



## Residential Building Records

The Cities of San Rafael, Novato, and Pasadena  
Need to Strengthen the Implementation of Their  
Resale Record Programs

Report 2015-134

COMMITMENT  
INTEGRITY  
LEADERSHIP

The first five copies of each California State Auditor report are free. Additional copies are \$3 each, payable by check or money order. You can obtain reports by contacting the California State Auditor's Office at the following address:

California State Auditor  
621 Capitol Mall, Suite 1200  
Sacramento, California 95814  
916.445.0255 or TTY 916.445.0033

OR

This report is also available on our website at [www.auditor.ca.gov](http://www.auditor.ca.gov).

The California State Auditor is pleased to announce the availability of an online subscription service.  
For information on how to subscribe, visit our website at [www.auditor.ca.gov](http://www.auditor.ca.gov).

Alternate format reports available upon request.

Permission is granted to reproduce reports.

For questions regarding the contents of this report,  
please contact Margarita Fernández, Chief of Public Affairs, at 916.445.0255.

For complaints of state employee misconduct, contact the California State Auditor's  
Whistleblower Hotline: 1.800.952.5665.

March 24, 2016

2015-134

The Governor of California  
President pro Tempore of the Senate  
Speaker of the Assembly  
State Capitol  
Sacramento, California 95814

Dear Governor and Legislative Leaders:

As requested by the Joint Legislative Audit Committee, the California State Auditor presents this audit report concerning the administration of residential building record (resale record) programs by the cities of San Rafael, Novato, and Pasadena. These cities each have a resale record ordinance requiring owners of residential properties to obtain from the city a review of the property's records, including an inspection for health and safety violations, prior to the sale or transfer of the property. Each city summarizes its review by preparing a resale record report (report), which identifies violations of the California Building Standards Code (code) and local regulations. The cities can require the property owner to correct the violations and, if necessary, obtain the appropriate building permits from the city and a reinspection of the property.

This report concludes that the cities need to strengthen several aspects of their resale record programs to foster property owners' compliance with local laws and to address lingering health and safety risks. Specifically, the three cities are not actively monitoring sales and transfers of residential properties, which limits their ability to ensure that inspections are performed as required. In addition, the cities do not have formal processes for addressing complaints in a consistent manner, as well as tracking the complaints they receive and how they are resolved. Moreover, the cities do not consistently follow up with property owners on the correction of violations identified during the inspections, despite having policies to do so. In fact, we noted that each city has a significant backlog of properties with unresolved violations requiring permits or reinspections.

The three cities have various goals for completing inspections and issuing reports within specific time frames, although we identified several instances where San Rafael and Pasadena did not meet their time goals. In contrast, Novato met its time goal of 10 business days from the inspection date to the report issuance date for those properties we reviewed, although we conclude that this goal appears to be much longer than the city needs.

Further, our analysis of and subsequent inquiries about the cities' current fee structures for single-family and condominium dwellings—the most common types of fees charged—ultimately determined that the three cities are likely undercharging property owners for these inspections. We also determined that most of the inspection staff the cities employed during the past five years either met or exceeded the minimum qualifications for their positions. Although resale record inspectors at the three cities have attended continuing education sessions regarding building standards, the cities do not keep attendance records and have not established continuing education requirements to ensure that their staff remain current on code requirements.

Respectfully submitted,



ELAINE M. HOWLE, CPA  
State Auditor

Blank page inserted for reproduction purposes only.

## Contents

Summary	1
Introduction	7
<b>Audit Results</b>	
The Three Cities Are Not Fully Complying With Their Respective Ordinances and Policies for the Residential Building Record Programs	15
The Cities Do Not Have Formal Processes to Address Complaints in a Consistent Manner	20
The Cities Have Not Consistently Ensured the Correction of Violations, Resulting in Backlogs and Lingering Health and Safety Risks	24
Two Cities Did Not Always Meet Their Time Goals, and the Other City Did Not Fully Establish Goals	29
The Cities Lack Processes to Demonstrate the Appropriateness of Their Fees	32
Although Inspectors Are Qualified, the Cities Do Not Have Standards for Continuing Education and Do Not Maintain Supporting Records	35
Recommendations	38
<b>Responses to the Audit</b>	
City of San Rafael	43
California State Auditor's Comment on the Response From the City of San Rafael	45
City of Novato	47
California State Auditor's Comments on the Response From the City of Novato	53
City of Pasadena	55
California State Auditor's Comments on the Response From the City of Pasadena	61

Blank page inserted for reproduction purposes only.

## Summary

### Results in Brief

The cities of San Rafael, Novato, and Pasadena have each adopted a residential building record (resale record) ordinance that requires property owners who intend to sell their property to obtain a review of the city's records of that property, including an inspection for health and safety concerns, before the sale or transfer.<sup>1</sup> More specifically, the ordinances of San Rafael and Novato require that property owners of single-family dwellings and multifamily dwellings obtain an inspection of the property from the city and that the city prepare a resale record report (report) and make it available to prospective buyers before the sale of the property. Pasadena's ordinance requires that a property owner obtain a city inspection of the property and that the city issue a Certificate of Inspection (inspection certificate) before the property is transferred. If Pasadena identifies violations during the inspection, it issues a report to the property owner and follows up on corrections of the violations before issuing the inspection certificate.<sup>2</sup> The reports for all three cities identify violations of the California Building Standards Code (code) and their municipal codes. The code identifies a wide range of building requirements, from regulating electrical work to requiring that handrails be a specific height. If the cities identify violations, they can require the property owner to correct the violations and, if necessary, obtain the appropriate building permits from the city.

The three cities we reviewed are not fully complying with their respective resale record ordinances. Specifically, none have procedures in place or are monitoring to identify properties that are sold or exchanged, which limits their ability to ensure that inspections are being performed as required. In addition, Pasadena's records for inspection certificates were missing or incomplete for 10 of the 17 properties we reviewed that had application dates from July 2014 through October 2015. Without an inspection certificate, the city lacks assurance that the property is in compliance with the ordinance related to the health and safety of its residents. Furthermore, San Rafael and Novato are unable to document in certain instances that buyers are aware of health and safety violations that exist at their new properties, as their respective ordinances require. According to the three cities, their priority is

<sup>1</sup> Pasadena's ordinance is known as the *inspection ordinance*, and its application is triggered when a property is vacated and then reoccupied. For the purpose of this audit report, we refer to it and the program the city administers—the Occupancy Inspection Program—as *resale record ordinance* and *resale record program*.

<sup>2</sup> If the property owner wants to sell the property "as is," the buyer can sign a Transfer of Responsibility form (transfer), which states that he or she will resolve any outstanding code violations. When the city receives a signed transfer, it issues a temporary inspection certificate.

### Audit Highlights...

*Our audit concerning the administration of residential building record (resale record) programs by the cities of San Rafael, Novato, and Pasadena revealed the following:*

- » *The three cities are not fully complying with their respective resale record ordinances and policies.*
- » *None of the cities have procedures or are monitoring to identify residential properties that are sold or exchanged.*
- » *The cities do not have formal processes to address complaints consistently nor do they track the complaints they receive or their resolutions.*
- » *Although the cities have policies for following up on inspections that identify violations requiring action from property owners, none of the cities consistently do so.*
- » *Each city has a significant backlog of properties with unresolved violations that require permits or reinspections.*
- » *The cities established time goals for their resale record programs, but they are not monitoring compliance with them, and San Rafael and Pasadena did not always meet their goals.*
- » *The cities are likely undercharging property owners for inspections of single-family and condominium dwellings.*
- » *The cities have not established continuing education requirements to ensure that their staff remain current on California Building Standards Code requirements.*

conducting inspections and identifying violations, and the owners are responsible for requesting and obtaining the appropriate documents. However, because each city requires that property owners obtain certain documents before the sale or exchange of a property and the cities have specific responsibilities, we believe the cities should take steps to monitor compliance with their local laws, such as working with their county assessors to be aware of property transfers.

In addition to not complying with all aspects of their ordinances, none of the three cities have formal processes to address complaints consistently nor do they track the complaints they receive or their resolutions. For the purpose of our review, we defined a *complaint* as a statement of dissatisfaction with an action or request the city made of a property owner pertaining to the program. The lack of formal complaint processes raises concerns about the cities' ability to readily demonstrate fairness and appropriateness in resolving complaints. We also noted that none of the three cities have a designated location in their databases for documenting information about complaints and resolutions.

Furthermore, although San Rafael, Novato, and Pasadena have policies and procedures for following up on inspections that identify violations requiring action from property owners, none of the cities consistently follow them. Specifically, for violations that require permits or reinspection, the cities should be issuing a reminder letter (notice letter) to the property owners of the corrections needed and then monitoring the promptness of owners' correction of the violations. Despite these policies, each city has a backlog of properties with unresolved violations that require permits or reinspection. Novato and Pasadena generated reports that identified numerous cases—more than 300 in Novato over the past nine years and nearly 4,600 in Pasadena during the past 15 years—that appear to still have outstanding violations from an inspection. However, we identified some cases within Pasadena's report in which the violations appear to have been resolved, so the actual number of resale record cases with outstanding violations is likely less. San Rafael cannot generate a summary report to identify all properties with outstanding violations because it did not identify the status of inspections of its resale record cases in its database until December 2015. However, it estimated that the backlog of properties with unresolved permit violations was about 150 cases as of November 2015 for properties that had resale record inspections in 2015. San Rafael does not know how many cases may still have unresolved violations until staff review each of the older cases in its database. The three cities cite staff workload as the primary cause of their backlogs, although they have taken some

action over the past two years to temporarily bolster their efforts at directing property owners to correct violations. However, they need to take more action.

The cities have established time goals for their resale record programs, but they are not monitoring compliance with them, and San Rafael and Pasadena do not always meet their goals. San Rafael and Pasadena have a time goal that measures the date an individual submits an application for the resale record report to the date of the inspection of the property (application to inspection), and then from the inspection date to the date the report is issued (inspection to report issuance). San Rafael's goal is 12 business days from application to inspection and two business days from inspection to report issuance. Pasadena's goal is seven calendar days from application to inspection and one calendar day from inspection to report issuance. Novato measures only the period from inspection to report issuance with a goal of 10 business days. Based on our review of 20 resale record reports from each city that were initiated from July 2014 through October 2015, San Rafael and Pasadena had some instances where they did not meet their goals, ranging from one to two additional business days and two to 20 additional calendar days, respectively. Novato met its time goal of 10 business days from inspection to report issuance for all 20 properties we reviewed, although this goal appears to be much longer than the city needs.

The three cities have based the fees they charge for their resale record programs on cost studies that were prepared many years ago. Additionally, San Rafael and Pasadena were unable to provide the detailed support for the cost studies they used to establish their fees. Novato was able to produce the detailed support for its current fees, but it did not perform an analysis until January 2016 at our prompting, in which it concluded that the city had subsidized its program by \$30,200 in fiscal year 2014–15.

To assess the reasonableness of the cities' current fees, we calculated the basic costs the cities incur to conduct an inspection. Our analysis showed that San Rafael and Novato are likely undercharging for inspections of single-family and condominium dwellings, which are the most common types of fees these cities charge. However, we could not determine if Pasadena was undercharging property owners because it was unable to quantify its overhead costs pertaining to the resale record inspections. Subsequent to our closing conference, Pasadena provided us with a draft cost study in which its consultant concluded that the city is currently undercharging for inspections. The city relied on the consultant's expertise to identify overhead costs, which the consultant was able to extract from the city's accounting system.

Finally, we determined that most of the resale record inspection staff the cities employed during the past five years either met or exceeded the minimum qualifications for their positions. We were unable to verify the qualifications of one former city employee and three contracted inspectors in San Rafael because the city did not have the applicable supporting records. The responsibilities of resale record inspection staff vary among the three cities, which accounts for differences in the minimum job qualifications each city established. Although resale record inspectors at the three cities have attended continuing education sessions regarding building standards, the cities have not established continuing education requirements to ensure that their staff remain current on code requirements. Because these code requirements are subject to change and have changed every three years, the frequency of these changes directly impacts the inspectors' responsibilities, which emphasizes the importance of participating in relevant continuing education.

### **Recommendations**

To ensure that the cities are aware of the degree of property owners' compliance with the cities' ordinances, San Rafael, Novato, and Pasadena should implement procedures that can help them monitor the sale or exchange of properties that require resale record inspections. San Rafael and Novato should also develop a process to verify that new property owners are aware of health and safety concerns regarding their property and any corrective actions they need to make. In addition, Pasadena should develop a process to ensure that staff sign the inspection certificates and add them to the city's database.

