



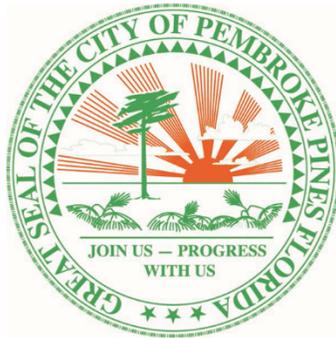
CPAs & ADVISORS

BUILDING DEPARTMENT REVIEW

CITY OF PEMBROKE PINES

Report #CA-01-21

September 2021



Presented By
Daniel J. O'Keefe, CPA, MBA, CFE
MSL, P.A.
Commission Auditor



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Certified Public Accountants

The Honorable Mayor and
Members of the City Commission
City of Pembroke Pines, Florida

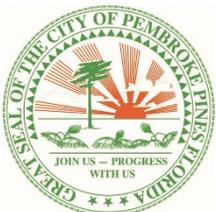
Pursuant to Section 4.13 of the City Charter and detailed in the annual audit plan for the fiscal year ended September 30, 2021, I have conducted an audit of the City's Building Department for fiscal year ended September 30, 2020.

I extend my thanks to the Building and Finance Departments for their cooperation and assistance during this audit.

Respectfully submitted,

A handwritten signature in blue ink that reads "Daniel J. O'Keefe".

DANIEL J. O'KEEFE, CPA, MBA, CFE
City Commission Auditor



EXECUTIVE SUMMARY

The Commission Auditor, MSL, P.A. (“MSL”), has conducted an internal audit of building permits for the City of Pembroke Pines (the “City”). The objective of this internal audit was to review and assess the City’s Building Department (the “BD”) function and provide recommendations to consider for improvement. The objective of the audit was to determine the following:

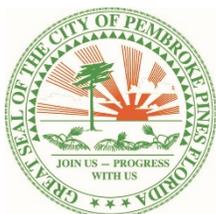
- Determine if written policies and procedures, or informal practices exist and are followed when processing permit applications and inspections
- Evaluate the existence and effectiveness of internal controls
- Determine if the BD has adequate procedures to assure that outstanding/expired permits are monitored
- Determine if the permit fee structure is reasonable
- Determine if permit revenues are being used for allowable activities in accordance with Florida Statutes

For each of the key processes noted above, we reviewed populations, selected a sample of transactions and performed testing in order to complete the procedures described within this report.

The first phase of our review consisted primarily of inquiry in an effort to obtain an understanding of the BD’s structure and key process workflows.

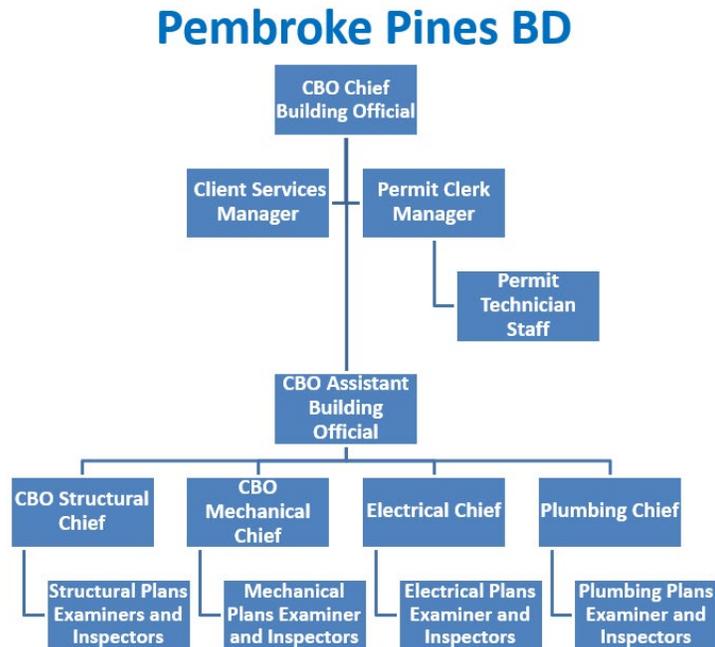
In the second phase of our review, we tested compliance and internal controls based on our understanding of the processes identified during the first phase.

The observations identified during our assessment are detailed in our “Observations and Recommendations” section of this report.



BACKGROUND

The BD consists of 43 total positions, with no vacant positions. However, the BD is looking to add three (3) additional positions to alleviate overtime. The BD is organized among the following branches:



Calvin, Giordano & Associates, Inc.
EXCEPTIONAL SOLUTIONS™

Building Services

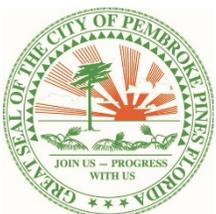
Outsourcing Decision and Contract Timeline

On February 18, 2009, the City Commission held discussions and possible action regarding the decrease in revenue in the BD. Reviews of actual revenues for the first quarter of fiscal year 2009 revealed a significant reduction of approximately 50% in revenues from fiscal year 2008. Revenue versus expenditure projections showed an estimated shortfall of approximately \$2.9 million. To correct this shortfall, the City Commission proposed a structural change to the BD.

