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Office of the City Auditor

City and County of Honolulu
State of Hawai`i

Report to the Mayor and the City Council of Honolulu

# Follow-Up on Recommendations from Report No. 20-01, *Audit of the Department of Planning and Permitting's Processes for Reviewing Building Permit Applications, Resolution 18-284, CD1, FD1*

**Report No. 24-01**
February 2024
**COUNCIL COM. 27**

# Follow-Up on Recommendations from Report No. 20-01, *Audit of the Department of Planning and Permitting's Processes for Reviewing Building Permit Applications, Resolution 18-284, CD1, FD1*

A Report to the
Mayor
and the
City Council
of Honolulu

Submitted by

**THE CITY AUDITOR**
CITY AND COUNTY
OF HONOLULU
STATE OF HAWAI`I

Report No. 24-01
February 2024

# OFFICE OF THE CITY AUDITOR

***KE KE‘ENA O KA LUNA HŌ‘OIA***

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February 12, 2024

The Honorable Tommy Waters, Chair
and Members
Honolulu City Council
530 South King Street, Room 202
Honolulu, Hawai‘i 96813

Dear Chair Waters and Councilmembers:

Attached is a copy of our audit report, ***Follow-up on Recommendations from Report No. 20-01, Audit of the Department of Planning and Permitting’s Processes for Reviewing Building Permit Applications, Resolution 18-284, CD1, FD1***. This audit was conducted pursuant to Section 3-502.1(d), Revised Charter of Honolulu, which authorizes the Office of the City Auditor to conduct follow-up audits and monitor compliance with audit recommendations.

The original audit was issued in January 2020 and was conducted pursuant to City Council Resolution 18-284, CD1, FD1. The resolution asked the City Auditor to review the department’s processes for reviewing building permits and to make recommendations for improving the experience of building permit applications, including reduced processing time and providing applicants with a timely update on the status of their permit applications. Report No. 20-01 made 16 recommendations to the Department of Planning and Permitting.

In this follow-up audit, we found that four recommendations were *completed*, two are *resolved*, five are *in-process*, one has *not started*, and four recommendations were *dropped*. In response to a draft of this audit, the Director of the Department of Planning and Permitting and the Managing Director expressed general agreement with our findings. The department also committed to addressing the recommendations that we deemed in-process. A copy of management’s full response can be found in Appendix B.

We would like to express our sincere appreciation for the cooperation and assistance provided to us by the managers and staff of the Department of Planning and Permitting. The audit team is available to meet with you and your staff to discuss this report and to provide more information. If you have any questions, please call me at 768-3134.

Sincerely,

Arushi Kumar

Arushi Kumar
City Auditor

c: Rick Blangiardi, Mayor
Michael D. Formby, Managing Director
Krishna Jayaram, Deputy Managing Director
Dawn Takeuchi Apuna, Director, Department of Planning and Permitting
Andy Kawano, Director, Department of Budget and Fiscal Services

# Follow-Up on Recommendations from Report No. 20-01, *Audit of the Department of Planning and Permitting's Processes for Reviewing Building Permit Applications, Resolution 18-284, CD1, FD1*

**February 2024**

## Background

This is a follow-up audit to the *Audit of the Department of Planning and Permitting's Processes for Reviewing Building Permit Applications, Resolution 18-284, CD1, FD1*. On January 30, 2019, the Honolulu City Council adopted Resolution 18-284, CD1, FD1 requesting a performance audit of the Department of Planning and Permitting to determine the effectiveness of the city's permitting efforts. The completed audit was issued on January 3, 2020.

The Department of Planning and Permitting (DPP) is responsible for the City and County of Honolulu's major programs and land use laws, including long-range policy planning, community planning and zoning, infrastructure assessments, and regulatory development codes. The two divisions related to permitting are the Building Division and Customer Service Division. The building division administers and enforces building, electrical, plumbing, building energy efficiency, and housing codes and National Pollutant Elimination System (NPDES) requirements, and inspects for compliance with approved permits and pertinent codes. The customer service division operates the consolidated permit counters, maintains property and permit records, and inspects for unsafe or substandard conditions and zoning violations.

