

**January 27, 2014**

The Regular Meeting of the St. John's Municipal Council was held in the Council Chamber, City Hall at 4:30 p.m. today.

His Worship the Mayor presided.

There were present also: Deputy Mayor Ellsworth, Councillors Hann, Hickman, Lane, Puddister, Breen, Galgay, Davis and Collins.

Regrets: Councillor Tilley.

City Manager, Deputy City Manager, Corporate Services & City Clerk, Deputy City Manager, Public Works, Deputy City Manager, Planning, Development & Engineering, Deputy City Manager, Community Services, Director of Engineering, Chief Municipal Planner, Manager, Budget & Treasury, City Solicitor, and Manager, Corporate Secretariat, were also in attendance.

### **Call to Order and Adoption of the Agenda**

#### **SJMC2014-01-27/36R**

**It was decided on motion of Councillor Breen; seconded by Councillor Galgay:  
That the Agenda be adopted as presented.**

### **Adoption of Minutes**

#### **SJMC2014-01-27/37R**

**It was decided on motion of Councillor Collins; seconded by Councillor Breen:  
That the minutes of January 20<sup>th</sup>, 2014 be adopted as presented.**

### **Committee Reports**

#### **Planning & Development Standing Committee Report dated January 21, 2014**

Council considered the following Planning and Development Standing Committee Report dated January 21, 2014:

**In Attendance:** Councillor Tom Hann, Chairperson  
Deputy Mayor Ron Ellsworth  
Councillor Bruce Tilley  
Councillor Danny Breen  
Councillor Art Puddister  
Councillor Dave Lane  
Councillor Bernard Davis  
Councillor Jonathan Galgay  
Robert Smart, City Manager  
Jason Sinyard, Director, Planning and Development  
Judy Powell, General Manager, Metrobus  
Maureen Harvey, Recording Secretary

**1. Proposed text amendment Section 7.15 – Special Developments, to allow Horticultural Operations utilizing Hydroponics or Aquaculture in a greenhouse. (Ward 5)**

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The Committee considered a memorandum from the Chief Municipal Planner dated January 15, 2014 outlining the details of an application for the development of an Aquaponics facility utilizing greenhouses that will house tanks for raising fish and growing herbs. This contemplated text amendment relates to permitting Hydroponics or Aquaponics facilities as a discretionary use in the Agriculture (AG) Zone, throughout the City.

**RECOMMENDATION**

**Moved by Councillor Davis; seconded by Deputy Mayor Ellsworth that Council proceed with an advertisement soliciting public review and comment on a text amendment to the St. John's Development Regulations to allow hydroponics as a discretionary use in a greenhouse in the AG Zone. Upon completion of this process, the amendment would then be referred to a future Regular Meeting of Council for consideration of adoption.**

**2. 355 Main Road Bidgood's Plaza (Ward 5)  
Proposed Text Amendment to Allow a Lounge in the CN Zone and Establishment of a Lounge at Bidgood's Plaza**

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The Committee reviewed a memorandum dated January 10, 2014 from the Chief Municipal Planner noting that the Goulds Food Inc. has submitted an application for an amendment to the text of the St. John's Development Regulations which would have the effect of allowing a Lounge as a Discretionary Use in the Commercial Neighbourhood (CN) Zone. This is associated with an application by Goulds Food Inc. to establish a *Jungle Jim's/Shamrock City* restaurant (Eating Establishment) at Bidgood's Plaza which was recently approved by Council as a Discretionary Use.

**RECOMMENDATION**

**Moved by Deputy Mayor Ron Ellsworth; seconded by Councillor Galgay that Council proceed with a text amendment to add Lounge as a discretionary use in the CN Zone and advertise the application to establish a Lounge as part of the Jungle Jim's /Shamrock City restaurant operation at Bidgood's Plaza.**

**3. 120 LeMarchant Road – (Ward 2)**

**Proposed Rezoning to Apartment Medium Density (A2) and Development of a 64-Unit Apartment Building**

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The Committee considered a memorandum dated January 15, 2014 from the Chief Municipal Planner noting an application from RJC Services, on behalf of PAR Holdings to have property at 120 LeMarchant Road (formerly Harrington School and more recently Lawrence College) rezoned from the Residential Mixed (RM) Zone to the Apartment Medium Density (A2) Zone. The purpose of the rezoning is to accommodate development of a six-storey condominium apartment building containing 64 dwelling units. Development will involve removal of the existing building and construction of a new building. Offstreet parking will be provided in two basement levels accessible from LeMarchant Road.

To accommodate the rezoning, an amendment to the Municipal Plan will be required.

**RECOMMENDATION**

**The Committee recommends, based on a motion put forth by Councillor Tilley; seconded by Councillor Puddister that an application to rezone property at 120 LeMarchant Road from Residential Mixed (RM) Zone to the Apartment Medium Density (A2) Zone to accommodate development of a six storey condominium apartment building be considered, and that Council adopt the attached draft terms of reference for a land-use assessment report (LUAR).**

**4. 12 Jensen Camp Road (Ward 3)**

**Proposed Text Amendment to Allow Townhouses throughout Planning Area 4 Mundy Pond in the Residential Medium Density (R2) Zone**

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A memorandum tabled by the Chief Municipal Planner, dated January 20, 2014 was discussed. It outlines an application to allow a five (5)-unit townhouse development at 12 Jensen Camp Road. This would not require a rezoning, as the property is already in the Residential Medium Density (R2) Zone. However, the Planning Area 4 (Mundy Pond) Development Plan restricts multi-family housing (townhouses and semi-detached houses) to Blackmarsh Road alone. This would need to be amended. There would also need to be an amendment to the R2 Zone table to remove the restrictions for Planning Area 4.

**RECOMMENDATION**

**Proposed by Councillor Galgay; seconded by Councillor Tilley that Council agree to allow a Municipal Plan text amendment removing the restriction on multi-family housing in Planning Area 4 (Mundy Pond) and to revise the R2 Zone table for townhousing in Planning Area 4, subject to the receipt of input by way of a public meeting. Subsequent**

to the public meeting and should Council agree to proceed, the Municipal Plan amendment would require a public hearing chaired by an independent commissioner.

**5. 369 Blackmarsh Road (Ward 3)**

**Application for Rezoning and Approval to Develop 2 Apartment Buildings and 10 Row House Dwelling Units.**

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A memorandum dated January 20, 2014, authored by the Chief Municipal Planner was considered. It states that Karwood Estates Inc. have applied for approval to develop property at 369 Blackmarsh Road, with an area of approximately 1.7 hectares (4.3 acres) and 20 metres (66 feet) frontage, for the purpose of a 32-unit apartment building, a 60-unit apartment building (each building would be 4 storeys tall), and 10 row houses (each 3 storeys tall), under the umbrella of a single condominium corporation. The development would involve construction of a road from Blackmarsh Road through the property, connecting to the neighbouring residential development of the former Gulliver's Farm called "Westfield". The property is zoned Residential Medium Density (R2) and Open Space (O) and designated Residential High Density and Open Space. This proposal would require rezoning to the Apartment Medium Density (A2) Zone and involve a Municipal Plan amendment.

**RECOMMENDATION**

**Moved by Deputy Mayor Ellsworth; seconded by Councillor Galgay that, given the proposal provides for the acquisition of approximately 2.5 acres from the City to the developer, it was agreed that further discussion be deferred pending receipt of a report from staff outlining details of any option the developer may have with respect to the purchase of such property. Also, the Committee requests further detail regarding the proposed "attainable housing" component of the proposal.**

Councillor Tom Hann  
Chairperson

**SJMC2014-01-27/38R**

**It was moved by Councillor Hann; seconded by Councillor Lane: That the Committee's recommendations be approved.**

**Regarding Item #2 – Establishment of Jungle Jim's/Shamrock City restaurant at Bidgood's Plaza,** Councillor Puddister pointed out that in the event the establishment closes, the liquor license is not transferable, and a new operator is required to submit to Council a separate discretionary use application.

**The motion being put was unanimously carried.**



Councillor Wally Collins  
Robert Smart, City Manager  
Paul Mackey, Deputy City Manager of Public Works  
Dave Blackmore, Deputy City Manager of Planning, Development &  
Engineering  
Brendan O'Connell, Director of Engineering  
Don Brennan, Director of Roads & Traffic  
Steve Colford, Manager of Waste & Recycling  
Brian Head, Manager of Parks & Open Spaces  
Karen Chafe, Recording Secretary

Also present was Daniel MacEachern, reporter with The Telegram.

1. **St. John's Harbour Snow Dumping**

The Committee considered a memo dated January 12, 2014 from the Deputy City Manager of Public Works regarding the above noted. The Committee on motion of Councillor Hickman; seconded by Councillor Collins recommends Council's approval of the following recommendation:

**That the City issue a Request for Proposals to examine alternatives for snow disposal in accordance with the terms outlined in a staff report from the Director of Roads and Traffic. The estimated cost for the study is \$30,000 and it is proposed to fund this from the 2014 snow clearing budget.**

2. **Lighting of Public Buildings in Downtown Core**

The Committee considered a Council Directive from the regular meeting of December 9, 2013 regarding the Mayor's suggestion that night lighting of buildings in the downtown core be implemented in conjunction with the property owners to enhance the vibrancy of downtown at night.

**The Committee agreed that this issue be referred to a future meeting of the Heritage Advisory Committee to identify significant historic buildings in the downtown as a first step and then possibly to contact owners to propose the idea.**

Jonathan Galgay  
Chairperson

**SJMC2014-01-27/40R**

**It was moved by Councillor Galgay; seconded by Councillor Hickman: That the Committee's recommendations be approved**

**The motion being put was unanimously carried.**

**Audit and Accountability Committee Report dated January 7, 2014**

Council considered the following Audit and Accountability Committee Report dated January 7, 2014:

**Present:** Deputy Mayor Ron Ellsworth, Chairperson  
Councillor Danny Breen  
Councillor Tom Hann  
Mr. Harold Squires, Citizen Representative  
Mr. Neil Martin, Deputy City Manager, Corporate Services – City Clerk  
Mr. Robert Bishop, Deputy City Manager, Financial Management  
Dave Blackmore, Deputy City Manager  
Bob Bursey, City Solicitor  
Tanya Haywood, Director of Recreation  
Jason Sinyard, Director of Planning and Development  
Derek Coffey, Manager, Budget and Treasury  
Brian Head, Manager of Parks & Open Spaces  
Gord Tucker, Manager of Capital Works & Buildings  
Janine Halliday, Manager, Citizen’s Service Centre  
Carol Kirkland, Manager of Inspection Services  
Mr. Sean Janes, Senior City Internal Auditor  
Mr. David Royle, Internal Auditor  
Cathy Jackman, Supervisor, Citizen’s Service Centre  
Ms. Maureen Harvey, Recording Secretary

**1. Grand Concourse Authority – Draft Audit Report**

The Committee reviewed a draft report prepared by the Internal Audit Division regarding the processes put in place by City Management to ensure that all work completed by the Grand Concourse Authority was completed effectively, efficiently and up to City Standards.  
[Report attached at end of Minutes]

**Recommendation**

**The Committee recommends acceptance of the Internal Audit Report of a Program Review with respect to the Grand Concourse Authority – Assignment #12-02**

**2. Inspection Services Audit Report**

The Committee reviewed an audit report with respect to inspection services in the Department of Planning, Development and Engineering which was undertaken in accordance with the three year audit plan approved under Council Directive R2011-02-14/11. The audit centered on the building, electrical and plumbing inspection areas of the division and focused on risk management, governance processes and control processes.  
[Report attached at end of Minutes]

**Recommendation**

**The Committee recommends acceptance of the Internal Audit Report relating to Inspection Services - Assignment #12-04**

**3. Review of Responses to Expressions of Interest for membership on the Audit & Accountability Committee**

The Committee was advised of people who have expressed an interest in serving on the Audit & Accountability Committee.

The present Citizen Representative, Harold Squires, indicated that this is his fourth year on the Committee. Given the revised schedule for meetings (monthly) and the fact that his retirement will take him out of the country for a number of months, along with the interest of other citizen representatives, Mr. Squires tendered his letter of resignation. He reaffirmed what was stated in his letter that he has enjoyed serving on the committee and is impressed and pleased with the quality of supporting staff.

**Recommendation**

**The Committee accepts the resignation of Citizen Representative, Harold Squires from the Audit and Accountability Committee and recommends the appointment of Harold Boyd Chislett and Renee Dyer as new Citizen Representatives in accordance with the provisions of the Committee's revised mandate which was approved by Council on January 13, 2014.**

Deputy Mayor Ron Ellsworth  
Chair

**SJMC2014-01-27/41R**

**It was moved by Deputy Mayor Ellsworth, seconded by Councillor Davis: That the Committee's recommendations be approved.**

**The motion being put was unanimously carried.**

**Weekly Permits List**

Council considered as information the following Weekly permits list for the period January 16 to 22, 2014:

**DEVELOPMENT PERMITS LIST  
DEPARTMENT OF PLANNING, DEVELOPMENT AND ENGINEERING  
FOR THE PERIOD OF January 16, 2014 TO January 22, 2014**

| Code | Applicant | Application               | Location        | Ward | Development Officer's Decision | Date     |
|------|-----------|---------------------------|-----------------|------|--------------------------------|----------|
| RES  |           | Home Office               | 132 Forest Road | 2    | Approved                       | 14-01-22 |
| RES  |           | Home Office               | 13 Hutton Road  | 1    | Approved                       | 14-01-22 |
| RES  |           | Installation of Sump Pump | 1 Vaughan Place | 4    | Approved                       | 14-01-22 |
|      |           |                           |                 |      |                                |          |

|   |  |
|---|--|
| <p>* Code Classification:<br/>RES - Residential<br/>COM - Commercial<br/>AG - Agriculture<br/>OT - Other</p>  | <p>INST - Institutional<br/>IND - Industrial</p> |
| <p>** This list is issued for information purposes only. Applicants have been advised in writing of the Development Officer's decision and of their right to appeal any decision to the St. John's Local Board of Appeal.</p> |  |

**Gerard Doran  
Development Officer  
Department of Planning**

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**Building Permits List – January 27, 2014**

**SJMC2014-01-27/42R**

**It was moved by Councillor Collins; seconded by Councillor Puddister: That the recommendation of the Director of Planning and Development with respect to the following building permits, be approved:**

**Building Permits List  
Council's January 27, 2014 Regular Meeting**

Permits Issued: 2014/01/16 To 2014/01/22

**Class: Commercial**

|                               |                       |
|-------------------------------|-----------------------|
| 286 Torbay Rd-Yoga Kula Co-Op | Co Commercial School  |
| 644 Topsail Rd                | Sn Club               |
| 607 Torbay Rd                 | Ms Office             |
| 100 Military/Const Trailer    | Nc Accessory Building |
| 179 Water St (Rear)           | Cr Service Shop       |
| The Village- Klondike Jakes   | Rn Restaurant         |

|                               |    |              |
|-------------------------------|----|--------------|
| 67 Major's Path-Suite 103 A&B | Rn | Office       |
| The Village-430 Topsail Rd    | Rn | Service Shop |
| Factory Lane - Mechanical Rm  | Rn | Office       |
| 430 Topsail Rd-Ardene         | Rn | Retail Store |
| 136 Crosbie Rd                | Rn | Office       |
| 271 Duckworth St              | Rn | Mixed Use    |