On March 17, 2009, the City advertised a Request for Proposal (RFP 09-05) for its building services. The City received six (6) proposals. Five (5) proposals were from private companies and one (1) from Broward County.

Further discussion by the City Commission on the matter occurred on April 20, 2009 and June 3, 2009.

On June 17, 2009, the City Commission made a motion to approve the RFP for professional building department services to Calvin, Giordano & Associates, Inc (“CGA”).



The original agreement was effective for an initial five (5) year term. The agreement contained language that at the expiration of the initial term, the contract shall be renewed annually thereafter. The contract has been renewed seven (7) times since the initial agreement date.

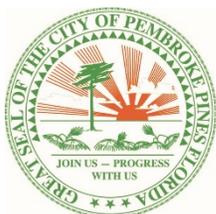
On October 22, 2020, the Commission held a workshop to discuss a “White Paper” prepared by City Administration for its BD Services and CGA contract renewal. The White Paper, titled “Building Department Services Report” examined the history of the contract and contract renewals, provided potential benefits of having an additional five (5) year contract in place with CGA and other advantages of long-term contracts.

Plan Reviews

Plan reviews are to be completed prior to the start of any particular project. The purpose of the plan review is to verify compliance of planned construction with applicable federal, state, and county regulations. Depending upon the type of construction, plans are categorized by the following types (parties responsible are noted in parenthesis):

- Building/Structural (CGA)
- Electrical (CGA)
- Plumbing (CGA)
- Mechanical (CGA)
- Fire (City)
- Zoning (City)
- Engineering (City)

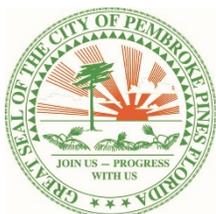
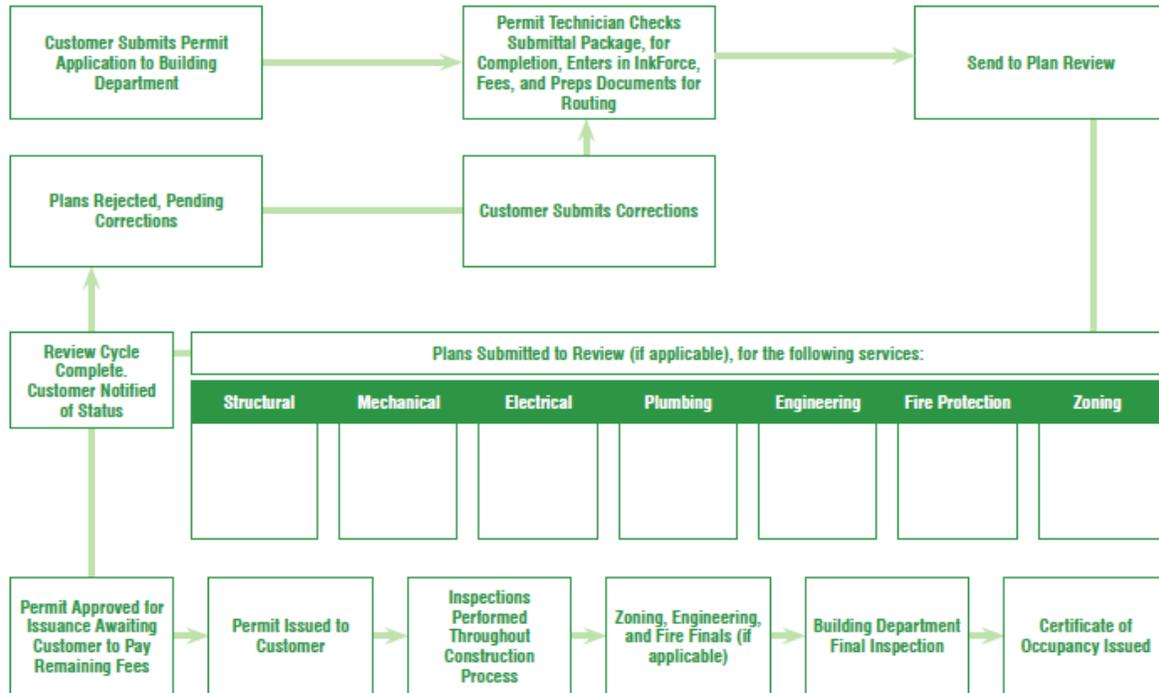
Plans are submitted via the BD’s INKforce software system. INKforce is a software that was designed and developed by CGA. This software was provided as part of the contract pricing by CGA. In 2019, the City Commission approved a contract with Tyler-Munis for a City-wide ERP system at a total cost of \$7.3 million that would replace INKforce along with many other City software packages. The BD performs an initial inspection of the submission to verify that all required documentation is included with the application. At times, the BD will accept incomplete packages as to not turn away customers, prior to assignment of the plan to applicable disciplines and reviewers, by both the BD and other City departments.