To ensure that the three cities can monitor stakeholders' satisfaction with their respective resale record programs and to ensure that they each have a uniform approach for resolving complaints, San Rafael, Novato, and Pasadena should develop a formal process for tracking the types of complaints they receive and how well they resolve those complaints.

To ensure that property owners correct violations in a timely manner, each city should develop a work plan by July 2016 to identify and address its respective enforcement backlog by April 2017, so that the cities are up to date with their enforcement actions, such as issuing notice letters and monitoring property owners' actions to resolve violations.

To ensure that the cities conduct their resale record inspections and complete the reports in a timely manner, they should establish a process to monitor how they are meeting their established time

goals from application date to report issuance, such as developing a reminder report or using an automated feature of their databases. Novato should also establish an expectation that is significantly shorter than 10 business days for the period from inspection to report issuance; further, it should establish a time goal for the period of application to inspection.

To ensure that the resale record fees the cities charge are appropriate, San Rafael should conduct a formal fee study by December 2016 that incorporates the actual costs associated with the issuance of a resale record report by dwelling type, and Pasadena should finalize its formal fee study by April 2016.

All three cities should develop a process to maintain continuing education attendance records and ensure that staff receive periodic continuing education through internal and external sources to enable them to remain current on code requirements, especially when the requirements are updated.

### **Agency Comments**

San Rafael and Novato generally concurred with our recommendations. However, Novato questioned the feasibility of monitoring property owners' compliance with certain aspects of its resale record ordinance, but the city stated it will explore options to implement the recommendation. Although Pasadena also concurred with most of our recommendations, it disagreed with a few of them because the city believes its current processes are sufficient.

Blank page inserted for reproduction purposes only.

# Introduction

## Background

Since 1969 state law has authorized California cities to implement and administer a residential building record (resale record) program. The California Government Code states that a city may adopt a local ordinance specifying that before the sale of any residential building, the owner or authorized agent shall obtain from the city a report of the resale record showing a variety of information, such as the regularly authorized use, occupancy, and zoning classifications of the property. The intent of the law is to provide consumer protection to home purchasers and to enhance the enforcement of zoning and health and safety regulations before the property's ownership is transferred.

To identify the health and safety violations, the cities enforce the regulations of the California Building Standards Code (code) and other municipal codes. The code identifies a wide range of building requirements, from regulating electrical work to requiring that handrails be a specific height. In addition, as presented in the text box, the code requires that the property owner obtain permits for any additions or modifications to existing structures. If a city identifies during a resale record inspection that a property had unpermitted work, the city may require the property owner to obtain the appropriate permits after the fact. In addition, cities may choose to include reviewing compliance with aspects of their municipal codes as part of the inspections. For example, Pasadena includes checking for defects or lack of weather protection for exterior wall coverings as one of its inspection items.

### The California Building Code requires a permit when an owner or authorized agent:

- Constructs, enlarges, alters, repairs, moves, demolishes, or changes the occupancy of a building or structure.
- Erects, installs, enlarges, alters, repairs, removes, converts, or replaces any electrical, gas, mechanical, or plumbing system.

Source: California Building Code, Section 105.1.

Note: The California Building Standards Code is composed of 12 parts, one of which is the California Building Code.

Not all cities have resale record ordinances and the requirements of the ordinances of those that do vary as do the programs' administration and requirements. For example, some cities issue a resale record report (report) that identifies the permits associated with a property, but some of these cities do not conduct physical inspections of those properties. In other cities, staff inspect only the exterior of the property. Although no comprehensive list of cities with a resale record ordinance exists, we identified at least 43 cities with such an ordinance, representing a minimum of 9 percent of the cities in California. As of January 2015 these 43 cities represented an aggregate population of 6.7 million people, which is equivalent to 17 percent of the State's population. These cities are primarily located in counties that are clustered in the Bay Area and in Southern California. For example, each of the

11 cities in the county of Marin has a resale record ordinance, and at least 19 of the 88 cities in the county of Los Angeles have such an ordinance.

### **Overview of State Resale Record Ordinances and Programs**

The audit request asked the California State Auditor to review the resale record program in San Rafael and two other cities. We selected Novato and Pasadena for review because the primary characteristics of these cities' resale record programs align closely to the issues addressed in the audit objectives. Specifically, the audit asked us to evaluate aspects of the programs that involve inspections, including the qualifications of the inspection staff and the timeliness of the cities' issuance of a report after an inspection. All three cities perform interior and exterior inspections, which require different staff qualifications than those for a city that performs only one of those types of inspections. Further, the audit objectives asked us to evaluate the consistency of the resale record reports and the objectivity of the complaint process. We determined that the housing in Novato and Pasadena shares similar characteristics to San Rafael's housing, which would provide context for the nature and resolution of the complaints.

Although the three cities' resale record programs are similar, their ordinances apply to different types of properties. The ordinances of San Rafael and Novato require that property owners of single-family dwellings and multifamily dwellings obtain an inspection of the property from the city and that the city prepare a report and make it available to prospective buyers before they sell the property. In contrast, Pasadena's ordinance requires inspections of single-family dwellings or duplexes when the units are reoccupied, sold, rented, leased, or exchanged. This inspection requirement does not apply to dwellings of three or more units, which includes boarding or rooming houses. Table 1 presents a summary of the three cities' resale record program administration and compares those programs.

In addition, these three cities have developed similar processes for each stage of the resale record program. Figure 1 on page 10 illustrates the overview of their processes. One difference is that Pasadena issues a Certificate of Inspection (inspection certificate) to the property owner when violations do not exist or have been corrected. The inspection certificate authorizes occupancy of the property. In contrast, in San Rafael and Novato, if the inspection identifies violations, the property can be occupied but the cities expect the seller or buyer will assume responsibility for correcting the violations.

To communicate the results of the resale record inspections, the cities use report templates to provide consistency in the contents of the reports. The reports include health and safety and municipal code violations and specify whether those violations require permits. For example, the three cities all require smoke detectors to be installed in dwellings, but they do not require property owners to obtain permits for them. In contrast, most construction and alteration activities require a permit before the construction begins.

**Table 1**  
**Summary of the Three Cities and Their Residential Building Record Programs**

	SAN RAFAEL	NOVATO	PASADENA*
Year the city adopted the resale record ordinance	1973	1987	1973
City population as of January 1, 2015	59,214	53,575	141,510
Age of housing stock	Approximately 77 percent of the properties were built before 1980; 62 percent were built before 1970.	Approximately 68 percent of the properties were built before 1980; 39 percent were built before 1970.	Approximately 77 percent of the properties were built before 1980; 65 percent were built before 1970.
Staffing levels and responsibilities	The primary residential building record (resale record) inspector is a seasonal, part-time employee.  The administrative assistant researches the property permits and prepares the report template for the inspector with the preliminary property information.	The primary resale record inspector is a full-time employee. The inspector conducts all the property history research, including reviewing prior resale record inspection reports.	There are three full-time employees who perform resale record inspections in addition to other city program inspections, such as the quadrennial inspections of multifamily dwellings.  The staff assistant processes the resale record applications and prints out property permit history for the inspector to review.
Number of resale record inspections in calendar year 2015 <sup>†</sup>	687	751	1,797

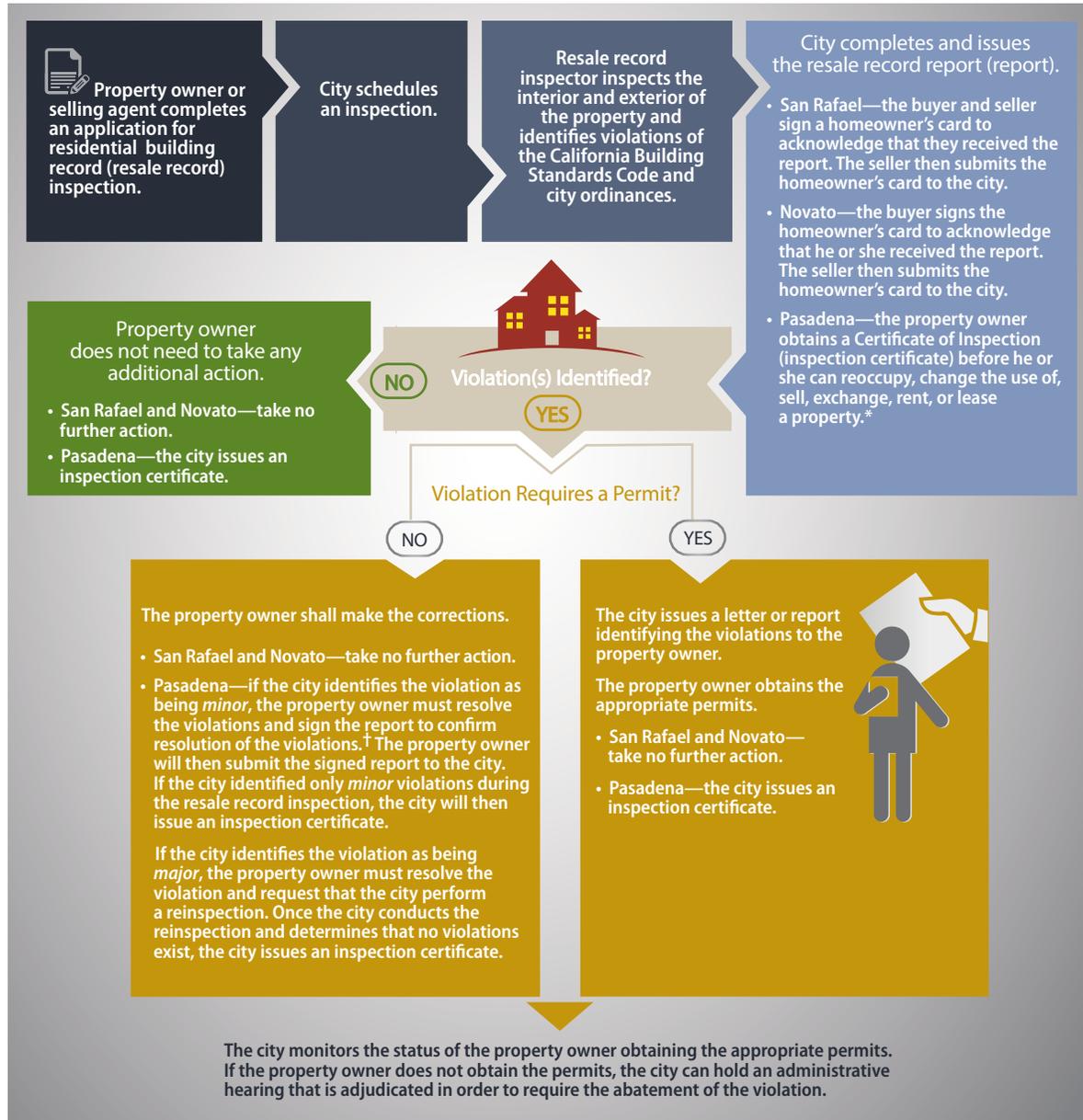
Sources: Cities of San Rafael, Novato, and Pasadena; California Department of Finance, and the United States Census Bureau.

\* Pasadena's resale record program ordinance is known as the *inspection ordinance*. The ordinance requires inspections of properties that are single-family dwellings or duplexes when the property or units are sold, rented, leased, or exchanged and thereafter reoccupied. This resale inspection requirement does not apply to dwellings of three or more units, which includes boarding or rooming houses. In contrast, San Rafael's and Novato's programs involve inspections of all single-family dwellings and multifamily dwellings when these properties are being sold or exchanged, but not when properties are rented or leased.

<sup>†</sup> We did not assess the reliability of the background data for the number of resale record inspections the cities conducted in 2015.

If the city misses unpermitted construction or remodel work when conducting a resale record inspection but it identifies the violation during the inspection for a subsequent resale, the current homeowner may be responsible for bringing the property into compliance. San Rafael and Novato do not charge the owner permit fees or penalty fees for that unpermitted construction or remodel work if the city acknowledges that the violation should have been noted in a prior report. In contrast, Pasadena does charge permit fees in such circumstances.

**Figure 1**  
Overview of the Process for Residential Building Record Inspections, Reports, and Enforcement



Sources: Cities of San Rafael’s, Novato’s, and Pasadena’s policies and procedures, and interviews with the cities’ officials.

