



FREDERICK COUNTY GOVERNMENT

Jan H. Gardner
County Executive

INTERAGENCY INTERNAL AUDIT AUTHORITY

Tricia Griffis, Director of Internal Audit

Memorandum

To: Frederick County Council Members
Frederick County Maryland

From: Tricia A. Griffis, CPA
Director, Internal Audit Division

Date: September 16, 2015

Subject: Permits Special Project

Introduction and Summary

At the request of the Frederick County Council the Internal Audit Division (IA) performed a non-attest special project reviewing and analyzing permits through the Permits and Inspections Department of the Community Development Division. The purpose of the review was to analyze activity and the average days permits are in process, from the application to issuance process and from permit issuance to permit close out over a period comparison. The procedures and work performed by IA constitutes a non-attest engagement and does not fall under the guidance of Generally Accepted Government Auditing Standards (GAGAS).

During the special project IA met with both the Community Development Division Director and the Permits and Inspections Director to gain a better understanding of the processes and reporting. IA also met with the Interagency Information Technologies Division to obtain reporting ability through the Permits and Inspection software database "Hansen System". Finally, IA called local permit and inspection jurisdictions outside of Frederick County inquiring upon average time for processing permits from application to permit issuance and from permit issuance to close out of the permit process. The data collected during this review will allow for an understanding of the average time in permit processing from permit application to permit issuance and permit issuance to permit process completion and how that time frame may have changed over the course of a one year period.

It is management's responsibility to design and implement an adequate system of internal control, and it is IA's responsibility to determine if management's system of internal control is functioning properly in relation to the objectives of the special project. It is also management's responsibility to decide if action should be taken in response to any reported recommendations, taking into consideration related costs and benefits. Management, therefore, assumes the risk of making the decision not to implement any reported recommendations.

Frederick County: Rich History, Bright Future

Background

The Frederick County Community Development Division includes the Permits and Inspections Department. The Community Development Division and Permits and Inspections Department is located at 30 N. Market Street. Permits for demolition, driveway work, electrical, fire, grading, non residential building, plumbing, residential building, residential uses, signs, tanks and trailers are all applied for and managed under the Permits and Inspection Department.

IA obtained reporting through the Hansen System for the period December 1, 2013 through June 10, 2014 and for the period December 1, 2014 through June 10, 2015 for both the permit application to issuance process and the permit issuance to close out process. For the application to issuance process, IA reviewed the data and compared the average days in application process between the periods as well as the number of applications processed and total permits issued. For the issuance to completion process, IA reviewed the data and compared the average days in process to completion, and total completed permits issued between the periods.

IA also reviewed the data within the residential building permits process reviewing the number of days in process for both application to issuance and for issuance to completion by builder and by neighborhood.

Finally, IA reached out to the following jurisdictions to find out their average days in process by permit type:

- City of Frederick, Maryland: On average for general permitting, two weeks for application to issuance. The City also has a one stop shop for minor residential repair permits, which allows for same day permitting for these items.
- Carroll County, Maryland: On average for general permitting, 10 to 15 business days for application to issuance. Carroll County did not have immediate data on average days for issuance to completion.
- St. Mary's County, Maryland: On average, same day for minor permits such as decks, pools, attached garages, and renovations for the application to issuance process. 7 to 14 days for home occupancy and signs and 30 to 60 days for all other building permits for the application to issuance process. St. Mary's County did not have immediate data on average days for issuance to completion.
- Cecil County, Maryland: On average, 3 to 10 days for residential building and 10 to 30 days for commercial building for the application to issuance process. Cecil County did not have immediate data on average days for issuance to completion.
- Caroline County, Maryland: On average, 2 weeks for general permitting, 30 days for residential building, and 45 days for commercial building for the application to issuance process. Caroline County did not have immediate data on average days for issuance to completion.

Observations

Application to Issuance Process:

- Between December 1, 2013 and June 10, 2014, and between December 1, 2014 and June 10, 2015, no permit type average application process increased by more than 10 days and 20%. 4 of the 12 permit types average days in process decreased, and 6 of the 12 increased however, only by a slight margin and 2 of the 12 permit types had no change. The largest increase occurred within residential building by 8 days and 73%. From this review it does not appear that there is a significant change in the average days taken for permit applications to be processed to permit issuance between the two periods reviewed.
- Between December 1, 2013 and June 10, 2014, and between December 1, 2014 and June 10, 2015, only 1 permit type decreased in number of applications processed, which was trailer permits (decreased by 27 applications received and 77%). After removing 2 large apartment complexes from the population in the 2015 application pool residential building also decreased (by 22 applications received and 5%). The complexes added 308 applications and skewed the population due to late payment of impact fees, therefore, we determined that those applications should be removed from the population as there were no large complexes in the 2014 population which were held to skew the population averages. All other permit types either increased or remained the same. From this review it does not appear that the number of applications processed has decreased significantly between the periods.
- Between December 1, 2013 and June 10, 2014, and between December 1, 2014 and June 10, 2015, 2 permit types decreased in number of permits issued from application, which was trailer and residential building permits. Residential building permits issued from application (as adjusted for the 2 large apartment complexes) decreased by 21 permits and 5% and trailer permits issued from application decreased by 22 permits and 73%. In observing this data there is an expectation set that the percentage change in applications processed should correlate with the percentage change in permits issued between the 2 time periods. When we reviewed the data, the percentage change between the categories does reflect correlation. From this review it does not appear that the number of applications processed to permit issuance has decreased significantly between the periods.