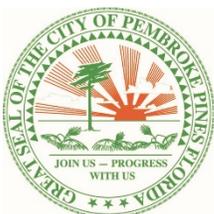
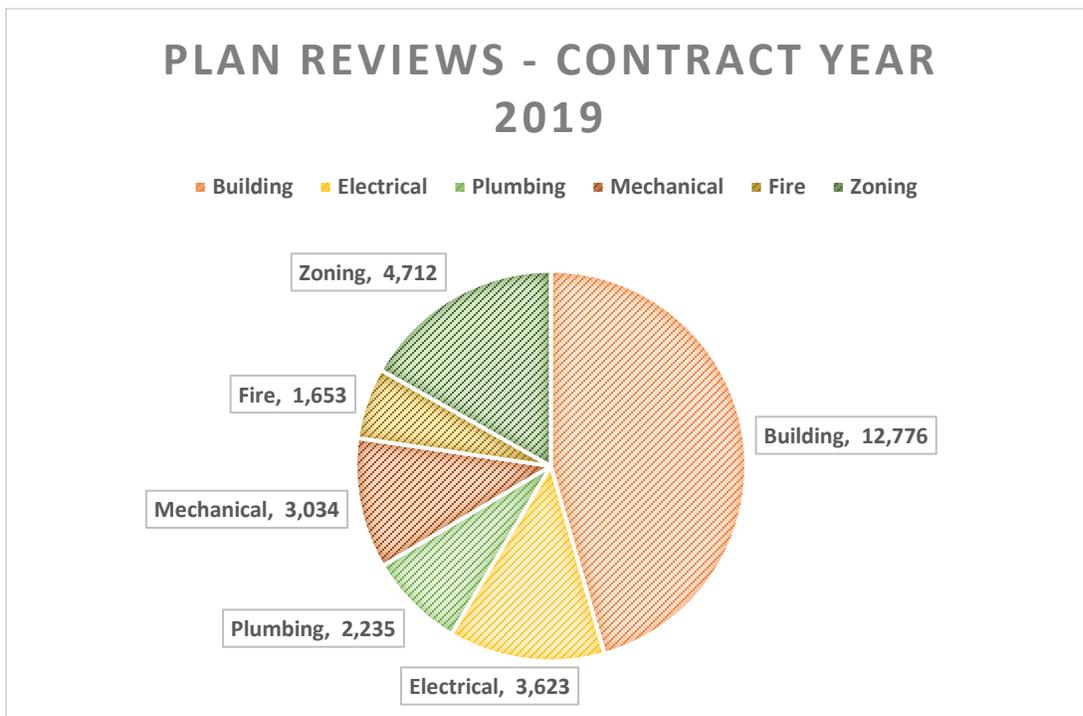
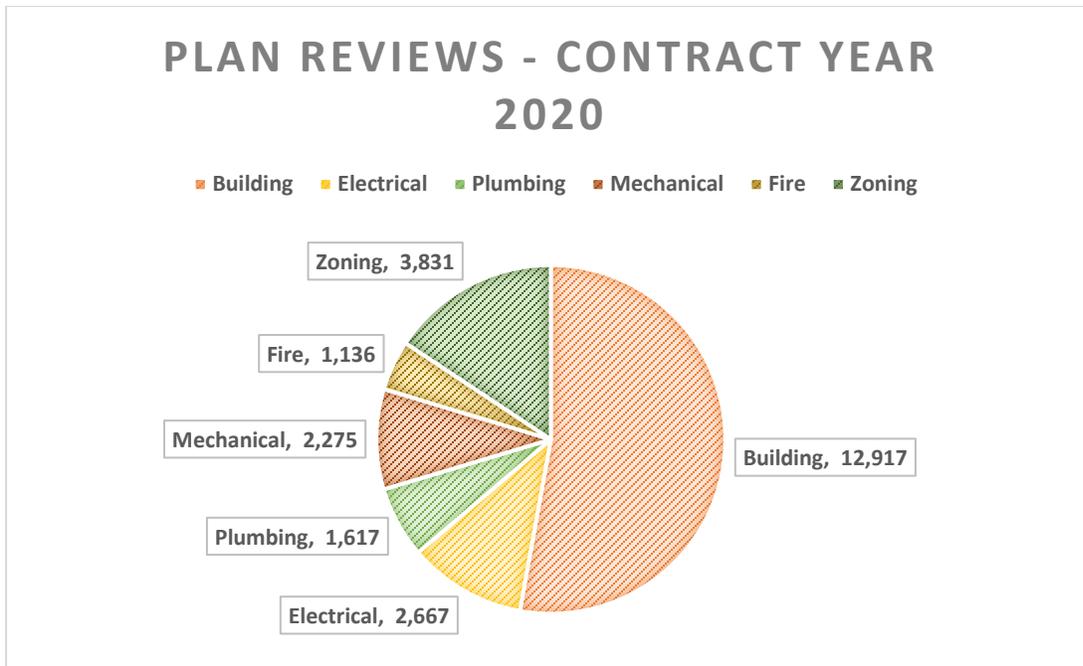
Below is the BD's permit process workflow to illustrate:



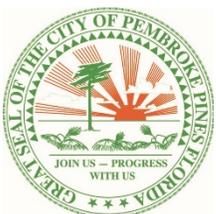
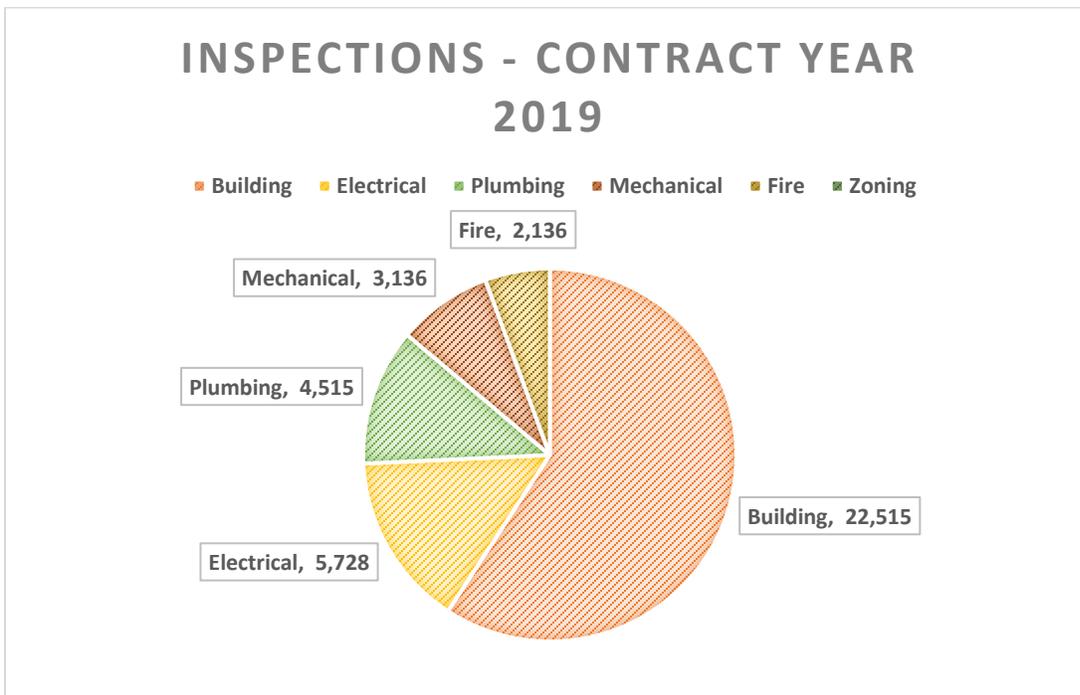
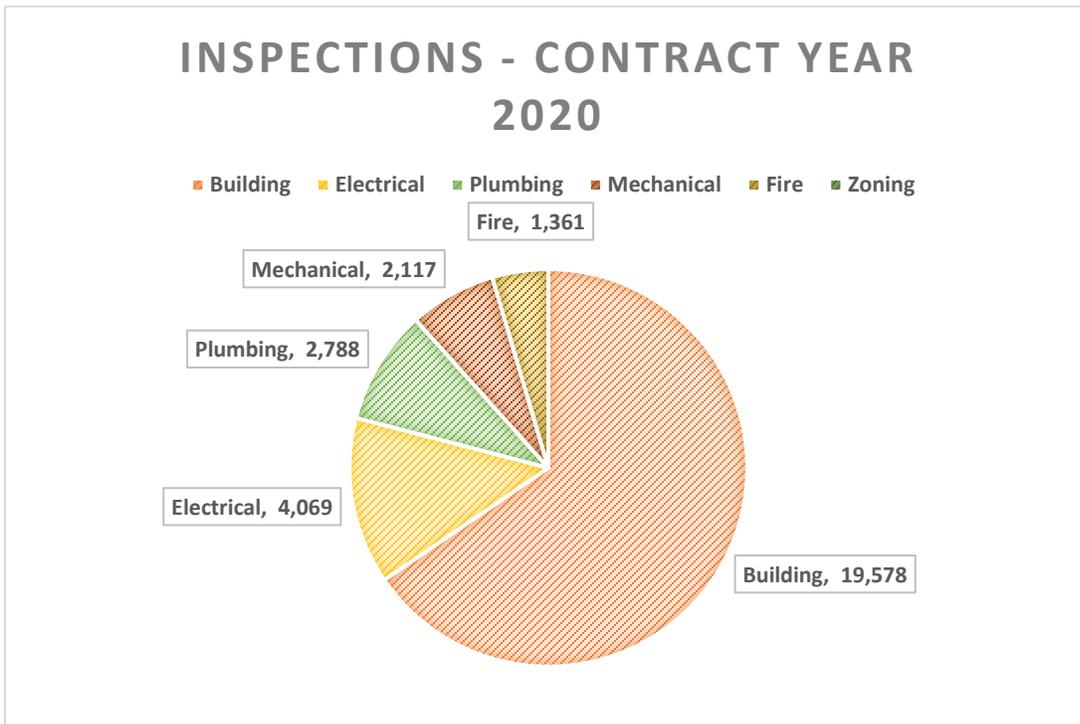
Building Department Permit Process



The charts below show the breakdown of plan reviews by type for contract years 2020 and 2019.