The 2020 audit found that despite DPP's efforts to improve the building permitting review process, further improvements were needed. In recent years, DPP had increased its use of Third Party Reviews and started an internship program with Honolulu Community College to provide training for potential building permit processing staff. The department also expanded the ePlan filing system, requiring all new construction applicants to submit electronic plans for review. Despite implementing these key policy and other program changes, DPP operations remained inadequate to support customer demand, and permit application processes were hampered by inefficiencies.

Specifically, DPP had not made sufficient progress in streamlining its permit review process. DPP administrators confirmed that the department fell short in managing performance to meet public demand for timely services, and the building permit review process was still subject to multiple review cycles contributing to extended review times. While DPP had been more customer service-oriented in processing building permit applications, this approach indirectly encouraged the submission of inadequate work and plans. As a result, DPP expended more resources to accommodate and correct inadequately prepared applications and plans. We also found that DPP did not properly administer plan review controls and, as a result, the building permitting review process only had a 26 percent average in the past five years for meeting the initial plan review benchmark of two days for residential permits. Most applicants received their residential permits, on average, 108 days from application submission, or 3.5 months later.

The audit offered 16 recommendations:

1. *Enforce The Department of Planning and Permitting Rules Relating to Administration of Codes (Administrative Rules) Administrative Rules Section 20-2-4 and 20-2-5, to eliminate excessive plan review cycles.*

2. *Evaluate all its current administrative rule requirements (e.g. Section 20-2-2) and performance benchmarks to identify and revise any outdated or unachievable requirements.*

3. *Enforce the requirements of Ordinance 18-41 and reject noncompliant applications.*

4. *Enforce Section 18-6.4, Revised Ordinances of Honolulu, to expire permit applications when permits are not issued and picked up within 365 days.*

5. *Improve its workflow processes by prioritizing building application types, segregating them by complexity, and distributing them among staff so that less complex permit applications can be reviewed quicker.*

6. *Formalize its workflows and processes and integrate them with POSSE and ePlans.*

7. *Establish meaningful performance measures, collect appropriate data, and report its compliance with performance benchmarks.*

8. *Evaluate and establish an appropriate professional designation for entry-level intake clerks and permit reviewers that include minimum qualifications, description of duties, certification requirements, and compensation.*

9. *Properly collect, calculate, and report performance data for how long building permits take from time of initial application receipt to building permit issuance, to include sub-data for each review agency and account for time between reviews.*

10. *Implement an internal audit function within the permit issuance branch to oversee plan review including Third Party Reviewer.*

11. *Formally account and document third party review certification fees to ensure that program requirements are met.*

12. *Review and incorporate applicable IAS Accreditation criteria into its policies and procedures to ensure DPP's services meet the national standards to provide public safety services for the City and County of Honolulu.*

13. *Develop clear guidelines and user information for its online appointment scheduling services and post them on the department's website.*

14. *Implement and enforce controls to prevent private entities from booking more than two (2) building permit review appointments per day.*

15. *Improve customer education and outreach by distributing or posting an online checklist or other pertinent information about the overall permit process requirements, and associated processing times.*

16. *Reaffirm DPP's commitment to educate and expand its ePlans program by establishing, and enforcing, formal policies and procedures that require all new building applications be submitted through ePlans.*

DPP and the Office of the Managing Director broadly accepted the audit recommendations. The department stated that the report's quantitative analysis relied on permit information from several years prior, Fiscal Years 2014-2018, and was erroneously compared against measures taken by the DPP since that time. However, the permit information we used to conduct the analysis was within the audit review period stated and was relevant in identifying bottlenecks or challenge areas that needed corrective action to meet the department's mission to provide the public with efficient, timely service. The department also criticized the audit for not reviewing all of the review steps that it contends are involved in the building permit process.

The objective of this current follow-up audit is to report on the status of DPP's implementation of the original 16 recommendations made in Report No. 20-01.

