

Update on Outstanding Auditor General's Recommendations Related to Building Permits and Inspections

Date: October 7, 2019

To: Audit Committee

From: Chief Building Official and Executive Director, Toronto Building

Wards: All

SUMMARY

At its meeting of June 28, 2019, the Audit Committee directed staff to report back on the status of outstanding recommendations from the Auditor General's reports that relate to building permits and inspections. This report responds to this request and presents an overview of actions that Toronto Building has undertaken and will continue to take to fully implement all of the Auditor General's recommendations. The outstanding recommendations related to building permits and inspections are contained in two reports from the Auditor General: "Toronto Building Division - Building Permit Fees, Improving Controls and Reporting" and "Toronto Building - Improving the Quality of Building Inspections."

RECOMMENDATIONS

The Chief Building Official and Executive Director recommends that:

1. The Audit Committee receive this report for information.

FINANCIAL IMPACT

There is no financial impact associated with the adoption of this report.

DECISION HISTORY

The Audit Committee at its meeting on June 28, 2019 requested that the Chief Building Official and Executive Director, Toronto Building, provide an update to the October 25,

2019 meeting of the Audit Committee on the outstanding recommendations highlighted in Item AU3.10 that relate to Toronto Building, specifically those around building permits and building inspections.

City Council on July 16, 17 and 18, 2019, adopted the Auditor's General's report, AU3.10 "Auditor General's 2019 Status Report on Outstanding Audit Recommendations for City Divisions in Infrastructure and Development Services".

City Council on July 23, 24, 25, 26, 27 and 30, 2018, adopted the Auditor General's report, AU13.18 "Auditor General's 2018 Status Report on Outstanding Audit Recommendations - City Divisions in Cluster B." This report included recommendation 9 of the report "Toronto Building - Improving the Quality of Building Inspections" as fully implemented.

City Council on July 4, 5, 6 and 7, 2017, adopted the Auditor General's report, AU9.14 "Auditor General's 2017 Status Report on Outstanding Audit Recommendations - City Divisions in Cluster B." This report included recommendations 5, 6, and 11 of the report "Toronto Building - Improving the Quality of Building Inspections" as fully implemented.

City Council on July 12, 13, 14 and 15, 2016, adopted the Auditor General's report, AU6.14 "Auditor General's Status Report on Outstanding Audit Recommendations for City Divisions." This report included recommendation 4 of the report "Toronto Building - Improving the Quality of Building Inspections" as fully implemented and recommendation 10 of the report "Toronto Building Division - Building Permit Fees, Improving Controls and Reporting" as fully implemented.

City Council on July 7, 8 and 9, 2015, adopted the Auditor General's report, AU3.11 "Auditor General's Status Report on Outstanding Audit Recommendations for City Divisions." This report included recommendations 1 and 8 of the report "Toronto Building - Improving the Quality of Building Inspections" as fully implemented.

City Council on July 8, 9, 10 and 11, 2014, adopted the Auditor General's report, AU16.10 "Auditor General's Status Report on Outstanding Audit Recommendations for City Divisions." This report included recommendations 3, 9, and 11 of the report "Toronto Building Division - Building Permit Fees, Improving Controls and Reporting" as fully implemented.

City Council on April 1, 2 and 3, 2014, adopted the Auditor General's report, AU14.7 "Toronto Building - Improving the Quality of Building Inspections."

City Council on July 16, 17, 18 and 19, 2013, adopted the Auditor General's report, AU12.9 "Auditor General's Status Report on Outstanding Audit Recommendations for City Divisions." This report included recommendations 4, 5, 6, and 7 of the report "Toronto Building Division - Building Permit Fees, Improving Controls and Reporting" as fully implemented.

City Council on April 10 and 11, 2012, adopted the Auditor General's report, AU6.6 "Toronto Building Division - Building Permit Fees, Improving Controls and Reporting."

COMMENTS

Background

The Auditor General's January 23, 2012 report: "Toronto Building Division - Building Permit Fees, Improving Controls and Reporting" contained 11 recommendations related to compliance with legislative requirements and City policies and procedures for charging, collecting and reporting on building permit fees. Eight of the recommendations have been fully implemented with three remaining outstanding. Toronto Building has progressively taken steps to address each of the recommendations. The fully implemented recommendations have resulted in a number of improvements to the administrative processes involved in the collection of building permit fees, such as the automation of the interface between IBMS ("Integrated Business Management System" - information and permitting software) and SAP ("Systems Applications & Products" - financial accounting and reporting software), and enhanced policies and procedures for issuing refunds and voiding transactions.