\* If a buyer would like to purchase the property as is, he or she may sign a Transfer of Responsibility form (transfer) to verify that he or she will resolve any violations that the city has identified. When the city receives a signed transfer, it issues a temporary inspection certificate and identifies a deadline by which the buyer must resolve the violations.

† Pasadena identifies *minor* violations that include, but are not limited to, missing smoke detectors or carbon monoxide detectors. The city identifies *major* violations as safety violations that include, but are not limited to, structural deficiencies, illegal additions, and illegal use of accessory structures.

Bringing a property into compliance can include performing the construction work needed to bring the property up to the code's requirements and obtaining permits for this work. Seeking a permit and performing compliance work can be costly for the owner, especially if he or she needs to obtain architectural drawings. According to San Rafael's community development director, whether the city requires architectural plans depends on several factors including structural concerns, elevation concerns, or concerns about potential hazards. For example, a deck built 20 years earlier without permits might appear to be structurally sound, but the city might require architectural plans to evaluate the safety of the structure. If performing repair work and obtaining a permit cannot remedy the violation, the property owner will need to remove or tear down the construction or remodel the work that was done. For example, a basement that a property owner converted into living space cannot be remedied if it does not have a fire exit. In this situation, if the owner is unable to provide the exit, he or she will have to remove all modifications that were made.

### **Scope and Methodology**

The Joint Legislative Audit Committee (audit committee) directed the California State Auditor to perform an audit of different aspects of three cities' resale record programs, including the qualifications of resale record inspection staff, reasonableness of fees, compliance of policies and procedures with applicable laws and regulations, consistency of resale record reports, and method of resolving complaints. Table 2 includes the audit objectives the audit committee approved and the methods we used to address them.

**Table 2**  
**Audit Objectives and the Methods Used to Address Them**

AUDIT OBJECTIVE	METHOD
1 Review and evaluate the laws, rules, and regulations significant to the audit objectives.	Reviewed relevant state laws and regulations.
2 Assess the qualifications, experience, and training of San Rafael staff and staff in the selected cities (Novato and Pasadena) conducting inspections for the reports.	<p>For the individuals who primarily performed residential building record (resale record) inspections in the time period from 2010 through 2015, we completed the following:</p> <ul style="list-style-type: none"> <li>• Interviewed relevant city staff.</li> <li>• Obtained and reviewed the inspectors' personnel records and the minimum qualifications for their positions.</li> <li>• Compared the inspectors' personnel records to the minimum qualifications for their positions to determine whether the inspectors had met the minimum qualifications for their positions.</li> <li>• Obtained and reviewed trainings inspectors attended from July 2014 through November 2015.</li> <li>• Reviewed trainings related to the California Building Standards Code (code) that are available from the California Building Officials Training Institute, California Building Standards Commission, and California Association of Code Enforcement Officials to determine classes available that could enhance the inspectors' knowledge of the code.</li> </ul>
3 Determine the reasonableness of report fees by reviewing the costs San Rafael and the selected cities (Novato and Pasadena) incur to issue the reports.	<ul style="list-style-type: none"> <li>• Obtained and reviewed the cities' fee studies and supporting documentation.</li> <li>• Interviewed relevant city staff to determine what tasks they perform for the resale record program and the time spent on those tasks.</li> <li>• Obtained and reviewed hourly rate information for staff who are responsible for processing resale records. The rate information included salaries, benefits, and, if available, overhead costs.</li> <li>• Calculated and evaluated the cities' costs against the fees the cities charge for their resale record programs.</li> </ul>
<p>4 For a selection of reports San Rafael and the selected cities (Novato and Pasadena) issued for residential buildings, assess the effectiveness of each city's applicable policies, procedures, and processes by performing the following:</p> <p>a. Review and evaluate the contents of reports to determine whether they comply with applicable laws, regulations, and policies.</p> <p>b. Determine the length of time from submission of the report application to inspection and report issuance to assess San Rafael and the selected cities' (Novato and Pasadena) compliance with the timelines contained in each city's respective policies.</p>	<p>Judgmentally selected 20 resale record reports (reports) that the property owners of each of the three cities initiated from July 2014 through October 2015 for review to perform the following steps:</p> <ul style="list-style-type: none"> <li>• Reviewed the cities' ordinances relevant to resale records, and reviewed the code established in 2013.</li> <li>• Evaluated these reports to determine whether the permit violations the cities identified complied with the code and the cities' ordinances and policies. We determined that the three cities' reports identified violations that were consistent with the requirements of the code. Our discussion of the extent to which the cities did not comply with their ordinances and policies and procedures is presented in the Audit Results.</li> <li>• Interviewed relevant city staff.</li> <li>• Reviewed the cities' policies and procedures related to their timeline goals from application to inspection and inspection to issuance of a report.</li> <li>• Evaluated these 20 resale records against the cities' timeline goals to determine how well the cities complied with their stated timeline goals.</li> <li>• Interviewed relevant city staff.</li> </ul>

AUDIT OBJECTIVE	METHOD
<p>5 For a selection of residential buildings resold more than once, evaluate San Rafael's and the selected cities' (Novato and Pasadena) compliance with relevant laws, regulations, and policies by performing the following:</p> <p>a. Comparatively analyze reports issued for sales of the same buildings to evaluate consistency.</p> <p>b. Based on a review of any complaints related to the selected buildings and a selection of complaints related to other buildings, evaluate San Rafael's and the selected cities' (Novato and Pasadena) process for resolving such complaints and assess whether their resolutions were based on an objective evaluation of facts.</p>	<p>Obtained and reviewed all of the reports for the 20 property addresses we judgmentally selected for review for each city. Obtained the reports from each city's database records and archive files, including microfiche records to perform the following steps:</p> <ul style="list-style-type: none"> <li>• Identified the corrections, violations, and unpermitted work the cities noted in the reports. We then evaluated the reports for consistency of information among the reports. We determined that the three cities' reports issued for the same properties did not have material inconsistencies.</li> <li>• Interviewed relevant city staff.</li> </ul> <p>• Obtained and reviewed a list of complaints that occurred between 2002 and 2015 from each of the cities and from the local realtor associations. We did not identify complaints related to the items selected as part of Objective 5a.</p> <ul style="list-style-type: none"> <li>• Judgmentally selected five complaints per city to evaluate how the cities resolved the complaints and to determine if the cities resolved the complaints objectively.</li> <li>• Reviewed the cities' policies and procedures relevant to resolving report complaints.</li> <li>• Reviewed and evaluated the reports and any documents attached to the reports within the cities' databases.</li> <li>• Interviewed relevant city staff.</li> </ul>
<p>6 Review and assess any other issues that are significant to the audit.</p>	<ul style="list-style-type: none"> <li>• Obtained and reviewed the cities' policies for code enforcement relevant to the resale record program to determine the steps the cities take in response to violations the city identifies in reports that require property owners to take further action to resolve.</li> <li>• Evaluated compliance with the cities' code enforcement policies and procedures for 12 to 15 reports from each city by reviewing the cities' database records for evidence of staff follow-up. Our review focused on the reports that identified violations that required the property owners to take further actions to resolve. Reviewed reports we selected from Objective 4a that had violations that required permits or reinspection, and also judgmentally selected additional reports, including some dated before 2014.</li> <li>• Evaluated whether the cities were following their code enforcement policies for the selected reports.</li> <li>• Interviewed relevant city staff.</li> </ul>

Sources: The California State Auditor's analysis of Joint Legislative Audit Committee audit request 2015-134 and information and documentation identified in the table column titled *Method*.

### Assessment of Data Reliability

In performing this audit, we relied upon reports generated from the information systems listed in Table 3 on the following page. The U.S. Government Accountability Office, whose standards we are statutorily required to follow, requires us to assess the sufficiency and appropriateness of computer-processed information that is used to support our findings, conclusions, or recommendations. Table 3 shows the results of this analysis.

**Table 3**  
**Methods Used to Assess Data Reliability**

INFORMATION SYSTEM	PURPOSE	METHODS AND RESULTS	CONCLUSION
<p>San Rafael's CRW Trakit (Trakit) database— Resale record report data for residential building record (resale record) reports data for the period January 2003 through September 2015</p> <p>Novato's Trakit database— Resale record report data for the period March 2003 through September 2015</p> <p>Pasadena's Tidemark database— Resale record report data for the period July 2000 through October 2015</p>	To make a judgmental selection of resale record reports.	<ul style="list-style-type: none"> <li>This purpose did not require a data reliability assessment. Instead, we needed to gain assurance that the population of resale record inspections from which we made our selection was complete.</li> <li>We performed data-set verification procedures and electronic testing of key data elements and found no material errors.</li> <li>We were unable to verify completeness because these systems were primarily paperless and no other source of this information exists. Alternatively, we could have reviewed the adequacy of selected information systems controls that include general and application controls, but we determined that this level of review was cost prohibitive.</li> </ul>	We were unable to determine whether the universe from which we made our selection was complete.
San Rafael's Trakit database	<p>To determine the date the city received a request for a resale record inspection and the date the resale record inspection occurred.</p> <p>To determine when the city created a code enforcement case for resale record inspections with unresolved violations.</p>	<ul style="list-style-type: none"> <li>We performed data-set verification procedures and electronic testing of key data elements and found no material errors.</li> <li>We were unable to conduct accuracy and completeness testing because these systems are primarily paperless and no other source of this information exists. Alternatively, we could have reviewed the adequacy of selected information systems controls that include general and application controls, but we determined that this level of review was cost prohibitive.</li> </ul>	Undetermined reliability for the purposes of this audit. Although this determination may affect the precision of the numbers we present, there is sufficient evidence in total to support our audit findings, conclusions, and recommendations.
Novato's Trakit database	<p>To determine the date the city issued the resale record reports.</p> <p>To determine whether the city tracked correspondence in resale record case files.</p>		
Pasadena's Tidemark database	<p>To determine the date the city received a request for a resale record inspection.</p> <p>To determine whether the city conducted a reinspection for resale record reports with unresolved violations.</p>		

Sources: California State Auditor's analysis of documents, interviews, and data obtained from the entities listed above.

## Audit Results

### **The Three Cities Are Not Fully Complying With Their Respective Ordinances and Policies for the Residential Building Record Programs**

The three cities we reviewed—San Rafael, Novato, and Pasadena—do not fully comply with all requirements in their ordinances and policies and procedures pertaining to their residential building record (resale record) programs. For example, none of these cities are monitoring whether individuals who own properties are receiving inspections and obtaining resale record reports (reports) before transferring properties to new owners. In addition, San Rafael and Novato require that the buyer provide written acknowledgement indicating receipt of the report and provide it to the seller, but neither city actively monitors the collection of these documents. Moreover, the cities are lacking key documents for some properties we reviewed that would demonstrate they are complying with their programs' ordinances and policies and procedures.

### ***The Cities Are Not Ensuring That Property Owners Are Complying With Applicable Ordinance Requirements***

Each city we reviewed requires property owners to obtain documents from the city before the transfer of a property; these documents demonstrate the extent to which the city has identified restrictions on use and existing health and safety violations. The ordinances for Novato and San Rafael require that a property owner obtain an inspection of the property by the city and that the city issue a report. Pasadena's ordinance requires that a property owner obtain a city inspection of the property and that the city issue a Certificate of Inspection (inspection certificate) before the property's change in occupancy. If Pasadena identifies violations during the inspection, it issues a report to the owner identifying the required corrections. Unlike San Rafael and Novato, Pasadena does not require that the buyer receive a copy of the report; however, it does require property owners to resolve any deficiencies identified during an inspection before the sale or exchange of the property. The inspection certificate provides additional information that the property complies with health and safety codes, the California Building Standards Code (code), and other city ordinances.

None of the cities we reviewed have procedures in place or monitor the identification of properties that are sold or exchanged. According to the cities, their priority is conducting inspections and identifying violations, and the owners are responsible for requesting the resale record inspection. Novato's supervising code enforcement officer (code officer), who manages the resale record program,

***We believe the cities could obtain information from their county assessors on properties that are sold or transferred, which would assist in monitoring the effectiveness of their programs and increase compliance.***

stated that limitations in staff levels do not allow Novato to monitor which properties are being sold. According to San Rafael's community development director, local realtors are familiar with the resale record program and he was unaware of any property being sold or transferred without a resale record report. Similarly, according to its building official, Pasadena relies on realtors and escrow companies to assist property owners in complying with the resale record program because the escrow companies must ensure that owners obtain inspection certificates before the sale.