This Week \$ 317,100.00

**Class: Government/Institutional**

|                                |    |                           |
|--------------------------------|----|---------------------------|
| 100 Military/Construct/Trailer | Sw | Recreational Use          |
| 90 Densmore's Lane             | Nc | Admin Bldg/Gov/Non-Profit |

This Week \$ 36,869,387.00

**Class: Residential**

|                                |    |                           |
|--------------------------------|----|---------------------------|
| 183 Cheeseman Dr               | Nc | Fence                     |
| 3 Cherrybark Cres, Lot 250     | Nc | Single Detached & Sub.Apt |
| 14 Ellis Pl                    | Nc | Patio Deck                |
| 153 Gower St                   | Nc | Patio Deck                |
| 9 Guernsey Pl., Lot 29, Unit 1 | Nc | Condominium               |
| 9 Guernsey Pl., Lot 29, Unit 2 | Nc | Condominium               |
| 9 Guernsey Pl., Lot 29, Unit 3 | Nc | Condominium               |
| 9 Guernsey Pl.Lot 29, Unit 4   | Nc | Condominium               |
| 71 Guy St-Unit 1               | Nc | Townhousing               |
| 71 Guy St-Unit 2               | Nc | Townhousing               |
| 71 Guy St-Unit 3               | Nc | Townhousing               |
| 71 Guy St-Unit 4               | Nc | Townhousing               |
| 71 Guy St-Unit 5               | Nc | Townhousing               |
| 71 Guy St-Unit 6               | Nc | Townhousing               |
| 48 Larkhall St                 | Nc | Patio Deck                |
| 11 St. John's Pl               | Nc | Condominium               |
| 15 St. John's Pl, Block 6      | Nc | Condominium               |
| 19 Veitch Cres                 | Nc | Accessory Building        |
| 5 Cornwall Hts                 | Rn | Single Detached Dwelling  |
| 91 Hamilton Ave                | Rn | Townhousing               |
| 233 Pennywell Rd               | Rn | Single Detached Dwelling  |
| 1 Pine Bud Ave                 | Rn | Single Detached Dwelling  |
| 115-119 Queen's Rd             | Rn | Condominium               |
| 21 Topsail Rd                  | Rn | Single Detached Dwelling  |

This Week \$ 15,112,850.00

**Class: Demolition**

This Week \$ .00

This Week's Total: \$ 52,299,337.00

Repair Permits Issued: 2014/01/16 To 2014/01/22 \$ 71,700.00

Legend

|    |                     |    |                      |
|----|---------------------|----|----------------------|
| Co | Change Of Occupancy | Cr | Chng Of Occ/Renovtns |
| Nc | New Construction    | Sw | Site Work            |
| Rn | Renovations         | Ex | Extension            |
| Ms | Mobile Sign         | Dm | Demolition           |
| SN | SIGN                |    |                      |

| <b>YEAR TO DATE COMPARISONS</b>        |                 |                 |                         |
|--|-----------------|-----------------|-------------------------|
| <b>January 27, 2014</b>                |                 |                 |                         |
| <b>TYPE</b>                            | <b>2013</b>     | <b>2014</b>     | <b>% VARIANCE (+/-)</b> |
| Commercial                             | \$14,700,700.00 | \$3,800,200.00  | -74                     |
| Industrial                             | \$0.00          | \$0.00          | 0                       |
| Government/Institutional               | \$0.00          | \$36,900,400.00 |                         |
| Residential                            | \$7,300,000.00  | \$15,900,900.00 | 118                     |
| Repairs                                | \$89,300.00     | \$141,700.00    | 59                      |
| Housing Units (1 & 2 Family Dwellings) | 15              | 10              |                         |
| <b>TOTAL</b>                           |                 |                 | 102                     |

Respectfully Submitted,

Jason Sinyard, P. Eng., MBA  
Director of Planning & Development

**Payrolls and Accounts**

**SJMC2014-01-27/43R**

**It was decided on motion of Councillor Collins; seconded by Councillor Puddister: That the following Payrolls and Accounts for the week ending January 22, 2014 be approved:**

**Weekly Payment Vouchers  
For The  
Week Ending January 22, 2014**

|                  |                       |
|------------------|-----------------------|
| Payroll          |                       |
| Public Works     | \$ 533,851.05         |
| Bi-Weekly Casual | \$ 21,339.17          |
| Accounts Payable | \$3,438,917.13        |
| <b>Total:</b>    | <b>\$3,994,107.35</b> |

**Tenders**

**a. RFP – Quidi Vidi Village Overlay Zone**

**SJMC2014-01-27/44R**

**It was moved by Councillor Collins; seconded by Councillor Puddister: That the recommendation of the Director of Planning and Development be approved and the RFP awarded as follows:**

- a. Tract Consulting for the amount of \$25,000.00 plus HST.**

**The motion being put was unanimously carried.**

**Correspondence**

**215 LeMarchant Road**

Council considered a memorandum dated January 23, 2014 from the City Solicitor regarding the above noted.

**SJMC2014-01-27/45R**

**It was moved by Councillor Breen; seconded by Councillor Galgay: That City owned land located between the front boundary of 215 Lemarchant Road and the Lemarchant Road sidewalk, be sold at a rate of \$20 per square foot (approximately \$10,000.00).**

**The motion being put was unanimously carried.**

**Snow Clearing Report**

Council considered as information the snow clearing report for the period January 1 to 24, 2014, showing a negative variance of \$274,109.

**Correspondence from the Mayor's Office**

**Letter to His Worship the Mayor from Steve LeGrow, 90 Greenspond Drive  
Extending gratitude to a City employee**

His Worship acknowledged the above noted letter and on behalf of Council commended and extended thanks to the snow crew operators for their swift action in assisting Mr. Steve LeGrow, who was found unconscious in a snow bank during the Christmas season.

**Councillor Collins**

Councillor Collins asked that Council give serious consideration during capital budget discussions to approving funding towards the installation of sidewalks in front of St. John Bosco and St. Kevin's High Schools.

**Councillor Davis**

Councillor Davis asked that the City Clerk carry out a review of the municipal elections process and that the review focus on establishing ways to maintain an accurate voters' list, establishing partnerships with Elections Canada and Elections NL, and internet voting.

His Worship the Mayor reminded Council that the City has already petitioned the Province to allow internet voting and they have yet to respond.

Councillor Davis also asked that the Audit and Accountability Committee implement a process for review of the current campaign financing bylaw, specifically look at campaign expenses to determine if the spending is in line with spending limits under the bylaw, and look at implementing a cap on campaign donations.

### **Councillor Galgay**

Councillor Galgay extended congratulations to Tom Marshall on his appointment as Newfoundland and Labrador's 11<sup>th</sup> Premier, and asked that His Worship the Mayor forward a letter of congratulations on behalf of Council and state Council's eagerness to commence discussions on a new fiscal framework for the City.

Councillor Galgay advised that he will be holding a gathering with residents of Riverhead Towers on February 3, 2014.

Councillor Galgay advised that he has received concerns from residents in the Kenmount Road area with regards to ice buildup. The matter was referred to the Deputy City Manager, Public Works for follow-up.

### **Councillor Lane**

Councillor Lane outlined some of the highlights of the City's annual economic review and outlook report. He also updated Council on his attendance along with Councilor Tilley at the Board of Trade Outlook Summit on Thursday.

### **Councillor Hickman**

Councillor Hickman noted that he fully supports Councillor Davis' proposal for a review of the Municipal Election process.

Councillor Hickman noted that the deadline for submission of applications for the Arts Grants Program is January 31, 2014, and the deadline for Special Events and Festivals grants is February 7, 2014.

Councilor Hickman noted that he along with Councillor Lane and the City's Heritage Officer have been working with the Presentations Sisters with respect to the replacement of windows at the convent and is confident that the situation will be resolved to the satisfaction of both the City and the sisters.

**Deputy Mayor Ellsworth**

Deputy Mayor Ellsworth commended staff on their recruitment of members to the Mayor's Advisory Committee on Youth and spoke to the upcoming Youth Week event, May 1 to 7, 2014. He noted that there will be an art exhibit at City Hall and advised that he will provide more information on the various youth week activities at a later date. He encouraged the community at large and the schools to participate and submit their art exhibit displays.

**His Worship the Mayor**

In speaking to Councillor Davis's proposed Municipal Election review, His Worship the Mayor advised that he has already met with the City Clerk on the issues and the possibility of putting a process in place whereby a committee would be established to carry out a review of the election process.

**Adjournment**

There being no further business the meeting adjourned at 5:30 p.m.

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**MAYOR**

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**CITY CLERK**

# **INTERNAL AUDIT REPORT**

**Departments – Public Works and Community Services**

**Program Review: Grand Concourse Authority**

**Assignment # 12-02**

# **INTERNAL AUDIT REPORT**

**Departments – Public Works and Community Services**

**Program Review: Grand Concourse Authority**

**Assignment # 12-02**

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Sean P. Janes, CMA,  
CIA, CFE  
City Internal Auditor  
Date: July 31, 2013

**ST. JOHN'S**



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To: Chairman & Council Members, Audit Committee

Areas Responsible: Paul Mackey, P. Eng., DCM – Public Works  
Jill Brewer, M.P.E. (Admin), DCM – Community Services

Copy to: Robert Smart, City Manager

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## **INTRODUCTION**

### ***OBJECTIVES***

The objectives of this review are to assess whether:

1. the service is being managed with due regard to risks and due diligence (risk management),
2. processes and structures are implemented to inform, direct, manage and monitor activities that are intended to move the City toward the achievement of our strategic plan (governance processes), and
3. the process is being managed with due regard to control processes - i.e. policies, procedures, regulations and council directives (control processes).

It is the overall areas of risk management, governance processes and control processes which structured the work carried out during the review.

### ***METHODOLOGY & SCOPE***

This review of the work performed for the City by the Grand Concourse Authority has been undertaken as a result of a request by the City Manager with approval from the Audit Committee. To meet the review objectives, interviews were conducted with management and staff of various City Departments and detailed testing was performed using legislation, contracts, maintenance reports, invoices and other various supporting documentation.

The scope of the audit was limited to a review of contracts and agreements between the City and the Grand Concourse Authority where payments were made in the 2012 calendar year.

## **BACKGROUND**

The Grand Concourse Authority is a corporation as established by the Grand Concourse Authority Act whose purpose is to foster, promote and enable the design, development and operation, by or for the members, of an integrated network of walkways, bicycle paths and amenities on land owned or occupied by the members to be known as the Grand Concourse. The Grand Concourse is an integrated walkway network throughout the City of St. John's and neighbouring communities and is approximately 160 km in length.

The Grand Concourse Authority has also recently taken on environmental initiatives, park and open space development and other special projects.

Specifically, for the City of St. John's, the Grand Concourse Authority has performed work in the following areas:

- Trail and monument maintenance (5 year contract – ending in April 2016 - worth approximately \$825,000/year plus HST)
- Building site maintenance (5 year contract – ending in April 2016 - worth approximately \$95,000/year plus HST)
- Cross-country ski trail grooming (5 year contract – ending in April 2016 - worth approximately \$14,000/year plus HST)
- Trail design and construction (as requested by the City)
- Park and monument design and construction (as requested by the City)
- Storm renewal and vandalism repair (as requested by the City)

In addition, the City provides the GCA with an annual grant of \$200,000 and pays a yearly membership fee of \$36,000 as a member organization of the Grand Concourse Authority.

## *EXECUTIVE SUMMARY*

Internal Audit's review of the work performed by the Grand Concourse Authority (GCA) for the City of St. John's has been undertaken at the request of the City Manager, with the approval of the Audit Committee. The audit centered on the processes put in place by City management to ensure that all work was completed effectively, efficiently and up to City standards.

Audit testing and procedures utilized during the review identified a number of positive outcomes and controls in place such as:

- management indicated that the GCA performs good work
- very little supervision is required to ensure work is properly performed
- informal inspection processes rarely identified deficiencies
- the Grand Concourse is an award winning trail system that reflects positively on the City.

However, the audit also identified areas for improvement. Some of the more significant items are:

- It is not clear if all work performed by the GCA for the City was awarded in compliance with the Provincial Public Tender Act. (Issues 1.1 and 1.2)
- Formal agreements are not in place between the City and the GCA for all work performed. (Issue 2.1)
- Agreements are not always updated for subsequent additions, deletions and changes. (Issue 2.2)

Additional recommendations of a less significant nature can be found in the body of the report. It should be noted that management is in agreement with the majority of issues raised and recommendations provided.

## **DETAILED ANALYSIS**

### ***Issue 1 – Public Tender Act***

#### **Issue 1.1 – Tendering of Contracts**

Section 3.(1) of the Newfoundland and Labrador Public Tender Act states:

“where a public work is to be executed under the direction of a government funded body or goods or services are to be acquired by a government funded body, the government funded body shall invite tenders for the execution or acquisition.”

Sub-section 2(b) paragraph (iv) of the Act classifies the City of St. John’s as a government funded body and; therefore, the City is required to comply with the Act. Section 3.(2) of the Act provides a number of exceptions to the requirement of inviting tenders for the acquisition of a good or service or for the execution of a public work. Therefore, the City of St. John’s is required to invite tenders when acquiring goods or services or constructing a public work unless one of the exceptions listed in section 3.(2) of the Act applies.

During 2012, the Grand Concourse Authority (GCA) was involved in a number of construction projects and performed numerous services for the City of St. John’s, such as, walking trail maintenance, cross-country ski trail grooming, memorial design and construction. In most cases, if not all, this work was not tendered as it was felt by City management that these projects fell outside of the requirements of the Public Tender Act for various reasons.

After a review of the various files, discussions with staff in various City divisions (i.e. Parks and Open Spaces, City Buildings and Recreation) including the Office of the City Solicitor, and a review of the Public Tender Act, it is Internal Audit’s opinion that a high level of uncertainty exists regarding whether portions of many of these projects should

have gone through the tendering process. As a result, the City may not be in compliance with section 3.(1) of the provincial Public Tender Act.

### **Recommendation 1.1**

In an effort to determine and ensure that the City is in compliance with the provincial Public Tender Act, management should:

- i) submit all current contracts or, where contracts do not exist, details of the work being performed by the GCA for the City, to the Office of the City Solicitor for their review.
- ii) ensure that if instances of non-compliance with the Public Tender Act are found during the above review, a plan is devised to make certain that the City becomes compliant.
- iii) for future projects, submit details of the goods or services to be purchased or the public work to be constructed to the Office of the City Solicitor prior to awarding the project to the GCA.

### **Management Response and Intended Course of Action 1.1**

#### Parks and Open Spaces Division

The Parks and Open Spaces Division will prepare contracts for all work to be undertaken by the Grand Concourse Authority. The Office of the City Solicitor will review the scope of the intended work or goods to be provided to determine if it should be tendered. April 30, 2014.

#### City Buildings Division

Complete recommendations as presented. May 2014.

#### Recreation Division

The Recreation Division has a 5 year contract with the GCA for cross-country ski trail grooming services. The Contract was developed through the Office of the City Solicitor and is for the term period December 15, 2011 to April 12, 2016.

The Recreation Division will request that the Office of the City Solicitor review the Contract to ensure it is in compliance with the Public Tender Act by November 2013. Prior to entering a new agreement for the above-noted services, the Recreation Division will submit details of the services required to the Office of the City Solicitor to ensure compliance with the Public Tender Act.

### **Conclusion 1.1**

The recommendations will be implemented as stated above.

