



Council Auditor's Office

Follow-Up on Building Inspection Division Audit

Report #805B

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OFFICE OF THE COUNCIL AUDITOR
Suite 200, St. James Building



April 2, 2025

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Honorable Members of the City Council
City of Jacksonville

The purpose of this report is to document our second follow-up review of our past report #805, Building Inspection Division Audit, and to determine whether corrective action has been taken in response to our findings and recommendations. We are providing this special written report in accordance with Ordinance Code Section 102.102. This report does not represent an audit or attestation conducted pursuant to Government Auditing Standards. The initial audit report and follow-up report can be found on our website.

We sent a follow-up letter to the Chief Administrative Officer on February 22, 2023, inquiring as to the status of the original audit report recommendations after the first follow-up report. We reviewed the recommendations from our audit report and previous follow-up report, the auditees' responses to the recommendations, and the auditees' responses to our follow-up letter. We then performed limited testing to verify the responses. Given the timing of the new Building Inspection Permit System being implemented in early 2024 and us wrapping up initial testing around the same time, we decided to wait a few months and re-test the outstanding items impacted by the system implementation to determine whether any additional items could be cleared.

Based on the responses received and our follow-up testing, a table detailing the original number of issues noted and the number of issues reasonably resolved as of this follow-up is included below.

| Types of Issues | Original Number of Issues | Issues Cleared Prior to This Follow-up | Remaining Issues Prior to This Follow-up | Issues Cleared During This Follow-up | Remaining Issues |
|-------------------------------|--|---|---|---|-----------------------------|
| Internal Control Weaknesses | 7 | 2 | 5 | 2 | 3 |
| Findings | 9 | 3 | 6 | 0 | 6 |
| Opportunities for Improvement | 6 | 1 | 5 | 4 | 1 |
| Total | 22 | 6 | 16 | 6 | 10 |

The following is a brief summary of the remaining issues with responses from the Building Inspection Division.

Overall Internal Control Weakness - 1 *Access Rights Documentation*

In the original audit we found an overall lack of documentation related to system access rights to the Building Inspection Division (Division) Permitting System. Users were assigned to one or more of the system's 118 user groups; however, there was no documentation that identified the specific capabilities of each user group, and the capabilities had been programed into the system's code language instead of an information system table. The audit also found that certain users had been granted inappropriate access rights. Examples included:

1. users with read only access could cancel fees,
2. users from other City divisions with a valid need to sign off on certain requirements could also change inspector assignments and inspection or plan review status, and
3. division inspectors could remove holds that had been placed on a permit because outstanding documentation was required before the permit should be finalized.

We recommended that the City ensure that proper documentation of access rights is maintained for any future information systems and correct any excessive access rights. At that time, the Division indicated corrections would be made in the current system where possible; however, the other items would be addressed when the new system that was approved in the FY 2017/18 budget was implemented.

During the first follow-up review, we were able to confirm that users with read-only access could no longer cancel fees; however, the remaining access rights and the overall documentation issues remained since the new system had not been fully developed and implemented.

During the second follow-up review, we found that the City had implemented a new enterprise permitting, inspection and compliance system. We identified 77 active user accounts that belonged to terminated employees as of September 6, 2024. We also identified 19 employees that worked for other divisions outside the Building Inspection Division that had "inspector" or "plan review" access rights in the system, which were not needed.

We continue to recommend correcting any excessive access rights in the new system.

Division Response to the Follow-Up of Overall Internal Control Weakness - 1

Agree ☒

Disagree ☐

Partially Agree ☐

At the time of the Audit, multiple profiles for former employees remained active in JAXEPICS. There is ongoing work to update and correct profiles of former employees in JAXEPICS.

This process will be captured in revised SOPs for supervisors within BID and other staff with access to update employee profiles.

Overall Opportunity for Improvement - 3 *Update SOPs for Building Code Operations*

In the original audit we found that the Division's written standard operating procedures (SOP) for building code enforcement operations, including permitting, had not been updated for over ten years and were outdated in places as a result. We recommended that the Building Inspection Division review the written SOPs for accuracy and then revise as needed to reflect the current policies and procedures.

During the first follow-up review, we were provided with no evidence of updated SOPs.

During the second follow-up review, we found that these SOPs still had not been updated. As a result, we continue to recommend that the Building Inspection Division review their SOPs for accuracy and then revise as needed. Once complete, the updated SOPs need to be provided to all staff and available for new hires.

