DEPARTMENT OF PLANNING

Biennial Performance Audit for Fiscal Years Ended June 30, 2021 and 2020

City Auditor, Josh Pasch

October 3, 2022

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Office of the Comptroller

Josh Pasch, City Auditor

100 N. Holliday St., Room 321
Baltimore, Maryland 21202

Honorable Bill Henry, Comptroller
and Other Members
of the Board of Estimates
City of Baltimore

EXECUTIVE SUMMARY

We conducted a *Biennial Performance Audit of the Department of Planning for the Fiscal Years Ended June 30, 2021 and June 30, 2020*. The objectives of our performance audit were to: (1) determine whether the Department of Planning's (DOP) permit review process is efficient and effective and; (2) follow up on prior findings and recommendations included in the previous Biennial Performance Audit Report, dated October 7, 2020.

In order to accomplish the DOP's objective for permit review processing, the DOP utilizes the Department of Housing and Community Development (DHCD)'s e-Plans [1] and e-Permits [2] systems. Our audit concludes that the DHCD's systems and DOP's processes used to review and approve permit applications require improvement. Specifically, the DHCD and Baltimore City Information Technology (BCIT) cannot provide DOP with accurate historical permit reports to manage operations and report performance. Also, appropriate access to the e-Permits and e-Plans systems cannot be provided which results in inefficient manual work arounds. Finally, permit transactions processed by staff are not reviewed and approved by DOP management.

According to DHCD, the e-Permits System was designed by the former DHCD employee. The e-Plans System was procured from a third-party vendor. The third party's e-Plans System was managed by the former DHCD employee. When this employee left Baltimore City (City), the current DHCD and BCIT personnel have limited knowledge of the system.

According to DOP, it has elected not to track and complete supervisory review of permit transactions due to the volume of permit applications (approximately 28,000 of the 33,000 permits received by DHCD annually) and staffing constraints.

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[1] **e-Plans** is the DHCD online system used to process complex permits that require specific documentation (e.g., building designs, site plans and environmental analysis and data) and multi-agency involvement to initiate and complete the related project. **Source:** DHCD and DOP

[2] **e-Permits** is the DHCD online system used to process basic permits that do not require plans (e.g. decks, fencing, and building repairs). **Source:** DHCD and DOP

Of the two prior recommendations that we followed up as part of this Biennial Performance Audit (See Section II on page 8), one was not implemented and one was partially implemented because of the following reasons:

- **Comprehensive Planning and Resource Management (Service 763) – Average Number of Days for Basic Permit Review** – **Not Implemented** due to unavailability of historical reports discussed on page 1.

- **Planning for Sustainable Baltimore (Service 765) – Percent of Climate Action Plan (CAP) recommendations completed – Partially Implemented**

  The methodology used to report CAP recommendation performance in the budget book was revised to reflect current year goals and actuals; in lieu of, reporting project to date activity annually. However, the actuals for FY 2021 and FY 2020 could not be verified because DOP did not provide the auditors with documentation although multiple attempts were made since March 2022.

To improve the processes and controls over the DOP permits review process, we recommend the Commissioner of DHCD and Director of DOP implement the recommendations included in this report. Management's responses are included in Appendix I.

We wish to acknowledge DHCD's and DOP's cooperation extended to us during our audit.

Respectfully,

Josh Pasch

Josh Pasch, CPA
City Auditor
City of Baltimore, Maryland
October 3, 2022

BACKGROUND INFORMATION

City's Permit Process

I. DHCD Initial Permit Process

All permits are submitted electronically through the DHCD e-Permits and e-Plans systems, which are workflow tools. The DHCD plan technician reviews the permits and corresponding documents for completion. If additional information is required, the permit will be placed on 'HOLD' until resolution. Upon completion, the DHCD plan technician will identify the City agency or agencies (e.g., DOP, DHCD, Department of Transportation, Department of Public Works, and Baltimore City Recreation and Parks) associated with the respective permit / project and assign the permit for concurrent review and processing.

