



Office of the County Auditor

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Cook County Auditor

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January 15, 2021

The Honorable Tony Preckwinkle, President
Board of Cook County Commissioners
118 N. Clark Street, Room 537
Chicago, Illinois 60602

Dear President Preckwinkle and Board of Commissioners:

We have conducted an audit of the Department of Building and Zoning Inspection and Permit Process, in accordance with the [Cook County Auditor Ordinance](#).

Our scope and objectives for this audit were designed to assess the effectiveness of the internal controls in place to ensure the adequate inspection of all registered Business Occupancies and Multi-Dwelling Units. Along with reviewing the controls for the permit issuing process for Fiscal Year 2018. Our fieldwork was conducted June through September 2019.

Please refer to the following audit report for the results of the audit. The audit report contains seven recommendations. The Executive Summary provides an overview of the audit and recommendations.

We express our appreciation for the cooperation of the Department of Building and Zoning staff extended to Tsira Lashkarava during our audit. We have discussed our recommendations with the Department of Building and Zoning staff and would be pleased to discuss them in greater detail in order to assist the Department of Building and Zoning with their implementation of our recommendations.

Respectfully Submitted,

Marry Modelski
County Auditor

CC: Tim Bleuher, Commissioner, Building and Zoning
Samuel Banks, Assistant to the Commissioner, Building and Zoning



COOK COUNTY GOVERNMENT
OFFICE OF THE COUNTY AUDITOR

Building and Zoning Inspection and Permit Process

Internal Audit Report

Draft Report Date:
January 15, 2021

Issued By:
Mary Modelski, County Auditor

Audit Conducted By:
Tsira Lashkarava, Field Auditor V
Julie Stack, Audit Supervisor

EXECUTIVE SUMMARY

The Office of the County Auditor completed an audit of the Inspection and Permit process of the Building and Zoning Department of Cook County. The objectives of our audit were designed to assess the internal controls over the inspection and permit process and ensure proper internal controls are in place. This was accomplished by gathering, reviewing and testing relevant supporting documentation to reach a conclusion on each of our audit objectives. The scope of the audit included testing inspections and permits issued during Fiscal Year 2018.

The following recommendations were provided to strengthen controls and improve operational efficiency:

- Develop a written policy and procedure manual for building permit and inspection process. The manual should include detailed policies and procedures to clearly define the step by step process and responsibilities. ([Recommendation #1](#))
- Analyze the current permit deposit process and provide updated, consistent and clear instructions. ([Recommendation #2](#))
- Implement and generate quarterly reports on inspection completion status. ([Recommendation #3](#))
- Consistently and actively reconcile payment reports received from Department of Revenue against annual inspection payment reports generated from BZ workflow. ([Recommendation #4](#))
- Develop controls over segregation of duties to help prevent the same employee from being able to approve more than one process. ([Recommendation #5](#))
- Permit payments received by the Department of Revenue should be automatically verified in BZ Workflow system. ([Recommendation #6](#))
- Develop controls over segregation of duties for the check handling process. ([Recommendation #7](#))

The recommendations noted were presented to the Building and Zoning Department. Please refer to the Recommendations section for more detail on the recommendations with the management responses, corrective action plans and estimated completion dates.

BACKGROUND

The Building and Zoning Department is under the Bureau of Economic Development. The main responsibility is inspecting buildings and properties annually as well as issuing building permits according to the applicable building codes and zoning ordinances in the unincorporated Cook County areas, as well as, properties owned by the Cook County Forest Preserve District.