**Action By:** Manager, Parks & Open Spaces  
 Manager, City Buildings  
 Manager, Community Development

**Action Date:** See comments

**Information Only:** Deputy City Manager, Public Works  
 Deputy City Manager, Community Services  
 Deputy City Manager, Planning, Development & Engineering  
 City Solicitor  
 Director, Recreation

### **Issue 1.2 – Annual Grant**

Over the past number of years the City of St. John’s has provided the Grand Concourse Authority with a \$200,000 annual grant. These funds have been primarily used for construction projects or trail repairs for the benefit of the City; and the City has been involved in the decision making process to determine which projects or repairs were to be completed using these funds. However, the construction of these projects or repairs was not tendered; and as a result, the City may not have been in compliance with the Public Tender Act.

In addition, the decision of which projects or repairs to complete using these funds have historically been decided between the GCA and the former Manager, Streets & Parks with little to no input or approval from the Parks and Recreation Standing Committee which was charged with oversight of this area. The Manager, Streets & Parks at the time

of the audit indicated that it was his intention to submit the list of tentatively agreed upon projects or repairs to be completed using the 2013 grant funds to the Parks and Recreation Standing Committee for approval prior to finalizing the project list. This is a strong control to help ensure that the oversight committee is made aware of what is happening in terms of the expenditure of the grant funds so that they can properly perform their governance duties.

### **Recommendation 1.2**

In order to address these issues, management should:

- i) contact the Office of the City Solicitor and explain the process surrounding the expenditure of the \$200,000 annual grant to the Grand Concourse Authority in an effort to ensure that the City is in compliance with the Public Tender Act.
- ii) devise a plan to ensure that the City comes into compliance with the Act if, in the opinion of the City Solicitor, the City is not currently in compliance.
- iii) ensure that expenditures of this nature are brought forward to the appropriate governance committee of Council for their review and approval prior to final agreement on the projects or repairs.

### **Management Response and Intended Course of Action 1.2**

The \$200,000 annual grant was initiated and budgeted by Council several years ago in an effort to enhance the Grand Concourse Authority's ability to leverage enhanced funding from federal and provincial cost shared programs. We will discuss the process with the Office of the City Solicitor to determine if it is in compliance with the Public Tender Act and follow their advice upon the approval of Council.

### **Conclusion 1.2**

The recommendation will be implemented as stated above.

**Action By:** Manager, Parks & Open Spaces

**Action Date:** Apr 2014

**Information Only:** Deputy City Manager, Public Works  
City Solicitor

## ***Issue 2 – Contracts/Agreements***

### **Issue 2.1 – Lack of Formal Contracts/Agreements**

Best practices in procurement for goods or services, or the construction of a public work would require a formal agreement or contract between the parties to ensure that the interests of both parties are protected. This agreement could consist of a Purchase Order for small value items or services to a formal contract reviewed by legal staff and signed off by the appropriate parties for larger value items or services.

Discussions with management and a review of files revealed that although some of the files contained formal contracts or Purchase Orders, such as the walking trail and monument maintenance management file and the cross-country ski trail grooming file, other files, such as the Terry Fox Memorial file, did not. Without a formal contract in place for these large value projects, the City may have little recourse if the project is not completed properly.

#### **Recommendation 2.1**

Management should ensure that Purchase Orders or formal agreements/contracts are in place for all projects being completed by the Grand Concourse Authority on behalf of the City.

#### **Management Response and Intended Course of Action 2.1**

##### Parks and Open Spaces Division

The Parks and Open Spaces Division receive invoices from the Grand Concourse Authority for all goods and services provided. Once verified, these invoices were paid by Cheque Requisition. In the future, invoices can be paid through the Purchase Order process. January 2014.

##### City Buildings Division

Complete recommendation as presented. May 2014.

Recreation Division

There is a formal 5 year contract in place and invoices are now being paid in two installments through high value purchase orders. Already implemented.

**Conclusion 2.1**

The recommendation will be implemented as stated above.

**Action By:** Manager, Parks & Open Spaces  
 Manager, City Buildings  
 Manager, Community Development

**Action Date:** See comments

**Information Only:** Deputy City Manager, Public Works  
 Deputy City Manager, Community Services  
 Deputy City Manager, Planning, Development & Engineering  
 City Solicitor  
 Director, Recreation

**Issue 2.2 – Contract/Agreement Changes**

The contract covering trail, monument, and building maintenance contains schedules that outline the City owned public lands and monument sites to be maintained by the Grand Concourse Authority under the contract. Parks and Open Spaces management indicated that since the beginning of the contract in April of 2011, the list of land and monument sites to be maintained by the GCA has changed numerous times. However, most of these changes have been made through email correspondence and the contract has not always been updated to reflect the changes. One exception was an addendum to the contract dated December 2, 2011; however, it was signed on the City's behalf by a foreperson and did not contain a witness signature. Not having an updated contract increases the risk of disagreements between the two parties on what work is to be performed under the contract and may lead to legal action.

## **Recommendation 2.2**

In order to ensure that the City's interests are appropriately protected, management should:

- i) update the contract so that it accurately reflects the land, monument and building sites that the GCA are currently maintaining for the City,
- ii) make certain that future alterations to the contracted maintenance sites are appropriately reflected in the contract by way of addendums, and
- iii) ensure that all addendums are signed and dated by the appropriate City officials and are witnessed.

## **Management Response and Intended Course of Action 2.2**

### Parks and Open Spaces Division

The Parks and Open Spaces Division regularly amends the agreement to reflect additions or deletions to the maintenance of building landscapes, trails, monuments and open spaces. These changes are confirmed in writing by both parties. A formal contract with addendums will be developed for the next operating year. April 2014.

### City Buildings Division

Complete recommendation as presented. May 2014.

## **Conclusion 2.2**

The recommendations will be implemented.

**Action By:** Manager, Parks & Open Spaces  
Manager, City Buildings

**Action Date:** See comments

**Information Only:** Deputy City Manager, Public Works  
City Solicitor

### **Issue 2.3 – Requirement for Invoices**

Although the Grand Concourse Authority is submitting invoices for payment for trail, monument and building maintenance and for cross-country ski trail grooming, the requirement for invoices is not included in either contract. Invoices may be a requirement for the Canada Revenue Agency and are useful for the Financial Services Division for claiming input tax credits, among other things.

### **Recommendation 2.3**

The trail, monument and building contract and the cross-country ski trail grooming contract should be updated to include the requirement for the GCA to submit invoices to the City prior to payment.

### **Management Response and Intended Course of Action 2.3**

#### Parks and Open Spaces Division

Although we are currently receiving invoices prior to making payment, we will update the contract to add the requirement for invoicing. April 2014.

#### City Buildings Division

Complete recommendation as presented. May 2014.

#### Recreation Division

Payments are paid through invoices; however this is not included as a requirement in the Agreement with the GCA. The City Solicitor's Office will be requested to update the current contract with the GCA to include the requirement for submission of invoices to the City prior to payment – November, 2013.

### **Conclusion 2.3**

The recommendation will be implemented.

**Action By:** Manager, Parks & Open Spaces  
Manager, City Buildings  
Manager, Community Development

**Action Date:** See comments

**Information Only:** Deputy City Manager, Public Works  
Deputy City Manager, Community Services  
City Solicitor  
Director, Recreation

### ***Issue 3 – Payments***

#### **Issue 3.1 – Storm Renewal and Vandalism Repair**

During the audit, management indicated that the Grand Concourse Authority was maintaining a “storm renewal and vandalism fund” of approximately \$100,000 of City money that was meant to be used to make repairs to trails or monument sites that were damaged by major weather events or vandalism. These repairs would be over and above the maintenance expected to be carried out under the trail, monument and building maintenance contract. This fund was built up through the City paying an extra ten percent (10%) on top of the monthly invoices for trail and monument maintenance and was accounted for between the GCA and the former Manager, Streets and Parks.

At the time of the audit, the new Manager, Streets and Parks indicated that they were no longer making these extra payments and determined that there was no need for the GCA to be maintaining these funds as the City could simply pay for storm renewal and vandalism repairs as was needed. As a result, the GCA forwarded a cheque to the City to draw the fund down to a zero balance.

The current practice is for the GCA to inform the City when they become aware of storm or vandalism damage and provide an estimate as to repair costs. Parks and Open Spaces management will then decide if the City will pay for the repairs. This appears to be a better practice; however, the process has not been formally approved by the appropriate standing committee of Council.

#### **Recommendation 3.1**

Management should document the current process for approving and paying for storm renewal and vandalism repairs and bring it forward to the appropriate standing committee of Council for review and approval. The documented process should include the budget where the funds will come from and the maximum dollar amount that management can approve without having to seek additional approval.

### **Management Response and Intended Course of Action 3.1**

Presently, Parks and Open Spaces Division management review requests for work under the storm renewal and vandalism component of the agreement. Items in excess of \$3,000.00 require approval prior to the work being initiated. Work having a value of less than \$3,000.00 can be completed by the Grand Concourse Authority as required, but must be documented and forwarded for subsequent review. We will forward this information to the committee for their information and approval.

### **Conclusion 3.1**

The recommendation will be implemented.

**Action By:** Manager, Parks & Open Spaces

**Action Date:** Apr 2014

**Information Only:** Deputy City Manager, Public Works

### **Issue 3.2 – Cheque Requisitions**

Testing of payments made to the Grand Concourse Authority in the first seven months of 2012 revealed that almost all payments were made through the Cheque Requisition process. The Cheque Requisition process is a manual procedure and is more labour intensive for the Financial Services Division than using the computerized purchase order process. Also, because it is a manual procedure, it is easier to circumvent proper internal control than it would be if the invoices and payments were administered through the computerized process where the internal controls are built in.

### **Recommendation 3.2**

Where possible, management should use the computerized purchase order system to process invoices and make payments for all GCA projects.

### **Management Response and Intended Course of Action 3.2**

#### Parks and Open Spaces Division

The Parks and Open Spaces Division will utilize the computerized purchase order system to process invoices and make payments to the Grand Concourse Authority in the future – January 31, 2014.

#### City Buildings Division

Complete recommendation as presented. May 2014.

#### Recreation Division

The Recreation Division utilizes the computerized purchase order system to process invoices and make payments to GCA. This is already in place.

### **Conclusion 3.2**

The recommendation will be implemented.

**Action By:** Manager, Parks & Open Spaces  
 Manager, City Buildings  
 Manager, Community Development

**Action Date:** See comment

**Information Only:** Deputy City Manager, Public Works  
 Deputy City Manager, Community Services  
 Deputy City Manager, Financial Management  
 Director, Recreation  
 Manager, Accounting Services

### **Issue 3.3 – Audit Trail**

During the audit, discussions with Parks and Open Spaces Division management revealed that, for the trail and monument maintenance contract, management was keeping the invoices in one area while a foreperson was keeping the maintenance reports that show what work was performed during the period, in another area. The maintenance reports

are important documents used to ensure that the goods or services contracted for have been received prior to payment of the invoice and; therefore, both documents should be kept in one area to ensure a proper audit trail.

**Recommendation 3.3**

In order to ensure that a proper audit trail is maintained, the invoices and maintenance reports for the trail and monument maintenance contract should be maintained in one area/computer file.

**Management Response and Intended Course of Action 3.3**

Agreed. This is now in place.

**Conclusion 3.3**

The recommendation has been implemented.

**Action By:** Manager, Parks & Open Spaces

**Action Date:** Jun 2013

**Information Only:** Deputy City Manager, Public Works

## ***Issue 4 – Contract/Project Review***

### **Issue 4.1 – Inspection Process**

Through discussions with management, it was determined that there is no formal inspection process used to evaluate the work being performed by the Grand Concourse Authority for the City. Although management indicated that the GCA performs quality work and that they do have staff that informally check on the work being performed, a formal, documented inspection process would provide a higher degree of assurance that the work being performed is up to agreed upon standards and that any problems can be corrected in a timely manner.

#### **Recommendation 4.1**

Management should ensure that formal inspection processes are developed for all large projects and service contracts (e.g., trail, monument and building maintenance contract). The process should, at a minimum, specify the frequency of inspections, what is to be inspected, and require the documentation of the outcome of the inspection. In addition, inspection forms should be developed and signed-off by the inspector and approved by a supervisor.

#### **Management Response and Intended Course of Action 4.1**

##### Parks and Open Spaces Division

The Parks and Open Spaces Division inspects all large projects and service contracts (e.g. trail, monument and building maintenance contract) during construction and after work is completed. Trail inspections are undertaken throughout the operating season by various division supervisors; during the course of their duties, in response to a concern, following a major weather event, prior to a nearby special event, prior to and following a significant maintenance activity, etc. Any concerns identified are provided to the Grand Concourse Authority in writing. A subsequent inspection is done upon completion of the work.

The Grand Concourse Authority also performs trail inspections and provides the results to the Parks and Open Spaces Division.

The division is satisfied with the current inspection process and it is not possible to increase the monitoring effort with current resources.

City Buildings Division

Complete recommendation as presented. May 2014.

**Conclusion 4.1**

The City Buildings Division indicated that they will implement the recommendation.

The Parks and Open Spaces Division indicated that due to resource constraints they do not have the ability to implement a more formal inspection process, but stated that they do perform numerous less formalized inspections of large projects. The performance of these less formal inspections coupled with the City's experience working with the Grand Concourse Authority should help to lower the risk in this area. This practice should be revisited if problems arise with the work performed by the GCA or if the work is performed by another contractor.

**Action By:** Manager, Parks & Opens Spaces  
Manager, City Buildings

**Action Date:** See comments

**Information Only:** Deputy City Manager, Public Works

**Issue 4.2 – Evaluation of Trail and Monument Maintenance Contract**

The contract price for the trail, monument and building maintenance contract is in excess of \$1,000,000 per year and is broken down between trail and monument maintenance, building maintenance for the Parks and Open Spaces Division and building maintenance for the City Buildings Division. The trail and monument maintenance portion of the contract accounts for approximately 90% of the contract amount and relates to the

maintenance of numerous trails and monument sites; however, it is included as one lump sum which makes it difficult to determine if the City is receiving a fair price per trail or monument site.

In addition, the Parks and Open Spaces Division receives a maintenance report from the GCA which outlines what activities were performed at each site and how much time was spent at each activity during the reporting period. Management indicated that until recently this information did not appear to be accurate, but that it now appears to be much improved. Management also indicated that once a year's worth of meaningful activity data is captured, it would be useful for evaluation purposes.

#### **Recommendation 4.2**

Management should contact the GCA and request a breakdown of the contract price for trail maintenance and monument maintenance. If possible, a detailed breakdown of the cost per trail and monument site should be obtained. This information, together with the detailed information collected from the maintenance reports, should be analyzed to determine if the City is obtaining a fair price for these services.

#### **Management Response and Intended Course of Action 4.2**

The Parks and Open Spaces Division have an individual cost for the majority of work components addressed in the agreement. Additional information has been requested and will be forthcoming. An analysis of the individual maintenance components will be completed at that time.

#### **Conclusion 4.2**

The recommendation will be implemented.