Division Response to the Follow-Up of Overall Opportunity for Improvement - 3

Agree ☒

Disagree ☐

Partially Agree ☐

The Building Inspection Division has recently hired an Operations Manager. Working with the Training & Outreach Coordinator, one of the first responsibilities of the Operations Manager is to update the Building Inspection Division SOPs to accommodate process changes due to JAXEPICS and requirements of this Audit.

Finding 1 - 1 *Inspectors Waived Re-Inspection Fees*

In the original audit we found that re-inspection fees had not been charged for 11 of the 17 permits in our sample that required a re-inspection (or 65%). We recommended that the Division take steps to ensure that the re-inspection fees required by Section 320.408(d) of the City Ordinance are properly charged in the appropriate circumstances.

During the first follow-up review, the Division responded that the original corrective action plan, to provide training to inspectors on when to pass, fail, or cancel an inspection in the system (and thereby apply the re-inspection fees properly), was implemented. However, the Division was unable to provide evidence that such training occurred and as noted above, the written SOPs had not been updated to include this either.

During the second follow-up review, we found that the Building Inspection Division had still not updated their written SOPs to include policies and procedures related to properly updating inspection status with pass, fail, cancel. The Division stated that future SOPs will reflect training addressing re-inspection fees.

We recommend that the Division update the written SOPs to include details outlining the respective circumstances that correspond to each inspection status of pass, fail, or cancel and clarify how this relates to compliance with Section 320.408(d) of the City Ordinance.

Division Response to the Follow-Up of Finding 1 - 1

Agree ☒

Disagree ☐

Partially Agree ☐

The Building Inspection Division has recently hired an Operations Manager. Working with the Training & Outreach Coordinator, one of the first responsibilities of the Operations Manager is to update the Building Inspection Division SOPs to accommodate process changes due to JAXEPICS and requirements of this Audit.

Finding 1 - 2 *Fees Adjusted to Zero*

In the original audit we found a lack of documentation related to permits that did not generate revenue. We recommended that the Division clearly document for retention purposes why it was necessary to adjust, cancel, or void the fees for any permit.

During the first follow-up review, the Division responded that the original corrective action plan, to include documentation in the new permitting system, was not implemented because that system was pending development.

During the second follow-up review, we found that 2 out of 10 permits tested in the new system did not have an explanation for the adjustment or cancellation in the new system.

We recommend that the Division clearly document the explanations for any fees that deviate from the established fee schedule.

Division Response to the Follow-Up of Finding 1 - 2

Agree ☒

Disagree ☐

Partially Agree ☐

This requirement is to be addressed through training and revisions to the SOPs.

The Building Inspection Division has recently hired an Operations Manager. Working with the Training & Outreach Coordinator, one of the first responsibilities of the Operations Manager is to update the Building Inspection Division SOPs to accommodate process changes due to JAXEPICS and requirements of this Audit.

Finding 1 - 3 *Permit Fees Were Not Doubled For Violators*

In the original audit we found that the Division did not always comply with Section 320.408(c) of the City Ordinance which requires that they double the permit fees for projects that were in violation for work that was started before obtaining the required permit. We recommended that the Division comply with Section 320.408(c).

During the first follow-up review, the Division responded that the original corrective action plan, to update the SOPs as needed to ensure compliance with the intent of the City Ordinance and provide appropriate training to staff, had been implemented. However, we reviewed the records for a sample

of five citations that resulted in a permit and those test results disclosed that none of the corresponding permit fees had been doubled and that they all lacked a documented explanation for why. Additionally, we found no evidence that there was an update to the SOPs related to the doubling of fees.

During the second follow-up review, we found that 3 out of 5 violations tested resulted in a permit and the respective permit fee was not doubled. We also found that written SOPs had not been updated to include policies and procedures related to permit fees for permits that were related to code enforcement violations.

We recommend that the Division ensure that fees related to violations are properly doubled. We also recommend that the Division update the written SOPs to include a description of the relevant policies and procedures related to this issue and periodically complete a documented review of Division records to ensure that the fees are properly doubled.

Division Response to the Follow-Up of Finding 1 - 3

Agree ☒

Disagree ☐

Partially Agree ☐

JAXEPICS has made the process enforce double fees more clear to staff and improved visibility of this requirement to the applicant. This requirement is to be further addressed through training and revisions to the SOPs.