## Summary of Follow-Up Results

Based on our review, we found that of the 16 recommendations made in Report No. 20-01, 4 are completed, 2 are resolved, 5 are in process, 1 has not been started, and 4 are dropped. The summary table highlights these results.

| Completed | Resolved | In Process | Not Started | Dropped |
|---|---|---|---|---|
| 4 | 2 | 5 | 1 | 4 |
| Agency has sufficiently implemented the audit recommendation. | Although agency did not implement the audit recommendation, it implemented an alternative solution that sufficiently addressed the applicable audit finding or risk. | Agency started or has partially implemented the audit recommendation. | Agency has not begun implementation of the recommendation. | Agency has no plan to implement the recommendation; the risk associated with the recommendation no longer exists, or is no longer applicable. |

### Recommendation 1

Resolved

**Enforce The Department of Planning and Permitting Rules Relating to Administration of Codes (Administrative Rules) Administrative Rules Section 20-2-4 and 20-2-5, to eliminate excessive plan review cycles.**

In its original response to Report No. 20-01, DPP stated that this recommendation was already in process. Management repeated that the subject rules had been adopted in 2004, and since that time, there had been a significant increase in review requirements mandated by federal, state, and city laws. They also expressed concerns about the automatic cancellation of permit applications.

However, the department took action by limiting the number of review cycles. Specifically, after the second review cycle, applicants were now required to bring the projects' owner to a staff meeting to resolve outstanding issues and assure the owner of current status. If the owner and applicants refused this meeting, the permit could be cancelled.

### STATUS UPDATE

On November 1, 2023, the Honolulu City Council adopted Ordinance 23-29, aimed at temporarily alleviating the backlog of building permit applications. The ordinance gives the director of Planning and Permitting, or their designee, authority to allow alternative means for reviewing building permit applications to ensure compliance with relevant codes. This legislation also introduced a temporary professional self-certification program designed to expedite the review and processing of specific building permit applications. The enactment of this provision addresses the following community concerns:

1. Development Delays: Extended delays in obtaining building permits caused significant interruptions and postponements in development, potentially leading to a sluggish economy.

2. Financial Challenges: Inflation, escalating costs, and rising interest rates, coupled with prolonged processing times for building permit applications, may pose difficulties in securing financing and result in soaring construction costs.

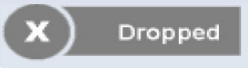
3. Impact on Improvements: The inability to make necessary improvements to buildings and structures may lead to hardships, including a lack of safe and decent housing and disruptions to business operations.

According to DPP, this new legislation aligns with the intent of Administrative Rules 20-2-4 and 20-2-5. Administration Rule 20-2-4 states that for plans that require more than one review, plan review shall be limited to revision. Administrative Rule 20-2-5 states that for plans not approved after the second review, the applicant shall either self-certify with a licensed architect or engineer that may attest that the remaining deficiencies have been addressed and submit revised plans along with an automatic approval form to be provided by the department, or the applicant shall request a permit by appointment to discuss the remaining comments. While DPP did not directly address the recommendation related to the rules, the department affirms that the new legislation addresses the intent of the recommendation.

Additionally, DPP emphasized ongoing efforts to provide consistent guidance, training, and review tools to its reviewers. This initiative aims to ensure that errors are identified in the initial review, reducing the need for additional review cycles.

Based on our examination of Ordinance 23-29 and the newly established self-certification program, we consider this recommendation resolved.

## Recommendation 2




**Evaluate all its current administrative rule requirements (e.g. Section 20-2-2) and performance benchmarks to identify and revise any outdated or unachievable requirements.**

In its original response to this recommendation, DPP alluded to its response to Recommendation 1, indicating that this was also in process.

### STATUS UPDATE

According to DPP, Administrative Rule 20-2-2, which mandates maximum time limits for building permit plan reviews, is fundamentally flawed. DPP management stated that the rule was established in accordance with Section 91-13.5, Hawai'i Revised Statutes, which also set maximum time periods for plan reviews.

However, it was originally intended for specific discretionary business and development-related permits, not ministerial building permits. The department believes the rule calls for an outcome without considering the root cause of excessive review times or the purpose and role of DPP plan review.

