

# Certificate of Occupancy Process

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## INTRODUCTION AND BACKGROUND

The management audit of the certificate of occupancy process was conducted in response to concerns that commercial building projects were completed and occupied without valid certificates of occupancy, as required by State law and the King County Code. A certificate of occupancy is certification that a building meets all code requirements for a classified use.

The DDES Commercial Inspections Section is responsible for performing all building and fire inspections during commercial construction and authorizing the occupancy of completed commercial buildings. The Commercial Inspections Section was staffed in 1992 by 1 commercial inspections supervisor, 3 assistant building and fire inspections supervisors, 15 building and fire inspectors, and 5 clerical positions.

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## OBJECTIVE AND SCOPE

The audit objective was to determine whether commercial building projects were appropriately certified for occupancy and that certificate of occupancy processing fees were collected to maximize DDES revenues.

The audit scope was limited to the review and evaluation of the effectiveness of the County's certificate of occupancy process. Audit analysis focused on DDES's current policies and procedures related to final inspections and certification of commercial building projects for occupancy, and included an in-depth examination of two samples of commercial projects. The first sample was drawn to identify the status of all commercial projects and activities with expired permits, and the second sample was drawn to examine specific process steps in the completion and final certification of recent commercial projects. In addition, the audit examined the collection of fees and revenues associated with the final inspection and certificate of occupancy processes for commercial projects. The effectiveness of DDES management systems related to the certificate of occupancy process was also reviewed.

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## SUMMARY STATEMENT OF FINDINGS

The general conclusion of the audit was that improvements were needed to enhance the efficiency and effectiveness of the certificate of occupancy process and ensure compliance with the County Code. Specific improvements identified in the audit included: implementation of a proactive inspections program to curtail the occupancy of commercial buildings without certificates of occupancy; development of an equitable fee structure that considers DDES revenue requirements; development of formal policies and procedures for the certificate of occupancy process; increased coordination among the DDES agencies involved in reviewing and approving certificates of occupancy; and improved utilization of the Sierra Permits Automation System to streamline the certificate of occupancy process.

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## MAJOR FINDINGS AND RECOMMENDATIONS

Finding II-1. Many commercial buildings occupied without certificates of occupancy.

A high percentage (45%) of commercial permits expired without a certificate of occupancy, resulting in many buildings being occupied without final inspections or certificates of occupancy.

*The audit recommended* that DDES management review all projects and activities with expired permits to determine current status, close out as appropriate, and update management records

Finding II-2. ***Lack of proactive inspections program contributed to occupancy of buildings without valid certificates.***

The lack of a proactive inspections program allowed commercial permits to lapse without inspections or follow-up by commercial inspectors. Additionally, increased use of temporary certificates of occupancy gave developers little incentive to pursue issuance of the final certificate of occupancy.

*The audit recommended* the implementation of a proactive inspections program to ensure the efficient processing of the commercial inspections workload, including improvements to the automated permit tracking system to monitor permit status data, and systematic scheduling of follow-up inspections on inactive permits and temporary certificates of occupancy.

Finding II-3. Fee inequities discouraged developers from complying with certificate of occupancy requirements.

A high fee structure for permit renewals and site inspections discouraged developers from complying with certificate of occupancy requirements. Consequently, DDES management and staff developed fee alternatives that were not sanctioned by the Council or implemented equitably, and that ultimately may have resulted in revenue reductions for DDES.

*The audit recommended* that DDES management, in cooperation with the Budget Office, analyze the fee modifications suggested by Commercial Inspections management to promote an equitable fee schedule. Appropriate modifications to the fee schedule should also consider DDES revenue requirements and be formally presented to the Council for adoption.

Finding II-4. Lack of internal coordination resulted in issuance of certificates of occupancy on expired permits.

Lack of coordination among DDES commercial building inspectors, commercial fire inspectors, and the site development inspectors delayed certification processing and resulted in the issuance of certificates of occupancy on expired permits.

*The audit recommended* that DDES management continue to improve the coordination of the building, fire and site development inspections functions by automating the inspections, approval,

and review processes to expedite the issuance of certificates of occupancy and to avoid issuance of certificates on expired permits.

Finding III-1. Improved management systems needed to enhance accountability and efficiency of certificate of occupancy process.

DDES's management systems could be improved to enhance the Commercial Inspections Section's accountability and the efficiency of the certificate of occupancy process. Specifically, formal guidelines were needed for the commercial inspections and certificate of occupancy process. In addition, the Section's records management practices needed to be streamlined to minimize inefficiencies and redundancies that contributed to the lengthy certificate of occupancy process.

*The audit recommended* that DDES management establish operating standards for the Commercial Inspections Section and routinely monitor staff performance. DDES management should also streamline and automate documentation for commercial inspections and encourage appropriate utilization of automated resources to promote efficiency and accountability in the inspection approval process for temporary and final certificates of occupancy

Finding III-2. Project monitoring difficult due to unwieldy Sierra Permits Automation System.

The unwieldy permit structure of the Sierra Permits Automation System contributed to the Commercial Inspections Section's difficulty in monitoring the status of commercial projects to completion and certification for occupancy.

*The audit recommended* that Commercial Inspections Section management develop procedures for consistently recording permit, inspection, and certificate of occupancy information on the Sierra Permits Automation System and for linking related permits to facilitate workload processing.

Finding III-3. While the collection rate for certificates of occupancy was high, payment practices were inconsistent.

While the collection rate for recently issued certificates of occupancy was high (90%), the process for payment of certificate of occupancy fees was not formalized and fee collection practices were inconsistent among inspectors.

*The audit recommended* that DDES management develop formal policies for the collection of certificate of occupancy fees and recording and documentation of fees on the Sierra Permits Automation System. The system should also be programmed to prohibit printing of the final certificate of occupancy until all fees are paid.

*Updated: 10/25/06*