The charts below show the breakdown of inspections completed by type for contract years 2020 and 2019.



OBJECTIVES, APPROACH AND RESULTS

Objectives

The objective of this internal audit was to review and assess the City's BD function and provide recommendations to consider for improvement. The objective of the audit was to determine the following:

- Determine if written policies and procedures, or informal practices exist and are followed when processing permit applications and inspections
- Evaluate the existence and effectiveness of internal controls
- Determine if the BD has adequate procedures to assure that outstanding/expired permits are monitored
- Determine if the permit fee structure is reasonable
- Determine if permit revenues are being used for allowable activities in accordance with Florida Statutes

Scope and Procedures

We held an entrance conference on February 26, 2021 with CGA and City management. The purpose of this meeting was to discuss our preliminary procedures as well our overall scope of the audit.

We requested and received a database of permits issued between October 1, 2018 through September 30, 2020 (the "period"). Based on auditor's judgment, we segregate the sample as follows:

- Twenty (20) of the highest dollar value of permits issued during the period
- Sixty (60) permits selected randomly
- Sixty (60) permits selected haphazardly

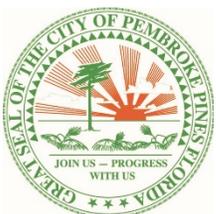
A total of one-hundred and forty (140) permits were selected for testing of the period. During this period, approximately 20,600 permits were issued by the BD.

We reviewed the permits and agreed the permit charges to the approved rates. We also reviewed the permits for compliance with the City and CGA's agreement. This included testing of plan review timeframes as well as inspection timeframes.

Lastly, we performed inquiries of CGA personnel related to their IT general controls over their INKforce software. We also conducted a general assessment of those controls. This includes reviewing the objectives and control descriptions of those controls.

Results

Please refer to our Observations and Recommendations section for results of our analysis and procedures.



OBSERVATIONS AND RECOMMENDATIONS

Observation #1 – Procurement of Services

The City relies on a variety of vendors to provide essential services. These vendors/industries are typically subject to constantly changing regulations, technologies, and market conditions. As a result, the City should provide regular due diligence of all its service providers. Regular competition for the procurement of services is part of that due diligence.

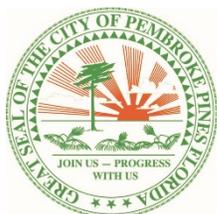
Procurement of Services

Observation: During our review of the City’s agreement with CGA, it was noted the BD service agreement has not been subjected to competitive procurement process since 2009.

Recommendation: The City currently outsources its BD services. The City has determined this is the most cost effective solution for providing such services to its community. A key benefit of outsourcing operations is continuous evaluation of contracts to obtain the most competitive rates for services.

We recommend that the City use a competitive procurement process for its BD services. A competitive procurement process provides an opportunity for the City to obtain market competitive rates and negotiate preferable terms and conditions for its BD services.

Management’s Response: See next page.



Observation #1 – Procurement of Services (Cont.)

Management’s Response:

The City issues competitive bids on contracts whenever required pursuant to the procurement code. The current CGA contract calls for annual renewals and did not require a competitive procurement process.

On June 3, 2020, the City Commission gave direction to the City Manager to negotiate better terms in an effort to generate additional revenues for the City. On October 7, 2020, Administration re-negotiated a revised contract with the vendor and presented it to the City Commission.

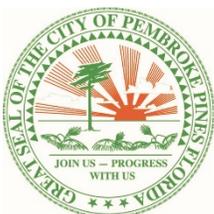
Even though the contract was not put out for a formal bid, the re-negotiated contract is competitive when compared with other surrounding municipalities and found to be more favorable to the City than recently bid contracts.

There are not many cities that contract out their building departments. When comparing contracts, it is important to note that of the outsourced BDs Pembroke Pines has the 2nd largest population, Deerfield Beach the 10th and Weston the 13th largest cities in Broward County by population. The City of Deerfield Beach recently renegotiated and extended the term of their contract without going out to bid. The City of Weston recently went out to bid and awarded to a contractor with a less favorable contract when compared to the City or Deerfield Beach. In Weston, the Contractor retains 100% of the permit fees, pays \$0 in rent, \$0 in administration costs, \$0 in credit card and check fees, \$0 in utilities, and \$0 in waived permit fees.

Administration is not aware if the Commission Auditors reviewed any of these other contracts or bids in making their recommendation. However, based on the foregoing information Administration does not recommend a competitive bid for these services at this time, unless instructed otherwise by the City Commission.

Commission Auditor’s Response:

The Commission Auditor did not evaluate the City of Weston’s nor the City of Deerfield Beach’s building department contracts. However, we reiterate our recommendation that the contract should be subject to the competitive bid process. As noted in the “Background” section of this report, the City received six (6) proposals for its BD services. This seems to indicate that there are vendors interested in providing this service to the City. Competitive bidding between vendors drives lower prices and higher quality of services. Without subjecting the various contracts the City outsources to competitive bidding processes, it negates the main benefit of outsourcing, which is to deliver the highest level of service at the most competitive price.