**Action By:** Manager, Parks & Open Spaces

**Action Date:** Mar 2014

**Information Only:** Deputy City Manager, Public Works

End of Report

**INTERNAL AUDIT REPORT**

**Review of Inspection Services**

**Assignment # 12-04**

# **INTERNAL AUDIT REPORT**

## **Review of Inspection Services**

### **Assignment # 12-04**

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Dave Royle, CMA, CFP  
Auditor I  
Date: June 25, 2013

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Sean P. Janes, CMA,  
CIA, CFE  
City Internal Auditor  
Date: June 25, 2013

**ST. JOHN'S**



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**Meeting with Representatives of the Canadian Home Builders' Association  
(Newfoundland and Labrador) .....58**

To: Chairman & Council Members, Audit Committee

Area Responsible: David Blackmore, Deputy City Manager, Planning, Development  
& Engineering

Copy to: Robert Smart, City Manager

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## **INTRODUCTION**

### ***OBJECTIVES***

In accordance with the City of St. John's approved audit plan for 2012, the objectives of this review are to assess whether:

4. the service is being managed with due regard to risks and due diligence (risk management),
5. processes and structures are implemented to inform, direct, manage and monitor activities that are intended to move the City toward the achievement of our strategic plan (governance processes), and
6. the process is being managed with due regard to control processes - i.e. policies, procedures, regulations and council directives (control processes).

It is the overall areas of risk management, governance processes and control processes which structured the work carried out during the review.

### ***METHODOLOGY & SCOPE***

This review of the Inspection Services Division has been undertaken in accordance with the three year audit plan approved under Council Directive R2011-02-14/11. To meet the review objectives:

- i) research was conducted on best practices for inspection services in a municipality.
- ii) interviews were held with staff in the Inspection Services Division, Access St. John's and the Canadian Home Builders' Association - Newfoundland and Labrador.

- iii) a review and detailed testing of various supporting documentation relating to functions were performed within the area.
- iv) key inputs and outputs of the Inspection Services function were identified and assessed for relative importance and risk, with the main area of the audit focused on areas involving higher risk.

The scope of the audit was limited to a review of the Inspection Services Division, in particular, the buildings (residential and commercial), electrical and plumbing sections. Internal Audit examined five new residential construction files, one residential fence file, one residential deck file and five new commercial construction files. The five new residential files had the corresponding electrical and plumbing files examined.

Due to time and resource constraints, Internal Audit could not verify if all deficiencies were found by the inspectors during the inspection stages nor could it attest to the quality of the inspections.

The period of review was mainly 2011; however, as issues were discovered, testing was extended prior to and subsequent to 2011.

## ***BACKGROUND***

In 2011, the City of St. John's issued 4,694 building permits and 1,699 occupancy permits. The building permits were comprised of the following:

|                                 |       |
|---------------------------------|-------|
| New Construction                | 2,182 |
| Renovations                     | 1,149 |
| Mobile Sign                     | 341   |
| Site Work                       | 222   |
| Change of Occupancy/Renovations | 187   |
| Extension                       | 175   |
| Sign                            | 164   |
| Change of Occupancy             | 152   |

|   |    |
|---|----|
| Demolition                                      | 78 |
| Development File                                | 21 |
| Tenant Improvements                             | 14 |
| Chimney Construction                            | 4  |
| Occupant Change (Name of Tenant<br>Change Only) | 4  |
| Chimney Demolition                              | 1  |

## ***OBSERVATIONS***

During an initial meeting regarding the review of Inspection Services, the City Manager expressed concerns about the inspection staff being able to complete detailed inspections on a timely basis because of the amount of residential and commercial development underway in the City. In response to this concern, Internal Audit performed a review of five residential files which contained 46 call-ins for building inspections, 20 call-ins for electrical inspections and 10 call-ins for plumbing inspections. For building inspections, 43 or 93% were performed within two days of the requested date with the remaining 3 or 7% performed within four days. For electrical, 19 or 95 % of the inspections were performed on the day requested while one inspection or 5% was performed one day after the requested date. For plumbing, seven or 70 % of the plumbing inspections were performed on the day requested while three or 30% were performed one day after the requested date. This would appear to indicate that the inspection staff is completing their inspections on a timely basis; however, it does not attest to the quality of the inspections. More detailed results can be seen in Appendix A.

On June 25, 2013 a meeting was held between Internal Audit and the Canadian Home Builders' Association (Newfoundland and Labrador) to discuss any concerns the Association may have with the City's inspections process. The Chief Executive Officer and representatives from four construction companies attended. Overall, they did not identify any major problems; however, they did share some concerns, a number of which

have been addressed in the body of this report. A summary outlining all of the concerns raised during the meeting can also be found in Appendix C of this report.

The following items not addressed in the body of this report may be of note to Council and management:

- audit testing disclosed that building inspectors are identifying many deficiencies during their inspections of the various projects.
- various statistics are prepared and reports are generated regarding inspections being conducted by the staff for comparison purposes.
- meetings are held periodically between management and staff to discuss performance.
- audit testing of 15 houses throughout the City that were having extensions added or renovations performed disclosed that all had permits.

## EXECUTIVE SUMMARY

This review of the Inspection Services Division of the Department of Planning, Development and Engineering has been undertaken in accordance with the three year audit plan approved under Council Directive R2011-02-14/11. The audit centered on the building, electrical and plumbing inspection areas of the division and focused on risk management, governance processes and control processes.

Audit testing and procedures utilized during the review identified a number of positive outcomes and controls in place in the division such as:

- requests for inspections are addressed in a timely manner.
- management compile various statistics and prepare reports in regards to inspections being performed by staff for comparison and evaluation purposes.
- meetings are held periodically between management and staff to discuss performance.
- inspectors are identifying numerous deficiencies during their inspections (however, due to resource constraints and the inspection process, Internal Audit was not able to verify the quality of the inspections or determine if all deficiencies were identified).
- a test of 15 randomly selected projects occurring throughout the City found that all projects had been issued a permit.

However, the audit also identified numerous areas for improvement. Some of the more significant items are:

- The division is not always charging and collecting a fee of \$100 per repeat inspection as allowed for under the St. John's Building By-Law. Management indicated that the purpose of the fee was to deter contractors/builders from calling for an inspection without having all necessary work performed for the inspection stage. In 2011, the fee was charged approximately 70 times, generating about

\$7,000 in revenue, while audit testing indicates that there were in the range of 1,500 to 4,000 repeat inspections during the same time period with the potential to generate between \$150,000 to \$400,000 in revenue. This volume of repeat inspections indicate that there is still an issue with inspections being requested without the construction stage being completed properly. Although revenue generation was not the reason for the introduction of the repeat inspection fee, if it is not charged on a consistent basis it will not be an effective motivator to change builder/contractor behavior.

- Inspection files are not reviewed by a supervisor/manager prior to being closed. This increases the risk of incomplete and/or inaccurate files and could result in the City not being able to substantiate its claims in the event of a dispute between the City and the applicant/contractor.
- Inspections are performed for all inspection stages for most projects, regardless of the experience and qualifications of the contractor. This presents an opportunity for the division to lessen its workload by developing a program whereby contractors, meeting certain conditions, could certify their own work without significantly increasing risk to the City.
- Permits are being issued for different time periods for different projects. There are often specific reasons for this and allowances exist in the By-Laws to allow different expiry periods; however, it would be more desirable, equitable and easier to monitor if all permits of the same type (e.g., building, electrical, etc.) were issued for the same period of time.
- Reports of expired permits are not being generated and reviewed by management to determine if the project is complete or if a renewal permit should be obtained. As a result, the City is losing out on renewal permit fee revenue (i.e., \$25 per permit renewal).
- The Canadian Home Builder's Association (CHBA) members have indicated that they are having an issue regarding inconsistencies in repeat inspection outcomes whereby the second inspector will identify deficiencies that were not identified during the original inspection. This is a great cause of frustration for the CHBA

members as it slows the construction process. An inspection checklist and/or additional training for inspectors may be required.

- The Schedule of Fees and Rates and a number of By-Laws require clarification and updates as outlined throughout the report.

Additional recommendations of a less significant nature can be found in the body of the report. Management is in agreement with the majority of issues raised in the report, but have indicated that resources may be a concern when considering implementation of some of the more labour intensive issues, such as, reviewing files and correspondence. It is hoped that the development of a contractor self-certification program would free up additional resources that may help.

## DETAILED ANALYSIS

### ***ISSUE 1 – DIVISION-WIDE ISSUES***

#### **Issue 1.1 – File Review**

The Building/Electrical/Plumbing inspection files contain evidence of the work completed by the inspectors during their inspections, documentation received from the applicants/contractors/builders regarding the projects being inspected as well as correspondence between the City and the applicants/contractors/builders. The files are the end result of the entire inspection process. As a result, it is important that the files be accurate and complete as they would be the main source of evidence in the event of a dispute between the applicants and the City. The files can also be used by management as a way to monitor the performance of the inspectors.

File review by a manager/supervisor is an internal control designed to ensure that the file is accurate and complete before it is “closed”. Management indicated that they meet with inspectors periodically to discuss their files, but do not perform a review of the files. During Internal Audit’s review of 12 files, it was noted that one file did not contain a set of truss plans while another file did not contain the building plans. Not reviewing files increases the risk that the files may contain inaccuracies and/or not be complete. This could result in the City not being able to substantiate its claims in the event of a dispute between the City and an applicant/contractor/builder.

#### **Recommendation 1.1**

To ensure that files are complete and accurate prior to being “closed”, management should:

- i) develop a checklist for the inspectors to complete indicating all necessary documentation is contained in the file.
- ii) ensure that files are reviewed and approved by a manager/supervisor. If a review of all files is determined to not be feasible, then management should review a sample of files on a regular basis to verify that the information contained in them is accurate and complete. The outcome of the reviews should be documented.

### **Management Comments 1.1**

- i) Agree. The Manager of Technical Services has developed a file checklist and it has been reviewed with staff. Scheduled implementation date is December 1, 2013.  
(Staff suggested that information in the AS400 system could be considered a checklist.) This will be examined at a later date when the new Govern system is reviewed for Inspection Services.
- ii) With approximately 8,000 files “closed” last year, the volume does not allow time for a review of the files by a supervisor prior to them being “closed”. Also file reviews take place for older files and updates requested by inspection staff are required. The onus is also on the inspector to ensure that the file is updated and contains all the information. However, management will institute a review of a sample of files to verify they are accurate and complete and will document the results of the reviews.

### **Conclusion 1.1**

The recommendations will be implemented as stated above. Management indicated that, due to the volume of files, it is not practical to review all files prior to the file being closed but agreed to review a sample of files on a regular basis to determine if there are any issues that need to be addressed.

**Action By:** i) Manager, Technical Services  
ii) Supervisor, Inspection Services

**Action Date:** Jan 2014

**Information Only:** Deputy City Manager, Planning, Development & Engineering  
Director, Planning & Development

## **Issue 1.2 – Self-Assessment Inspections**

The Inspection Services Division performs inspections on all construction, renovation, etc., projects in the City regardless of the qualifications of the individuals/contractors performing the work, with the exception of some commercial projects where they will accept certification of some of the work from a qualified engineering firm. Some of the individuals/contractors performing this work are highly qualified and trained. Therefore, there may be an opportunity to decrease the number of inspections performed by the City without significantly increasing risk by having qualified individuals/contractors certify their own work. For example, the provincial government will allow a registered contractor to certify their own electrical work under certain conditions and maintains the right to inspect portions of this work to ensure compliance with regulations.

Having qualified contractors who meet certain specific criteria, as outlined by the City, certify their own work may result in management and inspectors having more time to devote to other inspections, file review, training, and other items identified throughout this report without the need of additional resources.

### **Recommendation 1.2**

Management should:

- i) investigate the feasibility of developing a program whereby contractors/electricians/plumbers could qualify to be approved to certify their own work. Management should contact the provincial government to determine how they instituted their program for the certification of registered contractors in regards to electrical work and to discover if they are having any problems with the program. Management should also contact the Canadian Home Builder's Association and any other relevant industry associations to determine if they have any certification programs in place to help ensure the quality of the work of their members. Information on these certification programs may be helpful when developing the City's program.

- ii) make certain that the City's program, if developed, includes the right for the City to perform inspections on a test basis to help ensure compliance with the program. In addition, management should involve the City's Legal Department in the development of the program to make certain that the City's interests are protected.

### **Management Comments 1.2**

CHBANL currently is developing a voluntary master builder program; however, the program is not fully developed and the industry at present is not ready for self-regulation for Building, Electrical or Plumbing inspections. There is a program in place for electrical inspections by the Province which we have investigated but feel that it is not the right avenue to take for the City. We have made amendments to our Electrical By-law to allow us to deliver inspection service more effectively when required.

### **Conclusion 1.2**

The recommendation will not be implemented for the reasons stated above. The high volume of deficiencies noted during audit testing support management's assertion that the industry may not currently be ready for this initiative. However, development of this program should be revisited at a later date.

**Action By:** Manager, Technical Services                      **Action Date:** N/A

**Information Only:** Deputy City Manager, Planning, Development & Engineering  
Director, Planning & Development

### **Issue 1.3 – Field Notices**

As a part of the audit procedures, Internal Audit met with the Canadian Home Builders' Association (CHBA) to obtain their opinions and concerns regarding the inspection process. The CHBA members indicated that the City's inspectors often conduct their inspections and prepare their Field Notices (deficiencies report) at the building site

without a representative of the builder present. This often slows the building process as the site superintendent may have to contact the inspector to ask questions about the deficiencies. They also indicated that it can be difficult to contact the inspectors, which leads to even longer delays. As a result, the CHBA members suggested that the inspectors contact the site superintendents or the builders prior to the inspection so that the site superintendents could be on site while the inspection is taking place in an effort to resolve any issues in a timely manner.

### **Recommendation 1.3**

Management should determine if it is feasible to have staff call the building superintendents/contractors on the day of the inspection to give the builders the opportunity to have a representative on site. However, it should be made clear to the builders that the purpose of this courtesy is to have the inspector available to answer any questions after the inspection and not for the representative to accompany the inspector during the inspection.

### **Management Comments 1.3**

Where possible and indicated by an owner/contractor, inspectors do try to call ahead particularly on occupied properties. For new construction, this will slow down the process if an inspector has a home owner or contractor standing over his shoulder asking questions while conducting the inspection. There is also an intimidation factor there and the inspector may be asked to wait around while the deficiencies are corrected. Other service providers will only guarantee an am or pm appointment. This will also be dependent on the inspectors work load for the day.

### **Conclusion 1.3**

The recommendation is partially implemented for the reasons stated above.

**Action By:** Supervisor, Inspection Services

**Action Date:** N/A

**Information Only:** Deputy City Manager, Planning, Development & Engineering

## Director, Planning & Development

### **Issue 1.4 – Inspector on Duty**

During the meeting with the Canadian Home Builder's Association (CHBA), the CHBA members indicated that it can be difficult to contact an inspector to get an update on the status of their applications as they make their way through the plans review and excavation stages of the process. They indicated that it is often quicker for them to drive to the Inspection Services Division to get an answer than to try to contact the Inspector on Duty by telephone. (Note: Although a conversation with one inspector indicated that they are very busy while they are on duty, it is difficult to obtain direct evidence to substantiate the CHBA member's claims.)

### **Recommendation 1.4**

Management should review the number of telephone calls and inquiries handled by the Inspector on Duty, along with the response times, and decide if another position is warranted at least during the busier times of the construction season.

### **Management Comments 1.4**

Agree. Management believes that the level of service is reasonable and it is unlikely to have another inspector on-duty position approved in the budget. Management agrees to develop a phone log to track inquiries and to review the work of the on-duty inspector. Staff has been advised on this matter. Once we move to the new govern system this should help in the overall work load. Also the future use of mobile tablets will reduce the on duty inspectors work load as inspection staff could review files in the field without calling back to the on-duty inspector.

### **Conclusion 1.4**

The recommendation will be implemented.