II. DOP Permit Process

The DOP states it is responsible for approximately 28,000 of the 33,000 permits received by DHCD annually. The DOP is assigned permits within the DHCD systems that are associated with urban renewal, site planning, zoning, historical preservation, flood plain planning, minor privilege, landscapes, and temporary events. The DOP Permits Manager accesses the DHCD e-Plans and e-Permits systems daily to identify new activity, assigns permits to the responsible DOP manager or staff, and monitors completion. The DOP manager assigns the permit to the appropriate DOP staff for review (e.g., inclusion of requested plan, error identification, and applicant and / or agency correction of the errors and issues) and subsequent resolution. The e-Plans and e-Permits systems are workflow tools that allow applicants and agencies to communicate to resolve questions and issues as they arise. Material issues (e.g., significant design change) may result in the cancellation and reissuance of the permit. If no material issues arise, DOP staff will perform its segment of the project process associated with the permit and sign off upon completion.

OBJECTIVES, SCOPE, AND METHODOLOGY

We conducted our performance audit in accordance with *Generally Accepted Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The objectives of our audit were to:

- Determine whether the DOP's permit review process is efficient and effective and;

- Follow-up on prior findings and recommendations included in the previous Biennial Performance Audit Report, dated October 7, 2020. The scope of our audit is for the periods of FY 2021 and FY 2020.

To accomplish our objectives, we:

- Researched and reviewed the *Code of Maryland Regulations*, Title 9, Subtitle 12, Chapter 51, Regulation 04 and *Baltimore City Ordinance* 20-361,

- Interviewed key individuals from DOP, DHCD, and BCIT to obtain an understanding of the policies and procedures and systems that govern the issuance of permits, and

- Identified the related risks and evaluated the internal controls over the administration of permits.

SECTION I: CURRENT FINDINGS AND RECOMMENDATIONS

Finding I - Historical permit data overstates the actual turnaround time of DOP's permit review.

The current logic within DHCD e-Permits system overwrites key dates used to report two performance metrics with the final transaction approval date entered into the system. The total turnaround time includes the processing time associated with outside parties (e.g., waiting for additional information from applicants) and does not reflect the efficiency of the DOP permit processing operations. For example, a transaction is assigned on May 9, 2021 (Date 1 field); and placed on hold on the same date May 9, 2021 (Date 3 field) [3] because additional information is needed from a client to complete the review. The client returned the information on May 17, 2021. The Date 3 (originally May 9, 2021) was overwritten to May 17, 2021. As a result, it appears that DOP took eight days to complete the review; however, these eight days were attributed to the time it took to obtain additional information from applicants. Therefore, due to the overwriting of the 'Hold Date', the corresponding performance metrics is overstated.

Additionally, since FY2020, the DOP could not obtain historical permit reports from the DHCD e-Permits system for DOP's performance metrices related to permit turnaround time. According to DHCD, the e-Permits system was designed by a former DHCD employee. The current DHCD and BCIT personnel have limited knowledge of the system. If DHCD had provided the historical permit reports, the reports would not accurately reflect the time spent by DOP to process the permits due to the key dates issue noted above.

As a result, DOP cannot: (1) monitor operational efficiencies and results (e.g., staff productivity and permit turnaround time); and (2) calculate and report performance metrics associated with permit processing.

According to the *Standards for Internal Control in the Federal Government* issued by the Comptroller General of the United States (Green Book), "Management designs the entity's information system and the use of information technology by considering the defined information requirements for each of the entity's operational processes. Information technology enables information related to operational processes to become available to the entity on a timelier basis."

Recommendation I: We recommend the DHCD and BCIT: (1) correct the logic errors within the e-Permits system, and (2) provide accurate historical data reporting for DOP use.

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[3] There is a Date 2 field which is not used by DOP.

Finding II - New employees cannot obtain appropriate access to the e-Plans and e-Permits systems.

The DHCD and BCIT have not identified the process to add new employees to the e-Plans system although new employees can be added into the e-Permits system [4]. However, the employees cannot view assigned permits within the e-Permits system. Therefore, manual work arounds were developed. Specifically,

- e-Plans System – The DOP Permits Manager manually assigns permit applications and exports the related documents (e.g., site plans, design plans, environmental analysis, etc.) to the respective staff for review. Once staff completes their review, they notify the Permits Manager to approve the permits in the system on their behalf.