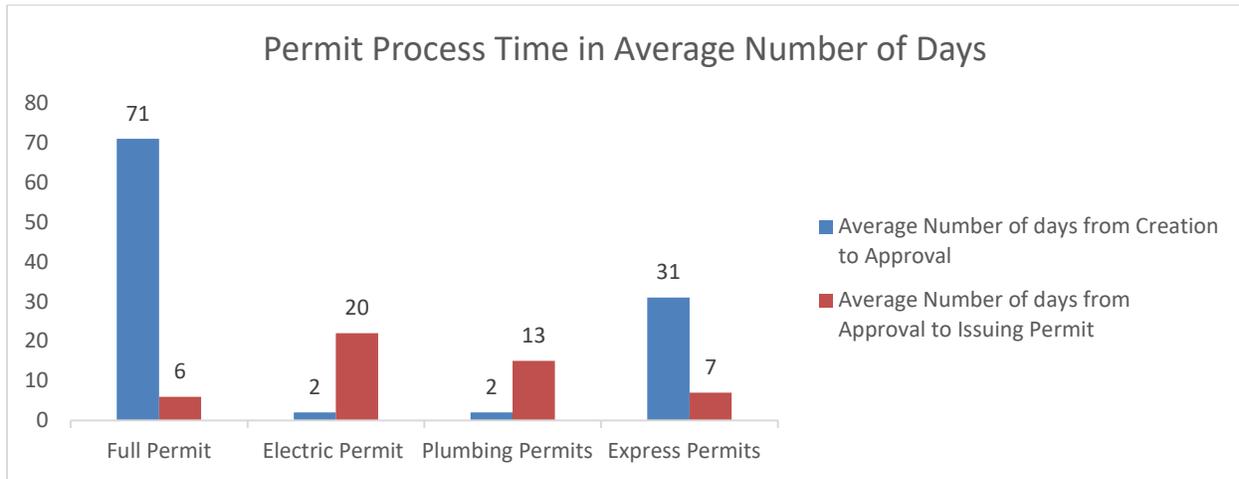
The following are the mandates and key activities of the Department of Building and Zoning:

- Inspect annually, semiannually or otherwise, such buildings, structures, uses, equipment, sites, or parts thereof relating to theatres, churches, daycare centers, restaurants, other assembly buildings and all multi dwelling units.

- Develop and administer rules and regulations governing the erection, construction, alteration, demolition, or relocation of all buildings and structures and issue permits within designated single family, general residence, commercial, industrial and public zoned districts of unincorporated Cook County.

For electric and plumbing permits, for Fiscal Year 2018, 89% of the permit issuing process time is spent on the period between approval and issuing of permit. Also, the average number of days spent to approve express permits is higher than the average number of days spent to approve full, electric, and plumbing permits.

The graph below displays data in average number of days by type of permit:



Note:

- **Creation** – when contractor applies for permit and it’s registered in the BZ Workflow system.
- **Approval** – after relevant units in the department (zoning, electric, plumbing, architects, etc.) approve permits.
- **Issuing Permit** – after permit fee has been collected and processed in BZ Workflow system and permits/placards are mailed to applicants.

The BZ Workflow is an on-line permitting system that automates the entire permit process from beginning to end and allows its users to track permits online. Enhancements, such as an active permit list, is built into the system. This enhancement generates an active permit list queue for staff members, which ensures they timely respond to all active permits.

Actual revenue collected by the Department of Building and Zoning was \$3,013,645¹ for Fiscal Year 2018 and approved and adopted budget for the same year was \$4,359,712².

The Department of Building and Zoning is required to uphold the following ordinances and codes in the process of inspection and permit issuing:

¹ Annual Appropriation Bill Volume 1, Fiscal Year 2020, Cook County.

² Annual Appropriation Bill Volume 2, Fiscal Year 2018, Cook County.

- 2009 International Building Code
- 2012 International Mechanical Code
- 2009 International Residential Code
- 2015 International Energy Conservation Code
- 2014 State of Illinois Plumbing Code
- 2014 Cook County Electrical Code
- Illinois Accessibility Code
- Cook County Zoning Ordinance
- Cook County Land Development Ordinance
- Cook County Zoning Use Certificate Ordinance
- Billboard and Off-Premises Outdoor Advertising Signs Ordinance

AUDIT SCOPE AND OBJECTIVES

The scope and objectives of this audit were to determine if the inspection and permit issuing process were handled in accordance with the established policies, procedures and applicable building codes and zoning; as well as, assess the internal controls in place. The scope of our audit was for the period of December 1, 2017 through November 30, 2018.