DPP reiterated that prolonged review times are a direct result of inadequate staffing, onerous regulations, manual procedures, and outdated technology. Management emphasized their commitment to addressing these issues, working towards achieving shorter review times while still ensuring comprehensive and effective assessment of plans for compliance with codes that safeguard health, safety, and welfare.

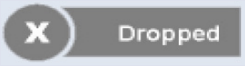
The department plans to amend the following Administrative Rules:

1. Rule 20-2-4, to better reflect the purpose and role of DPP in providing a complete and timely review of plans.

2. Rule 20-2-5, as discussed earlier to implement Ordinance 23-29.

Based on DPP's response and assessment of Administrative Rules 20-2-2, 20-2-4, and 20-2-5, and its plans to amend or repeal rules as necessary, we consider this recommendation dropped.

## Recommendation 3




### Enforce the requirements of Ordinance 18-41 and reject noncompliant applications.

DPP management believed that Ordinance 18-41, and other ordinances and rules that require rejection or approval after a drop dead time, fail to address the core issues that contribute to longer permit review times. Rather than rejecting applications for non-compliance, DPP would instead subject the application to the standard review process.

#### STATUS UPDATE

Since the adoption of Ordinance 18-41 in 2018, which allows for a one-time review (OTR) within 60 days for one- and two-family dwellings, DPP has received approximately 4,000 one- and two-family dwelling building permit applications. Out of those 4,000, 503 applications filed for a one-time review. Only 75 of the 503 applications filed for a one-time review received DPP approval.

DPP determined that many applications do not qualify for the OTR per ROH 18-5.9(a)(2), which stipulates that an application must be prepared and stamped by a duly licensed professional engineer or architect who has not had either a building permit application or plans prepared for submission with a building permit application rejected by the building official more than twice within the previous 12 months. Additionally, according to the department, a majority of those applying for OTR eventually choose to transition away from OTR to regular residential review because they prefer a more thorough review by DPP despite longer review times.

DPP's focus remains on addressing core issues through improvements in capacity, streamlined processes, and modernized/automated technology.

Based on the relatively low number of applicants received under Ordinance 18-41 and the documented preference of participants for a complete review, we consider this recommendation dropped.

## Recommendation 4

Resolved

### Enforce Section 18-6.4, Revised Ordinances of Honolulu, to expire permit applications when permits are not issued and picked up within 365 days.

In its original response to Report No. 20-01, DPP stated the recommendation was already in process. They expected to continue this "shredding" on a regular basis, but believed that automatically applying deadlines without due consideration would not be in anyone's best interest.

#### STATUS UPDATE

The department implemented an automatic notification system that alerts customers when their application is nearing the 365-day deadline, allowing them to request an extension based on reasonable justification. We tested and reviewed the new automatic notification system and concluded that the automated notifications achieve the intent of the recommendation to encourage applicants to pick up permit applications before expiration.

Based on the successful implementation of the automatic notification system, we consider this recommendation resolved.

## Recommendation 5

In Process

### Improve its workflow processes by prioritizing building application types, segregating them by complexity, and distributing them among staff so that less complex permit applications can be reviewed quicker.

DPP disagreed with this recommendation, stating it was not practical because of the varying degrees of staff experience. The less complex applications were already assigned to the most recently hired staff, with more complex ones assigned to seasoned staff. They had also taken steps to identify simple permit applications and enable them to be issued "on-line" without staff intervention.

#### STATUS UDPATE

In 2022, DPP established a distinct application process specifically for Solar/Photovoltaic (PV) projects. Solar/PV projects accounted for over 60 percent of residential permit applications, indicating a positive initial step in reviewing permit applications based on their type. However, for more specialized permitting processes to be created, DPP must attain appropriate staffing levels, provide sufficient training, and reengineer fundamental processes.

DPP acknowledges their current limitations and are in the process of implementing initiatives to address these concerns.

#### NEXT STEPS

We continue to believe that the department will achieve greater efficiency by prioritizing and segregating permit applications based on type, rather than relying on a single intake system.

