

Post-Audit Review 19-01: LDO Street Cut Inspections

May 2020

City Auditor

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OFFICE OF INTERNAL AUDIT

Stan Sewell, City Auditor

May 7, 2020

To: Mayor Andy Berke
City Council Members

Subject: Post-Audit Review of LDO Street Cut Inspections (Report #19-01)

Dear Mayor Berke and City Council Members:

Attached is a summary report on the status of audit recommendations in our 2019 LDO Street Cut Inspections report. The purpose of this report is to confirm whether, and to what degree, management has implemented the recommendations made in the original audit.

The original audit concluded:

1. Formal policies and procedures were not in place;
2. City Code was not followed;
3. City Code needed to be strengthened related to street cuts; and,
4. Sufficient staff was not available to perform the required inspections, even though the inspector worked diligently to perform their job.

The audit had 19 recommendations to improve efficiency and effectiveness of the inspections process, as well as addressing internal control deficiencies observed. As of the time of this Post-Audit Review, seven recommendations were not implemented, six were partially implemented, and six were implemented. Recommendations partially implemented and not implemented are herein reported to the Audit Committee for follow-up, as appropriate.

This Post-Audit Review consisted principally of inquiries of City personnel and examinations of various supporting documentation. It was substantially less in scope than an audit in accordance with generally accepted government auditing standards. The evidence obtained provided a reasonable basis for our conclusions; however, had an audit been performed, other matters might have come to our attention that would have been reported to you and our conclusions may have been modified.

Sincerely,

Stan Sewell, CPA, CGFM, CFE
City Auditor

Attachment

cc: Audit Committee Members
 Kerry Hayes, Chief of Staff
 Maura Sullivan, Chief Operating Officer
 Donna Williams, Administrator, Economic and Community Development
 Justin Holland, Administrator, Public Works
 Blythe Bailey, Administrator, Transportation Department
 Dallas Rucker, Land Development Office Director
 Mark Heinzer, City Transportation Engineer
 Jim Arnette, Tennessee Local Government Audit

RECOMMENDATIONS NOT IMPLEMENTED (7)

| Recommendation | Actions Taken |
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| 2 We recommended the City Code be updated to specify only reputable paving companies, possessing a Tennessee commercial contractor license BC-B or BC are allowed to repave street cuts. | A review of City Code section 32-67, <i>Manner of Excavating Street</i> , found no change limiting the ability to pave City roadways. LDO updated the street cut permit, requiring contractors to provide the name of the company performing the paving. CDOT indicated they agree with the change and will assist in coordinating City Code changes upon further request/direction. |
| 5 We recommended LDO and CDOT work together to develop a documented process that will ensure the required evaluations in City Code Section 32-63 are performed. | LDO, CDOT, and PW have met twice in regards to recommendations with the street cuts audit. However, a documented plan has not been developed. |
| 6 We recommended all utilities be required to enter applications electronically. Applications should be processed the day of receipt and forwarded immediately to inspectors for handling. | LDO is installing a new permitting system, expected to go live this month. LDO states utilities will be required to enter permits electronically at that time, along with most other vendors. |
| 12 We recommended City Code be amended to require an inspection of all street cuts one month prior to expiration of the warranty period. | A review of City code section 32-69 showed no additional required inspections added since Audit 19-01 was published. LDO indicated they have met with CDOT since the audit was released to discuss these issues. LDO staff is currently developing procedures to address this recommendation in hopes of obtaining additional staff to perform the inspections. CDOT indicated they will assist in coordinating City Code changes upon further request/direction. |
| 13 We recommended the City Code be amended to require a warranty period for road excavations for a period of five years. | A review of City Code section 32-68(b) showed an expanded warranty period has not been added since Audit 19-01 was published, with the warranty period for street cuts remaining at twelve months. CDOT indicated they agree with the change and will assist in coordinating City Code changes upon further request/direction. |

Recommendation**Actions Taken**

- 14 We recommended City Code be revised to mandate metal plates used in street repairs be clearly marked to identify the owner. We further recommended City Code specify a maximum allowable number of days steel plates may be left on the roadways without City Engineer approval.
- 18 We recommended LDO and CDOT review the various aspects of street cut inspection, in conjunction with organizational structure, to ensure maximum effectiveness and efficiency.

A review of City Code found no changes had been made regarding metal plates used in street repairs. While City Code has not been updated, LDO is requiring vendors to identify their plates. LDO issued a memorandum in June 2019 requiring contractors to place a name and phone number on their plates. The memo is distributed when a permit is issued, and also emailed to regular contractors.

Per LDO, there have been two meetings between CDOT and LDO to discuss operational issues, but no discussion of organizational structure took place. LDO staff feels it is logical for street cut inspections to be performed in CDOT.

CDOT has determined they are appropriately organized and staffed to manage their current responsibilities related to street cut operations.