**Action By:** Manager, Inspection Services

**Action Date:** Dec 2013

**Information Only:** Deputy City Manager, Planning, Development & Engineering  
Director, Planning & Development

### **Issue 1.5 – Policies and Procedures**

The Inspection Services Division has a set of departmental policy/procedures; however, no evidence could be found to indicate that they had been brought forward to the Public Works and Environment Committee for their information. In addition, Internal Audit's review of the policies/procedures for building, electrical and plumbing permits disclosed that it did not include reference for follow-up of expired permits or conditional occupancy certificates.

#### **Recommendation 1.5:**

Management should:

- i) review the departmental policies/procedures and forward them to the appropriate governance committee of council for their information in line with best practices for corporate governance.
- ii) include reference in the policy/procedures for a follow-up of expired permits and conditional occupancy permits for building, electrical and plumbing.

#### **Management Comments 1.5**

- i) Agreed. A review of the departmental policies/procedures will be performed and once completed will be brought forward to the Public Works and Environment Committee for adoption. Most of the policies are code interpretation basic instruction or standard operating procedures.
- ii) Agreed. Once the expiry dates on permits are increased to two years, this will reduce the numbers of expired permits dramatically. Currently conditional occupancy permits are followed up on at least twice per year when resources allow.

### **Conclusion 1.5**

The recommendations will be implemented.

**Action By:** i) Manager, Technical Services  
ii) Supervisor, Inspection Services

**Action Date:** i) May 2014  
ii) Dec 2013

**Information Only:** Deputy City Manager, Planning, Development & Engineering  
Director, Planning & Development

## ***ISSUE 2 – RESIDENTIAL AND COMMERCIAL BUILDINGS***

### **Issue 2.1 – Repeat Inspections (Call-Back Fees)**

Management indicated that a number of years ago it recognized that a problem existed whereby the inspectors were required to perform numerous repeat inspections because of deficiencies noted during inspections due to code violations (e.g., building code, electrical code, etc.) and because builders/contractors were calling for inspections without having all necessary work performed for the inspection stage. This increased the workload of the inspectors and was negatively affecting the efficiency of the division. As a result, it was decided to introduce a repeat inspection fee of \$100 as a deterrent to the builders/contractors in an effort to ensure they only called for an inspection when the work was completed properly for each stage of construction. This fee was added in Section 23 of the St. John’s Building By-Law which notes that:

“A fee of One Hundred Dollars (\$100.00) may be imposed upon the applicant, payable prior to the next stage of construction, if the inspector is required to repeat a stage inspection because the previous stage was not completed properly or deficiencies noted were not corrected.”

During the audit, testing of ten new residence files found an average of approximately 3 repeat (call-back) inspections per file. In addition, management indicated that divisional

efficiency was still being negatively impacted due to the high number of repeat inspections being performed by the inspectors.

This would appear to indicate that the \$100 repeat inspection fee is not working as a deterrent as intended. However, there was no evidence of the \$100 fee being charged or collected in the ten new residence files tested by Internal Audit. If the fee is not charged, then no deterrent exists for the builders/contractors. In addition, not charging the fee as allowed under the By-Law resulted in a potential loss of \$3,200 in fee revenue in the test sample as indicated in Table 1.

Table 1: Potential loss of revenue in test sample of 10 new residence files

| <b>File Number</b>                               | <b>Repeated (Call-back) Inspections</b> | <b>Fee</b> | <b>Potential Revenue</b> |
|--|---|------------|--------------------------|
| 1.   | 6                                       | \$100      | \$600                    |
| 2.   | 3                                       | \$100      | \$300                    |
| 3.   | 2                                       | \$100      | \$200                    |
| 4.   | 2                                       | \$100      | \$200                    |
| 5.   | 2                                       | \$100      | \$200                    |
| 6.   | 6                                       | \$100      | \$600                    |
| 7.   | 2                                       | \$100      | \$200                    |
| 8.   | 2                                       | \$100      | \$200                    |
| 9.   | 4                                       | \$100      | \$400                    |
| 10.  | 3                                       | \$100      | \$300                    |
| <b>Total Potential Revenue from Files Tested</b> |   |            | <b>\$3,200</b>           |

To determine the amount of penalty fees being charged to the builders/contractors by the Inspection Services Division, Internal Audit obtained a list of inspection penalty fees from Access St. John's for the period January 1, 2011 to December 20, 2012. During this two year period, there were only 138 penalty fees charged to contractors (13 electrical - \$1,300 and 125 building - \$12,500 or \$13,800 in total). The average penalty fee revenue per year was \$650 for electrical and \$6,250 for building.

The results of the test of the ten new residential files was then extrapolated to obtain the approximate number of repeat call-back inspections performed in 2011 as well as the potential loss of revenue from not charging the penalty fee. Based on the number of repeat (call-back) inspections found in our sample test and the number of applications for single detached dwellings, single detached dwellings & subsidiary apartments, semi-detached dwellings and townhousing (1,489 units) in 2011, Internal Audit calculated the approximate number of repeat inspections and the potential loss of revenue assuming there had been an average of one call-back, two call-backs or three call-backs per unit. The results are shown in Table 2.

Table 2: Potential repeat inspections and revenue loss for 2011

| Average Number of Repeat Inspections Per Unit | Total Approximate Repeat Inspections | Potential Revenue |
|---|--------------------------------------|-------------------|
| 1   | 1489                                 | \$148,900         |
| 2   | 2719                                 | \$271,900         |
| 3   | 3949                                 | \$394,900         |

A more detailed calculation can be found in Appendix B.

Although this represents a significant potential loss of revenue for the Inspection Services Division, it should be remembered that management indicated that the penalty fee was meant to be a deterrent to builders/contractors who were calling for inspections without ensuring that their work was up to code rather than a way to generate additional revenue.

### **Recommendation 2.1**

In an effort to ensure that the repeat inspection fee is effective in deterring builders/contractors from repeatedly calling for an inspection prior to ensuring their work is up to code, management should make certain that the fee is charged on a consistent basis. In order to make the repeat inspection fee process work on a more equitable basis for the contractor and the Inspection Services Division, management may want to consider allowing for a number of free repeat inspections before the penalty fee is

applied. For example, if management determines that it is likely that a builder/contractor would require two repeat inspections on a project, then all repeat inspections over this amount should be consistently charged the \$100 fee. An alternative to charging the repeat inspection fee during each inspection stage and possibly slowing down construction of the project is to charge the full amount of the repeat inspection fees during the Occupancy Certificate stage.

In addition, management should monitor the number of repeat inspections being performed on, at least, a yearly basis to determine that the repeat inspection fee is being consistently applied and to determine if it is having the desired effect of lowering the number of repeat inspections being performed.

### **Management Comments 2.1**

Management met with inspection staff and discussed the importance of the issue and it was decided that audits would be performed periodically to ensure compliance. (Premature inspection charge was not intended as a revenue generator and may actually create more work for staff). This process will be monitored by management to determine its success and if changes will be required.

It should be noted, however, that when the concept was originally discussed with council, it was agreed that the primary function would not be to generate revenue, but a means to improve efficiency with some seasoned builders.

### **Conclusion 2.1**

Management advised that they will monitor the charging of the repeat inspection fee by inspection staff and decide if changes are necessary during this process.

**Action By:** Supervisor, Inspection Services

**Action Date:** Nov 2013

**Information Only:** Deputy City Manager, Planning, Development & Engineering

## Director, Planning &amp; Development

**Issue 2.2 – By-Law and Policy/Procedure Wording**

Section 23 of the St. John's Building By-Law notes that "A fee of One Hundred Dollars (\$100.00) may be imposed upon the applicant, payable prior to the next stage of construction, if the inspector is required to repeat a stage inspection because the previous stage was not completed properly or deficiencies noted were not corrected". Also, Inspection Services internal policy A-4-13 refers to a \$100 call-back fee. In addition, the Schedule of Fees and Rates refers to a "Premature Inspection/Call-Back Penalty" and the Plans Review Letter notes that "...there is a \$100.00 (plus HST) penalty charge for premature requests or excessive deficiencies".

The term "premature inspection" and "premature request" are not included in the By-Law and the different terminology used between the By-Law, Policy, Schedule of Fees and Rates and the Plans Review Letter may cause some confusion for employees and Citizens.

**Recommendation 2.2**

In order to avoid confusion and ensure consistent application of the By-Law, Policy, etc., management should review the By-Law, the Policy, the Schedule of Fees and Rates and the Plans Review Letter and determine the appropriate wording for the fees to ensure that they are consistent with each other and that they are not open to interpretation. Any changes made to these items should take into account the changes, if any, that arise out of the implementation of Issue 2.1.

**Management Comments 2.2**

Management will update the Plans Review Letter in order to reflect the wording from the By-Law. The wording in the Schedule of Fees and Rates will be discussed with Legal to

ensure consistency. If the Schedule, By-Law and Policy need to be revised, the division will seek Council approval.

### **Conclusion 2.2**

The recommendation will be implemented as stated above.

**Action By:** Manager, Technical Services

**Action Date:** Feb 2014

**Information Only:** Deputy City Manager, Planning, Development & Engineering  
Director, Planning & Development

### **Issue 2.3 – Expiry Date for Permits**

As a part of the audit, a number of building permits were reviewed to determine if the expiry dates listed on the permits were reasonable, consistent and complied with City By-Laws and Policy. Section 30 of the St. John's Building By-Law states: "All permits issued by the inspector under the provisions of this By-Law shall expire six (6) months from the date of issue, unless otherwise noted on the permit." Permits for building, electrical and plumbing are assigned an expiry date by the Access St. John's office or the Inspection Services Division. Also, Inspection Services Division's internal Policy A-3-06 notes that "For major projects, the permit expiration date should reflect the estimated duration of the project (override the six months)" and "Permits associated with files that have an active deficiency notice should have an expiry compatible with the deficiency notice or order". In addition, if a permit has expired prior to the completion of work on a project, a renewal permit is required. The fee for all renewal permits is \$25 as outlined in the City's Schedule of Fees and Rates.

The review revealed that the expiry dates for both residential and commercial permits were not consistent. For example, some permits reviewed for home construction had an

expiry date of 6 months while others were 1 year, and commercial permits tested had expiry dates for 6 months, 8 months and 1 year. Although this practice does comply with the St. John's Building By-Law, it does not appear to be equitable to provide applicants with different expiry dates unless the work, required to complete the projects, are substantially different. Furthermore, management indicated that until a few years ago, work related to the permits for new houses, additions, renovations, etc. was usually completed within 6 months; however, due to the increase in construction in the St. John's area, the work is now usually taking up to a year. Under the current arrangement, a building permit holder with a six month expiry date requiring an extension for up to six additional months will have to pay for a renewal permit while a permit holder with a twelve month expiry date and completing the work between six months and twelve months will not. External research conducted during the audit found that the City of Moncton, NB issues building permits for one year while the Halifax Regional Municipality in Nova Scotia issues building permits for two years.

### **Recommendation 2.3**

In order to alleviate these issues, management should review the expiry dates provided for each type of permit to determine if they should be changed to reflect the current construction environment in the City and to ensure they are equitable and consistent. If required, section 30 of the St. John's Building By-Law and internal policy A-3-06 should be updated to reflect this change.

### **Management Comments 2.3**

Agree. Having a permit period of 2 years would make it similar to the development agreement. However, in the case of complaints or emergency work or court orders, we need a shorter time frame as deemed necessary. A memo will be sent to the Customer Service Representatives advising that the permits should be issued for 2 years. This should dramatically reduce the number of expired permits.

**Conclusion 2.3**

The recommendation will be implemented as stated above.

**Action By:** Manager, Technical Services

**Action Date:** April 2014

**Information Only:** Deputy City Manager, Planning, Development & Engineering  
Director, Planning & Development

**Issue 2.4 – Expired Permits and Renewal Fee Revenue**

A review of 12 building files revealed that five residential and one commercial file contained Final Occupancy Certificates that were issued after the expiry date of the building permit. These files had Conditional Occupancy Certificates issued for periods of time ranging from seven months to approximately six years. Three other commercial files had permits that were expired, but were not yet issued Final Occupancy Certificates. No evidence could be found of renewal permits being issued for any of the files.

Management indicated that although they do meet with inspectors periodically to discuss their files, they do not generate reports of expired permits or Conditional Occupancy Certificates that have been outstanding for a period of time for review and follow-up. Not following up on these files increases the risk that noted deficiencies may not be corrected in a reasonable period of time and results in the City not collecting renewal fee revenue that it is owed.

**Recommendation 2.4**

In order to ensure that the expired permits/deficiencies are followed up on a timely basis, that renewal fees are collected and that Conditional Occupancy Permits are being cleared in a reasonable period of time, management should generate reports from the AS400 computer system showing, at least:

- i) a list of expired permits where the files are still active, and

ii) a list of Conditional Occupancy Certificates which are outstanding.

Senior management should review the reports and ensure that the files are followed up on a timely basis.

#### **Management Comments 2.4**

i) Agree.

ii) Agree.

However, most often the delay is due to snow and the Final Occupancy permit cannot be issued until the snow is gone. The current AS400 system is capable of generating the reports and it will be done on a semi-annual basis and any outstanding issues will be followed-up on a timely basis. By changing to a two year expiry date, this will resolve many of these issues.

#### **Conclusion 2.4**

The recommendations will be implemented.

**Action By:** Supervisor, Inspection Services

**Action Date:** Nov 2013

**Information Only:** Deputy City Manager, Planning, Development & Engineering  
Director, Planning & Development

#### **Issue 2.5 – Inspection Checklists**

As a part of the audit procedures, Internal Audit met with the Canadian Home Builders' Association (CHBA). During this meeting, the CHBA members indicated that they have noted many inconsistencies in the outcomes of inspections, especially with repeat inspections where a second inspector often finds deficiencies that the first inspector missed. This slows the building process and is a source of great frustration for the builders as they may have to call back workers who have moved on to another job.

However, Inspection Services management indicated that sometimes during repeat inspections, the inspectors find deficiencies that did not exist during the original inspection. These deficiencies are normally created by additional work performed by the contractor (i.e., plumbing and electrical) since the original inspection and therefore was not something that was missed by the first inspector.

One way to help ensure consistency in inspections is by the use of an inspection checklist which would help ensure that all inspectors are following the same process and that all steps in each inspection stage are conducted. Inspection Services management indicated that a draft inspection checklist had been developed in the past, but was never implemented.

### **Recommendation 2.5**

In an effort to improve consistency in inspection outcomes, management should:

- i) review, modify (if required) and implement the checklist for inspectors to complete while conducting their inspections.
- ii) monitor and document all instances where a repeat inspection has found deficiencies that were not noted during the original inspection in an effort to determine the cause and frequency of occurrence. Without this detailed information, it is difficult for management to determine if this is a minor training issue or a significant problem. This information should also be used for inspector specific training in an effort to improve inspector performance.

### **Management Comments 2.5**

- i) A detailed inspection checklist is being implemented within the next 30 days. This should help in improving consistency of inspections and it is felt that this will be a minor issue once up and running.
- ii) Given the volume of demand inspections and files no resources are available. We do however perform field audits and review of inspectors work to enhance consistency quite frequently. We will also begin to log complaints regarding inspectors that are brought to our attention. This log will be used to monitor

inspector performance. Also it should be noted that at times builders make modifications between inspections which may result in additional deficiencies as site conditions have changed. Finding ‘new’ deficiencies during a subsequent inspection is undoubtedly a source of frustration for contractors, however it should be noted that the cause of the deficiencies is the workmanship of those contractors rather than the inspection – a building without deficiencies won’t have this problem.