Because each city requires that property owners obtain certain documents before a sale or exchange of their property, we believe the cities should monitor compliance with their local laws and work with applicable stakeholders, such as realtors, to obtain greater compliance. Although the cities have relied on property owners to comply with these ordinances, we believe the cities could also obtain and review information from their county assessors to be aware of properties that are sold or transferred. Pasadena's building official stated that the city receives updates to its databases from the assessor several times a year of properties that have transferred, but it has not used the information to ensure compliance with its local ordinance requiring resale record inspections. Obtaining and reviewing this information will assist the cities to independently monitor the effectiveness of their programs and increase compliance.

In addition, we noted that Pasadena's database was missing several inspection certificates. According to the city's ordinance, the property cannot be sold, exchanged, leased, or rented until the city issues an inspection certificate. Without an inspection certificate, the city lacks assurance that the property is in compliance with the city's ordinances related to the health and safety of its residents. Specifically, the city's database was missing 10 of the 17 inspection certificates for inspections we reviewed that had application dates from July 2014 through October 2015. In response to our questions regarding the missing documents, the city was subsequently able to provide the inspection certificates, although four of the 10 documents were unsigned. According to the inspection certificate form, the inspection certificate is not official without a signature by a city representative. When we questioned the city about these four certificates, the city's building official surmised that the unsigned certificates resulted from inspector error.

Furthermore, San Rafael and Novato were unable to demonstrate in certain instances that buyers were aware of health and safety violations that existed at their new properties, as their respective ordinances require. These cities' ordinances require the seller to deliver a copy of the resale record report to the potential buyer before the sale or exchange of the property. Both cities also require

that the buyer sign a homeowner's card indicating receipt of the report and then provide it to the seller, who submits the receipt to the city. However, neither city actively monitors the receipt of these cards. Out of the 20 properties we tested for each city, we noted 13 instances in San Rafael and 10 instances in Novato where the city did not receive the card before the property owner transferred the property or it did not receive the card at all. As a result, these cities do not have direct acknowledgement from the buyers that they received the reports and are aware of any existing violations that they are now responsible for addressing.

According to its chief building official, San Rafael decided not to pursue tracking or collecting outstanding homeowner's cards because of insufficient staff resources. Novato's code officer, on the other hand, stated that the city had a program in the past to track the receipt of these cards, but it discontinued the program because a low number of cards were being returned. Nevertheless, unless the cities pursue collecting homeowner's cards, they cannot demonstrate that buyers are aware of health and safety issues that may exist on their properties and of their responsibility to correct them.

***Novato and Pasadena Were Unable to Demonstrate Compliance With Their Additional Policy Requirements in a Few Instances***

The procedures manual for Novato's resale record program requires the city to issue an additional document along with the resale record report: a Letter of Violations (violation letter) to owners of properties with violations requiring permits. However, we noted a few instances in which Novato could not provide evidence that it was complying with this requirement. The violation letter gives the owner information about the nature of the violations that require a permit to be resolved and it establishes a time frame for obtaining that permit. Of the 20 resale record reports we selected, three of the 11 that required the property owner to complete additional actions to resolve unpermitted work had no record of a violation letter.

According to the Novato code officer, for one of these three properties, the inspector identified a water heater that had been replaced without a permit as the only violation, and for another of them, the inspector identified a permit that expired without final approval as the only permit violation. In both situations, the code officer stated that Novato's practice is to not issue a violation letter. However, the city's written procedures state that the city should issue a violation letter for any permit violations and it does not specify any exceptions to the policy, so Novato should have issued letters for these violations. For the third property, an apartment, the report indicated no violations, but the case file referenced a

***Unless the cities pursue collecting homeowner's cards, they cannot demonstrate that buyers are aware of health and safety issues that may exist on their properties and of their responsibility to correct them.***

***Pasadena did not fully comply with one of its additional policy requirements, which is to ensure that property owners correct all violations before it issues an inspection certificate.***

separate inspection conducted for the same property as part of the city's multifamily inspection program that had unresolved permit violations at the time.<sup>3</sup> As noted in the Introduction, Novato performs resale record inspections of multifamily dwellings as part of its resale record program, which is why we expected that the resale record report would have identified the permit violation, resulting in the city issuing a letter. According to the code officer, staff gave a copy of the resale record report to the owner along with a copy of the multifamily inspection report, which included a violation letter; however, the case file for this property does not refer to either document. The absence of a violation letter raises questions about whether property owners have been properly notified about timelines to resolve violations, which can hinder Novato's attempts at following up on the resolution of permit violations.

In one instance, Pasadena also did not fully comply with one of its additional requirements, which is to ensure that property owners correct all violations before it issues an inspection certificate. Pasadena's procedures state that the city can accept a resale record report that the owner has signed as proof that the owner resolved any violations the city identified as *minor*, which are violations that generally do not require reinspection. If the property has only minor violations and the property owner returns a signed report, the city then issues the inspection certificate. We noted that one of the eight properties we reviewed with minor violations was missing a signed report. The city's records show that it did issue an inspection certificate for this property although the city cannot demonstrate that the property owner resolved the minor violations, which included missing smoke detectors and carbon monoxide detectors, before issuance of the inspection certificate. The building official speculated that an inspector in the city's building inspection division may have verified the correction of the violations as part of a permit inspection, but he was not able to substantiate whether this occurred. Because the status of the minor violations is not documented, the city does not know if the property owner addressed all of those health and safety issues.

### ***San Rafael and Pasadena Do Not Consistently Follow Their Policies for Taking Photographs of Property During Resale Record Inspections***

In addition to the resale record report itself, each city has specified the types of photographs that the inspectors should take during inspections. The photographs help the inspectors document the

<sup>3</sup> The multifamily inspection program is a separate program that ensures that apartments and hotels are in compliance with all applicable city ordinances or other laws to enable the city to uphold public health, safety, and welfare. The city's policy is to conduct inspections of multifamily dwellings annually.

condition of the property at the time of the inspection. Table 4 identifies the cities’ expectations and policies for inspectors taking photographs. Our review determined that Novato’s inspector follows the city’s policy for taking photos of the entire property, but that inspectors for San Rafael and Pasadena often do not.

**Table 4**  
**Summary of the Photograph Policies for the Cities’ Residential Building Record Programs**

	SAN RAFAEL	NOVATO	PASADENA
Type of policy and year started	Informal, verbal policy since 2014	Written administrative policy since 2012	Written administrative policy since 2006
Policy details	Inspectors take photos of violations only, with the approval of the property owner.	Inspectors take photos of entire property—particularly kitchen, bath(s), accessory structures, retaining and landscape walls, fence height, patio cover(s), deck(s), and other fixtures.	Inspectors take photos of the front, each side, and the rear of the dwelling, as well as all accessory structures.

Sources: San Rafael’s staff and Novato’s and Pasadena’s residential building record inspection policies.

Although San Rafael does not have a written policy pertaining to photographing properties, it has had an informal policy since 2014 directing inspectors to take pictures of violations. We noted that only two of the 10 properties with violations we reviewed had photographs in their case file. According to the community development director, one reason for this omission is that some property owners have privacy concerns about allowing photographs of the interior of their homes. However, the case files that were missing photographs did not contain any notations that indicated that the inspector experienced resistance from the property owner. Formalizing the policy and documenting when property owners prevent inspectors from taking photos would aid the city in having thorough documentation of the inspections.

Pasadena also did not fully follow its administrative policies to take photographs of properties during resale record inspections. Specifically, Pasadena did not comply with its photo policy for five of 11 single-family dwelling properties we reviewed. One of these properties had no photos in the case file. The building official stated that the inspector made a mistake in not attaching the photos to the case. The other four properties included some photos in the files, but the inspectors did not take photos of every angle of the properties as the Pasadena photo policy requires. For two of these properties, the inspectors cannot recall why they did not take photos of every angle. For the other two properties, the assigned inspector believed that the location or the size of some homes may have contributed to his inability to take adequate pictures in compliance with the city’s administrative policy. If staff followed the policy, the city would be better able to supplement the resale record report’s identification of violations existing at properties.

*Documenting a property's condition through photographs is one method that a city can use to strengthen its position when responding to complaints by property owners or enforcing the correction of violations.*

Documenting a property's condition through photographs is one method that a city can use to strengthen its position when responding to complaints by property owners or enforcing the correction of violations. The following sections address our review of those processes and the extent to which the cities have formalized their efforts.

### **The Cities Do Not Have Formal Processes to Address Complaints in a Consistent Manner**

Because San Rafael, Novato, and Pasadena do not track the complaints they receive or the resolution of those complaints, we requested that the cities and local realtor associations provide us with specific property addresses that they were aware had resale record report complaints. In our review of five complaints for each city, we found that the cities lacked documentation to readily support their decisions, which limits their ability to substantiate complaints. However, we determined that all but one were resolved appropriately by compiling information from various sources and locations within the cities' records to substantiate the complaints and the explanations for the resolutions. The cities also do not have written policies to ensure the quality of resale record inspections or reports.

### ***The Cities Do Not Track the Status of Complaints or Their Resolutions***

Officials from all three cities stated that they routinely receive inquiries related to resale record reports, which they do not consider to be complaints. For the purpose of our review, we defined a *complaint* as a statement of dissatisfaction with an action or request the city made of an owner pertaining to the program. A property owner who receives a resale record report may decide to submit a complaint to the city contesting the appropriateness of violations noted on the report. However, none of the three cities have a formal process for tracking complaints received or how they are resolved. We expected the cities to have a process in place to identify the types of complaints they receive and to track the timeliness and nature of the resolutions. Tracking complaint information would help the cities identify aspects of their resale record programs that could be improved or better communicated to property owners. The San Rafael and Novato community development directors stated that they do not have formal processes because they receive few complaints. Pasadena's former director of the planning and community development department (former community development director) also said the city did not have a formal complaint process during his tenure and did not

receive many complaints.<sup>4</sup> Nevertheless, the lack of a formal process precludes the cities from readily identifying the number and types of complaints they receive and also limits their ability to readily demonstrate fairness and appropriateness in complaint resolutions. Further, this information can be beneficial for improving their respective resale record programs.

***The Cities Generally Appear Justified in Their Approach for Addressing Complaints, but They Are Not Consistent in How They Make and Document Decisions***

Because the cities lack formal processes for tracking resale record report complaints, we asked them and their local realtor associations for specific property addresses that had complaints. In many of these complaints, the owners had raised concerns about the validity of the violations noted on the resale record reports and the cities' request for permits or additional documentation to address the violations. Examples included a homeowner complaining about the city requiring expensive architectural drawings to accompany a permit for a deck that had been on the property for years and another owner complaining about the appropriateness of the city requiring a permit for a garage converted into a family room. We reviewed five complaints pertaining to each city from these lists and attempted to substantiate whether the city had sufficiently researched the nature of the complaint and communicated with the property owner regarding any needed follow-up activity.

In reviewing the cities' databases for complaint information, we found that these records did not contain summaries of the complaints and resolutions for 12 of the 15 complaints. According to officials at each of the cities, staff are expected to document the complaints and decisions in their respective property databases although none of the cities have written policies outlining this process. Further, none of the three cities use a designated location within their databases to document information related to complaints and their resolutions. Without a uniform approach for documenting complaints as well as the cities' rationales and subsequent resolutions, it can be difficult for the cities to be sure they have thoroughly addressed the complaints property owners raise.

***Without a uniform approach for documenting complaints as well as the cities' rationales and subsequent resolutions, it can be difficult for the cities to be sure they have thoroughly addressed the complaints property owners raise.***

<sup>4</sup> During the time of our audit fieldwork, we obtained information and perspective from the director of Pasadena's planning and community development department, who subsequently left the city in January 2016.

Consequently, we had to compile information from various sources and locations within the cities' records to substantiate the complaints and the explanations for the resolutions. Despite limitations in the organization of the cities' records, we were able to determine that the cities appeared to have addressed each of the 15 complaints. For example, we reviewed an instance in which a property owner complained about Pasadena requiring him to obtain a permit for his basement conversion. We were able to verify the appropriateness of the city's determination regarding the conversion because the inspector included a photograph in the property record showing the basement as being habitable space, as depicted in Figure 2. We also reviewed the permit history for that property and determined that no permits had been issued to date pertaining to the basement, and we were able to review the inspection certificate, which stated that the basement was to be used only for storage.