The Auditor General's January 15, 2014 report: "Toronto Building - Improving the Quality of Building Inspections" contained 11 recommendations aimed at improving operational efficiency and effectiveness of building inspection services and compliance with legislative requirements. Seven of the recommendations have been fully implemented with four remaining outstanding. To implement the remaining outstanding recommendations, earlier in the year Toronto Building established an action plan that includes a number of progressive steps. The recommendations fully implemented so far have resulted in some improvements to inspection operations and have helped to deal with some long standing issues such as dormant permits. With City Council's approval, Toronto Building established a dedicated enforcement unit in 2016 that deal with open permits and open violations. In the first year of operation, the unit was able to clear a number of open permits and begin to strategically manage the balance of longstanding open permits. Toronto Building also implemented enhancements to IBMS to improve recording of all inspection types and system coding. This enhancement included a training program for all Inspection staff. Since it was launched in 2016, this initiative has resulted in improved management and tracking of building permit records and inspections.

The Division is continuing with its action plan to address the remaining recommendations and look for opportunities to enhance the initiatives already achieved. The Auditor's General's report, AU3.10 "Auditor General's 2019 Status Report on Outstanding Audit Recommendations for City Divisions in Infrastructure and Development Services" contained the most recent update on the remaining recommendations. Since then, progress has been made, and the updates that follow provide the current status of each of the recommendations and steps planned to fully implement them.

Status of Outstanding Recommendations

The status of outstanding recommendations from the Auditor General's January 23, 2012 report titled "Toronto Building Division - Building Permit Fees, Improving Controls and Reporting", are outlined below.

Recommendation 1:

"City Council request the Chief Building Official in consultation with related City divisions review, revise and monitor the accuracy and completeness of information used to calculate building permit fees on an annual basis."

Status update:

The Auditor General's 2019 status report on outstanding recommendations reported that Toronto Building is undertaking a comprehensive Program Review which will include a detailed examination of the full cost model focused on reviewing the direct and indirect costs, revenues and reserve fund components that should be captured and included to meet the annual reporting requirements contained in the Building Code Act.

The Program Review was approved by City Council as part of the 2019 budget process. Toronto Building has been working with the Purchasing and Materials Management Division to secure a consultant for the program review. A consultant has been secured to carry out the work. Recommendations that will be brought forward as part of the review will assist the Division to fully implement recommendation 1. It is anticipated to have the consultant's recommendations by mid-2020.

Recommendation 2:

"City Council request the City Manager formalize service level agreements with key divisions supporting the Toronto Building Division permit process. Service level agreements should set forth anticipated service levels and applicable charges."

Status update:

The Auditor General's 2019 status report on outstanding recommendations reported Toronto Building is undertaking a complete evaluation of the work that is currently provided by Municipal Licensing and Standards (ML&S) Prosecutions Unit, in support of Toronto Building's administration and enforcement of the Building Code Act. Once this evaluation and assessment is completed, a new Service Level Agreement or other operational strategy can be completed to fully implement recommendation 2. The Division is currently on track to complete this recommendation by Q4-2019.

Recommendation 8:

"City Council request the Chief Building Official to ensure that the annual report on building permit fees includes additional information explaining the differences between building permit fees collected and the amounts included in the annual report."

Status update:

The Auditor General's 2019 status report on outstanding recommendations reported that Toronto Building is undertaking a comprehensive Program Review that will also include a consideration of what information should be included in the annual reporting on building permit fees. The review will include a detailed examination of the full cost model and will examine "direct costs" that relate to the review and approval process of building permit applications, inspection and enforcement activities and to "indirect costs" that relate to contributory work from other City Divisions in support of the Building Code activity and also all overhead services. Another focus of the review will include a detailed examination of the revenue, revenue deferral processes and reserve fund components and calculations that should be captured as part of the annual reporting requirements contained in the Building Code Act. Recommendations brought forward by the consultant as part of the review will assist the Division to fully implement recommendation 8. It is anticipated to have the consultant's recommendations by mid-2020.

The status of outstanding recommendations from the Auditor General's January 15, 2014 report titled "Toronto Building - Improving the Quality of Building Inspections", are outlined below.

Recommendation 2:

"City Council request the Chief Building Official and Executive Director to take the appropriate action to develop and implement an action plan to resolve dormant permits and priority be given to those with unresolved violations."

Status update:

The Auditor General's 2019 status report on outstanding recommendations reported that Toronto Building, utilizing a new tracking tool, is targeting that all components of the action plan to manage dormant permits will be fully implemented by Q1-2019. Toronto Building has met this target and will work with the Auditor General's office during the next review cycle to provide support for the full implementation of this recommendation.