### **Conclusion 2.5**

The recommendation will be implemented for part i).

The recommendation will be partially implemented for part ii). Management indicated that limited resources are available to implement this recommendation, but that they do perform field audits and review inspectors work. In addition, management indicated that they will begin to log contractor/builder complaints by inspector in an effort to determine if additional training is required to improve inspector performance. While management states they do not have the resources to identify and review all deficiencies, they indicated they will implement an alternative compensating control that should help alleviate some of the risk.

**Action By:** i) Manager, Technical Services  
ii) Supervisor, Inspection Services

**Action Date:** Jan 2014

**Information Only:** Deputy City Manager, Planning, Development & Engineering  
Director, Planning & Development

## Issue 2.6 – Schedule of Fees and Rates

The City of St. John’s website contains a Schedule of Fees and Rates that outlines the cost for obtaining permits and licences. A review of the Schedule of Fees and Rates related to building, electrical and plumbing inspections revealed the following issues:

- i) building permits are based upon construction value which is currently estimated at \$1,300 per square meter for one and two family dwellings. However, management indicated that the estimated construction value for garages in one and two family dwellings is \$650 per square meter; but this is not reflected in the Schedule.
- ii) although the building permit does indicate that electrical and plumbing permits are required in addition to the building permit it is not reflected in the Schedule. Even though this may be common knowledge for experienced home builders/contractors; it may cause confusion for new builders or residents building their own homes as the cost of electrical and plumbing work is included in the overall cost used to determine the price of the building permit. This may also create the appearance of double billing for electrical and plumbing work.
- iii) guidance is not provided as to what costs should be included in the estimated value to be entered on the building permit by the applicant (e.g. consultant (design) fees, HST, bonding, etc.).
- iv) the City requires the applicant to pay an additional amount for their permit when the actual costs of construction are greater than the original estimated cost provided by the applicant; however, there is no provision in the Schedule to indicate this.
- v) the Schedule does not indicate that for commercial buildings, the estimated cost of the project must be signed off by the contractor.

### Recommendation 2.6

Management should revise the Schedule of Fees and Rates to include:

- i) the estimated construction value of \$650 per square meter for garages on one and two family dwellings,

- ii) clarification that electrical and plumbing permit fees will be charged in addition to building fees. Consideration should also be given to charging one fee to cover the building, electrical and plumbing permits. This will eliminate the appearance of double billing for these items and may also help to speed up the permitting process for both the applicant and the City.
- iii) guidance on what costs are to be included in the estimated value of the project that is required to be entered on the building permit by the applicant to help ensure consistency.
- iv) a statement that permit fees will be adjusted and charged if the actual cost of the project differs from the estimated cost supplied by the applicant on the permit application.
- v) a statement that applicants for commercial building permits must provide an estimated cost in writing signed-off by the contractor.

### **Management Comments 2.6**

Management will:

- i) revise the Schedule of Fees and Rates to include the estimated construction value of \$650 per square meter for garages.
- ii) All permits have statements indicating separate plumbing and electrical permits are required. A statement indicating that electrical and plumbing permit fees will be charged in addition to the building fees will be added to the Schedule of Fees and Rates.
- iii) Typical construction values used in permit calculations are based on hard building costs and generally don't include HST, bonding and design fees. Notes will be added online to indicate to the public these are not included for permit fees
- iv) Section 20 of the St. John's Building By Law addresses this issue, but it will also be added to the Schedule of Fees and Rates.
- v) Section 20 of the St. John's Building By Law addresses this issue, but it will also be added to the Schedule of Fees and Rates.

Council approval will be sought before the Schedule is adjusted.

### **Conclusion 2.6**

The recommendations will be implemented as stated above.

**Action By:** Manager, Technical Services

**Action Date:** Mar 2014

**Information Only:** Deputy City Manager, Planning, Development & Engineering  
Director, Planning & Development

### **Issue 2.7 – Inspection Requirements per Building Category**

Section 22 of the St. John's Building By-Law notes that there are six stages of construction which require inspections:

1. setting of grades and setbacks.
2. foundation and drain tile prior to backfill.
3. framing and insulation.
4. insulation and vapour barrier prior to installation of drywall.
5. completion of all construction of the building prior to occupancy.
6. completion of site requirements such as grading/landscaping or paving including any development requirements or agreements applicable to the project.

However, there is no documented guidance in Inspection Services that specifies the standard number of inspections required for:

1. single unit house (no basement).
2. single unit house (with basement).
3. house with apartment.
4. house with apartment and basement.
5. commercial buildings.

Therefore, it is difficult to determine if the actual number of inspections carried out meet or exceed the standard number of inspections which should be performed. For example, a single unit house with a basement may require more inspections than a single unit

house with no basement. Performing additional inspections will negatively impact the efficiency of the Inspection Services Division and will increase costs.

**Recommendation 2.7**

Management should:

- i) determine the standard number of inspections required for each construction category. This should be documented and added to the Inspection Services Division internal policy manual.
- ii) consult with the Legal Department to determine if the By-Law should be revised to include this information.

**Management Comments 2.7**

Agree. However it is felt that this is not a big issue, we are monitoring inspection staff more closely with respect to call back fees.

**Conclusion 2.7**

The recommendations will be implemented.

**Action By:** Manager, Technical Services

**Action Date:** Mar 2014

**Information Only:** Deputy City Manager, Planning, Development & Engineering  
Director, Planning & Development

## **Issue 2.8 – Stock Plans**

Many builders have standard house plans that they use to build numerous houses. These are called “stock plans” and are extensively used when building subdivisions. In a previous meeting between the Canadian Home Builder’s Association (CHBA) and management of the Inspection Services Division, it was agreed that the City’s Plans Review process for these stock plans could be fast tracked as they had been reviewed previously under other applications. However, members of the CHBA informed Internal Audit that in many instances the time required to have a Plans Review Letter issued has not improved. One CHBA member indicated that it was his understanding that the Senior Building Inspector was not always aware that the plans being submitted were stock plans and was, therefore, doing a complete review. Management of Inspection Services advised that a stock plan process was implemented for a three month period in the fall of 2011. The Manager of Technical Services contacted two contractors who said as far as they could remember; most of the submissions during the three month period were not stock plans.

### **Recommendation 2.8**

Management of the Inspection Services Division should re-visit the stock plans submission process to determine if it can be utilized.

### **Management Comments 2.8**

We tried a system that primarily failed due to lack of response from the industry. Considerable time, effort and resources were used to create a system. We are preparing and developing other options.

### **Conclusion 2.8**

Management indicated that they are preparing and developing other options to address this issue. This will be reviewed during the follow-up process.

**Action By:** Manager, Technical Services  
Supervisor, Inspection Services

**Action Date:** May 2014

**Information Only:** Deputy City Manager, Planning, Development & Engineering  
Director, Planning & Development

### **Issue 2.9 – Certificate of Grade and Plans Review Letter**

For residential properties, a Senior Building Inspector reviews the building application to ensure the proper elevation above the yard grade is maintained. Once approved, the Senior Building Inspector prepares and signs a Certificate of Grade for Residential Units which outlines the grade of the house and provides other instructions and notes for the applicant. Next, another Senior Building Inspector (Plans Examiner) reviews and approves the house plans, and prepares and sends the applicant a Plans Review Letter which may contain approximately 20 instructions/requirements. The Certificate of Grade is mailed with the Plans Review Letter. A similar Plans Review Letter is prepared for commercial properties.

During our review of this process, the following two issues were noted:

- i) although management have indicated that they have provided the Senior Building Inspectors with a Plans Review Masterlist to help ensure the letters are completed properly, the Certificates of Grade and the Plans Review Letters are not reviewed and approved by a supervisor prior to being mailed to the applicant. These are important documents that can have a significant impact on a project and, ideally, should be reviewed for accuracy prior to being issued.
- ii) for residential properties, four of the five files tested showed that the copy of the Certificate of Grade on file was not signed or dated by the Senior Building Inspector.

### **Recommendation 2.9**

In an effort to address these issues, management should:

- i) inform the appropriate governance committee of Council of the current process of utilizing the Plans Review Masterlist as a compensating control instead of supervisory review and approval of the Certificates of Grade and Plans Review Letter. The committee should be informed of the risks to the City of issuing incomplete and inaccurate Letters so that the Committee Members can decide if, in their opinion, the risks are adequately controlled.
- ii) ensure the copy of the Certificate of Grade that is kept on file is signed by the Senior Building Inspector.

### **Management Comments 2.9**

- i) Agree. There are insufficient resources (time) to have a supervisor review the Certificate of Grade and Plans Review Letters prior to being mailed to the applicant. Staff have been trained and possess the necessary experience to complete these tasks. Management provides the Senior Building Inspectors with a Plans Review Masterlist which is used to prepare the Plans Review Letter and it believes this is sufficient to ensure that the Letter is properly prepared. Management reviews this process periodically to ensure consistency by staff. Management review does not support this as being a significant issue, but will inform the committee of our process and the risks involved.
- ii) Agree. This was implemented in May 2013.

### **Conclusion 2.9**

The recommendations will be implemented as stated above.

**Action By:** Manager, Technical Services

**Action Date:** i) Mar 2014  
ii) May 2013

**Information Only:** Deputy City Manager, Planning, Development & Engineering  
Director, Planning & Development

## **Issue 2.10 – Field Notices Documentation**

Inspection Services Division Policy, A-6-9 Field Notices, requires inspectors who are following up on a previous Field Notice to check/initial each deficiency listed to show that it was examined and corrected. This is a good internal control to help ensure completeness. Although there were instances where the deficiencies on the Field Notice were checked/initialed and or dated in the five residential files and five commercial building files tested, there were many times when they were not.

Also, Policy A-6-07 instructs the Inspector that when performing a repeated inspection based on an existing Field Notice, a new Field Notice should be prepared indicating i) what items are unresolved from the previous notice and ii) if any additional deficiencies were found. If all the deficiencies have been corrected, then a Field Notice indicating approval of the inspection stage should be left at the house or with the builder. However, audit tests showed that new Field Notices indicating the deficiencies on previous Field Notices were corrected were not prepared and left for the builder. Therefore, in instances of repeat inspections, builders do not have a written document noting approval of the inspection stage. It should be noted that the inspector did record the approval in the AS400 computer system.

In addition, testing revealed that some of the Field Notices for commercial buildings did not have the inspection stage identified.

### **Recommendation 2.10**

Management should:

- i) advise inspectors to identify the inspection stage on the Field Notices and initial and date all deficiencies noted in the previous inspection that were corrected.
- ii) advise the inspectors when they do an inspection based on an existing Field Notice to prepare a new Field Notice indicating 1) what items are outstanding from the previous notice and 2) if they found any additional deficiencies. Also, if

all the deficiencies are corrected, then a Field Notice should be given to the builder indicating so.

**Management Comments 2.10**

Agree. This was discussed in a meeting with staff on September 25, 2013 and examples given of how to prepare and sign off on field notices. We are hoping to move forward with electronic forms once Govern is implemented. Field access via electronic device would be critical for this to succeed.

**Conclusion 2.10**

The recommendations will be implemented as stated above.

**Action By:** Supervisor, Inspection Services

**Action Date:** Sep 2013

**Information Only:** Deputy City Manager, Planning, Development & Engineering  
Director, Planning & Development

## ***ISSUE 3 – ELECTRICAL***

### **Issue 3.1 – By-Law**

A review of The St. John's Electrical By-Law disclosed the following issues:

- i) the By-Law does not refer to the length of time the electrical permits should be issued. Internal Audit's review of documentation in the department showed that permits have been granted for various periods of time - one month, two months, six months, etc.
- ii) the By-Law does not indicate the stages of electrical inspection and how many inspections are required. Issues arising from this were:
  - a) departmental officials advised there are three inspection stages – sheeting, service and final. Inspection Services Division Policy: A-4-37 “Maximum number of Electrical Inspections 1,2 family dwellings” also notes that there are three inspections; however they are listed as: 1) First Inspection - for new construction or residential service and upgrade requires that rough wire and service be complete, 2) Second Inspection – for Final and issuing of Electrical Certificate and 3) Third Inspection – reserved for verification and compliance with Field Notices, if required. These differences in the classification of the various stages of electrical inspections can cause confusion.
  - b) audit testing revealed that there were differences in the number of inspections being performed within the same construction categories. For example, it was noted that one house which included an apartment had six visits with eight inspections performed while another house with an apartment had three visits with six inspections performed.
  - c) sometimes inspections for sheeting and service are performed at the same time while at other times they are performed separately. By combining inspections, where possible, the number of site visits could be reduced.

### **Recommendation 3.1**

Management should review the By-Law, Policy and actual inspection practices and:

- i) decide if electrical permits should be given for a specific time period to ensure consistency and fairness for all applicants.
- ii) decide on the inspection classifications (stages) to be used and the number of inspections that are required for each construction category and whether any of the current inspection stages can be combined.
- iii) depending on the outcomes of i) and ii), decide if amendments should be made to the By-Law and Policy.

### **Management Comments 3.1**

Agree.

- i) By having the permit period for 2 years, this would make it similar the development agreement. A memo will be sent by December 1, 2013 to the Customer Service Representatives advising that the permits should be issued for 2 years, however the time frame could be reduced in situations regarding life safety, complaint files and those involving legal action.
- ii) Management is currently reviewing the Provincial policy which combines the sheeting and service inspections. A decision will be made by December 31, 2013. If we decide to reduce the number of inspections from three to two, the expected date of implementation is March 1, 2014 Agree. We are also monitoring inspection staff.
- iii) As recommended a review of the electrical by-law will be undertaken to identify any ambiguous sections which may exist with respect to required inspections and as suggested determine if the number of inspections reflects an efficient service delivery for the industry and the city and where possible combined to streamline work flow and delivery of service. Once the in-office review has been completed, we will consult with the legal department on appropriate amendments.

### **Conclusion 3.1**

The recommendations will be implemented.

**Action By:** i) Manager, Inspection Services  
 ii) Manager, Technical Services  
 iii) Manager, Technical Services

**Action Date:** i) Jan 2014  
 ii) Mar 2014  
 iii) Mar 2014

**Information Only:** Deputy City Manager, Planning, Development & Engineering  
 Director, Planning & Development

### **Issue 3.2 – Repeat Inspections (Call-Back Fees)**

Section 14 (2) of the St. John’s Electrical By-Law notes: “A fee of One Hundred Dollars (\$100.00) may be imposed upon the Electrical Contractor and/or the property owner if the Inspector is required to re-inspect an installation because the installation was not completed properly or previously noted deficiencies were not corrected”. The Inspection Services Division Policy, A-4-37 “Maximum number of Electrical Inspections 1,2 family dwellings” notes “In the event of an inspection being requested prematurely, a charge of \$100 will be applied which must be paid prior to another inspection being carried out”.

As was explained in Issue 2.1 this fee was meant as a deterrent to those builders/contractors who consistently and repeatedly call for an inspection prior to confirming that they are in compliance with the applicable codes and not for revenue generation purposes.

From January 1, 2011 to December 20, 2012, the department charged \$1,300 for electrical inspection penalty fees. Management indicated these penalties were for premature inspections as per divisional policy A-4-37 and not repeat inspections for deficiencies as per the By-Law. During audit testing, two files reviewed showed that for the sheeting stage, one had three inspections completed while the other had two. A third file had two service inspections and two final inspections. There was no indication in the files or the AS400 computer system of the \$100 repeat inspection fee being charged as allowed for in the By-Law.