## Recommendation 6




### Formalize its workflows and processes and integrate them with POSSE and ePlans.

DPP agreed with this recommendation. They stated they would be updating their workflows and processes as they migrated to a web-based POSSE process.

#### STATUS UPDATE

After conducting a thorough review of DPP's POSSE and ePlans processes, we found that DPP still lacks fundamental, written Standard Operating Procedures, which is an essential foundation for effective workflows and efficient processes. Department staff stated that they are in the process of developing formal workflows that can be incorporated into the new permitting software system they are in the process of implementing. Management affirms that the new permitting software will not only enhance and integrate the new workflows but will also offer substantial automation and improved continuity in the permit review process.

#### NEXT STEPS

Now that the new permitting software system is formally acquired, DPP management should continue to develop and implement standard operating procedures, and ensure the procedures are integrated smoothly within existing workflows and new software.

## Recommendation 7




### Establish meaningful performance measures, collect appropriate data, and report its compliance with performance benchmarks.

DPP agreed with this recommendation and stated they were in the process of updating their performance measures. Many of the existing performance reports on POSSE for the commercial and residential review processes would be incorporated into the web-based POSSE platform.

#### STATUS UPDATE

In November 2022, DPP informed the Honolulu City Council of a backlog of 6,000 permit applications in the prescreen queue, with a wait time exceeding six months. DPP aimed to reduce the prescreen backlog to zero and shrink the review time from six months to one week by implementing staff quotas and setting a goal of complete elimination by August 2023. To track progress, DPP established staff quotas, implemented monitoring mechanisms, and introduced a visual thermometer graphic.

By August 2023, DPP successfully eliminated the prescreen backlog and reduced the prescreen review time to less than a week. The department intends to implement similar performance measures for other phases of the permitting process.

Regarding data collection and performance reporting, DPP currently utilizes POSSE to assess permitting data, although this process is not automated or user-friendly. Since November 2022, DPP has consistently reported backlog data to the Honolulu City Council. DPP reported that the permitting software system they have recently acquired is expected to offer advanced data collection capabilities, analytical functions, and detailed reporting options, facilitating the identification of trends and measurements in permitting process flows. According to staff, the department remains committed to exploring industry best practices and standards in other jurisdictions to establish meaningful and aspirational performance measures.

### NEXT STEPS
When the new permitting software system is implemented, the department should establish appropriate performance benchmarks, collect data, and report on its performance.

## Recommendation 8




**Evaluate and establish an appropriate professional designation for entry-level intake clerks and permit reviewers that include minimum qualifications, description of duties, certification requirements, and compensation.**

In its original response to Report No. 20-01, DPP stated this recommendation was in-process. Specifically, they had been in discussion with their neighbor island counterparts, as this related to collective bargaining and uniform classification of positions statewide.

### STATUS UPDATE
DPP initiated an internal training program for clerks that includes blueprint reading, research, and familiarity with Land Use Ordinance codes. This training equips intake clerks with a comprehensive understanding of the permitting process, enabling them to eventually progress to the role of residential plans examiner. Additionally, current plans examiners have been enrolled in external International Code Council (ICC) training, paving the way for obtaining basic ICC certification.

DPP reported that they conduct an ongoing assessment of job descriptions to better align with current job performance requirements. We verified that DPP, in collaboration with the Department of Human Resources and city administration, is in discussion with relevant unions to address the issue of insufficient compensation for these positions. Following our evaluation of the current entry-level intake process and ongoing position evaluations, we consider this recommendation completed.

## Recommendation 9




**Properly collect, calculate, and report performance data for how long building permits take from time of initial application receipt to building permit issuance, to include sub-data for each review agency and account for time between reviews.**

DPP agreed with this recommendation and stated they would incorporate monitoring needs as they updated POSSE.

### STATUS UPDATE
On January 24, 2024, DPP signed a contract with a vendor for a new permitting software system. After the completion of additional paperwork that will lead to a Notice to Proceed, the new system will be fully implemented within 18 months to 2 years, with rolled out system functionalities that will benefit the building permit process on a near term basis.

### NEXT STEPS
DPP should progress with implementation of the new software as soon as possible to begin collecting important performance data.

