permit;
- Reviewed and assess existing procedures to communicate with other stakeholders involved in the process prior to issuing a building permit; and
- Reviewed and assess monitoring activities established to assure the building permit process is achieving established metrics or key performance indicators.

## Review and assess Building Division business processes and relevant key controls

- Reviewed the existing processes within the Building Division to issue permits to Builders, Professionals, Designers and the general public (homeowners etc.) and assess its adequacy to complying with subscribed policies, procedures and guidelines;
- Reviewed select building permit applications and evaluate procedures to assess the adequacy to mitigate residual business risks (i.e., timeline to issue, adhering to legislation, etc.), assure transparency, and efficiently execute the process;
- Reviewed the building permit application process and evaluate procedures to validate that permits requests have been administered in a timely manner and within established timelines;
- Reviewed the process in place for the Building Division to decline the issuance of building permits; and
- Reviewed the process in place for the Building Division to communicate with internal stakeholders on questions related to a specific building permit application.





## Review and identify overall process improvement opportunities within the Building Division

- Reviewed and assess existing building permit issuance processes to identify opportunities for efficiency or standardization.

# Appendix 2: Internal Audit rating scale

## Individual observation prioritization

Internal audit observations and recommendations are prioritized on the following basis.

Description	Definition
 High	Observation is high priority and should be given immediate attention (e.g. 0-3 months) due to the existence of either significant internal control risk or a potential significant operational improvement opportunity.
 Medium	Observation is a moderate priority risk or operational improvement opportunity and should be addressed in the near term (e.g. 3-6 months).
 Low	Observation does not present a significant or medium control risk but should be addressed (e.g. within a 6-12 month time frame) to either improve internal controls or process efficiency.
 Leading Practice	Consideration should be given to implementing recommendations in order to improve the maturity of the process and align with leading practices.

# Appendix 3: Stakeholder involvement

In conducting the review the following management and staff were interviewed to gain an understanding of the Building Permit Issuance processes and practices.

Stakeholder	Position
George Kotsifas	Managing Director, Development and Compliance Services and Chief Building Official
Peter Kokkoros	Deputy Chief Building Official
Various – Deloitte met with various managers and staff in the Building Division to gather an in-depth understanding of building permit issuance practices and perform audit procedures.	

# Appendix 4: Audit procedures performed

As part of the Building Permit issuance review the following procedures were performed:

- Conducted a planning meeting with Deputy Chief Building Official within Building Division;
- Updated and issued a finalized Project Charter and request for information; and
- Conducted meetings and interviews with sample Building Division stakeholders and process owners involved in the Building Permit issuance process to:
  - Gain an understanding of the current Building Permit issuance expectations and practices;
  - Identify and gain an understanding of the various Building Permit issuance procedures including procedures to issue, monitor, track, refund and cancel building permits.
  - Gain an understanding of management's oversight of Building Permit issuance practices;
- Obtained documentation regarding relevant procedures and controls to perform an inspection of:
  - Building Code Act;
  - Ontario Building Code;
  - City of London Building By-law
  - Sample of Building Permit Applications initiated from Nov 2016-Nov 2017;
  - Building Permit Issuance Procedure Manuals;
  - Job descriptions of various Building Division staff;
  - Official Organizational Chart;
  - Building Permit Application Checklist;
  - Building Permit Application Form
  - Development and Compliance Services Building Division Monthly Report;
  - Acceptable Application Intake Document
  - Building Permit History as of 2000;
  - Bill 124 Report for January, June & November 2017
- Conducted strategic sample testing activities related to building permit issuance procedures to identify areas of noncompliance against the Ontario Building Code;
- Drafted observations and validated observations with management;
- Conducted a closing meeting with key management stakeholders to validate and communicate our findings; and
- Issuance of this internal audit report with our detailed observations.

# Deloitte.

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