The Building Inspection Division has recently hired an Operations Manager. Working with the Training & Outreach Coordinator, one of the first responsibilities of the Operations Manager is to update the Building Inspection Division SOPs to accommodate process changes due to JAXEPICS and requirements of this Audit.

Finding 1 - 5 *System Errors for Coding Revenue*

In the original audit we found issues with how certain revenue was coded in the building inspection system which impacted where the funds were deposited and created inaccuracies. Examples included:

1. Portions of plan review fees above the initial minimum amount were coded as covering costs of the Division's inspectors instead of the plan reviewers.
2. Permit fees that were doubled based on Code Enforcement violations were tied to the cost of the Division's inspectors instead of the Code Enforcement officers.
3. When escrow transactions were refunded back to the escrow, the system credited the refund against plumbing revenue regardless as to whether it was plumbing related or not.

We recommended that the Division conduct a cost/benefit analysis to determine whether the system errors should and could be corrected and, as long as the errors remained, use care when preparing estimates or processing refunds.

During the first follow-up review, the Division responded that the original corrective action plan to ensure that refunds were correctly issued had been implemented and the coding errors were being addressed through implementation of the new system.

During the second follow-up review, we found that for 2 out of 5 permits tested, their respective plan review fees were not calculated accurately.

We recommend that the Division continue their efforts to correct existing inaccuracies and prevent others.

Division Response to the Follow-Up of Finding 1 - 5

Agree ☒

Disagree ☐

Partially Agree ☐

JAXEPICS automates many processes including those related to fees. Removing staff interaction with fees has improved their accuracy. Processes that will require staff adjusting fees will be addressed through training and updates to the SOPs.

Internal Control Weakness 2 - 1 *Flaws with Escrow Account Applications*

In the original audit we found various discrepancies related to the Division's escrow account applications. The escrow accounts are utilized as a convenient way for contractors to remit their payments for permit-related fees. There was an escrow application that was created with the assistance of the Office of General Counsel to protect the City and contractor. We recommended that the Division consistently apply the escrow account agreement requirements and work with the Tax Collector's office to ensure that agreements are completed before any deposits are accepted. We also recommended that in the meantime the Division should notate why deposits were made prior to an application being completed and what actions were taken to address the issue.

During the first follow-up, we reviewed five escrow accounts that were opened in FY 2019/20 and noted that one did not comply with the minimum \$300 deposit and when we requested the completed applications for three of the accounts only one could be provided.

During the second follow-up review, we found that written SOPs have not been updated to include new escrow procedures. Per the Division, these procedures would be captured in future SOPs that are under development.

We recommend that the Division enhance their review of new escrow accounts to more effectively detect discrepancies related to the minimum deposit and ensure compliance with the \$50 administrative fee and application requirements.

Division Response to the Follow-Up of Internal Control Weakness 2 - 1

Agree ☒

Disagree ☐

Partially Agree ☐

We continue to work with Technology Solutions, the Tax Collector and our own staff to ensure the best process is in place. Review of Escrow policy and procedures is one of the key responsibilities of the Building Inspections Division part-time finance person. The processes for Application, Account Creation, Deposits, etc. are critical to an accurate and reconcilable Escrow program.

Internal Control Weakness 2 - 2 *Flaws with Escrow Account Reconciliations*

In the original audit we found various discrepancies and issues related to the Division's reconciliation of the escrow accounts within the building inspection system to the escrow accounts within the City's general ledger to ensure they are in balance. Examples included:

1. The reconciliations were not signed and dated by the preparer.
2. The person that completed the reconciliations was also responsible for the day-to-day escrow activities and there was no review.
3. The supporting documentation did not include what the ending balances were for the Permitting and general ledger systems.
4. While there were sometimes notes about discrepancies, there were not always notes as to whether the issues were resolved.

In the original audit, we recommended that the Division consult with City Accounting to develop their reconciliation process in a way that ensures completeness and proper documentation to facilitate an effective secondary review that includes evidence of who was accountable for the reconciliations and any resulting adjustments.

During the first follow-up review, the Division responded that the original corrective action plan, to implement the recommendation, was implemented. However, the City implemented a new general ledger system in April 2020 and the Division stated that as of the date of the responses the Division was still working on a method of reconciling the building inspection system to the new general ledger system.