## Recommendation 10




### Implement an internal audit function within the permit issuance branch to oversee plan review including Third Party Reviewer.

In its original response to Report No. 20-01, DPP stated this recommendation required further study. DPP did not have staff capable of performing audits, and stated that a more neutral party may be more appropriate to oversee TPR entities.

#### STATUS UPDATE

DPP conducted an internal audit of the commercial and residential Third Party Reviewer (TPR) process from September 1, 2021 to December 31, 2021. TPRs are independent reviewers that have been approved by DPP to review residential and commercial building plans. These building plans are then fast tracked through DPP's permitting process.

The audit found a low success rate, and the internal audit function lasted only four months and lacked both reporting and ongoing continuous TPR audits. Specifically, four companies had 100% discrepancy with their building plan review submittals. Three additional companies had 50% discrepancy, 12.5% discrepancy, and 6.25% discrepancy, respectively, with their plan submittals. Only one company had a 0% discrepancy with its plan submittals.

After the internal audit was completed, DPP suspended its internal TPR audit function until they can address the backlog effectively. DPP has communicated its ongoing efforts to enhance the existing TPR rules, aiming to establish more rigorous qualifications, testing procedures, and audit requirements.

#### NEXT STEPS

DPP should revamp the TPR rules to provide more robust qualifications, as well as testing and audit requirements.

## Recommendation 11




### Formally account and document third party review certification fees to ensure that program requirements are met.

In its original response to Report No. 20-01, DPP stated this recommendation was already in-process. The TPR renewal fee of $300 was being collected prior to the expiration of TPR registration, but imprecise accounting for each renewal fee could have been attributed to the lack of a cashiering software available for the department's use. DPP was in the process of integrating a cashiering software with POSSE web, which could have included automating the certification process.

#### STATUS UPDATE

DPP developed and implemented an electric accounting system to record TPR certification fees, ensuring compliance with program requirements. We evaluated the system and determined that DPP has effectively instituted a formalized procedure for recording and documenting TPR registrations, including associated fees. DPP is actively overseeing TPR certification fees to ensure compliance with program requirements, particularly as new TPR rule amendments are introduced. Additionally, DPPs new permitting software, once implemented, will establish a centralized and automated cashiering system that complements the electric accounting system.

Based on our review of the electric accounting system and the anticipated support from the upcoming permitting software, we consider this recommendation completed.

## Recommendation 12

Not Started

### Review and incorporate applicable IAS Accreditation criteria into its policies and procedures to ensure DPP's services meet the national standards to provide public safety services for the City and County of Honolulu.

In its original response to Report No. 20-01, DPP stated this recommendation was in-process. An all-day staff workshop was conducted on June 21, 2019, by an IAS representative that included an overview of the requirements and benefits of being an accredited building department. Attending staff earned training certificates, and DPP believes it complies with most of the requirements for accreditation.

#### STATUS UPDATE

DPP management reported that, at present, they are unable to implement this recommendation. However, they expressed an interest in the International Accreditation Service (IAS) accreditation once the required changes have been enacted. We consider this recommendation not started.

#### NEXT STEPS

When DPP has sufficient time and resources, it should reprioritize IAS accreditation.

## Recommendation 13

Dropped

### Develop clear guidelines and user information for its online appointment scheduling services and post them on the department's website.

DPP agreed with this recommendation, stating that the abuse of the online appointment system by certain companies monopolizing appointment slots was an unanticipated consequence.

#### STATUS UPDATE

In 2020, DPP cancelled their online appointment and scheduling program. This recommendation is no longer applicable and we consider it dropped. DPP is in the process of meeting with two vendors for alternative customer service arrangements. One vendor provides a software platform to streamline permitting by informing applicants of detailed land use codes, permit requirements, and fees so applicants have a comprehensive overview of their project and begin the process more informed. The second vendor provides customer experience management solutions that includes an easy appointment booking, preparing customers for their visit, and sharing updates.

## Recommendation 14

Dropped

### Implement and enforce controls to prevent private entities from booking more than two (2) building permit review appointments per day.