Observation #2 – Contract Language – Gross Revenue

An effective service agreement clearly defines deliverables between both parties. The City should define the scope of services and identify specific evaluation criteria.

The original agreement between the City and CGA defines the payment to the City as follows, “CITY shall receive ten (10%) of the gross revenues collected in excess of \$4,000,000.”

CGA prepares a summary of revenues collected based on the contract year. The file also calculates the 10% owed to the City. That file is sent to the City’s Finance Department for review to ensure accuracy of reporting.

Currently CGA deducts fees that are collected by them, on behalf of the City, to be paid to the City directly, such as Zoning, Engineering and Fire. Other deductions from annual revenue collected are fees paid to Broward County and the State, as well as City waived fees for various permits the City needs during the year.

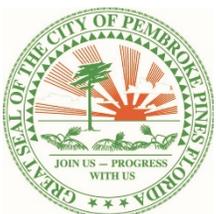
Contract Language - Gross Revenue

Observation: During our review of the City’s BD agreement, it was noted that the agreement did not have gross revenues defined in the agreement. While the type of deductions appear reasonable, the agreement should define gross revenues. Clear definitions allow both parties to properly monitor and review service deliverables to ensure compliance.

Recommendation: The City should include language in its agreement to clearly define gross revenues. It should list all potential types of transactions that would or would not be included in the calculation of the 10% payment.

Management’s Response: Currently CGA pays multiple fees to the City, each increasing with the annual CPI. CGA also pays for all credit card and check processing fees for the City’s Departments-even though the Contract doesn’t define this requirement.

The City will clarify the definition of Gross Revenues as part of the re-negotiated contract.



Observation #3 – Contract Language – Type of Permits

An effective service agreement clearly defines deliverables between both parties. The City should define the scope of services and identify specific evaluation criteria.

The original agreement between the City and CGA specifies that reviews shall be performed in accordance to the following schedule:

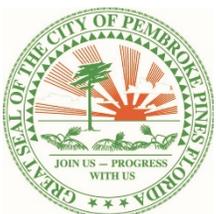
<i>Type of Permit</i>	<i>Plan Review Timeframe</i>
Building Permits (Minor)	1 Business Day
Building Permits (Major)	10 Business Days
Single-Family Homes	10 Business Days
Commercial Improvements (Minor, including signs)	5 Business Days
Commercial; Improvements (Major) Multi-Family Residential	10 Business Days

Contract Language - Timeframes for Performance

Observation: During our review of the City’s BD agreement, it was noted that the agreement did not have clear definitions of which types of permits fall under the categories noted above. The types of permits appear to be vague for tracking the timeframe compliance of the agreement, particularly what is considered “Minor” and “Major.”

Recommendation: The City should include language in its agreement to list and define which kind of permits fall under each category. Further, the City and the BD should determine practical timeframes for each permit type.

Management’s Response: The City will include language in its agreement to list and define which kind of permits fall under each category as part of the re-negotiated contract.



Observation #4 – Plan Review Timeframe

During our testing of permits, we noted eight (8) of the one-hundred and forty (140) plan reviews occurred outside the established timeframe as set forth by the City’s agreement with CGA.

As mentioned in Observation #3, we could not adequately define which permits fall under each category. We used ten (10) days as the benchmark for testing compliance of the contract’s stated plan review timeframe. Plan reviews, regardless of type, done outside of this timeframe would be considered delinquent.

Plan Review Timeframe

Observation: During our testing of permits, we noted 8 of the one-hundred and forty (140) plan reviews occurred outside the established timeframe as set forth by the City’s agreement with CGA.

Recommendation: The BD should implement parameters to ensure compliance with their service agreement. Further, City management should implement procedures to periodically monitor compliance with agreement terms.

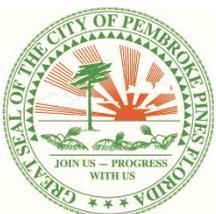
Management’s Response: The City will implement additional procedures to periodically monitor compliance with agreement terms. Also, we believe it is important to provide some additional context to these 8 delinquent plans that the Auditors identified, especially many were reviewed during COVID when procedures had to be revised.

The following are details of the delayed permits:

Two instances were delayed, but with reason. One was 13 business days, and the other was 16 days. Both traveled with much larger permits as a sub-permit which caused the delay.

Two instances were late due to City required COVID protocols

Two instances were incomplete files that were accepted by BD to increase customer support, but plan review cannot be completed until all docs are received. Following up with the applicant for a full package caused these delays.



Observation #5 – Contract Language – Inspections

An effective service agreement clearly defines deliverables between both parties. The City should define the scope of services and identify specific evaluation criteria.

The original agreement between the City and CGA states “All inspections performed under this Agreement shall be conducted within one (1) business day of the request.”