During the second follow-up review, the Division stated that the reconciliation process was currently under review and that the overall process for the reconciliation of escrow accounts was still in development. We found the reconciliation was not being performed and there were no written policies and procedures for the escrow account reconciliation.

We continue to recommend that the Division develop a reconciliation process in a way that ensures completeness and proper documentation to facilitate an effective secondary review that includes evidence of who was accountable for the reconciliations and any resulting adjustments.

Division Response to the Follow-Up of Internal Control Weakness 2 - 2

Agree ☒

Disagree ☐

Partially Agree ☐

The Building Inspection Division continues to drive meetings and discussions around the Escrow reconciliation process and procedure. Escrow transactions for permitting touch multiple City of Jacksonville Departments and require senior staff from these departments to be present to advance and champion improvements to their respective systems.

Building Inspection Division is actively working with staff from Technology Solutions, accounting, and others to develop successful reconciliation process that can be performed in a timely and efficient manner. SOPs will be developed to accurately capture this process.

Supplemental Finding 1 *Licensed Violators Not Sent to the Appropriate Board*

In the original audit we found that the Division was not referring violators who held a contractor's certification or license to the Construction Trades Qualifying Board and/or the appropriate State licensing board in all instances for further enforcement, as required by Section 320.703(5) of the City Ordinance.

We recommended that the Division seek guidance from the City's Office of General Counsel regarding the intent of Section 320.703(5) and determine whether the wording needed to be revised and, in the meantime, establish procedures to ensure compliance with the requirement.

During the first follow-up review, the Division obtained a written explanation from the General Counsel which indicated they were authorized to decide which violations to refer to the Construction Trades Qualifying Board, with an exception being that the basis of their decision could not be discriminatory.

During the second follow-up review, we found that written SOPs had not been updated.

We recommend that the Division implement procedures that will help ensure each decision is non-discriminatory and that this process is evidenced by some form of reasonable documentation.

Division Response to the Follow-Up of Supplemental Finding 1

Agree ☒

Disagree ☐

Partially Agree ☐

We agree that each Building Code Enforcement action must be "non-discriminatory". BCE is working the JAXEPICS development team and OGC to improve the data points captured in any code enforcement case to ensure objective enforcement of building code requirements and local ordinances that pertain to Building Code Enforcement. These processes will be captured in revised SOPs and shared with staff with updated training.

Supplemental Finding 3 *Wrong Forms Used for Private Providers*

In the original audit we found that the Division was utilizing an in-house form to document inspections that were completed by private providers instead of the form prescribed by the Florida Administrative Code in accordance with the Florida Statutes.

We recommended that the Division either require private providers to submit the Florida Building Commission (FBC) form or obtain written consent from FBC for the in-house form. Additionally, if the in-house form is used, the Division needed to establish an alternative method for regularly verifying that the providers are properly credentialed.

During the first follow-up review, we found that the Division was using a modified in-house form and had not obtained authorization from the FBC. The form included a field to document the relevant credentials and was required to be submitted for each relevant permit; therefore, that piece was corrected. However, they still need to get approval to utilize a different form.

During the second follow-up review, we found that 2 out of 5 permits tested did not use the private provider form adopted by the Florida Building Commission.

We continue to recommend that the Division either require private providers to submit the Florida Building Commission (FBC) form or obtain written consent from FBC for the in-house form. Additionally, if the in-house form is used, the Division needs to establish an alternative method for regularly verifying that the providers are properly credentialed.

Division Response to the Follow-Up of Supplemental Finding 3

Agree ☒

Disagree ☐

Partially Agree ☐

At the time of the Audit, out-of-date State-approved forms and forms that were not approved by the Florida Building Commission were being accepted by some staff. BID staff in the Intake/Gatekeeper role has been trained to accept only the most current State-approved forms. Past private provider forms created by BID staff are no longer accepted as well.

In addition to these forms, the Building Inspection Division requires coversheets for Private Provider inspection and plan review documents to provide project specific information that is not captured on State-approved forms to improve the accuracy and efficiency related to Building Inspection Division staff processing the State-approved forms and the permit application packages associated with the projects where Private Provider may be performing inspections and/or plan review. SOPs must be updated and training provided to ensure consistent handling of these documents.

We would like to thank the Building Inspection Division for their cooperation during this follow-up review.

Respectfully submitted,

Kim Taylor

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