- e-Permits System - The Permits Manager from DOP manually assigns permit application numbers to respective staff to search, review, and approve permits in the system.

As stated in Finding I, the e-Permits System was designed by the former DHCD employee. Also, the e-Plans System was procured from a third-party vendor. The third party's e-Plans System was managed by the former DHCD employee. When this employee left the City, the current DHCD personnel are unable to add new staff in the systems.

According to the Green Book, "Management designs control activities to limit user access to information technology through authorization control activities such as providing a unique user identification or token to authorized users. These control activities may restrict authorized users to the applications or functions commensurate with their assigned responsibilities, supporting an appropriate segregation of duties. Management designs other control activities to promptly update access rights when employees change job functions or leave the entity. Management also designs control activities for access rights when different information technology elements are connected to each other."

Recommendation II: We recommend the Commissioner of DHCD, with assistance of BCIT:

- Establish the process to add employees to the e-Plans system and provide complete access to the e-Permits system; and

- Document the process in formal (written, approved, dated) policies and procedures.

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[4] According to DOP, the turnover rate for DOP's permit review staff was 50 percent over the last three fiscal years.

Finding III - A supervisory or secondary review of permits assigned to staff for review and approval is not performed.

The DOP staff are responsible for the review and approval of critical documentation (e.g., site plans, environmental analysis and reporting, architectural plans, and land use and urban design plans) associated with the respective permit(s). However, a management or independent secondary review of staff activities is not performed to validate the accuracy, completeness and quality of the work performed. Therefore, errors and omissions could occur without management knowledge.

According to DOP, management's focus is the annual processing of approximately 28,000 permits. Due to the number of permits, a secondary review would significantly impact operations.

According to the Green Book, "Management performs ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations, and other routine actions."

Recommendation III: We recommend the Director of DOP establish, document and implement a management or secondary review of permit activities. Due to the volume of permits processed annually, a real-time and / or historical sampling methodology could be established based upon employee work experience and assignment difficulty.

SECTION II: IMPLEMENTATION STATUS OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

Table I

Summary of Implementation Status of Audit Findings and Recommendations from the Performance Audit Report for Fiscal Years Ending 2019 and 2018 for Service 763 – Comprehensive Planning and Resource Management[5]

No.	Findings	Prior Recommendations	Management's Self-reported Implementation Status	Auditor's Assessment
1.	1) Use of an incorrect methodology for calculating the average number of days for basic permit review resulted in understating the FY2019 and FY2018 actual results reported in the Budget Book. 2) Utilized reports excluded an active urban renewal zone which occurred because of the use of incorrect parameters to generate the report. 3) Access rights allowed planners the ability to revise (backdate) data. Management was not aware the system had this ability. 4) The spread sheet is not adequately secured which could allow intentional and unintentional changes.	1) Revise the Performance Measure Validation Form to require the utilization of the approve date in the calculation and reporting of the average number of days for basic permit review. 2) Establish and document a management or independent review of performance calculations in the Form to ensure accuracy and completion. 3) Submit a service request to the DHCD to eliminate the ability to change approval dates within e-Permits. 4) Limit access to the spreadsheet by implementing password security.	The DOP did not provide a written status of implementation.	**Not Implemented** Refer to Finding I on page 5.

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[5] The selected performance measure is Average Number of Days for Basic Permit Review.

Table II

Summary of Implementation Status of Audit Findings and Recommendations from the Performance Audit Report for Fiscal Years Ending 2019 and 2018 for Service 765 – Planning for a Sustainable Baltimore[6]

No.	Findings	Prior Recommendations	Management's Self-reported Implementation Status	Auditor's Assessment
1.	1) Reporting of Climate Action Plan (CAP) results in the Budget Book was based on a project to date activity rather than annual performance giving the appearance that annual performance targets are larger than they are. 2) CAP recommendations lacked measurable and verifiable pre-established targets. As a result, completion of recommendations cannot be validated. 3) Documentation can't be provided to determine the impact of strategic goals associated with greenhouse gas reduction.	1) Develop annual targets and report annual activity for the respective period. 2) Include measurable and quantifiable outcomes within the CAP recommendations. 3) Prepare and maintain data that supports the impact of recommendations on the strategic goals associated with reduction of greenhouse gases and the aggregate outcome of the plan.	The DOP did not provide a written status of implementation.	**Partially Implemented** The methodology used to report CAP recommendation performance in the budget book was revised to reflect current year goals and actuals; in lieu of, reporting project to date activity annually. However, the actuals for FY 2021 and FY 2020 could not be verified because DOP did not provide the auditors with documentation although multiple attempts were made since March 2022.