**Figure 2**  
**Residential Building Record Report Photograph of a Basement That Was Converted Into a Family Room Without a Permit**



Source: City of Pasadena.

In all but one case, resolution of the complaint involved the city justifying its initial determination of the violation and requesting that the owner address the violation by obtaining a permit or modifying the property. However, we noted one instance in Novato in which the city incorrectly indicated a violation pertaining to

an unpermitted bath remodel. The city informed the owner that a permit had not been filed, but the property owner provided the inspector with a copy of the permit the city had previously issued.

In addition, none of the cities have a written policy as to how staff should evaluate complaints, although San Rafael has written policies and practices describing how it will address certain situations that might escalate into formal complaints if not resolved. San Rafael established these policies and practices in June 2014 in consultation with its local realtor association to improve the administration and process of its resale record program. For example, the city will not require permits for certain kitchen or bathroom remodels if the unpermitted improvement was installed or constructed more than 25 years earlier and the city determines that the work was properly constructed. This type of document is useful for setting the expectations for how the city will identify violations. According to its community development director, Novato did not adopt such policies and practices in conjunction with its local realtor association because the association never requested it. However, he said that Novato will consider this when it begins updating its policies in March 2016. Finally, according to its building official, Pasadena always requires permits for work that is not exempt from permitting requirements in order to discourage unpermitted work. However, Pasadena staff met with its local realtor association in the past year and is continuing to have discussions with the association about developing a policy similar to that of San Rafael.

### ***The Cities Have Difficulties Locating Permit Records to Address Some Complaints***

Complaints related to unpermitted work violations can be exacerbated by the cities' difficulties in locating permit records. Permit records are important documents because they confirm the city's approval of modifications. If the cities identify property modifications that do not appear to have permits on file, they will require the owners to obtain them or provide proof that permits were previously obtained. Many of the complaints we reviewed pertained to the cities' requiring permits for work that the property owners claimed either had existed before they assumed ownership or had already been permitted. As previously stated, in one of the Novato complaints we reviewed, the property owner provided a copy of the permit to the city after the inspector could not locate the original. The permit allowed the city to finalize the resale record report. A Pasadena realtor stated that his client waited for weeks after an inspection for the inspector to search for the permit that was ultimately never found. All three cities acknowledged challenges with the completeness or accessibility of older permit records that were maintained in hard copy or on microfiche.

***Many of the complaints we reviewed pertained to the cities' requiring permits for work that the property owners claimed either had existed before they assumed ownership or had already been permitted.***

For example, a fire had destroyed some of Pasadena’s historical records. Also, San Rafael states on its website that supplemental documentation from realtors or property owners may support the dismissal of violations or augment the city’s permit records. These missing permit records undermine the cities’ ability to ensure the thorough and accurate administration of their resale record programs.

### **The Cities Have Not Consistently Ensured the Correction of Violations, Resulting in Backlogs and Lingering Health and Safety Risks**

Although San Rafael, Novato, and Pasadena have policies and procedures for following up on inspections that identify violations requiring action from property owners, none of the cities consistently follow those policies and procedures. According to the documents it issues to owners after a resale record inspection uncovers violations, Novato generally gives the owner 30 days from the date of the report to resolve any violations that require permits or reinspection before it issues a reminder letter (notice letter). Pasadena also gives the owner 30 days from the date of the inspection to resolve any violations, but its policies state that the city shall issue an administrative citation to owners who do not correct the identified violations within the required deadlines. In contrast, San Rafael expects staff to immediately establish a code enforcement case in its database and issue a notice letter for properties with violations that require plans, permits, inspection, and approval. In circumstances where permit violations do not

require a plan, such as a permit for a water heater replacement, the city allows the property owner 15 days after the resale record inspection to resolve the violations before it issues a notice letter. The text box presents the general content of each city’s notice letter.

Novato and Pasadena have been able to generate summary database reports to identify recent resale record inspections with unresolved violations requiring owners to take action, although we question the accuracy of Pasadena’s summary report and its usefulness in the city’s enforcement efforts. Both cities generated summary reports that identified numerous backlogged cases—over 300 in Novato and nearly 4,600 in Pasadena—over the past nine years and 15 years, respectively, that still appear to have outstanding violations from a resale record inspection. However, we identified some cases in Pasadena’s summary report in which property owners appear

#### **General Content of the Letters Informing Property Owners of Violations That Require Permits or Reinspection**

##### San Rafael and Novato

- Warns the property owner of additional fees or penalties that the city may charge the property owner if the violations are not resolved by the deadline established in the notice letter.

##### Pasadena

- Warns that violations must be resolved.
- If the violations do not require the city to inspect the correction, the property owner must acknowledge that the corrective work is done by signing the residential building record report and returning it to the city.

Sources: Cities of San Rafael, Novato, and Pasadena.

to have resolved their violations. In these cases, staff did not update the status of the case after issuing an inspection certificate, so the summary report still showed them as unresolved. As a result, the actual number of resale record cases with outstanding violations is likely less than the number reported.

Until late December 2015 San Rafael was unable to generate a summary report to identify properties with outstanding violations. Unlike the other two cities, San Rafael did not use identifiers for the status of inspections of its resale record cases, so its database cannot indicate all properties with outstanding violations. Instead, the city has relied on its resale record inspector to provide a hard copy of the resale record report to a code enforcement officer who then creates a code enforcement case for the property in the database. However, without reviewing each individual resale record report, San Rafael cannot easily identify properties with violations requiring permits or reinspection from resale record reports predating September 2015, when the city assigned a temporary employee to actively monitor the correction of violations. Although the city does not know how many properties have unresolved violations, its chief building official's best estimate was that the backlog of properties that had resale record inspections in 2015 with unresolved permit violations was about 150 cases as of November 2015.

The three cities cited staff workload as the primary cause of their backlogs, although they have taken some action over the past two years to temporarily bolster their efforts at directing property owners to correct violations. Both San Rafael and Novato have enlisted temporary staff to assist in addressing enforcement backlogs and Pasadena has reassigned a contractor in its efforts. As mentioned previously, San Rafael assigned a temporary employee to monitor compliance using the enforcement process for resale record reports. According to its chief building official, the temporary employee finished the code enforcement process for the backlog of cases from calendar year 2015 in early February 2016 and has begun to follow up on prior resale record inspections that require permits. Novato's code officer stated that the city reassigned two employees from other departments on a part-time basis to assist with enforcement for cases that originated from 2008 to 2012. He plans to use a reassigned city employee again in April 2016 to continue the enforcement on these older cases. According to Pasadena's city officials, the city reassigned a contractor in December 2015 to assist in reducing the city's backlog in enforcement for resale record inspections.

For each city, we reviewed a selection of resale record reports with unresolved violations to assess the cities' compliance with their policies: 15 each in Novato and San Rafael and 12 in Pasadena. As

***The three cities cited staff workload as the primary cause of their backlogs, although they have taken some action to temporarily bolster their efforts at directing property owners to correct violations.***

described in Table 2 on page 12, our methodology for selecting reports to review the cities' recent enforcement actions primarily relied on the resale record reports we reviewed as part of our audit objective addressing compliance. Specifically, we initially selected any reports with violations requiring permits or reinspection from the pool of reports we used for determining whether the cities complied with their policies and procedures from July 2014 to October 2015. Because our selection of the resale record reports in Pasadena had fewer properties with permit violations during this time period, we reviewed fewer violations for this city. We then selected some additional reports requiring permits or reinspection for each city, including a few older cases. Five of the older reports among the cities had violations unresolved longer than five years, including one Pasadena property with violations unresolved since 2004.

We found that neither San Rafael nor Novato has initiated the enforcement process for a majority of the properties we reviewed, despite city policies requiring them to do so. Only two properties in San Rafael and four properties in Novato had their violations resolved before the cities needed to begin their enforcement process. San Rafael created code enforcement cases in its database for only three properties out of 13 with unresolved violations and issued only one notice letter as of November 2015. Of those 13 properties, eight still had unresolved violations at that time, including one property inspected in 2009 and another in 2012. However, subsequent to our review, the community development director stated that the city has initiated the enforcement process on most of the properties with unresolved violations that we tested. For Novato, out of 11 properties with unresolved violations, the city issued only two notice letters. Seven of those 11 properties—including three properties from 2008, 2010, and 2012—still had unresolved violations in November 2015.

***Out of 11 properties with unresolved violations, Novato issued only two notice letters. Seven of those 11 properties—including three properties from 2008, 2010, and 2012—still had unresolved violations in November 2015.***

Pasadena has also not initiated its enforcement process for most of the properties we reviewed for which activity should have occurred. Only one property had all of its violations resolved within the appropriate timeline, and three other properties had not yet reached a point where the city needed to begin its enforcement. Although Pasadena's policies state that the city shall issue administrative citations for properties with violations that are not resolved within the required deadlines, the city did not issue citations for the remainder of the properties we reviewed. According to the building official, Pasadena's practice is to issue a notice letter before it issues administrative citations. However, of eight properties with outstanding violations, the city issued only one notice letter and the remaining properties still had unresolved violations as of November 2015, including one property from 2004 and another from 2007.

Furthermore, Pasadena is not always ensuring that property owners are resolving all violations before issuing an inspection certificate. Specifically, the city issued inspection certificates to two of the 12 properties we reviewed despite the absence of evidence demonstrating that the owners obtained the necessary permits or requested reinspection. This is contrary to its ordinance, which states that Pasadena will not authorize a property to be occupied if major violations remain unresolved. According to the building official, city staff resolved the violations but did not document the resolution within the case file.

Officials at each city stated that violations may remain unresolved for extended periods because their goal is to bring properties into compliance with current law and they are willing to delay the enforcement process as long as the property owner is demonstrating a good-faith effort in remedying the violations. The cities are able to determine if property owners are making a good-faith effort by contacting them to learn of their progress and by reviewing the properties' permit application history. Nevertheless, each city has a process to take legal action if violations are not corrected in the time frames established in its policies. When we asked the cities if they escalated their enforcement of the cases, San Rafael's community development director and Pasadena's building official stated that they were not aware of any instances related to resale record reports in which they had elevated the enforcement in the past two years, while Novato's code officer stated that the city sent one resale record case to a hearing in the past two years.

Furthermore, we found no evidence in each city's resale record files within its database to indicate the degree to which property owners were making progress in correcting the violations, aside from some notations in San Rafael's and Novato's resale record files that referenced conversations the two cities had with the property owners. These notations did not describe the property owners' actions and progress in correcting violations, such as applying for a permit. Without the cities documenting such information in the resale record files, it is unclear if they have been determining whether the property owners were making good-faith efforts to correct the violations. By not thoroughly following up on properties with unresolved violations, the cities cannot demonstrate having taken appropriate actions to protect residents from health and safety issues identified during resale record inspections.

We also found that in each city, it is common for the same property to have repeated violations over several years. Examples of repeated violations include water heaters missing required strapping and unpermitted renovations. For the 20 properties we reviewed for each city, we found repeated violations in reports

for nine properties in San Rafael, 13 properties in Novato, and 15 properties in Pasadena. Many of these were violations for which the cities do not require permits or reinspection to verify that the property owners made corrections. Table 5 identifies some examples of these types of violations and the risks associated with not correcting them. Novato's resale record inspector reviews previous reports before conducting an inspection and preparing a new report. This research informs the inspector of prior violations and whether structural changes have occurred that require permits since the city conducted the prior inspection. According to its building official, Pasadena's resale record inspectors only review past reports for which the city has not issued an inspection certificate or received a signed report. San Rafael's chief building official stated that its resale record inspector does not review previous reports, but the city will be looking into adding this step to its process. By not reviewing all previous reports, the inspectors may not know if the violations they find have been identified previously.

**Table 5**  
**Examples of Common Repeat Violations Identified in Residential Building Record Reports at San Rafael, Novato, and Pasadena**

COMMON REPEAT VIOLATIONS	HEALTH AND SAFETY RISKS ASSOCIATED WITH UNRESOLVED VIOLATIONS
No solid self-closing door between garage and dwelling	Fires may spread and fumes, including carbon monoxide, may enter the dwelling.
Pool fence or gate not installed	Unattended children may gain access to pool and drown.
Water heater does not have strapping	During earthquakes, water heaters without strapping may move or tip over, which could result in a fire hazard due to gas line leaks or flooding from broken water lines.