The audit objectives were primarily to determine the following:

- Determine whether written policies and procedures are in place to conduct proper inspection and process permits.
- Verify internal controls exist for permit deposits and are consistently followed by all employees.
- Verify all registered units are inspected and inspection fees are received, in accordance with the Cook County ordinance, for Fiscal Year 2018.
- Verify internal controls for the permit issuing process are complied with by all employees.
- Ensure permit process time is timely and effective.

The following procedures were performed to assess the objectives:

- Requested policies and procedures that regulate the permit and inspections processes.
- In the Building and Zoning Department, physically observed and interviewed staff in charge of permit and inspection processes, to ensure internal controls are in place and operating effectively.
- Through observation, verified the permit deposit process was regulated and consistent.
- Requested all registered business occupancy and multi-dwelling unit data and annual inspection data and traced a sample of annual inspections through the assigning and inspection process to ensure the selected registered units were inspected.
- Requested and verified a sample of active permits to ensure the permit issuing process is timely and effective.

RECOMMENDATIONS

Recommendation #1:

We noted that the Building and Zoning Department does not have written policies and procedures. Written policies and procedures establish internal controls and ensuring that there is a clear understanding of the duties and responsibilities. By not maintaining a written policies and procedure manual, misunderstandings may occur when there is an employee absence or turnover.

We recommend development of a written policies and procedure manual. The manual should provide quick reference and instructions for employees and document the control system in the office. The manual should include descriptions of the assignments, duties and also identify positions who have the authority to approve different types of recurring and nonrecurring transactions. These written procedures ensure that in the event of employee absence, new employees have a clear understanding of their responsibilities.

Management Response

A document was created at the initial launch of our online system although it is now outdated with all the enhancements to the system that have been made since that time as well as a restructuring of divisional duties within the Department. We will update this document and make available for disbursement and use for employees by the month of September of this calendar year.

Estimated Completion Date

September 2021.

Recommendation #2:

The Building and Zoning Department does not have written policy and procedures for collecting deposits when issuing permits. For example, the department requires a \$25 deposit if applying for a permit online. Deposits for those who walk in or email can be \$100 or sometimes \$500 depending on the scope of work. Some permits like electric, plumbing, etc. do not require deposits even though they can be applied by walking in or emailing. Additionally, the staff members who oversee the intake of the permits have the ability to decide the amount of the deposit for the permit when applied by walking in. The department does not have a clear and consistent approach when requiring deposits for issued permit.

We recommend the Department of Building and Zoning analyze the current deposit process and provide updated, consistent and clear instructions. The instructions for collecting deposits should be communicated to the permit applicants by posting the new policy on the website and/or emailing registered applicants. Management of Building and Zoning should provide a copy of the revised procedures and policies manual to all employees, especially those in charge of the intake process.

Management Response

The office policy is in place with respect to the deposits taken in for permits and employees are aware of these policies. The permit requirements posted on the Department's website also clearly states that a

deposit is required when applying for a permit. The amounts are also posted online. In addition, as stated in the first response, this updated manual will also include the procedures for handling of deposits.

Estimated Completion Date

September 2021.

Recommendation #3:

County regulations require the Building and Zoning Department to conduct annual mandatory inspections for all business occupancies and multi-dwelling units in unincorporated Cook County. Business occupancies and multi-dwelling units are registered in the BZ Workflow system. We selected a sample of the population of business occupancies and multi-dwelling units registered in the BZ Workflow system, to verify inspections were completed. We found that in Fiscal Year 2018, 80 out of 171 (47%) business occupancies and 33 out of 60 (55%) multi-dwelling units inspections tested were not completed.