DPP agreed with this recommendation and stated they would pursue alternative solutions to the online appointment system.

### STATUS UPDATE

This recommendation pertains to the online appointment and scheduling program that was discontinued in 2020. This recommendation is no longer applicable and we consider it dropped. DPP is looking into alternative methods to replace this program, including a software platform that streamlines services and a customer experience management solution that involves appointment booking.

## Recommendation 15




**Improve customer education and outreach by distributing or posting an online checklist or other pertinent information about the overall permit process requirements, and associated processing times.**

DPP agreed with this recommendation, but noted the challenge in to providing useful, simple, decisive information given the complexity of permitting.

### STATUS UPDATE

DPP revamped its website in Fall 2022 to address this recommendation and enhance customer education and public outreach. We found that the redesigned website now offers a more user-friendly and intuitive experience. The website provides general permitting information, allowing users to delve into more specific details as needed. Unlike during our original audit, the website now features checklists and step-by-step guidance for prescreen and other permitting processes.

DPP stated that they remain committed to enhancing user support by developing additional checklists and guidance for various permits, aiming to offer a comprehensive and user-friendly experience. The website also incorporates permit status information, and the upcoming permitting system is expected to provide transparent details on permit processing time and status.

Based on our review of the redesigned website, we determined that the website changes adequately align with the audit recommendation's intent and consider this recommendation complete.

## Recommendation 16




**Reaffirm DPP's commitment to educate and expand its ePlans program by establishing, and enforcing, formal policies and procedures that require all new building applications be submitted through ePlans.**

In its original response to Report No. 20-01, DPP said this recommendation was in-process. They remained optimistic that as DPP migrated to a web-based POSSE system that included a more POSSE-compatible ePlan software, deployment would be quicker and popular.

### STATUS UPDATE

As of July 2023, DPP requires all residential and commercial plans be submitted electronically. Additionally, the department noted that they revamped their website in Fall 2022 as part of their commitment to educate and expand its ePlans program. The website now includes educational materials, including how to submit documents under ePlans. We found that the website changes sufficiently meet the intent of the audit recommendation and consider this recommendation completed.

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# Appendix A
## Audit Objectives, Scope, and Methodology

The objective of this follow-up audit is to determine whether the Department of Planning and Permitting (DPP) has adequately addressed the 16 recommendations in Report No. 20-01, *Audit of the Department of Planning and Permitting's Processes for Reviewing Building Permit Applications, Resolution 18-284, CD1, FD1*, with appropriate corrective actions. This follow-up audit is limited to reviewing and reporting on the implementation of the outstanding audit recommendations.

All 16 recommendations were reviewed in order to assess the extent to which the DPP's corrective actions are substantiated. We reviewed the original audit and requested updated responses for each recommendation. We reviewed supporting documentation pertinent to the follow-up audit.

We assessed DPP's internal controls to the extent that they relate to the audit objectives. During the audit we were not aware of any other investigations, audits, or other work by other agencies that may impact our work.

We met with representatives of DPP to discuss our preliminary findings in order to identify any concerns or clarifications that may be appropriate to the report. We then provided a written draft of the report that DPP and city administration could use as a basis for its formal written responses to the follow-up audit.

The audit was conducted from July 2023 to January 2024 in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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# Appendix B
## Management Response

**DEPARTMENT OF PLANNING AND PERMITTING**
***KA 'OIHANA HO'OLĀLĀ A ME NĀ PALAPALA 'AE***
**CITY AND COUNTY OF HONOLULU**

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DEPUTY DIRECTOR
*HOPE PO'O*

February 9, 2024

Ms. Arushi Kumar
City Auditor
Office of the City Auditor
City and County of Honolulu
1001 Kamokila Boulevard, Suite 216
Kapolei, Hawai'i 96707

Dear Ms. Kumar:

SUBJECT: Follow-up on Recommendations from Report No. 20-01, Audit of the Department of Planning and Permitting's (DPP) Processes for Reviewing Building Permit Applications, Resolution 18-284, CD1, FD1.