RECOMMENDATIONS PARTIALLY IMPLEMENTED (6)

| Recommendation | Actions Taken |
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| <p>1 We recommended staffing be increased to allow all required street cut inspections be performed per code. We further recommended all inspections be documented in the permitting system.</p> | <p>Additional inspectors were requested in the FY2020 budget. However, they were not granted. LDO has requested additional inspectors for the FY2021 budget. Per LDO management, other ECD inspectors cannot be pulled into street cut inspections as they are working at full capacity. The Street Cut Inspector is inputting inspection notes into the permitting system. Currently, the Street Cut Inspector position is vacant and in process of being filled.</p> |
| <p>10 We recommended the Street Obstruction and Excavation Bond form be revised to include an address for notification of cancellation, with the expiration date relocated on the form to make it more noticeable. We further recommended a formal written procedure be developed to ensure a bond is currently valid.</p> | <p>LDO issued a memorandum effective August 1, 2019 to contractors requiring the bond be submitted prior to permit approvals. They contacted bonding companies, furnishing the correct return address. LDO is redesigning the bonding form used for street cut permits. Written procedures for this requirement have been updated and put in place.</p> |
| <p>11 We recommended CDOT update the drawings and specifications to comply with current City Code pertaining to street cut specifications.</p> | <p>CDOT has updated the drawings #SD-200.01 and #SD-200.02 to comply with City Code section 32-67(e). CDOT has submitted the updated drawings to PWD to be uploaded to the City's website, but they have not been uploaded. The specifications for street cut repair have not been updated and do not comply with City Code. The lack of appropriate drawings and specifications causes LDO problems with vendors who rely on out-of-date drawings and specifications from the website.</p> |
| <p>15 We recommended Public Works policies be amended to require their divisions receive zero-cost street cut permits and geocode the location of repairs. This will allow LDO to accurately track activity in the right-of-way and provide data for CDOT PCI calculations. We further recommended Public Works Divisions comply with City Code section 32-67 for street cut repairs or use alternate materials and processes that are equivalent to code requirements.</p> | <p>Public Works has developed a procedure to accomplish this task, but it has not been implemented, to-date. In addition, written policies have not been developed to address this issue.</p> <p>Public Works does not use flowable fill, as required by City Code section 32-67, as it takes several days to dry. A concrete PUG, containing 3 to 5% cement in the mix, is used to fill street cuts. CDOT personnel have indicated this type of PUG is an acceptable substitute for flowable fill. However, they indicated if the underlying</p> |

| Recommendation | Actions Taken |
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| <p>16 We recommended CDOT, in conjunction with LDO and PWD, develop and implement processes to transfer geocoded street cut data to Micropaver.</p> | <p>material below the PUG was initially installed poorly (1970's, 1980's) it would deteriorate quickly.</p> <p>The street cuts performed by Public Works are geocoded and the data is transferred to CityWorks. The City owns an uninstalled interface between Micropaver and CityWorks. Public Works, in conjunction with CDOT, LDO, GIS and the Office of Performance Management & Open Data, is developing a GIS linked database to capture pavement repairs completed by all departments. However, geocoding street cuts has not been addressed.</p> |
| <p>17 We recommended development of written, detailed policies and procedures for the permitting, billing and inspections related to street cuts. These policies should reflect City Code requirements, as well. Procedures should include documentation of inspections, handling of inspector notes and follow-up information and information be required to be recorded electronically in the system within a short time of the inspection. Receipt of the policies should be documented by signature of the employee when distributed.</p> | <p>LDO has updated written policies for the permitting process. They are developing written procedures for inspections as they relate to street cuts.</p> |

RECOMMENDATIONS FULLY IMPLEMENTED (6)

| Recommendation | Actions Taken |
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| <p>3 We recommended City Code be followed with all contractors and utilities prohibited from receiving further permits until noncomplying work is repaired to standards, per code section 32-69.</p> | <p>LDO stated inspectors are currently not issuing permits to vendors who have outstanding permit violations. Code inspectors are verifying street cuts have been permitted, and completed, or street cuts properly repaired prior to issuing certificates of occupancy. All ECD inspectors notify the Street Cut Inspector of improperly repaired, or poorly paved, street cuts when they see them.</p> |
| <p>4 We recommended an effort be made to inspect all street cuts currently nearing expiration of warranty. This would likely require the temporary use of human resources currently not allocated to street cut inspections. Vendors who have repaired street cuts unsatisfactorily, and are under warranty, should be required to repair them immediately.</p> | <p>Per LDO, other inspectors in the office were pulled for two months to inspect street cuts with expiring warranties, causing other inspections to fall behind. All ECD inspectors now look for deteriorating street cuts and forward the location to the Street Cut Inspector.</p> |
| <p>7 We recommended utilities be informed of the City Code requirement that no work proceed prior to issuance of a permit (excepting emergencies), per City Code section 32-62.</p> | <p>LDO informed the utilities of this requirement, issuing a memorandum effective August 1, 2019. The utilities are requesting permits prior to commencing work and the Street Cut Inspector is receiving the utility permits daily.</p> |
| <p>8 We recommended only vendors listed in City Code be billed monthly.</p> | <p>LDO currently bills monthly only vendors listed in City Code section 32-64.</p> |
| <p>9 We recommended City Code 32-71 for contractor's insurance requirements be enforced immediately, requiring receipt prior to street cut permits being issued. We further recommended this procedure be included in LDO's written policies and procedure.</p> | <p>LDO issued a memorandum effective August 1, 2019 to contractors requiring proof of insurance be submitted prior to street cut permit approvals. They updated the written procedures as well.</p> |
| <p>19 We recommended the street cut inspector receive a Tennessee Department of Transportation Hot Mix Road Roadway certification the next time the course is offered.</p> | <p>The Street Cut Inspector has received the Hot Mix Roadway and two additional certifications since the audit was published.</p> <p>The Street Cut Inspector has transferred to a position in CDOT. The replacement employee should be a conditional hire pending receipt of all required certifications within the timeframe in the job description.</p> |

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