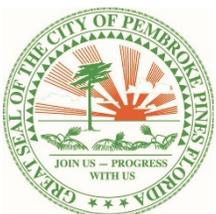
Contract Language - Inspections

Observation: During our review of the City’s BD agreement, it was noted that the agreement does not specifically state which party has to initiate the request, as noted above.

While the agreement is clear that BD services have one (1) business day to complete the inspection upon request, it is not clear whether that request comes internally from BD or from the public and/or outside contractors.

Recommendation: The City should clarify language in its agreement to identify which party would need to initiate the request for the inspection.

Management’s Response: It has always been the Contractor’s responsibility to initiate the request for inspections. However, the City will clarify this language in the re-negotiated contract.



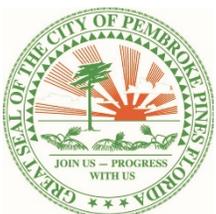
Observation #6 – Inspection Timeframes

Inspection Timeframes

Observation: During our testing of permits, we noted that BD services does not adequately track and/or document inspection requests in its INKforce software. Without proper tracking of this metric, the BD cannot show compliance with the requirement noted in Observation #4.

Recommendation: The BD should implement procedures to adequately track and/or document the date of inspection requests in their software.

Management’s Response: Inspection requests can come in many ways (phone, voicemail, email or online via INKforce). The City is implementing a new ERP - Tyler Munis which will adequately track the date of inspection requests.



Observation #7 – Permit Testing Exceptions

During our testing of one-hundred and forty (140) permits, we noted the following exceptions:

- One (1) instance of a permit fee incorrectly calculated due to the BD using the incorrect quantity for the permit
- Ten (10) instances of permit fees incorrectly calculated due to the BD using the incorrect fiscal year fee schedule
- Two (2) instances of permit fees incorrectly calculated due to the BD using the incorrect inspection fee
- Four (4) instances of the permit fees incorrectly calculated due to the BD using the incorrect residential re-roof fee
- One (1) instance of a permit fee incorrectly calculated due to the BD using the incorrect fire plan review fee

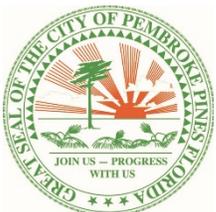
Permit Testing Exceptions

Observation: During our testing of permit fees, we noted eighteen (18) instances of permit fees being incorrectly calculated. These instances represent approximately thirteen (13) percent of the total sample.

Recommendation: The BD should implement periodic reviews of fees being charged to ensure accuracy of the permit fee. Further, they should review system controls to determine the pervasiveness of this issue.

The BD should also evaluate if refunds need to be issued to City customers as well as to the City. As noted in Observation #2, fire fees are deducted from calculating the ten (10) percent fee in excess of \$4,000,000. Any discrepancies in fire fees may directly impact City revenue.

Management's Response: See next page.



Observation #7 – Permit Testing Exceptions (cont.)

Management’s Response:

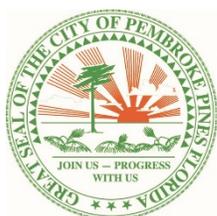
BD permit fees are calculated by CGA as well as other City Departments. There is a process in place to ensure fees are checked prior to permits being issued.

The instances identified above ranged from \$0.02 to \$50.83 for a total of \$202.54 fees charged in excess or 0.568% of the total audited fees. CGA will return or refund any fees due to customers, including any miscalculated by other City Departments.

See attached **Exhibit I** for a more detail explanation of these instances, which provide additional information.

The City will remind all departments to double check all permit fee calculations to avoid errors or refunds to customers.

EXHIBIT 1					
Permit Number	Permit Amount	Type of Permit	Permit Fee Difference	Party Responsible for Fee	Explanation Notes
1972398-1	\$ 112.67	Gas Line	\$ (15.41)	BD	EX-1
1968798-1	\$ 934.52	Windows	\$ 6.80	Other City Dept.	EX-2
1968910-3	\$ 678.32	Fence	\$ 6.80	Other City Dept.	EX-2
1968839-23	\$ 942.41	Fence	\$ 0.33	BD	EX-3
1969356-4	\$ 1,424.43	Fire Alarm	\$ (1.89)	Other City Dept.	EX-4
1974038-0	\$ 306.98	Structural	\$ (1.89)	BD	EX-4
1976042-0	\$ 732.45	Structural	\$ (1.89)	BD	EX-4
1976571-0	\$ 433.81	Structural	\$ (1.89)	BD	EX-4
1972022-0	\$ 363.51	Structural	\$ (0.15)	BD	EX-5
1972834-0	\$ 282.92	Structural	\$ (0.15)	BD	EX-5
1975040-6	\$ 7,931.97	Audio Visual	\$ (0.02)	BD	EX-6
1975040-1	\$ 1,954.81	Fire alarm Bi-Directional	\$ 2.56	Other City Dept.	EX-7
1975267-1	\$ 3,824.86	Antenna Systems	\$ 4.99	Other City Dept.	EX-8
1862365-2	\$ 320.78	Roof	\$ 50.83	BD	EX-9
1965595-4	\$ 260.94	Roof	\$ 50.83	BD	EX-9
1965924-2	\$ 257.96	Roof	\$ 50.83	BD	EX-9
1965925-2	\$ 257.96	Roof	\$ 50.83	BD	EX-9
1965312-1	\$ 14,649.67	Fire Sprinkler	\$ 1.03	Other City Dept.	EX-10

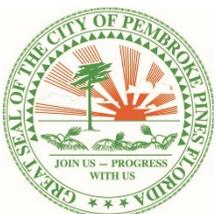


Observation #7 – Permit Testing Exceptions (cont.)