Office of the County Auditor randomly reviewed 13 Property Index Numbers that were not inspected in Fiscal Year 2018 with the Building and Zoning Department, 7 out of 13 Property Index Numbers tested were not supposed to be inspected. According to the Department Building and Zoning, some of these Property Index Numbers that are registered in the inspection field do not require an annual inspection by regulation, exceptions include:

- Property Index Number registered as active, but the business has been closed since 2017.
- Property Index Numbers registered is a courthouse and only elevators are inspected annually.
- Property Index Numbers registered is no longer in unincorporated Cook County, due to property being annexed.

The rest of the Property Index Numbers that were discussed with the Department of Building and Zoning included a high school, church, and cemetery were just missed, hence not inspected for the Fiscal Year 2018.

We recommend Building and Zoning evaluate planned inspection statuses at least quarterly, to ensure that they have maximum coverage. If an issue arises, management should be notified right away to adjust the annual inspection plan accordingly and conduct inspections for all units registered in accordance with regulations. Property Index Numbers that are registered in the inspection field but do not require an annual inspection, due to being annexed or other regulations, should be flagged accordingly in the BZ Workflow system.

Management Response

Since 2019, when this audit was first conducted, the Department now guarantees that all active business occupancies and multiple dwelling unit buildings are inspected annually by the end of each fiscal year. The field inspector's management is regularly contacted to make sure no annuals are overlooked. Before the termination of each fiscal year all inspections that are still awaiting inspection are completed so that they are invoiced for that same fiscal year.

We have already requested from the Bureau of Technology the creation of search capabilities and prompts in our permitting system ("BZWorkflow") of all active multi-dwelling buildings and business

registries which have incomplete or unscheduled annual inspections. We are confident that this will allow us to identify and complete all required annual inspections before the end of the fiscal year.

This office will take the recommendations being made here to flag incomplete and pending inspections in our workflow/permitting system.

Estimated Completion Date

September 2021.

Recommendation #4:

The Building and Zoning Department collects a fee for each inspection conducted for business occupancies and multi-dwelling units. We tested a sample of business occupancies and multi-dwelling units and found in Fiscal Year 2018, 21 out of 91 (23%) business occupancies and 19 out of 27 (70%) multi-dwelling units that were inspected are still unpaid. The 40 exceptions, or 5% sample of the population, totals \$10,080 of uncollected fees for Fiscal Year 2018.

Building and Zoning should, at least quarterly, reconcile payment reports received from Department of Revenue with reports generated from BZ Workflow. Identify unpaid invoices and apply late fees to the amount owed, if applicable. Identify the Property Index Numbers (unit) as an unpaid customer and impose restrictions on future permit requests for the Property Index Numbers and owner until such time all payments are received. Administrative hearings can be held for unpaid invoices that are overdue for a long period of time.

Management Response

The Department has already put in place the enhancements necessary to the permitting system to check the unpaid invoices for annual inspections.

In case of business occupancies, if the annual inspection Invoice is not paid, the business will not have the renewed certificate of occupancy and will be issued a violation.

For multi-dwelling units, the annual registration occurs every year in addition to the annual inspection. Both must be paid and in good standing, if not a violation will be issued. In addition, where applicable, a late fee will be applied.

As of late 2020 the Department no longer has an outside collection agency through the Department of Revenue that handles collections of some of our unpaid fees. We will work with the department to see if an outside agency can expand their scope to include all our unpaid fees. Regarding closed businesses, unpaid invoices, annexed properties, monies due that are not coming in and how to write off debt, the Department is currently meeting with representatives from the Department of Revenue to enact appropriate actions and to ensure consistency with processes of other similar County agencies.

Estimated Completion Date

September 2021.

Recommendation #5:

BZ Workflow is a permit tracking system that automates the permitting process. Our testing revealed that in 16 (17%) instances permits were not approved by the designated employee. Segregation of duties decrease the risk of employees committing errors or engaging in fraudulent activity.

We recommend that the Building and Zoning Department analyze the current permitting procedures and document who oversees and approves each permit issuing step. Segregation of duties should be implemented to help prevent the same employee from being able to approve more than one process.