**Recommendation 3.2**

In order to ensure consistent application of the By-Law and to avoid confusion management should:

- i) consistently charge permit holders for repeat inspections in an effort to make certain that the fee is effective in deterring builders/contractors from repeatedly calling for an inspection prior to ensuring their work is up to code. The electrical repeat inspection fee should be applied using the same method that is developed for the building repeat inspection fee under Issue 2.1. An alternative to charging the repeat inspection fee during each inspection stage and possibly slowing down construction of the project is to charge the full amount of the repeat inspection fees during the Occupancy Certificate stage.
- ii) revise the Division's Policy A-4-37 to reflect the same terminology as the Electrical By-Law.

**Management Comments 3.2**

Management will:

- i) meet with inspection staff and discuss the importance of the issue and periodically audit to ensure compliance. An advisory will be sent to the industry to this effect however larger projects such as commercial and condo construction require multiple inspections as they are often completed in stages.
- ii) review the policy.

**Conclusion 3.2**

The recommendations will be implemented.

**Action By:** Manager, Inspection Services

**Action Date:** Jan 2014

**Information Only:** Deputy City Manager, Planning, Development & Engineering  
Director, Planning & Development

### **Issue 3.3 – General Procedures**

During Internal Audit’s review of the electrical application, inspection and filing procedures, the following issues were disclosed:

- i) applications (i.e., source documents) for electrical permits are not attached to the permit and forwarded to the Inspection Services Division. Instead, they are held for a period of time at Access St. John’s and then destroyed. Therefore, there is no audit trail to the source documents.
- ii) while waiting for requests for inspections, permits (up to 20 to 30) are placed in an “open” alphabetic file by street name. When requests for electrical inspections are received, the inspector has to sort through each permit in the file to find the correct one. This can be time consuming.
- iii) Field Alteration Notices (FAN’s) are contained in a book and are prepared by the inspectors when deficiencies are found. The copy is given to the contractor/homeowner while the original is retained in the book. Upon return to the office, the inspector photocopies the Field Alteration Notice and attaches it to the permit. When the deficiencies have been corrected, the photocopy is torn up and discarded as the original is retained in the book. When the permits are placed in the archives, a copy of the Field Alteration Notice is not included.
- iv) “closed” electrical permits relating to building files are placed in a file by street name by year instead of being placed in the closed “Building File”. Therefore, if management and/or staff need to review all three permits and related documents of a particular project at a later date, staff in the archives must locate three files (building, electrical and plumbing) instead of one.
- v) letters to electrical contractors for follow-up of expired electrical permits are not signed.

### **Recommendation 3.3**

Management should:

- i) ensure that applications for electrical permits are attached to the copy of the permit forwarded to the Inspection Services Division.
- ii) instruct staff to place permits in the “open” file in numerical sequence (civic number) by street name for ease of accessibility.
- iii) instruct Electrical Inspectors to give the original of the Field Alteration Notices to the contractor/homeowner, attach the copy to the permit and place it in the “closed” file when the project has been completed. This is similar to the building inspections process.
- iv) ensure electrical permits relating to building files are placed in the “Building File” so that there is one file that contains all permits and inspections. (Note: management should review the filing system once the reorganization has taken place to determine if one file for building, electrical and plumbing would be practical.)
- v) ensure that the letters sent to electrical contractors for follow-up of expired permits are signed.

### **Management Comments 3.3**

- i) Agree. A memo will be sent to Access St. John’s by December 1, 2013 requesting that the applications be attached to the copy of the permit for Inspection Services. (Once we move forward with Govern this can be an electronic attachment).
- ii) Agree. A memo will be sent to Electrical Inspectors and manager of clerical instructing them to place the permits in the “open” file in numerical sequence (civic number) by street name by December 1, 2013.
- iii) Agree. A memo will be sent to the Electrical Inspectors and clerical staff instructing them to attach the second copy to the permit and place it in the “closed” file.
- iv) Agree –will discuss further with electrical and manager of clerical as it is a change in the filing system and for purposes of locating closed files in the future an effective date of January 1, 2014 is more practical.
- v) Agree---the letters will be signed by the Manager of Inspection Services.

**Conclusion 3.3**

The recommendations will be implemented as stated above.

**Action By:** Manager, Inspection Services

**Action Date:** Jan 2014

**Information Only:** Deputy City Manager, Planning, Development & Engineering  
Director, Planning & Development

## ***ISSUE 4 – PLUMBING***

### **Issue 4.1 – By-Law**

A review of The St. John’s Plumbing By-Law disclosed the following issues:

- i) clause 23. notes “A permit shall expire,
  - (a) in the case of reconstruction, alteration, renewal or repair to old plumbing systems, after the expiration of six months from the date of its issue; and
  - (b) in the case of work in a new building, on the termination of the construction thereof.

Therefore, there is no definite expiry period for plumbing permits for new buildings (e.g., 6 months) and the City is not able to charge renewal fees.

- ii) the By-Law and the Inspection Services Division’s Policy and Procedures do not indicate how many plumbing inspection stages are required. Departmental officials advised there are three inspection stages – rough-in, water pipe inspection and final. Audit testing disclosed that sometimes inspections for the rough-in and water pipe stages are performed at the same time and sometimes they are performed separately. Combining inspections, wherever possible, would reduce the number of required visits and therefore reduce the City’s costs of performing the inspections.

### **Recommendation 4.1**

Management should review the By-Law and Policy and:

- i) decide if plumbing permits should be given a specific expiry date in the case of new buildings; and if so:
  - a) generate a report of expired plumbing permits on a regular basis; and
  - b) ensure that expired permits are followed-up and that the applicants are charged a permit renewal fee, if appropriate.
- ii) decide on the number of inspection stages that are required.

- iii) depending on the outcomes of i) and ii), decide if amendments should be made to the By-Law and Policy.

#### **Management Comments 4.1**

- i) By having the permit period for 2 years, this would make it similar to the development agreement. A memo will be sent by December 1, 2013 to the Customer Service Representatives advising that the permits should be issued for 2 years. In addition, reports will be generated on a regular basis and expired permits will be followed up.
- ii) A review of the plumbing inspections will take place and a decision will be made by January 1, 2014 as to the appropriate inspection stages.
- iii) Management will contact Legal by the dates indicated in i) and ii) to determine if the By-Law needs to be amended. The Policy will be revised, if required.

#### **Conclusion 4.1**

The recommendations will be implemented as stated above.

**Action By:** i) Manager, Inspection Services  
 ii) Manager, Technical Services  
 iii) Manager, Technical Services

**Action Date:** i) Jan 2014  
 ii) Mar 2014  
 iii) Mar 2014

**Information Only:** Deputy City Manager, Planning, Development & Engineering  
 Director, Planning & Development

#### **Issue 4.2 – Repeat Inspections (Call-Back Fees)**

Clause 30 (2) of the St. John’s Plumbing By-Law notes: “A fee of One Hundred Dollars (\$100.00) may be imposed upon the Plumbing Contractor and/or the property owner if the Inspector is required to re-inspect plumbing work because the work was not

completed properly or previously noted deficiencies were not corrected.” As was explained in Issue 2.1, this fee was meant as a deterrent to those builders/contractors who consistently and repeatedly call for an inspection prior to confirming that they are in compliance with the applicable codes and not for revenue generation purposes.

During testing one file reviewed for a house with an undeveloped basement had four inspections with no indication of a charge for the extra inspection or repeat inspection. From January 1, 2011 to December 20, 2012, the Inspection Services Division charged \$0 for plumbing inspection penalty fees. During the same period, the department charged \$1,300 for electrical inspection penalty fees and \$12,500 for building inspection penalty fees. Also, Internal Audit could not find any reference to the \$100 fee for plumbing repeat inspections in the Inspection Services Division’s Policy manual.

#### **Recommendation 4.2**

To help ensure efficiency in operations and consistency between the St. John’s Plumbing By-Law and Divisional Policies, management should:

- i) consistently charge permit holders for repeat inspections in an effort to make certain that the fee is effective in deterring builders/contractors from repeatedly calling for an inspection prior to ensuring their work is up to code. The plumbing repeat inspection fee should be applied using the same method that is developed for the building repeat inspection fee under Issue 2.1. An alternative to charging the re-inspection fee during each inspection stage and possibly slowing down construction of the project is to charge the full amount of all re-inspection fees during the Occupancy Certificate stage.
- ii) reference the \$100 fee for plumbing repeat inspections in the Inspection Services Division’s Policy and Procedures Manual.

#### **Management Comments 4.2**

Agree. Management will advise plumbing inspectors and applicants for plumbing permits that the re-inspection fee will be enforced effective immediately.

## Conclusion 4.2

The recommendations will be implemented as stated above.

**Action By:** Manager, Inspection Services

**Action Date:** i) Nov 2013  
ii) Mar 2014

**Information Only:** Deputy City Manager, Planning, Development & Engineering  
Director, Planning & Development

## Issue 4.3 – General Procedures

During Internal Audit’s review of the plumbing application, inspection and filing procedures, the following issues were noted:

- i) applications (i.e., source documents) for plumbing permits are not attached to the permit and forwarded to the Inspection Services Division. Instead they are held for a period of time at Access St. John’s and then destroyed. Therefore, there is no audit trail to the source documents.
- ii) results of inspections for rough-in, water pipe and final are recorded on page 2 of the permit. However, the permit does not have sections clearly identified for each inspection stage.
- iii) plumbing inspectors do not initial and date the information recorded during each inspection.
- iv) plumbing inspectors advise contractors verbally of any deficiencies noted during the inspection.
- v) “closed” plumbing permits relating to building files are placed in a file by street name by year instead of being placed in the closed “Building File”. Therefore, if management and/or staff need to review all the permits and related documents of a particular project at a later date, staff in the archives must locate three files (building, electrical and plumbing) instead of one.
- vi) two of twelve plumbing inspections reviewed did not have the requests for inspections recorded in the Active Citizen Request computer system.

### **Recommendation 4.3**

In order to address the above noted deficiencies, management should:

- i) ensure that applications for plumbing permits are attached to the copy of the permit forwarded to the Inspections Services Division.
- ii) re-design the inspection forms to be similar to the Field Notices for building inspections and have specific sections clearly identified for each stage of inspection.
- iii) ensure that the inspectors sign and date each inspection.
- iv) ensure plumbing inspection deficiencies are in writing with a copy given to the contractor and a copy retained by the inspector.
- v) ensure plumbing permits related to building files are placed in the “Building File” so that there is one file that contains all permits and inspections. (Note: management should review the filing system once the reorganization has taken place to determine if one file for building, electrical and plumbing would be practical.)
- vi) ensure all requests for inspections are recorded in the Active Citizen Request system.

### **Management Comments 4.3**

- i) Agree. A memo will be sent to Access St. John’s by December 1, 2013 requesting that the applications be attached to the copy of the permit for Inspection Services. However, it should be noted that the storage room is running out of space. Changes may be made once the departments are consolidated.
- ii) Agree. Forms for plumbing inspections similar to the Field Notices will be designed and implemented by January 1, 2014.
- iii) Agree. Effective immediately, plumbing inspectors will be instructed to sign and date the form indicating responsibility for conducting the inspection.
- iv) Agree. Plumbing Inspectors will be instructed to record deficiencies in writing, to give a copy to the contractor/homeowner and to retain a copy on file. A new plumber deficiency book is being developed.

- v) Agree. Staff will be advised by January 1, 2014 that all documents relating to the building, electrical and plumbing inspections will be placed in one "closed" file. This is a change in the current filing method and the Manager of clerical support will be consulted on the implementation.
- vi) Agree. December 1, 2013, plumbing inspectors will be advised to ensure all requests for inspections are recorded in the AS400 system.

### **Conclusion 4.3**

The recommendations will be implemented as stated above.

|                   |                                      |                     |               |
|-------------------|--------------------------------------|---------------------|---------------|
| <b>Action By:</b> | i) Manager, Inspection Services      | <b>Action Date:</b> | i) Jan 2014   |
|                   | ii) Supervisor, Inspection Services  |                     | ii) Mar 2014  |
|                   | iii) Supervisor, Inspection Services |                     | iii) Nov 2013 |
|                   | iv) Supervisor, Inspection Services  |                     | iv) Jan 2014  |
|                   | v) Manager, Inspection Services      |                     | v) Jan 2014   |
|                   | vi) Manager, Inspection Services     |                     | vi) Nov 2013  |

**Information Only:** Deputy City Manager, Planning, Development & Engineering  
Director, Planning & Development

## **ISSUE 5 – ACCESS ST. JOHN’S**

### **Issue 5.1 – Application Documentation**

Internal Audit’s review of twelve residential and commercial files disclosed the following deficiencies related to Access St. John’s:

- i) the applications for building permits contained in eight of the files were not dated by the Customer Service Representative (CSR) in the space provided.
- ii) the "Signature of Owner or Authorized Agent" area of one building permit and two plumbing permits were not signed. The permits provide instructions such as “Note: Separate permits are required for any electrical or plumbing work” and “All work must be carried out in accordance with the City of St. John’s Act and Applicable By-Laws or Regulations” . The signature of the owner or authorized agent would indicate that they are in agreement with the conditions of the permit before the work is performed.
- iii) section 5 - "For Internal Use Only" of the City -1003 Building Permit & Development Application Form is not being completed. Management in Access St. John’s and in Inspection Services advised that the section has not been used for many years and is no longer required.
- iv) the calculations of the permit fees are not checked by a second employee to ensure accuracy.
- v) the industry standard measurement for building plans is square feet; however, the city uses square meters to calculate the permit fee. This requires staff to re-calculate the plans into square meters which increases the risk of making mistakes when calculating the permit fee.
- vi) in one instance, it was noted that a cheque for \$46,980 was held by Access St. John’s for 25 days prior to being deposited to the bank while waiting for a permit to be issued. Management indicated that this is a common occurrence and that up to 10 cheques may be held at any given time while waiting for permits to be issued. This increases the risk of misplacing a cheque and is not in line with best practices.

### **Recommendation 5.1**

In an effort to address these deficiencies, management at Access St. John's should:

- i) ensure CSR's sign and date all applications for building permits in the space provided.
- ii) ensure CSR's check the permits for the signature of the owner or authorized agent before processing.
- iii) review section 5 of the City-1003 Building Permit & Development Application Forms and determine if it should be deleted or modified.
- iv) ensure the permit fee calculation is verified for accuracy by a second employee.
- v) meet with management of Inspection Services to discuss the possibility of revising the City's Schedule of Rates to include square feet for calculating the building permit fee as well as square meters. This will provide more useful information to those individuals still using square feet and should also lower the risk of miscalculating the permit fee as the CSR's will not have to convert the measurements to square meters from square feet.
- vi) deposit cheques upon receiving them and if required, issue a refund at a later date.

### **Management Comments 5.1**

- i) Immediate action has been taken to correct this – July 2013.
- ii) Upon the recommendation of the Internal Auditor, management has written the Legal Department for advice regarding obtaining the signature of the owner/applicant on the approved permit as it is not always possible to obtain the signature due to many factors, such as many permits being mailed out upon approval, including outside of the City and Province.

Legal responded indicating that the best solution considering the future of electronic applications and permits may be to add language on the face of the permit indicating that "payment of the permit fee means the permit holder and

property owner agree to be bound by the terms of this permit and the City of St. John's regulations and by-laws.”

We will consult with the Inspection Services Division and the I.T. Division about adding this wording to the face of the permit. – December, 2013.