As part of Toronto Building's dormant permit action plan, work to close existing permits is continuing throughout all four districts. Of the 146,654 open permits identified in the Auditor General's report, now over 91,600 have been closed under this program. The Division has also given priority to resolving dormant permits that include outstanding violations. For example, 916 violation folders that were associated with open permits were identified and targeted to be resolved under this program. To date 390 (40.7%) have been cleared. As part of the Division's multiple strategies aimed at assisting with the closing of open permits, pre-revocation letters are being sent to the owners of properties where there are open permits on record with no inspections performed in over a year. This initiative as part of the Active Permit Review Program is having success in reducing the number of dormant permits. Further information on the Active Permit Review Program is available on the City of Toronto's website at:

<https://www.toronto.ca/services-payments/building-construction/building-inspections/active-permit-review-program/>

Recommendation 3:

"City Council request the Chief Building Official and Executive Director review the current administrative process and the controls related to outstanding violations. Such a process ensures that there is ongoing supervisory review of all outstanding violations. In particular, the review should include an immediate evaluation of "unsafe orders" and, where appropriate, immediate action be taken."

Status Update:

The Auditor General's 2019 status report on outstanding recommendations reported that Toronto Building, utilizing a new tracking tool, is targeting to fully implement recommendation 3 by Q1-2019. Toronto Building has met this target and will work with the Auditor General's office during the next review cycle to provide support for the full implementation of this recommendation.

The Division has fully implemented a program of ongoing supervisory review of all outstanding violations. Unsafe orders are identified on the Division's new tracking tool. As of August 12, 2019, only six pre-audit unsafe orders remain open. In 2018, 2,041 violation folders were closed; 1,073 were violations issued prior to 2018. For 2019, 1,507 violation folders have been closed; 929 were violations prior to 2019. Going forward all new violations will be tracked and managed through the management tracking and reporting tool. Outstanding violations will either be closed or where it is not possible, they will be identified in a report that will outline what measures are required to be taken by inspection staff to close these violations.

Recommendation 7:

"City Council request the Chief Building Official and Executive Director to ensure compliance with inspection documentation standards and that all inspection records are complete and reliable."

Status Update:

The Auditor General's 2019 status report on outstanding recommendations reported that Toronto Building has amended its inspection audit policy and is targeting to fully implement recommendation 7 by Q1-2019. Toronto Building has met this target and will work with the Auditor General's office during the next review cycle to provide support for the full implementation of this recommendation.

Toronto Building has amended its Inspection Audit Policy, A-60b, to align with the Auditor General's recommendation. The policy requires that management staff include a review of inspection notes and records entered into IBMS by building inspectors when completing inspection audit reviews. The revised policy now requires audits be performed at least twice each year.

Since the policy was amended and implemented in February 2019, audits have been completed for the first six-month period.

Recommendation 10:

"City Council request the Chief Building Official and Executive Director review the current quality assurance process and take steps to ensure City-wide inspection practices are consistent and comply with established Divisional standards."

Status Update:

The Auditor General's 2019 status report on outstanding recommendations reported that Toronto Building completed plans to establish a new team within the Division that will focus on improving the quality assurance process across all districts and will consist of two new positions; one PCBIQA (Program Coordinator Building Inspections Quality Assurance) and two FABIQA (Field Assessor Building Inspections Quality Assurance). The Division has completed the review and approval process with the People and Equity Division.

The new positions have now been approved by the Budget Committee and the Executive Committee. It is anticipated that the new positions are on track to be in place by year-end. With the new Building Compliance Quality Assurance team in place, the Division will be able to ensure City-wide inspection practices are consistent and comply with established Divisional standards.

Conclusion

Toronto Building is committed to fully implementing all the outstanding recommendations contained in the two reports of the Auditor General; "Toronto Building Division - Building Permit Fees, Improving Controls and Reporting" and "Toronto Building - Improving the Quality of Building Inspections." The Division will closely monitor the progress of the steps required for implementation to maintain all timeline commitments.

The Division has seen operational and service improvements from the recommendations that have been fully implemented over the past few years. With the implementation of a new formal training program for inspection staff in Q3-2016, inspection records and tracking has greatly improved. The program includes four core competencies for inspectors: communication; health and safety; investigation and inspections; and legal and enforcement. In 2016, Toronto Building doubled the number of training hours for inspection staff. The Division also implemented the ELI (Employee Learning Initiative) to assign and track training for inspection staff under the program.

The comprehensive Program Review that the Division is undertaking will include an assessment and analysis of the full cost model, reserve fund components, and revenue deferral processes. The review will also address the Divisional organizational structure, service areas, service levels, and service delivery models to determine the most

efficient and effective way in meeting the Division's short-term and long-term program objectives and delivering on its mission and vision.

Toronto Building is focussed on continuous improvement and organizational excellence, providing services efficiently, improving service levels, advancing progress towards meeting its 2017 – 2021 Service Plan objectives, and implementation of the Division's first Electronic Service Delivery program.

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