



CITY OF PORTLAND

Office of City Auditor LaVonne Griffin-Valade

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April 3, 2014

TO: Mayor Charlie Hales
Commissioner Nick Fish
Commissioner Amanda Fritz
Commissioner Steve Novick
Commissioner Dan Saltzman
Paul Scarlett, Director, Bureau of Development Services

SUBJECT: Audit Report – *Building Permits: Extension practices inconsistent; documentation lacking* (Report #420B)

The attached report contains the results of our audit on building permit extension practices. A well-managed permit process enables construction work to progress while ensuring safety and proper oversight. When permits need to be extended there should be a clear process to govern how this occurs and when permits should be considered abandoned.

We initiated this audit to review the Bureau's management of building permits expiring after issuance. We found the Bureau often grants permit extensions, but not canceling permits could result in public safety concerns. Authorization practices are inconsistent, and customer requests are frequently not well documented, leaving gaps in public information. In addition, different options for reminder letters should be considered.

Due to potentially negative impacts to public safety, system efficiency, and management oversight, we recommend three improvements to better align permit extension practices with City Code and ensure consistent and transparent processes.

We ask BDS to provide us with a status report in one year, through the Commissioner-in-charge, detailing the steps taken to address our recommendations in this report. We appreciate the cooperation and assistance we received from BDS staff as we conducted this audit.

LaVonne Griffin-Valade
City Auditor

Attachment

Audit Team: Drummond Kahn
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March 20, 2014

To: LaVonne Griffin-Valade, City Auditor

From: Amanda Fritz, Commissioner
Commissioner of Public Utilities

Paul L. Scarlett, Director
Bureau of Development Services

Amanda Fritz

PLS

Cc: Tom Bizeau, Dora Perry, Deborah Sievert Morris, Doug Morgan, Drummond Kahn,
Kristine Adams-Wannberg, Robert Cowan

Subject: Response to Audit regarding Bureau of Development Services' Permit
Extension/Expiration

Thank you for the opportunity to comment on the March 2014 audit of the Bureau of Development Services' (BDS) permit extension and expiration processes, *Building Permits: Extension practices inconsistent; documentation lacking*. The audit was undertaken to assess whether practices were effective in administering and overseeing permits expiring after issuance. This was the second of two audits. The first audit addressed oversight and management practices in the residential and commercial inspection sections.

We appreciate that the audit recognizes the important role of BDS and building permits in ensuring building safety and neighborhood livability. We also appreciate the acknowledgment that situations arise where permits need to be extended, whether for financial, scheduling, or other conditions, as some of these conditions were particularly acute during the recent recession. While BDS strives to meet the needs of our permit customers, ensuring the safety of permitted work is our first priority.

BDS generally agrees with the audit recommendations and, in fact, had begun work on several of the identified issues prior to the initiation of the audit. The Bureau is in the process of implementing a new permit management system – currently known as the Information Technology Advancement Project (ITAP) – and had identified several of the audit findings for consideration in the new system.

We offer the following observations and comments regarding some of the specific areas discussed in the audit:

- **Expired Permits:** The audit suggestion to “void” permits expired for more than six months as a means to clarify the threshold when a permit can no longer be reactivated is being evaluated by the ITAP team for possible inclusion in the new permit management system.

- **Permit Extension Documentation:** We agree that permit extension requests and decisions should be documented as discussed on pages 7 and 8. The audit notes that many of the jurisdictions surveyed by the audit team require a form to request an extension. BDS is researching this approach and is developing a form to document both the extension request and the approval or denial of the request. We also plan to evaluate whether the extension request and approval/denial process can be further automated through the new permit management system.
- **Permit Extension Approval:** The audit recommends that permit extensions be approved by a manager (page 9). We agree that permit extension approvals should come from an authoritative source. However, we disagree that the authoritative source needs to be a manager in all cases. As noted in the audit, requests for extensions are numerous. Some delegation of extension authority, with appropriate limits, to Senior Inspection staff is prudent to ensure that requests are processed in a timely manner. We are in the process of updating and documenting standard operating procedures, as suggested in the recommendations of the first audit. We will be sure to clarify which positions have authority to extend permits, the limits of each position's authority, and the process by which delegations of authority are to be documented.
- **Permit Expiration Reminder:** Permit expiration reminder notices provide a valuable service to our customers. We agree that the reminder notices must be timely to be most effective (page 10). In fact, the need to automate what is currently a staff intensive process has been identified through the ITAP as a design requirement for the new permit management system. In the meantime, we are adding staff resources to support the notification process and will closely review and monitor the timeliness of the reminder notices.
- **Policies:** Maintaining and communicating clear policies that are consistent with City and State regulations is essential. The audit comments regarding the BDS Program Guide, City regulations, and State regulations are an important finding (page 12). We will conduct a review of BDS policies and the corresponding City and State regulations. A technical review team will evaluate and recommend changes to bring these policies and codes into alignment where necessary.

The Bureau of Development Services is committed to providing the highest level of services to neighborhoods, permit applicants, the development industry, and Portland's residents. We appreciate the thoughtful review by the Audit Division staff and the perspective it provides.