Thank you for the opportunity to work with your staff and to respond to the *Follow-up on Recommendations from Report No. 20-01, Audit of the Department of Planning and Permitting's Processes for Reviewing Building Permit Applications, Resolution 18-284, CD1, FD1*.

The purpose of the original audit, issued in January 2020, was to evaluate DPP's processes for reviewing building permits and make recommendations for improving the experience of building permit applicants, including reduced processing time and providing applicants with a timely update on the status of their permit applications.

This follow-up audit report determined that of the sixteen recommendations, four are completed, two are resolved, four are dropped due to the risk associated with the recommendation no longer existing, or the recommendations being no longer applicable, five are in process, and one has not started. DPP agrees with these findings and provides the following comments.

DPP is singularly focused and committed to address the long-standing systemic causes of permitting process inefficiencies and deficiencies in order to provide the public, commercial, and residential development communities with timely and effective

permitting reviews. To fully address the remaining five in process and one not started audit recommendations, DPP is actively creating Standard Operating Procedures (SOPs) to formalize proper, uniform, and efficient permit review workflow processes. DPP is also actively recruiting and hiring staff, addressing long-standing salary deficiencies, providing key training to DPP staff, modernizing DPP permitting technology, and collecting, aggregating and measuring permitting data to provide timely permitting data to DPP staff and applicants. Specific to each remaining audit recommendation, DPP comments as follows:

**Recommendation 5 (In Process)** – *Improve its processes by prioritizing building application types, segregating them by complexity, and distributing them among staff so that less complex permit applications can be reviewed quicker.*

DPP agrees with the follow-up audit's "NEXT STEPS" for this recommendation. As we achieve sufficient staffing capacity and implement the new permitting software, we intend to create additional specialized processing by permit type for greater processing efficiency. DPP already segregates some applications to achieve processing efficiencies.

**Recommendation 6 (In Process)** – *Formalize its workflows and processes and integrate them with POSSE and ePlans.*

DPP agrees with the follow-up audit's "NEXT STEPS" for this recommendation. As noted above, DPP is already formalizing SOPs and in combination with the new permitting software in procurement, DPP will integrate SOP workflows and processes with the permitting software to maximize permit processing efficiencies.

**Recommendation 7 (In Process)** – *Establish meaningful performance measures, collect appropriate data, and report its compliance with performance benchmarks.*

DPP agrees with the follow-up audit's "NEXT STEPS" for this recommendation. We are currently developing meaningful permitting performance measures and metrics that the new permitting software will monitor and track through its data collection and reporting functionalities.

**Recommendation 9 (In Process)** – *Properly collect, calculate, and report performance data for how long building permits take from time of initial application receipt to building permit issuance, to include sub-data for each review agency and account for time between reviews.*

DPP agrees with the follow-up audit's "NEXT STEPS" for this recommendation. The new permitting software will have data aggregation and data sorting functionalities to collect, monitor, and report performance data on general permitting processing times, as well as the times spent under the various agency and applicant reviews, for full transparency and a clearer understanding of processing phases and bottlenecks.

**Recommendation 10 (In Process)** – *Implement an internal audit function within the permit issuance branch to oversee plan review including Third Party Reviewer (TPR).*

DPP agrees with the follow-up audit's "NEXT STEPS" for this recommendation. We are currently working on revamping the TPR administrative rules to provide greater accountability and oversight of TPRs.

**Recommendation 12 (Not Started)** – *Review and incorporate applicable IAS Accreditation criteria into its policies and procedures to ensure DPP's services meet the national standards to provide public safety services for the City and County of Honolulu.*

DPP agrees with the follow-up audit's "NEXT STEPS" for this recommendation. It is an opportune time for us to incorporate IAS accreditation criteria as we concurrently develop SOPs and additional capacity through the recruiting and hiring of staff and modernization of our DPP technology.

Thank you again for the opportunity to review and comment on the follow-up audit. DPP is unwavering in its commitment to complete the remaining recommendations as we drive systemic improvements and efficiencies in Honolulu's building permit application system.

Very truly yours,

Dawn Takeuchi Apuna

APPROVED:

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