Sources: Residential building record reports from the cities of San Rafael, Novato, and Pasadena; and various websites containing health and safety information.

Note: San Rafael and Novato do not require permits for the above violations. According to Pasadena's building official, Pasadena requires permits in some cases for the above violations.

San Rafael's chief building official and Novato's code officer cited insufficient staffing for why their cities do not enforce repeated violations. Pasadena's officials informed us that they rely on the property owner's signature on the report as the indication that these violations were resolved and consider recurrences of these violations as new violations by subsequent owners. However, as indicated previously, we found violations at 15 of 20 properties we tested at Pasadena that continued to exist. Additionally, if the cities believe that repeated violations are important enough to identify as needing correction, they should ensure that those violations are corrected.

**Two Cities Did Not Always Meet Their Time Goals, and the Other City Did Not Fully Establish Goals**

Establishing time goals for conducting resale record inspections and completing reports allows the cities to measure their responsiveness to property owners' requests, thereby aiding owners in their efforts to sell or transfer their properties promptly. As shown in Table 6, the three cities have established time goals for completing resale record reports. San Rafael's and Pasadena's goals are measured from the date an individual submits an application for the resale record report to the date the property inspection occurs (application to inspection), and then from the inspection date to when the report is issued (inspection to report issuance). San Rafael's goal from application to inspection is 12 business days, composed of seven business days from when the application is received to when the inspection is scheduled, and five business days from that point until the inspection. It also has a goal of two business days from inspection to report issuance, for an overall goal of 14 business days. Pasadena measures its time goals using calendar days rather than business days, and it has a goal of seven calendar days from application to inspection. In addition, according to its former community development director, Pasadena has had an informal time goal of one calendar day from inspection to report issuance. In contrast, Novato established a time goal of 10 business days from inspection to report issuance, but it does not have a time goal from application to inspection.

**Table 6**  
**Summary of the Cities' Processing Times for a Selection of Residential Building Record Reports From July 2014 Through October 2015**

	SAN RAFAEL		NOVATO		PASADENA	
	APPLICATION TO INSPECTION	INSPECTION TO REPORT ISSUANCE	APPLICATION TO INSPECTION	INSPECTION TO REPORT ISSUANCE	APPLICATION TO INSPECTION	INSPECTION TO REPORT ISSUANCE
City's time goal	12 business days	2 business days	No goal	10 business days	7 calendar days	1 calendar day
Average number of days to process a report for the 20 properties we reviewed	5.4	1.1	5.6	5.6	9.6	Unable to determine*
Number of instances (out of 20) that the city did not meet its time goal	0	4	No goal	0	8	Unable to determine*

Sources: California State Auditor's analysis of residential building record reports (report); the cities' ordinances, policies, and procedures; and interviews with the cities' staff.

\* We could not determine when staff issued the report because Pasadena's database does not contain this information and the reports do not identify the issuance date.

As summarized in Table 6, we reviewed 20 resale record reports from each city that had applications submitted between July 2014 and October 2015. We found that Novato met its time

***Pasadena did not meet its goal of seven calendar days from application to inspection in eight instances, ranging instead between two and 20 additional calendar days beyond its goal.***

goal of 10 business days from inspection to report issuance for all 20 properties, although we discuss our concerns about the reasonableness of this goal later in this section. However, San Rafael and Pasadena did not meet their time goals in some instances. Specifically, San Rafael took one or two additional business days to meet its inspection to report issuance goal in four instances. Nevertheless, the city was still able to issue resale record reports for these properties within 14 business days of their application dates because it had completed the inspections in less time than its stated application to inspection goal. In addition, Pasadena did not meet its goal of seven calendar days from application to inspection in eight instances, ranging instead between two and 20 additional calendar days beyond its goal. As we discuss later in this section, we were unable to determine if Pasadena met its inspection to report issuance goal.

One possible factor for the cities not meeting their time goals is the seasonal nature of the housing market, which can vary among the cities. According to city officials who supervise the resale record program, completing resale record inspections and reports in a timely manner can be challenging during the peak periods of housing sales because a high volume of inspection requests occurs during that time. In addition, San Rafael's chief building official cited insufficient staffing as a reason the city would be unable to meet its time goal from inspection to report issuance for some properties. However, in our review of resale record reports for each city, we found instances throughout different times of the year in which resale record inspections and reports took longer to complete.

Another factor in Pasadena not meeting its time goal from application to inspection is its practice of allowing property owners to schedule resale record inspections for a specific date instead of the next available date. Pasadena's building official informed us that the city does not have the ability to separately track instances in which a property owner chooses a resale record inspection date. In those situations, the city has no control over whether it can achieve its stated time goal. Nevertheless, if Pasadena developed a process to separately identify those applicants who request specific resale record inspection dates, it could subsequently focus on scheduling the other inspections over which it does have control.

Pasadena also does not track the date of the resale record reports it issues. Although its database can document the report issuance date, inspectors are not recording this information upon issuing the reports. Further, the city does not identify the issuance date on the report itself, thereby precluding it from being able to monitor the timeliness of preparing its reports. Pasadena's building official was unclear about why the city does not track the report issuance date.

However, the city indicated that it is planning to begin doing so in April 2016. The lack of this information hinders the city's ability to refute claims by property owners regarding excessive delays in issuing resale record reports, which may impact the timing of property sales.

In addition, despite establishing time goals, none of the cities have a formal process to monitor whether they meet their time frames. According to San Rafael's chief building official, his department does not track the timelines of its processes because the time required to monitor them is not worth the effort. Further, San Rafael's building official stated that he had not received complaints about the length of time for processing resale record reports. According to Novato's community development director, the city has received complaints regarding the timeliness of its resale record report processing due, in part, to the average escrow period being shortened from 45 days to 10 days, which has placed more pressure on the timeliness of report completion. Pasadena officials did not provide a reason for not tracking timelines other than to say that the ordinance does not require such tracking; however, the city's time goal is stipulated within its rules and regulations regarding inspections. Additionally, by not monitoring the time goals they have established, these cities have a limited ability to demonstrate accountability and to appropriately inform the public about the efficiency of their resale record programs.

Unlike the other two cities, Novato has not established a time goal from application to inspection. According to its code officer, the length of time from receiving an application to performing an inspection depends on the availability of the city's primary inspector, who performs the resale record inspections. In addition, according to the city's development permit supervisor, the city will schedule these inspections for a specific date, instead of the next available date, if the property owner so requests. However, the city does not separately track circumstances where it accommodates these requests. As a result, the city cannot distinguish whether a lengthy period from application to inspection was within its control. Although Novato does not track these requests, our review of the 20 selected reports determined that the city averaged five to six business days from receiving an application to conducting an inspection. In four instances, the city took 12 or more business days to perform the inspections. Not having a time goal from application to inspection can make it challenging for Novato to demonstrate the effectiveness of its scheduling process. Defining a time goal from application to inspection would also establish expectations for customer service.

***By not monitoring the time goals they have established, these cities have a limited ability to demonstrate accountability and to appropriately inform the public about the efficiency of their resale record programs.***

In comparing the three cities' time goals from inspection to report issuance, Novato's goal of 10 business days is substantially longer than the two business days for San Rafael and one calendar day for Pasadena. Although some differences may exist among the cities in the activities they perform after the resale record inspection and before the report is issued, we determined that the average time each city's staff spends during this period is comparable. Therefore, it would seem reasonable for Novato to issue a report much sooner than 10 business days after an inspection. In fact, the city completed the entire resale record process, from application to report issuance, within 10 business days for half of the 20 properties we reviewed.

According to the code officer, Novato has not updated its goal from inspection to report issuance because this period of time allows the city more flexibility in handling resale record inspections during the peak season. Further, the community development director stated that Novato may consider reducing the time frame for report preparation, but the city has not made a determination at this time. Nevertheless, given the number of activities that take place during this time, we believe that the city should significantly reduce the time goal from inspection to report issuance.

### **The Cities Lack Processes to Demonstrate the Appropriateness of Their Fees**

The fees the cities charge for resale record reports vary by the type of dwelling. Table 7 presents a breakdown of the current fees for each city as well as the components included in the fees. For example, although Novato charges more than San Rafael for a single-family dwelling, its fee includes the cost of enforcing the correction of violations that staff identify during resale record inspections. Novato's fee structure has remained the same since 2006, and San Rafael's fees have been the same since 2010. In contrast, Pasadena has adjusted its fees periodically based on the consumer price index since updating its fees in 2006.

Although these fee structures have been in place for several years, San Rafael and Pasadena could not document how the current amounts were calculated and how those fees are commensurate with the costs incurred to operate their resale record programs. The California Constitution and related case law provide that local regulatory or service fees may be imposed only to cover the costs of the regulatory program or services rendered. Therefore, the fees the cities charge should not exceed the reasonable cost of providing the services necessary for the resale record activities and they cannot be levied for unrelated purposes. Despite the lack of documentation, San Rafael and Pasadena informed us that they

*San Rafael and Pasadena told us they are subsidizing their resale record programs through funding from their general funds, but they were unable to quantify the amount of their subsidies.*

are subsidizing their resale record programs through funding from their general funds, but they were unable to quantify the amount of their subsidies.

**Table 7**  
**Comparison of the 2015 Residential Building Record Program Fees**

FEE TYPE	SAN RAFAEL	NOVATO	PASADENA
Most recent update to fee schedule	2010	2006	2015
Single-family dwelling	\$165	\$274	\$135
Duplex	\$330	\$273	\$270
Condominium (first unit)	\$150	\$236	\$135
Condominium (additional unit)	\$150	\$37	\$135
Apartment (first unit)	\$165	\$236	Not applicable*
Apartment (additional unit)	\$50	\$37	Not applicable*
Unimproved lot <sup>†</sup>	Not applicable	\$219	Not applicable
Components of the fee (per city officials):	<ul style="list-style-type: none"> <li>Processing applications for residential building record (resale record) inspections</li> <li>Scheduling inspections</li> <li>Researching permit history</li> <li>Conducting the inspection</li> <li>Preparing and issuing the resale record report (report)</li> </ul>	<ul style="list-style-type: none"> <li>Processing applications for resale record inspections</li> <li>Scheduling inspections</li> <li>Researching permit history</li> <li>Conducting the inspection</li> <li>Preparing and issuing the report</li> <li>Monitoring and enforcing correction of certain permit violations</li> </ul>	<ul style="list-style-type: none"> <li>Processing applications for resale record inspections</li> <li>Scheduling inspections</li> <li>Researching permit history</li> <li>Conducting the inspection</li> <li>Preparing and issuing the report</li> <li>Monitoring and enforcing correction of certain permit violations</li> </ul>

Sources: Cities of San Rafael, Novato, and Pasadena.

\* Pasadena does not conduct resale record inspections on apartment buildings because the ordinance specifies that resale record inspections are to be conducted only on single-family dwellings and duplexes. The city administers a separate program—the quadrennial inspection program—for multifamily dwellings, which results in inspections for apartments every four years regardless of whether the property is being sold. San Rafael and Novato have similar inspection programs for multifamily dwellings in addition to performing a resale record inspection of these properties when they are sold.

† Novato is the only city that we reviewed that inspects unimproved lots because its ordinance specifies that the resale record reports are to be obtained for all residential properties, which are defined in the ordinance to include both improved and unimproved real property. In contrast, San Rafael’s ordinance specifies that reports must be obtained for residential buildings, which are defined as improved property, and Pasadena’s ordinance specifies that a Certificate of Inspection must be obtained any time a unit of property changes occupancy and/or ownership.

In contrast, Novato maintains specific financial information on its resale record program independent from other city programs. The city initially acknowledged that it had not analyzed whether its fees are appropriate, but it performed an analysis in January 2016 at our prompting that concluded that the city had subsidized the resale record program by \$30,200 in fiscal year 2014–15. According to Novato’s finance manager, the fees were established in 2006 to cover total costs and the city has not increased its fees to reflect inflation or salary increases for applicable employees. In addition, he questioned the relevance of analyzing the components of the current fees because the city has not adjusted its fees since it

*San Rafael's building official was unable to find documentation for the 2009 cost study analysis used to establish the current inspection fees.*

established them to cover total costs. Nevertheless, performing a cost analysis would allow the city to demonstrate whether its fees are appropriate or need to be adjusted.