- EX-1** Fees are improperly calculated and are deemed an exception. The BRA and Building permit fees were calculated on a job value of \$2,500 instead of the \$3,000 job value which was indicated on the application.
- EX-2** The zoning non-residential was entered incorrectly based on the 2020-21 fee schedule (\$78.38) and not the 2019-20 fee schedule (\$71.58), therefore this is deemed an exception.
- EX-3** The minimum fee trade was entered incorrectly based on the 2020-21 fee schedule (\$99.44) and not the 2019-20 fee schedule (\$99.11), therefore this is deemed an exception.
- EX-4** The reinspection fee was entered incorrectly based on the 2018-19 fee schedule (\$94.73) and not the 2019-20 fee schedule (\$96.62), therefore this is deemed an exception.
- EX-5** The record retrieval fee was entered incorrectly based on the 2018-19 fee schedule (\$7.41) and not the 2019-20 fee schedule (\$7.56), therefore this is deemed an exception.
- EX-6** The record retrieval fee was entered incorrectly based on the 2019-20 fee schedule (\$7.56) and not the 2020-21 fee schedule (\$7.58), therefore this is deemed an exception.
- EX-7** The re-inspection fee used is a building re-inspection instead of a fire re-inspection fee. The rate for the building re-inspection is \$96.62 vs \$94.06 for the fire re-inspection fee, therefore this is deemed an exception.
- EX-8** The inspection fee used is a building inspection fee instead of a fire inspection fee. The rate for the building inspection is \$94.73 and \$145.41 vs \$94.06 and \$141.09 for the fire inspection fees, therefore this is deemed an exception.
- EX-9** There was a miscalculation on the residential reroof permits. Through this process, the BD has found an error in the fee schedule for FY18-19 ONLY. All customers impacted by this were over charged. CGA has provided a calculation sheet showing these over charges and they have begun the process of setting up and submitting refunds to each of these customers.
- EX-10** The Fire Plan Review was incorrectly calculated resulting in a variance of \$1.03 therefore this is deemed an exception.

Commission Auditor’s Response:

As noted in our recommendation, the BD should determine the pervasiveness of the exceptions noted above, particularly “EX-9”. The BD investigated the issue and determined that eight-hundred and thirty (830) accounts were affected, resulting in approximately \$43,000 of refunds needing to be issued. The information has been researched by the BD and refund checks are expected to be issued the week of September 27, 2021.



Observation #8 – Permit Testing Exceptions – Non-Compliance with Florida Statutes

During our testing of one-hundred and forty (140) permits, we noted one (1) instance of a permit fee incorrectly calculated. The incorrectly calculated fee resulted in the City being non-compliant with Florida Statute 553.793 (5). The statute states:

“A local enforcement agency shall make uniform basic permit labels available for purchase by a contractor to be used for the installation or replacement of a new or existing alarm system at a cost of not more than \$40 per label per project per unit. The local enforcement agency may not require the payment of any additional fees, charges, or expenses associated with the installation or replacement of a new or existing alarm system.”

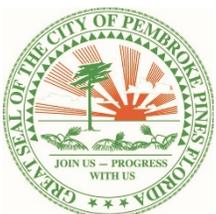
The customer was incorrectly charged forty-four (\$44.00) dollars rather than the \$40.00 allowed by the statute.

***Permit Testing
Exceptions -
Non-compliance
with Florida
Statutes***

Observation: During our testing of permit fees, we noted one (1) instance of a permit charge that was noncompliant with Florida Statute 553.793(5).

Recommendation: The BD should implement periodic reviews of fees being charged to ensure accuracy of the fee. Further, they should review system controls to determine the pervasiveness of this issue.

Management’s Response: This was only a single instance resulting in a \$4.00 correction. The BD held additional training for all clerks and will continue on an ongoing basis.



Observation #9 – Information Technology

As part of our procedures, we conducted a general IT assessment of controls in place over the BD’s INKforce software.

Information Technology

Observation: During our IT general controls and testing, we noted minor findings that we consider points-for-improvement. Due to the sensitive nature of these improvements, we have communicated these findings in detail to BD and City Management.

Recommendation: We recommend the BD evaluate our findings and implement the changes. The City and the BD would also have to evaluate and balance the cost-effectiveness of the findings as well.

Management’s Response: The INKforce software is web-based and housed in a triple redundant-hardened facility. Any security concerns will be addressed by the City’s Technology Services Department. Additionally, the City is implementing a new ERP software that will address these minor concerns. In addition our password policy has been enhanced over the last 6 months to include expiration, complexity, and password history. Future enhancements will include PEN testing.