Management Response

Immediate changes were made based on this recommendation to the workflow/permitting system to segregate duties of some delegated departmental employee approvers. Employees no longer have permissions to approve multiple reviews of a permit to ensure segregation of duties and proper oversight.

Estimated Completion Date

Completed.

Recommendation #6:

Our testing of the population of permits issued in Fiscal Year 2018 revealed 25% of the permit process time is spent on the approval and issuing of permits. Once the permit is approved, an employee must verify that the fee is received by the Department of Revenue and issue the permit placards to applicants, either by mailing or physically issuing. The BZ Workflow system does not automatically notify the Building and Zoning employee when payment is received by Department of Revenue to promptly issuance of the permit. Instead, the Building and Zoning employee must manually check the payment status in the BZ Workflow system for active permits. This manual process delays the issuing of permits, since the employee in charge of payment verification is also assigned other tasks.

We recommend the Building and Zoning department review and analyze the current permit issuing process, including collection of payments and consider adding the new enhancement to the BZ Workflow system, that will notify the staff member in charge when the payment for permit is received by Department of Revenue. In addition, we recommend the Building and Zoning Department implement a permit payment collection policy, where it's clearly stated that relevant staff member must check the active permit list at least once a day for payment status.

Management Response

An enhancement to the department's permitting system was made in late 2019 so that specific employees (currently the department cashier and the Zoning Administrator) can get an email each morning with a list of invoices paid in the last 24-hours. More employees may be added to this mailing so that they can process the awaiting permits such as contractor registration, inspections, etc.

Estimated Completion Date

September 2021.

Recommendation #7

The Department of Building and Zoning does not have appropriate check handling procedures implemented. Also, there is no segregation of duties when the same staff person performs all of the check handling functions, which creates a control weakness. These functions are accepting, processing, and depositing checks. The lack of proper internal controls and segregation of duties increases the risk of mishandling of funds, errors, and potential theft. There is also a risk of no paper trail, which makes it harder to identify irregularities and errors.

We recommend the Department of Building and Zoning implement Check Handling Policies and Procedures and/or follow Department of Revenue Check Handling Policies and Procedures. The intent of these procedures is to provide guidance to the units that are responsible for collecting, depositing, recording, reconciling, and safeguarding checks received from customers for services provided. Opening mail/accepting checks, endorsing checks, preparing deposits, and reconciling should be distributed among personnel so one person is not responsible for all aspects.

When a check is received an acceptable form of receipt must be used, which should be numbered sequentially for all deposits and forms of payment. Checks should be endorsed immediately upon receipt and kept in a secure location such as a safe, locked drawer or secured deposit bag until they are deposited. A check deposit should be made frequently, ideally once a day, depending on the number of checks. Upon completion of the deposit, a receipt should be collected. All deposit receipts should be reconciled against departmental receipts log. Departmental receipt logs must be maintained for the purpose of documenting a permanent record of incoming checks. At the end of each business day, a physical count of all checks received must be completed by the responsible supervisor and the amount must be reconciled to the receipt log. The receipt log must be signed and dated by a management designee, other than the individual who performed the physical count and reconciliation to the receipt log and must be stored in a secured area at the end of each day. Any discrepancies must be reviewed and approved by the manager.

In addition, we are aware that the Department of Building and Zoning is currently accepting online payments. We suggest that the department continues encouraging customers to pay online and use the Kiosk available on the office premises. In addition, Building and Zoning can have customers mail checks directly to the Department of Revenue by posting the Revenue address on issued invoices.

Management Response

The Department always encourages paying online and since the department began to work remotely, because of the current pandemic, we have further encouraged our customers to pay for their invoices online. While a majority do and have done so, we still receive some checks that needs to be processed.

Staff has contacted the Department of Revenue to assist our office in getting the check handling process consistent and in line with similar County agencies.

Estimated Completion Date

September 2021.