Permit Type	Average Days in Process			%	Applications Processed			%	Total to Permit Issue			%
	12/13-12/14	12/14-12/15	Change	in/de	12/13-12/14	12/14-12/15	Change	in/de	12/13-12/14	12/14-12/15	Change	in/de
Demolition	8	14	6	75%	29	52	23	79%	26	51	25	96%
Driveway	7	6	-1	-14%	17	17	0	0%	15	17	2	13%
Electrical	1	2	1	100%	1523	1955	432	28%	1514	1898	384	25%
Fire	16	14	-2	-13%	313	370	57	18%	274	352	78	28%
Grading	16	6	-10	-63%	146	464	318	218%	121	428	307	254%
Non Residential bldg	11	16	5	45%	217	251	34	16%	187	213	26	14%
Plumbing	1	1	0	0%	1053	1263	210	20%	1046	1262	216	21%
Residential Bldg (a)	11	19	8	73%	442	420	-22	-5%	393	372	-21	-5%
Residential Uses	4	4	0	0%	676	869	193	29%	642	830	188	29%
Signs	9	16	7	78%	27	34	7	26%	24	30	6	25%
Tanks	3	7	4	133%	49	63	14	29%	44	60	16	36%
Trailer	13	9	-4	-31%	35	8	-27	-77%	30	8	-22	-73%

(a) - 2014 to 2015 included 2 large complexes which had fees outstanding, in order to reasonably compare years the 308 applications related to these complexes were removed from the population.

Residential Building Review - Application to Issuance:

- During the December 1, 2013 to June 10, 2014 period, IA reviewed building and neighborhood data. IA noted during this period that 5 permits were outstanding 240 days or more between 2 builders. One builder had 12 applications outstanding for 81 or more days concentrated in the Ballenger area. Some builders were spread on the average time in process which appears to also be neighborhood related. Some builders were at a 1 day to 2 week average in process while others went beyond 30 and 60 days on average. After review and sampling application data in the Hansen System we found that the outstanding and late applications were due to unpaid capacity fees, impact fees and a zoning issue. IA also found that some builders setting up neighborhood developments request pre-approved blanket application approvals for homes under the same model type. This allows for a quicker turn around and results in 1 and 2 day application to issuance time frames. Once IA reviewed and sampled the builder and area data under residential building we determined that no issues were noted in the 2013 to 2014 time period.
- During the December 1, 2014 to June 10, 2015 period, IA reviewed building and neighborhood data. IA noted during this period that 2 large apartment complex structures were still outstanding by over 100 to 150 days. IA also noted that some builders were spread on the average time in process which appears to also be neighborhood related. Some builders were at a 1 day to 2 week average in process while others went beyond 30 and 60 days on average. IA inquired with the Permits and Inspection Department regarding these variances and sampled builder and application data. IA found that the 2 apartment complexes were held up due to outstanding impact fees due from the builder. IA also found that the variance was mainly due to outstanding fees and 1 and 2 day timeframes were due to pre-approved development

sets. After IA reviewed and sampled this data we determined that no issues were noted in the 2014 to 2105 time period.

Permit issuance to close out:

- Between December 1, 2013 and June 10, 2014, and between December 1, 2014 and June 10, 2015, 2 permit types increased by more than 20 days and 20% in average days processing. Driveway permits increased by 66 days and 264% and sign permits increased by 23 days and 78%. When reviewing the driveway data, it was noted that permits in the December 1, 2013 to June 10, 2014 timeframe when reporting was carried out past June 10 the average to date was 110 days for processing which is a 19 day variance and a 17% variance. IA further sampled driveway permits and found that those sampled were held up by the owner rather than the inspection and permitting division. In each sample pulled inspections were not called in by the owner until the end of the permit time frame. IA further sampled sign permits within the system and found the lag in permit close was also by the owner who did not call in for sign inspection until the end of the permit period.
- Between December 1, 2013 and June 10, 2014, and between December 1, 2014 and June 10, 2015, no permit types decreased by more than 20 and 20% in total permits to completion by permit type. Residential building permits closed out during the period decreased from the prior period by 12 and 27%. In observing this data there is an expectation set that the percentage change in permits issued should correlate with the percentage change in permits closed between the 2 time periods. When we reviewed the data, the percentage change between the categories does reflect correlation with the exception of demolition, non-residential building and residential building. When further reviewing the data, the demotion percentage closed correlates to the increase in the average days in process. The non-residential building percentage change decrease also appears to be a result of increased days in process. Residential building is tested further below as there was an increase in percentage total issued, but a decrease in percentage of total closed.

