

June 5, 2003

The Honorable Bill Purcell, Mayor  
Mr. Terry Cobb, Director  
Department of Codes Administration  
Metropolitan Government of Nashville and  
Davidson County  
700 2<sup>nd</sup> Avenue South  
Nashville, TN 37210

**Report of Internal Audit Section**

Dear Mayor Purcell and Mr. Cobb:

We have recently completed a performance audit of the Department of Codes Administration. According to the *Government Auditing Standards* issued by the Comptroller General of the United States, “a performance audit is an objective and systematic examination of evidence for the purpose of providing an independent assessment of the performance of a government organization, program, activity, or function in order to provide information to improve public accountability and facilitate decision making by parties with responsibility to oversee or initiate corrective action.” A performance audit is different than a financial statement audit, which is limited to auditing financial statements and controls, without reviewing operations and performance. In performing this audit, we retained Maximus to work under our direction. Their final report dated June 5, 2003, *Performance Audit of Department of Codes Administration*, accompanies this letter and is hereby submitted to you.

Codes is responsible for promoting public safety, public service and economic and community development by administering and enforcing building regulatory codes, property standard codes, and zoning codes. Building plans are reviewed for compliance with zoning, electrical, plumbing, gas, and urban forestry requirements; building permits are issued; and construction and other work sites are inspected for compliance with applicable codes. Existing properties are inspected for property standards compliance. Codes licenses individual electrical, plumbing, and gas contractors, and Codes provides staff services to the zoning and appeals boards. Certain costs are recovered through customer charges for building, electrical, plumbing, and gas permit fees and for appeals and licenses. The primary divisions of Codes are Inspections, Zoning, and Administrative Services, which is responsible for financial, human resources, and other administrative support to the department. Codes has a total of 99 budgeted positions for fiscal year 2003. Budgeted revenue is \$6,497,000. Codes has a total expenditure budget of 6,683,707, including \$5,419,938 for personnel. Additional background information is included in Chapter 1 of the Maximus report.

### **Objectives, Scope, and Methodology**

The primary objectives of this performance audit were as follows:

- Review all major aspects of Codes operations, including assessing the efficiency and effectiveness of operations and the effectiveness of systems and controls in place to manage and communicate the results of operations.
- Compare Codes operations and key performance measures to industry best practices and to selected peers.
- Assess the overall management of the Codes Department, including organizational structure, fee setting, customer service, and information technology.
- Determine the implementation status of past audit recommendations.
- Assess compliance with applicable laws, regulations, and policies.
- Develop findings and recommendations for any areas where performance could be improved.

Because an audit of the Planning Department and a review of the development process are underway, the scope of this work excluded certain aspects of the Codes plan review process that will be evaluated in more detail in conjunction with the other audit work in process. This audit focused primarily on Codes' fiscal year 2002 and 2003 financial transactions and performance and on the processes in place during the audit. Certain analyses required the consideration of financial results, performance, and operations outside of that time period.

The methodology employed throughout this audit was one of objectively reviewing various forms of documentation, including written policies and procedures, financial information, and various other forms of data, reports, and information maintained by Codes and other Metro departments. Management, administrative, and operational personnel, as well as personnel from other Metro departments and other stakeholders, were interviewed, and various aspects of Codes operations were directly observed. Data obtained from the various sources were analyzed, and various aspects of performance, cost, and practices were compared to those of peers and to best practices.

We performed the audit procedures in accordance with generally accepted government auditing standards.

### **Findings and Recommendations**

The Maximus report addresses Codes operations and the resulting findings and recommendations in detail. Following is an overview of some of the more significant findings and recommendations included in their report.

1. Efficiencies could be gained in the trades (electrical, plumbing, and gas) inspection areas by capturing and analyzing work activity in more detail, automating the inspection reporting process, and phasing in cross-trained, multi-disciplinary inspectors to conduct final inspections. Codes is currently evaluating software packages that include remote reporting capabilities, and it is recommended that they purchase laptop computers or other electronic devices to use those capabilities. The cost is estimated at \$60,800, and remote reporting could ultimately result in time savings approximating two inspectors' workloads. The use of multi-disciplinary inspectors could ultimately result in time savings approximating seven inspectors' workloads. These efficiencies could result in deferring the need for additional staff as demand increases or in resources being reallocated as needs and priorities change.

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2. Similar to trades inspectors, opportunities to enhance efficiency and effectiveness were also identified in the property standards inspection area. Recommendations to purchase laptops costing approximately \$32,300 and to transfer two customer service representatives from another Codes division would reduce the amount of time property standards inspectors spend in the office writing reports, preparing environmental case files, and making contact with customers regarding cases. Additionally, Codes should begin recording, prioritizing, and tracking properties with potential Codes violations as inspectors notice them while travelling to investigate other calls, then arrange for formal flex team inspections of these properties.
3. It is also recommended that Property Standards be elevated to a “division” status within Codes to give appropriate recognition to the visibility and importance of this operation, to align the operation in the manner in which it is currently functioning, and to more evenly distribute the span of control within the Codes Department.
4. The audit found that there was a backlog of property demolitions and found that there was not a comprehensive receivable tracking system for demolition costs to be collected from property owners. Once Codes has exhausted other options and follows the procedures to condemn a structure for demolition, the demolition should be handled by a department more closely aligned with that task. Additionally, it is recommended that demolitions be accounted for in a separate fund, where the collection of demolition costs recovered would be deposited. Finally, funding of \$519,000 is recommended to address the backlog of demolitions and to provide the resources needed to establish the separate fund for demolitions.
5. In reviewing whether inspection and plan review costs were being recovered, it was determined that the Fire Marshall’s costs were not being included in total costs. A fee analysis is recommended to better align fees to cover related costs and to recover approximately \$600,000 of cost currently not included in the fee structure.
6. Although Codes is imaging most current documents, it would take up to ten years for Codes to image historic documents with existing resources. Funding of \$280,400 is recommended to have the historic files scanned into Codes’ document imaging system, which would also allow two customer service representatives to be reassigned to Property Standards, where there is a need for additional support to allow inspectors more time in the field.

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Detailed explanations of the above findings and the related recommendations, as well as several other findings and recommendations, are included in the Maximus report. A summary of each recommendation and the related fiscal impact can be found in Chapter 10 of the Maximus report. In addition to Maximus' work, Internal Audit staff reviewed procedures and controls surrounding financial and other operations and discussed issues of lesser significance noted with management.

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Management's response to the audit recommendations is attached to this report.

We greatly appreciate the cooperation and help provided by all Codes staff.

This report is intended for the information of the management of the Metropolitan Government of Nashville and Davidson County. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Internal Audit Section

Kim McDoniel  
Internal Audit Manager

Copy: Karl F. Dean, Director of Law  
David L. Manning, Director of Finance  
Eugene Nolan, Associate Director of Finance  
Metropolitan Council Audit Committee  
Richard V. Norment, Director of County Audit  
KPMG, Independent Public Accountant