- iii) We are still in the early stages of MS Govern Phase II – Permits and Licensing, with the Planning Division just being implemented. The existing Building Permit & Development Application will be reviewed within the next six months – April, 2014.
- iv) Due to staffing levels it is impossible for permit fees to be checked by a second employee to ensure accuracy; however, random audits will be conducted by both Access St. John's staff and the Plans Examiner of Inspection Services – November 2013.
- v) The City's Schedule of Rates will be revised to include square feet for calculating the building permit fees, as well as square meters – November 2013.
- vi) Arrangements are being made with Finance to deposit cheques upon receiving them. A meeting is to be held on Monday, October 27, 2013 to set up a class code to have these deposits processed as per Internal Audit recommendation.. Target date – December, 2013.

### **Conclusion 5.1**

The recommendations for parts i), iii), v), and vi) will be implemented.

For part ii) management has consulted with the Office of the City Solicitor who suggested adding wording to the face of the permits that will help limit the City's risk in terms of not having the permits signed by the owner or authorized agent. This change should be adequate based on Legal's opinion and giving consideration to the fact that the City is moving towards electronic permits.

For part iv) management indicated that, due to limited resources, they will perform random checks on permit fees instead of verifying all fee calculations to insure they have

been calculated correctly. This process will be reviewed during the follow-up audit to determine if it identifies any issues with the fee calculations.

**Action By:** Manager, Citizen Services

**Action Date:** i) Jul 2013  
 ii) Dec 2013  
 iii) Apr 2014  
 iv) Nov 2013  
 v) Nov 2013  
 vi) Dec 2013

**Information Only:** Deputy City Manager, Community Services  
 Deputy City Manager, Planning, Development & Engineering  
 Director, Planning & Development

### **Issue 5.2 – Permits Issued With No Fees**

Internal Audit obtained a report which showed building permits issued from January 1, 2011 to December 31, 2012. The report included the permit date, the estimated value of the project, the permit cost, etc. There were 1,744 permits issued for commercial, apartments/condos and residences in this period with sixteen permits having no fees charged. There were a variety of reasons for this such as:

- i) the permit was for city owned buildings,
- ii) the fee for the entire construction was paid up front, but two different permits were issued – one for excavation (full fee paid) and one for the construction of the building (no fee required).
- iii) the permit was issued as a correction of a previous permit, and
- iv) the permit was for a non-profit organization and Council had agreed to waive the fees.

However, during the audit, Inspection Services management indicated that they had discovered that a permit was issued on May 30, 2012 for no fee when a fee of \$60,840 should have been charged. Management was in the process of following up with officials

at Access St. John's to determine the cause of the error and ensure the amount was collected. Internal Audit was advised that the Inspection Services Division generates a report showing permits issued without fees. However, it is only generated once a year, during the budget process, to identify those buildings or organizations which are receiving free inspection services, and not as an internal control to identify applicants who were not charged for their permit. This lack of review of zero fee permits increases the risk that permits may be issued for no cost when, in fact, a fee should have been charged.

**Recommendation 5.2:**

In order to help ensure that all zero fee permits issued are legitimate, management at Access St. John's should:

- i) ensure staff record reasons as to why building permits are issued for no fees in the AS400 computer system.
- ii) have a manager or supervisor review and approve all zero fee building permits issued each day. The copy of the permit forwarded to Inspection Services should be signed and dated by the manager or supervisor in Access St. John's to indicate approval of the no fee permit.

**Management Comments 5.2**

- i) Management will ensure that staff record reasons in the computer system as to why building permits are issued at no fee cost – November, 2013.
- ii) Management will require electronic capability to assist in monitoring zero fee permits issued and will contact I.T. Division to request an electronic auditing program for this purpose. The Manager or Supervisor will review the report and sign/date it to indicate it was reviewed and the issuance of the zero permit was appropriate – January 2014.

**Conclusion 5.2**

The recommendation for part i) will be implemented.

For part ii) management indicated that they will review and sign-off on a report of zero fee permits instead of review and sign-off on each individual permit in an effort to ensure that all zero fee permits are appropriate. This report review, along with the addition of recording the reasons why the permit was issued for zero fees, in the computer system, should adequately address the issue.

**Action By:** Manager, Citizen Services

**Action Date:** i) Nov 2013  
ii) Jan 2014

**Information Only:** Deputy City Manager, Community Services  
Deputy City Manager, Planning, Development & Engineering  
Director, Planning & Development

## Appendix A

### *Inspections Performed on a Timely Basis*

#### **Building Files:**

Internal Audit performed a review of five building files which contained 46 call-ins (i.e. requests) for inspections. The review disclosed the following:

| <b>Inspections Performed:</b>       | <b>Occurrences</b> | <b>Percentage</b> |
|-------------------------------------|--------------------|-------------------|
| One day prior to requested date     | 2                  | 4.3               |
| On the day requested                | 35                 | 76.2              |
| One day after requested date        | 4                  | 8.7               |
| Two days after the requested date   | 2                  | 4.3               |
| Three days after the requested date | 2                  | 4.3               |
| Four days after the requested date  | 1                  | 2.2               |
|                                     |                    |                   |
| <b>Total</b>                        | 46                 | 100%              |

Therefore, 37 or 80 % of the inspections were performed either the day before or on the day requested. Over 93% were performed within 2 days of the requested date with the remaining 7% performed within 3 or 4 days.

#### **Electrical Files:**

Internal Audit performed a review of five electrical files which contained 20 call-ins for electrical inspections. The review disclosed the following:

| <b>Inspections Performed:</b> | <b>Occurrences</b> | <b>Percentage</b> |
|-------------------------------|--------------------|-------------------|
| On the day requested          | 19                 | 95                |
| One day after requested date  | 1                  | 5                 |
| <b>Total</b>                  | 20                 | 100%              |

Therefore, 19 or 95 % of the electrical inspections were performed on the day requested while 1 or 5% was performed 1 day after it was requested.

**Plumbing Files:**

Internal Audit performed a review of five plumbing files which contained 10 call-ins for plumbing inspections. The review disclosed the following:

| <b>Inspections Performed:</b> | <b>Occurrences</b> | <b>Percentage</b> |
|-------------------------------|--------------------|-------------------|
| On the day requested          | 7                  | 70                |
| One day after requested date  | 3                  | 30                |
| Total                         | 10                 | 100%              |

Therefore, 7 or 70 % of the plumbing inspections were performed on the day requested while 3 or 30% were performed 1 day after they were requested.

## Appendix B

***Estimated Number of Repeat Inspections and Potential Loss  
of Revenue (Residence Only)  
for the period January 1, 2011 to Dec 31, 2011***

Summary: estimate @ 3 extra call-backs

| <b>Number of Applications</b> | <b>Description</b>                   | <b>Estimated Repeat Insp. Per App.</b> | <b>Estimated Total Repeat Insp.</b> | <b>Fee</b> | <b>Total</b>     |
|-------------------------------|--------------------------------------|--|-------------------------------------|------------|------------------|
| 835                           | 302 Singe Detached Dwelling          | 3                                      | 2,505                               | \$100      | \$250,500        |
| 252                           | 309 Single Detached & Subsidiary Apt | 3                                      | 756                                 | \$100      | 75,600           |
| 143                           | 304 Semi Detached Dwelling           | 3                                      | 429                                 | \$100      | 42,900           |
| 259                           | 305 Townhousing (see note)           | 1                                      | 259                                 | \$100      | 25,900           |
| <b>1,489</b>                  |                                      |  | <b>3,949</b>                        |            | <b>\$394,900</b> |

Summary: estimate @ 2 extra call-backs

| <b>Number of Applications</b> | <b>Description</b>                   | <b>Estimated Repeat Insp. Per App.</b> | <b>Estimated Total Repeat Insp.</b> | <b>Fee</b> | <b>Total</b>     |
|-------------------------------|--------------------------------------|--|-------------------------------------|------------|------------------|
| 835                           | 302 Singe Detached Dwelling          | 2                                      | 1,670                               | \$100      | \$167,000        |
| 252                           | 309 Single Detached & Subsidiary Apt | 2                                      | 504                                 | \$100      | 50,400           |
| 143                           | 304 Semi Detached Dwelling           | 2                                      | 286                                 | \$100      | 28,600           |
| 259                           | 305 Townhousing (see note)           | 1                                      | 259                                 | \$100      | 25,900           |
| <b>1,489</b>                  |                                      |  | <b>2,719</b>                        |            | <b>\$271,900</b> |

**Note:** Townhouses are assumed to have only 1 call-back as one visit may cover more than one house.

Summary: estimate @ 1 extra call-back

| <b>Number of Applications</b> | <b>Description</b>                   | <b>Estimated Repeat Insp. Per App.</b> | <b>Estimated Total Repeat Insp.</b> | <b>Fee</b> | <b>Total</b>     |
|-------------------------------|--------------------------------------|--|-------------------------------------|------------|------------------|
| 835                           | 302 Singe Detached Dwelling          | 1                                      | 835                                 | \$100      | \$83,500         |
| 252                           | 309 Single Detached & Subsidiary Apt | 1                                      | 252                                 | \$100      | 25,900           |
| 143                           | 304 Semi Detached Dwelling           | 1                                      | 143                                 | \$100      | 25,200           |
| 259                           | 305 Townhousing (see note)           | 1                                      | 259                                 | \$100      | 14,300           |
| <b>1,489</b>                  |                                      |  | <b>1,489</b>                        |            | <b>\$148,900</b> |

## Appendix C

### ***Meeting with Representatives of the Canadian Home Builders' Association (Newfoundland and Labrador)***

June 25, 2013

Internal Audit met with the Chief Executive Officer and four members (builders) of the Canadian Home Builders' Association (CHBA). The meeting was held to discuss any concerns/issues the CHBA may have with the City's Inspection Services Division.

The following is a list of the concerns/issues raised at the meeting by the CHBA members and the results of follow-up work performed by Internal Audit in response to the concerns:

1. Many builders have standard house plans that they use to build numerous houses. These are called "stock plans" and are extensively used when building subdivisions. In a previous meeting between the CHBA and management of the Inspection Services Division it was agreed that the City's Plans Review process for these stock plans could be fast tracked as they had been reviewed previously under other applications. However, members of the CHBA indicated that in many instances the time required to have a Plans Review Letter issued has not improved. One CHBA member indicated that it was his understanding that the Senior Building Inspector was not always aware that the plans being submitted were stock plans and was, therefore, doing a complete review. As a result, the CHBA members are requesting that a process be put in place to ensure that applications containing stock plans can be fast tracked.

This issue has been addressed in the main body of this audit report in Issue 2.8.

2. Inspectors often prepare their Field Notices (deficiencies report) at the building site without a representative of the builder present. The CHBA members indicated that this often slows the building process as the site superintendent may have to contact the inspector to ask questions about the deficiencies. They also indicated that it can be difficult to contact the inspectors, which leads to even longer delays. As a result, the CHBA members suggested that the inspectors contact them prior to the inspection so that the site superintendents could be on site while the inspection is taking place so that any issues may be resolved in a timely manner.

This issue has been addressed in the main body of this audit report in Issue 1.3.

3. All four CHBA members indicated that there are numerous instances where they have been issued a Field Notice with deficiencies for a certain inspection stage; and once they have addressed these deficiencies, a second inspector performed a re-inspection and noted other deficiencies that the first inspector missed. This slows the building process and is a source of great frustration for the builders as they may have to call back workers who have moved on to another job. The CHBA members indicated that they would like to see more consistency in the outcome of the inspections and asked if it would be feasible to have the same inspector perform the re-inspection.

This issue has been addressed in the main body of this audit report in Issue 2.5.

4. The CHBA members indicated that it can be difficult at times to contact an inspector to get an update on the status of their applications as they make their way through the plans review and excavation stages of the process. They indicated that it is often quicker for them to drive to the Inspections Services

Division to get an answer than to try to contact the Inspector on Duty by telephone; however, this is not practical as it takes time away from their main duties of building houses. The members asked if it would be practical for the Inspection Services Division to have two Inspectors on Duty at a time instead of just one.

This issue has been addressed in the main body of this audit report in Issue 1.4.

5. One of the CHBA members indicated that requests for inspections must be received by the City by 4:00pm in order for the request to be processed and the inspection to be scheduled within the next couple of days. He indicated that, in the past, builders who submitted their requests by e-mail received confirmation almost immediately from the City that the request had been received; however, it now takes up to 3 hours to receive confirmation. The CHBA member inquired if the City could provide an automatic confirmation on e-mail requests for inspections.

#### Follow-up Results

The Manager of Citizen Services advised that e-mails sent to the Access 311 Centre are constantly checked throughout the day, but that the e-mail address is used to handle all inquiries and not just requests for building inspections. The Manager indicated that the standard among municipalities is to respond to inquiries within 24 – 48 hours. Therefore, the City's response time of about 3 hours is very good.

In addition, the City offers three ways to contact it for inspection requests – by phone (311), by e-mail and by registering on-line on the City's main website and inputting your request directly into the system. Based on this information Internal Audit is of the opinion that the current process for accepting requests for

inspections is adequate and confirmations can be received in a reasonable amount of time.

6. The builders were advised that the Inspection Services Division plan to review the expiry dates of permits as they are now issued for various periods of time and because of increases in the length of time required for the completion of construction projects as a result of the current construction boom. The builders suggested that there should be no expiry date on permits. They reasoned that if they paid a permit fee, why should they have to pay for a renewal?

#### Follow-up Results

Review and discussions with management of the Inspection Services Division provided the following reasons for having expiry dates on permits:

- if a permit does not expire it could be used for making renovations at a later date,
- it would be difficult to compile certain statistics without having the permits expire,
- without expiry dates construction/renovations could continue for an extended period of time causing undue hardship on neighbours,
- all municipalities surveyed have permits that expire, and
- without expiring permits the City would lose renewal permit fee revenue.

Based on this information Internal Audit came to the conclusion that the Inspection Services Division should continue with the practice of having expiry dates on permits.

7. The CHBA members expressed an interest in what the City's inspectors were reviewing during their inspections and inquired as to if they used a checklist to perform their inspections and, if so, if they could have a copy of the checklist.

### Follow-up Results

The Manager of Technical Services indicated that the inspectors do not currently use a checklist during their inspections but follow the guidance set out in the National Building Code of Canada. He indicated that he would send the CHBA a copy of a checklist used in Ontario which is modeled on the National Building Code of Canada.

8. Internal Audit asked the CHBA members if, in their opinion, any of the inspection stages could be combined so as to reduce the number of inspection visits required. The members were advised that some other municipalities have less than the 6 stages required by the City of St. John's. The members indicated that although they think it is good that the City performs inspections for each stage they suggested that it might be possible to combine the excavation and backfill stages into one inspection.

### Follow-up Results

After discussions with Inspection Services management it was determined that it would not be prudent to combine the excavations and backfill stages as it would be difficult to inspect the foundation of a building if it is already backfilled. In addition, if problems arise later with the foundation, in the worst case scenario, the house would have to be demolished.

9. During the meeting the CEO of the CHBA informed Internal Audit of the recently launched Master Builder Certification Program. The program is designed to enhance the credibility of CHBA-NL and promote members expertise. Members who have earned the Master Builder certification must meet specific criteria to be offered the distinction. When asked by Internal Audit, the CEO indicated that, in

her opinion, the Master Builder Certification Program would be useful for the City to take into account when considering development of a program that would allow contractors to certify their own work.

#### Follow-up Results

Management of the Inspection Services Division indicated that they will take this into consideration in the future if they decide to implement a self-certification program. This has been addressed in Issue 1.2 of this report.