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[6] The selected performance measure is Percent of Climate Action Plan Recommendations Completed.

APPENDIX I

MANAGEMENT'S RESPONSE TO THE AUDIT REPORT - DHCD

Date: October 3, 2022

To: Josh Pasch, City Auditor

Subject: Management's Response to Audit Report: Biennial Performance Audit Report on the Department of Planning for the Fiscal Years Ended June 30, 2021 and 2020

Our responses to the audit report findings and recommendations are as follows:

Recommendation I

We recommend the DHCD and BCIT: (1) correct the logic errors within the e-Permits system, and (2) provide accurate historical data reporting for DOP use.

Management Response/Corrective Action Plan

Agree | X | **Disagree** | |

Historical data is readily available and used on a regular basis for data analysis, code enforcement, and records request. The issue that the DOP is having with this audit is that their measure requires a calculation between when a review referral was received and when it has been assigned. Unfortunately, DHCD's current permitting system's logic does not support this request and resources are not available to determine what logic changes are necessary.

In March 2022, Mayor Scott announced funding to support a review of the entire permitting process, and the purchase and implementation of a new permitting platform. DHCD, BCIT, and the Mayor's Office are in the process of hiring a consultant to support this work. During the permitting review process, agencies involved with the permitting process will be engaged to provide insight, feedback, ideas for improvement, and share any specific needs. At this time, the DOP can address data needs around any specific metrics.

Action Plan:

- Action Plan Milestone(s): Consultant Report – January 3, 2023

- Action Plan Milestone(s): New permit system under contract – July 3, 2023

- Action Plan Milestone(s): Launch of new permitting system – July 1, 2024

Implementation Date: July 1, 2024

Responsible Personnel:

- Jason Hessler, Deputy Commissioner, DHCD

- Richard Roe, Agency IT Portfolio Manager, BCIT

Recommendation II

We recommend the Commissioner of DHCD, with assistance of BCIT:

- Establish the process to add employees to the e-Plans system and provide complete access to the e-Permits system; and

- Document the process in formal (written, approved, dated) policies and procedures.

Management Response/Corrective Action Plan

Agree [x] **Disagree** [   ]

We agree with the finding that the process for adding employees to the e-Plans and e-Permits system should be documented and formalized. The DHCD has spoken with management at BCIT, and new employees can be added to the e-Permits system and e-Plans system so that work can smoothly flow to the appropriate user. We have requested a meeting with DOP, BCIT, and DHCD to resolve any issues in adding new employees.

Action Plan:

- Action Plan Milestone(s): Draft formal process for adding and removing staff from e-permits and e-plans.

- Action Plan Milestone(s): Review and approve policy.

- Action Plan Milestone(s): Distribute policy to relevant parties.

Implementation Date: December 1, 2022

Responsible Personnel: Jason Hessler, Deputy Commissioner, DHCD

MANAGEMENT'S RESPONSE TO THE AUDIT REPORT – DOP

Date: September 28, 2022

To: Josh Pasch, City Auditor

Subject: Management's Response to Audit Report: Biennial Performance Audit Report on the Department of Planning for the Fiscal Years Ended June 30, 2021 and 2020

Our responses to the audit report findings and recommendations are as follows:

Recommendation III

We recommend the Director of DOP establish, document and implement a management or secondary review of permit activities. Due to the volume of permits processed annually a real-time and / or historical sampling methodology could be established based upon employee work experience and assignment difficulty.

Management Response/Corrective Action Plan

| X | • **Agree** | | **Disagree** |

Action Plan: We will take the extra step to spot-check permits to verify proper reviews were made.

Implementation Date: October 1, 2022

Responsible Personnel: Eric Tiso, Division Chief, DOP