Furthermore, although the three cities asserted that they established their resale record inspection fees based on the results of previous cost studies, only Novato was able to provide detailed support for how these fees were calculated and only after it requested this information from the external consultant who completed the 2006 cost study. San Rafael's building official was unable to find documentation for the analysis he completed for the 2009 cost study that was used to establish the current inspection fees. Instead, he provided a draft of an analysis he prepared in May 2015 for the purpose of requesting a fee change that shows the city's current cost to conduct an inspection for a single-family dwelling. His analysis involved identifying the time staff spend on resale record inspection activities and using personnel and overhead rates to calculate total costs. That analysis concluded that the city's current fees are significantly below the costs incurred, indicating that the city needs to increase its fees to cover these costs. However, the department has not yet presented the proposed fee change to the city council for approval. Additionally, it is unclear whether the city was charging appropriate fees at the time their current fees were established.

According to a management analyst at Pasadena, the city was unable to locate the detailed support for the cost analysis conducted in 2006 by a consultant contracted by the city. The consultant concluded that the city was undercharging for resale inspections. In response to our inquiries, Pasadena performed a cost analysis in January 2016 in which it used estimates of time staff spend on both resale record inspection and enforcement activities and applied them to personnel costs. The city concluded that it is undercharging for the program's administration. However, similar to San Rafael, it is unclear whether Pasadena was charging appropriate resale record fees at the time those fees were established.

To assess the reasonableness of their current fees, we calculated the basic costs the cities incur to conduct a resale record inspection. We focused on the processing of an individual resale record report for single-family and condominium dwellings, which, according to the cities' staff, are the most common type of fees charged. We interviewed management and the staff responsible for processing resale records to identify appropriate tasks to include in the cost and their estimates of the time required to perform these tasks. We then applied each staff member's hourly rate to the time spent contributing to the report's completion. San Rafael and Novato include the total salary, benefits, and overhead costs of their applicable staff in the calculation of the individuals' hourly rates,

whereas Pasadena includes only the total salary and benefits in its calculation. According to a management analyst in the planning and community development department, Pasadena was unable to determine the total amount of overhead costs attributable to the resale record inspections.

Based on our analysis, we determined that San Rafael and Novato are likely undercharging property owners of single-family residences and condominiums. Because Pasadena was unable to tell us how much overhead cost should be attributed to its resale record inspections, we could not determine if that city was undercharging property owners. However, subsequent to several discussions—including during our closing conference—regarding its inability to identify its overhead costs, Pasadena provided us with a recent draft cost study in which the contracted consultant concluded that the city is currently undercharging for inspections. The consultant identified overhead costs that it included in its calculation of the resale record inspection costs that the city was initially unable to determine. The city subsequently provided us with supporting documentation for these costs that the consultant extracted from the city's accounting system. We questioned how its consultant was able to identify overhead costs when city staff had been unable to do so. According to a management analyst, the planning and community development department was not aware of how to quantify these additional costs and relied on the consultant's expertise to obtain this information.

Proposition 26, enacted at the statewide general election on November 2, 2010, amended the California Constitution to define *tax* to mean any levy, charge, or exaction of any kind imposed by a local government, and it places the burden on the local agency to demonstrate, among other things, that a fee, as opposed to a tax, constitutes reasonable regulatory costs for inspections. Proposition 26 applies to fees increased on or after November 2, 2010, and Pasadena is the only one of the three cities we reviewed that has adjusted its fees since that date. However, San Rafael and Novato will also be subject to the requirements of Proposition 26 if they increase their fees.

**Although Inspectors Are Qualified, the Cities Do Not Have Standards for Continuing Education and Do Not Maintain Supporting Records**

The responsibilities of resale record inspection staff vary among the three cities, which accounts for differences in the minimum job qualifications each city has established. Table 8 on the following page summarizes the minimum established qualifications for staff who perform the resale record inspections. San Rafael requires its resale record inspectors to obtain an International Code Council (ICC)

*We determined that Novato and San Rafael are likely undercharging property owners of single-family residences and condominiums for resale record inspections.*

certification within two years of employment. Its human resources director noted that the required qualifications for resale record inspectors are the same as for the city's building inspector classification, which requires ICC certification. She noted that the city hires temporary employees to perform resale record inspections and to fill in for building inspectors as needed, so they are required to meet the minimum qualifications for the building inspector classification. According to the ICC, California and the other 49 states have adopted its international codes at the state level, comprising a complete set of coordinated building safety and fire prevention codes. Although Pasadena does not require the ICC certification for its inspectors, two of the three current resale record inspectors have this certification. On the other hand, Novato does not require any type of certification for its resale record inspectors. Novato's code officer explained that the city does not require certification because the State does not require it.

**Table 8**  
**Minimum Qualifications for Residential Building Record Inspectors**

CITY AND POSITION TITLE	POSITION REQUIREMENTS		
	EDUCATION	EXPERIENCE	CERTIFICATION AND CONTINUING EDUCATION
San Rafael: Building Inspector I	Graduation from an accredited high school or equivalent.	Two years of responsible experience in a variety of building construction work.	Within two years of appointment, must obtain International Code Council (ICC) certification as a condition of continued employment.* Continuing education is a requirement of the certification. Individuals must have at least 1.5 continuing education units every three years, which is equivalent to 15 hours.
Novato: Code Enforcement Officer	Completion of 12th grade with classes in urban planning, business administration, or related field.	Two years of experience with the public and in the interpretation of rules, laws, or procedures. Some code inspection and enforcement experience is desirable.	No minimum requirements.
Pasadena: Code Compliance Officer	No minimum requirements.	Two years of experience in zoning, housing or building inspection, or related municipal code inspection work.	No requirement for ICC certification. Code compliance officers must complete a peace officer arrest and firearms course (course), and earn a certification, before their probation period ends so that they have the authority to issue citations.† There are no continuing education requirements for this position or for the course.

Sources: Cities of San Rafael's, Novato's, and Pasadena's job class specifications and ICC's Continuing Education Requirements.

\* Certification from the ICC demonstrates that an individual has knowledge of various construction regulatory codes, standards, and practices.

† The city's code compliance officers need to complete this course and obtain the certification because they ensure compliance with local zoning codes and enforce housing quality and property maintenance ordinances.

We determined that most of the resale record inspection staff in these cities during the past five years either met or exceeded the minimum qualifications for their positions. We obtained and

reviewed the personnel records for the 16 individuals who have primarily performed resale record inspections for San Rafael, Novato, and Pasadena since 2010 and determined that 10 of them exceeded the minimum qualifications and two others met the minimum qualifications. In most cases, these inspectors had met or exceeded the years of experience requirement in addition to holding the applicable certification. We were unable to verify the qualifications of one former city employee and three contracted resale record inspectors in San Rafael because the city did not have the applicable supporting records. According to San Rafael's human resources director and the chief building official, the city does not keep certifications in personnel records nor does it maintain personnel records for contracted personnel.

Although San Rafael and Pasadena have ICC-certified building inspectors performing resale record inspections, officials at both cities stated that the certification is desirable but not necessary for staff to perform resale record inspections. San Rafael's chief building official stated that these inspections do not require the same level of technical training that building inspections require. As previously stated, the city's resale record inspectors must meet the city's building inspector minimum qualifications by obtaining ICC certification within two years of employment because they fill in for building inspectors as needed. According to Pasadena's interim director of the planning and community development department, his department would benefit from its resale record inspectors obtaining ICC certification, so they would have advanced knowledge of the code requirements, which can be useful during inspections.

Regardless of the level of expertise and presence of certifications, officials at the three cities believe their resale record inspectors can proficiently perform their jobs because they receive on-the-job training and participate in external training events. Although all three cities' resale record inspectors have attended continuing education sessions on building standards, the cities have not established continuing education requirements to ensure that their staff remain current on the code requirements. The California Building Standards Commission is the entity that the California Building Standards Law authorizes to administer the many processes related to the State's code requirements, and it initiates updates to those requirements every three years. The frequency of these changes directly impacts the resale record inspectors' responsibilities, which emphasizes the importance of participating in relevant continuing education. We identified several training courses that would be valuable for resale record inspectors, such as a course on housing enforcement, laws, and property maintenance codes administered by the California Association of Code Enforcement Officials and a class on residential inspections,

***The cities have not established continuing education requirements to ensure that their staff remain current on building standards.***

covering compliance with recent state codes, sponsored by the California Building Officials Training Institute. The absence of continuing education standards could result in inconsistent performance by resale record inspectors. Officials at the three cities agreed that it is beneficial to establish a continuing education requirement to ensure that resale record inspectors are current on building standards.

Further, the three cities do not keep centralized records of the continuing education their resale record inspectors have attended. In addition, San Rafael does not maintain applicable certification documents pertaining to its inspectors. We expected to find this documentation in either the cities' personnel records or the records of the departments that administer the resale record program. However, when we asked the three cities for documentation of the continuing education staff had attended, and for certificates in San Rafael, they had to request those records directly from the inspectors.

The cities' officials explained that they rely on their staff to maintain continuing education records. San Rafael's chief building official stated that he has not kept continuing education records for his staff because he is aware of these training classes through his approval of training requests; however, he acknowledged that he does not keep comprehensive records of the training requests. According to Novato's code officer, who oversees the resale record program, his department does not maintain training records because individuals are responsible for maintaining their own records and providing them to the department when requested. According to Pasadena's former community development director, maintaining records of certification and continuing education was impractical for that department. However, Pasadena recently filled a position in February 2016 that will maintain certification and continuing education records, among other duties. Until the cities maintain continuing education records, they may be limited in their ability to defend the quality of their staff and programs.

### **Recommendations**

To ensure that the cities are aware of the degree of property owners' compliance with the cities' respective resale record ordinances, San Rafael, Novato, and Pasadena should implement procedures that can help them monitor the sale or exchange of properties that require resale record inspections. The cities should work with applicable stakeholders, such as realtors, to aid in these efforts.

To verify that new property owners are aware of the health and safety concerns at their properties and any corrections they need to make, San Rafael and Novato should each develop a process to ensure that they receive homeowners' cards. Pasadena should develop a process to ensure that staff sign the inspection certificates and add them to the city's database.

To ensure that the cities can monitor the satisfaction individuals have with their resale record programs and that the cities each have a uniform approach for resolving complaints, the three cities should develop a formal process for tracking the complaints they receive. In addition, they should each develop a formal policy that describes how staff should evaluate complaints, and they should document their activities associated with resolving complaints, such as the resolutions and the rationales for those resolutions. They should also establish a designated location in their respective databases to record this information.

The cities should develop formal written procedures for staff to follow up on property owners' correction of violations. These procedures should identify the following:

- The method in which staff document in the database the violations identified during inspections and their actions to bring the property into compliance. In addition, the procedures should identify where within the database these documents should be kept.
- The protocol for ensuring that repeat violations are corrected in a timely manner.

To ensure that staff can identify any repeat violations, San Rafael's staff should review prior resale record inspection reports before conducting subsequent resale record inspections.

To ensure that property owners correct violations in a timely manner, the three cities should do the following:

- Develop a work plan by July 2016 to identify and address their enforcement backlogs by April 2017, so that each city is up to date with its enforcement actions, such as issuing notice letters and monitoring property owners' actions to resolve violations. San Rafael's and Pasadena's work plans should also include updating the completion status of the violations so unresolved violations can be identified and monitored for subsequent correction.
- Follow through with their enforcement policies, such as issuing notice letters.

- Establish a written process for staff to monitor and ensure that property owners correct violations, including accurately identifying the properties that have not obtained necessary permits or have not had required reinspections performed.

To ensure that the cities conduct their resale record inspections and complete the reports in a timely manner, the following should occur:

- All three cities should establish a process to monitor their ability to meet their established time goals from application date to report issuance, such as developing a reminder report or using an automated feature of their database. Pasadena should also document the date the report is issued on the resale record report and in its database.
- San Rafael and Pasadena should review their time goals by July 2016 for the resale record program and modify them if necessary, factoring in property owners' expectations and staff resources to complete the resale record reports. Novato should also review its time goals by July 2016 and establish an expectation that is significantly shorter than 10 business days for the period from inspection to report issuance and that is commensurate with the effort required to issue the report. Further, it should establish a time goal for the period of application to inspection. If applicable, the three cities should update their policies and procedures to reflect the revised time goals.
- Novato and Pasadena should each establish a method to identify those inspections that have inspection dates requested by property owners.