Permit Type	Average Days in Process			%	Total Issued			%	Total Closed			%
	12/13 -6/14	12/14 - 6/15	Change		in/de	12/13 -6/14	12/14 - 6/15		Change	in/de	12/13 -6/14	
Demolition	34	51	17	50%	30	51	21	70%	10	4	(6)	-60%
Driveway	25	91	66	264%	16	17	1	6%	3	4	1	33%
Electrical	48	56	8	17%	1,522	1,910	388	25%	647	868	221	34%
Fire	51	55	4	7%	294	383	89	30%	167	219	52	31%
Grading	10	1	(9)	-86%	156	715	559	358%	42	609	567	1350%
Non Residential bldg	41	52	11	27%	216	260	44	20%	71	65	(6)	-8%
Plumbing	39	43	4	10%	1,051	1,268	217	21%	478	614	136	28%
Residential Bldg	128	133	5	4%	305	405	100	33%	44	32	(12)	-27%
Residential Uses	49	54	5	11%	657	854	197	30%	197	324	127	64%
Signs	29	52	23	78%	28	34	6	21%	13	16	3	23%
Tanks	35	33	(2)	-6%	44	65	21	48%	30	43	13	43%
Trailer	76	48	(28)	-37%	30	8	(22)	-73%	7	1	(6)	-86%

Residential Building Review – Issuance to Completion:

- During the December 1, 2013 to June 10, 2014 period, IA reviewed building and neighborhood data. During this period it was noted that 11 out of 28 permits issued in December remained outstanding (39.3%). The outstanding issued permits remaining were not concentrated to one builder and were spread amongst various builders. 40 out of 57 permits issued during January remained outstanding as of June 10, 2014. IA decided to look further at the data past June 10, 2014 to date, to determine when permits were closing out. In our review we noted that out of 305 permits, 46 took 225 days or more to completion. IA then broke down the 46 long standing permits by builder and neighborhood noting that the 46 were reasonably distributed among multiple builders. However, there were 4 builders who had 5 properties and 20% or more of their total properties outstanding for over 225 days. Also, of the 46 properties outstanding for 225 or more days the properties appeared to be concentrated in the Ballenger, Brunswick, Frederick, and New Market areas. IA inquired with the Permits and Inspection Department regarding these variances and sampled some of the outstanding permits. IA reviewed the sample pulled and noted that all permits sampled were held by the contractor and not the county. Contractors call in for an inspection and have a 1 year time frame in which the permit holds in good standing. IA did not note any development or contractor hold issues caused by the County in this observation and sampled population.
- During the December 1, 2014 to June 10, 2015 period, IA reviewed building and neighborhood data. During this period it was noted that 25 out of 44 permits issued in December remained outstanding (56.8%). 9 of the outstanding permits issued were with one builder and 4 of the 25 with another builder. Also, of the 25 properties outstanding 8 were concentrated in the Brunswick area (all with the same builder). 50 out of 60 permits issued during January remained outstanding as of June 10, 2015. IA tested 7 of the 8 in the Brunswick area and with the same builder and found that 5 were a townhouse block of 5 homes held by the contractor as inspection must be completed on

all 5 at one time and 2 were model homes/sales offices that were held to convert to homes. From reviewing the 2013 to 2014 data it can take 120 days to 240 days to close out the permits based on inspections, therefore it is no surprise that 50 of the 60 are still outstanding between January 2015 and June 10, 2015 and the data appears to be representative of that in comparing the 2 years. IA did not note any development or contractor hold issues caused by the County in this observation.

During this analysis it was a pleasure to work with the permits and inspections department personnel and I appreciated their full cooperation and assistance with the support and information required to perform the necessary work. The work performed under this special project was not performed in accordance with Generally Accepted Government Auditing Standards and is considered a non-audit service.

Please let me know if you have any questions or concerns as it relates to this special project I will be happy to assist in any way that I can.

Pc: Dawn Reed, Administrative Coordinator, Internal Audit
Interagency Internal Audit Authority
Steve Horn, Director Community Development Division
Gary Hessong, Permits and Inspections Division Director