To ensure that the resale record fees they charge are appropriate, the following should occur:

- San Rafael should conduct a formal fee study by December 2016 that incorporates the actual costs associated with the issuance of a resale record report by dwelling type, and Pasadena should finalize its formal fee study by April 2016.
- The three cities should establish a time frame to periodically determine whether their fees are commensurate with the cost of administering their resale record programs. The cities should ensure that they retain any documentation used to support their analyses and any subsequent adjustments to fees.

To ensure that the cities can demonstrate that their resale record inspectors are qualified, the following should occur:

- All three cities should develop processes to maintain continuing education attendance records. They should each ensure that staff receive periodic continuing education through internal and external sources to keep them current on code requirements, especially when the requirements are updated.
- San Rafael should ensure that staff who are required to have certifications continue to maintain them in good standing to perform their necessary job functions. If Pasadena subsequently requires its resale record inspectors to have ICC certifications, it should also ensure that those staff maintain them in good standing to perform their necessary job functions.

We conducted this audit under the authority vested in the California State Auditor by Section 8543 et seq. of the California Government Code and according to generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives specified in the Scope and Methodology section of the report. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Respectfully submitted,



ELAINE M. HOWLE, CPA  
State Auditor

Date: March 24, 2016

Staff: Linus Li, CPA, CMA, Audit Principal  
Myriam K. Czarniecki, MPA, CIA  
Jessica Derebenskiy  
Bridget Peri, MBA

Legal Counsel: Richard B. Weisberg, Senior Staff Counsel

For questions regarding the contents of this report, please contact Margarita Fernández, Chief of Public Affairs, at 916.445.0255.

Blank page inserted for reproduction purposes only.

March 2016



MAYOR GARY O. PHILLIPS  
VICE MAYOR KATE COLIN  
COUNCILMEMBER MARIBETH BUSHEY  
COUNCILMEMBER JOHN GAMBLIN  
COUNCILMEMBER ANDREW CUYUGAN McCULLOUGH

CITY MANAGER'S OFFICE  
PHONE: 415-485-3070  
FAX: 415-459-2242

March 3, 2016

By encrypted email: [myriamc@auditor.ca.gov](mailto:myriamc@auditor.ca.gov)

Elaine M. Howle, CPA, California State Auditor\*  
c/o Myriam Czarniecki, Audit Team Leader  
621 Capitol Mall, Suite 1200  
Sacramento, CA 95814

Re: Response to Draft Audit Report re Residential Building Record Program

Dear Ms. Howle:

Thank you for providing our staff with a draft of your proposed report concerning your office's audit of the City of San Rafael's residential building record program, and allowing us to provide you with our responses to the report's recommendations.

The fundamental goal of the City's residential building record program is to protect the health, safety and welfare of the City's residents by detecting and obtaining correction of illegal and noncompliant structures. We believe your report points out the merits of the program in advancing that goal.

We also find your recommendations to be reasonable and valuable in advancing the effectiveness and transparency of the City's processes and record-keeping, and their implementation could only improve our program. As the report acknowledges, our staff has finite resources with which to implement the residential building record program, and this will likely be the overarching limitation on our ability to implement all of the additional processes recommended in the short term; however the report provides us with a reasonable plan for improvement of the program. ①

We do want to acknowledge the courtesy and professionalism demonstrated by all the members of the audit team assigned to this matter. They performed their work in a directed, neutral, and considerate manner that greatly enhanced our staff's experience with the audit process.

Very truly yours,

JIM SCHUTZ  
City Manager

Blank page inserted for reproduction purposes only.

## Comments

### **CALIFORNIA STATE AUDITOR'S COMMENT ON THE RESPONSE FROM THE CITY OF SAN RAFAEL**

To provide clarity and perspective, we are commenting on the response to our audit from the city of San Rafael (San Rafael). The number below corresponds to the number we placed in the margin of San Rafael's response.

San Rafael indicates that finite staff resources will likely limit its ability to implement all of the additional processes we recommended in the short term. However, the city does not identify the specific recommendations that would be affected by this limitation. We look forward to the city providing this detail, as well as its plans and actions to implement the recommendations in its 60-day, six-month, and one-year responses.

①

Blank page inserted for reproduction purposes only.

March 2016



THE CITY OF  
NOVATO  
CALIFORNIA

922 Machin Avenue  
Novato, CA 94945  
415/899-8900  
FAX 415/899-8213  
[www.novato.org](http://www.novato.org)

Mayor  
Pat Eklund  
Mayor Pro Tem  
Denise Athas  
Councilmembers  
Pam Drew  
Josh Fryday  
Eric Lucan

City Manager  
Michael S. Frank

March 4, 2016

Elaine M. Howle, CPA\*  
State Auditor  
621 Capitol Mall, Suite 1200  
Sacramento, CA 95814

**Re: Response to Audit 2015-134**

Dear Ms. Howle:

The following constitutes the formal responses from the City of Novato regarding the audit recommendations for our residential resale inspection program. We appreciate the careful examination of our program by your staff and look forward to formalizing several of our procedures for great clarity to home sellers, buyers and the real estate community.

We do, however, have a fundamentally different view of our resale inspection program than that held by your staff, which we expressed in two conferences with the auditors. Section 4-8.1 of our Municipal Code clearly states the purpose of the resale inspection program is to provide “information about property proposed for sale or transfer in order to protect their welfare and legal interest during the sale or transfer of property.” This section goes on to state, “it is also the purpose of this section to assist the city in abating public nuisances and enforcing established building and zoning ordinances by identifying properties in need of rehabilitation or in violation of city codes.” There is nothing in this ordinance that mandates or establishes procedures for subsequent enforcement actions related to violations identified during the inspection process. We therefore take exception to recommendations of the audit that speak to mandating enforcement of all violations discovered during the resale inspections without regard to the relative severity of such code violations as they affect the health and safety of homeowners. City resources are limited, and it is critical for the City to retain the discretion to prioritize the caseload of our code enforcement officers related to these and all other citywide code enforcement service requests.

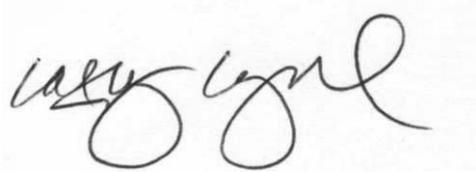
As also stated in Section 4-8.1 of the Municipal Code, the ordinance establishes the resale inspection program, “to assist in, but not guarantee, the disclosure of information from city records about real property within the city.” The recommendation that the City must monitor all residential property transactions to assure that all properties being sold have applied for a resale inspection report and further, that the City initiate a process to assure that all buyers have been provided with such reports from the sellers, is both inconsistent with the stated purposes of the ordinance and presents practical difficulties in that the City only has access to data sources on property transfers from the County Assessor that is frequently months old, after property transactions have been concluded and the responsible seller is no longer in control of the property and in many cases no longer resides in the area. Nonetheless, we will explore other potential data sources to allow for such monitoring, and look forward to viewing the full report to see whether the other audited programs have established procedures to do so.

\* California State Auditor's comments begin on page 53.

Specific responses to each of the report recommendations is provided in an attached table.

Again, we appreciate the opportunity to examine the quality, accuracy and efficiency of our programs, and commit to continually improving our public services.

Sincerely,

A handwritten signature in black ink, appearing to read "Cathy Capriola", written over a light gray rectangular background.

Cathy Capriola  
Interim City Manager

cc: City Council, City Attorney, Community Development Director

## Responses to State Audit Report 2015-134 on Resale Inspection Program

3

Report Recommendations	City Responses
<p><b>1. Monitor All Property Sales.</b></p> <p>To ensure that it is aware of compliance with its respective ordinances, Novato should implement procedures that can help it monitor the sale or exchange of properties that require resale record inspections. The city should work with applicable stakeholders, such as realtors, to aid in this effort.</p>	<p>We know of no data source that can provide information regarding all property sale transactions in advance of the transaction being completed. County Assessor data is updated periodically, but is not timely enough to provide advance notification to the city to initiate contacts with property owners to submit for a resale inspection, since that information is only updated by the County Assessor AFTER the transfer transaction is complete. Since the City's ordinance places the responsibility for a resale inspection on property sellers, finding out months after a transfer has occurred will not put the City in a position to create recourse for a non-compliant seller who has already disposed of the subject property.</p> <p>The City could request that the local realtors inform the City of properties which are in contract for sale. However, response from the realtors would not be guaranteed. This is essentially what occurs now with the realtors notifying the property owners of the requirement for inspection.</p>
<p><b>2. Receipt of Purchaser's Verification of Report Receipt.</b></p> <p>To verify that new property owners are aware of the health and safety concerns at their properties and any corrections they need to make, Novato should develop a process to ensure that it receives homeowners' cards.</p>	<p>The City knows of no way to ensure return of the homeowner's cards. The City's ordinance requires the seller to return the homeowner card, since it is the seller who is required to obtain the inspection and comply with the ordinance. However, once the sale transaction has completed, the City has no way to know the seller's new address and in many instances the seller is no longer present in the jurisdiction.</p> <p>The City will review the availability of alternate data sources to implement such a monitoring program with the Marin Association of Realtors.</p>
<p><b>3. Create a Complaint Process.</b></p> <p>To ensure that it can monitor the satisfaction individuals have with the resale record program and that it has a uniform approach for resolving complaints, Novato should develop a formal process for tracking the complaints received. In addition, it should develop a formal policy that describes how staff should evaluate complaints, and it should document its activities associated with resolving complaints, such as the resolution and rationale for the resolution. The city should also establish a designated location in its database to record this information.</p>	<p>The City will implement these recommendations.</p>

Report Recommendations	City Responses
<p>②</p> <p><b>4. Formalize Enforcement Process for Correction of Violations.</b></p> <p>Novato should develop formal written procedures for staff to follow up on a property owner's correction of violations. These procedures should identify the following:</p> <ul style="list-style-type: none"> <li>- The method in which staff document in the database the violations identified during inspections and their actions to bring the property into compliance. In addition, the procedures should identify where within the database these documents should be kept.</li> <li>- The protocol for ensuring that repeat violations are corrected in a timely manner.</li> </ul>	<p>The City will prepare formal written procedures for staff follow-up on a property owner's correction of violations. However, the City reserves the authority to prioritize enforcement follow up efforts based on the severity or potential health risks associated with identified violations and funding and staffing resources.</p>
<p>②</p> <p><b>5. Formalize Enforcement Process for Correction of Violations &amp; Address Backlog.</b></p> <p>To ensure that property owners correct violations in a time manner, Novato should do the following:</p> <ul style="list-style-type: none"> <li>- Develop a work plan by July 2016 to identify and address its enforcement backlog by April 2017, so that the city is up to date with its enforcement actions, such as issuing notice letters and monitoring property owners' actions to resolve violations. Novato's work plan should also include updating the completion status of the violations so unresolved violations can be identified and monitored for subsequent correction.</li> <li>- Follow through with its enforcement policies, such as issuing notice letters.</li> <li>- Establish a written process for inspectors to monitor and ensure that property owners correct violations, including accurately identifying the properties that have not obtained necessary permits or have not had required reinspections performed.</li> </ul>	<p>The City will develop a work plan relating to enforcement actions resulting from the program, including the backlog of identified violations, issuance of notice letters and monitoring by the identified dates and will establish written procedures where appropriate. However, the City reserves the authority to prioritize enforcement follow up efforts based on the severity or potential health risks associated with identified violations and funding and staffing resources.</p>

Report Recommendations	City Responses
<p><b>6. Establish &amp; Track Time Goals for Report Completion.</b></p> <p>To ensure that it conducts its resale record inspections and complete the reports in a timely manner, Novato should do the following:</p> <ul style="list-style-type: none"> <li>- Establish a process to monitor its ability to meet its established time goals from application date to report issuance, such as developing a reminder report or using an automated feature of its database.</li> <li>- Review its time goals by July 2016 and establish an expectation that is significantly shorter than 10 business days for the period from inspection to report issuance and that would be commensurate with the effort required to issue the report. Further, it should establish a time goal for the period of application to inspection. If applicable, Novato should update its policies and procedures to reflect the revised time goals.</li> <li>- Establish a method to identify those inspections that have inspection dates requested by property owners.</li> </ul>	<p>The City currently averages 5.6 days between the date of inspection and report completion, so a goal that is more commensurate with our actual performance can be established. Since our overall average time from application date to report completion is 11 days, an overall time goal from application to report completion will be established along with a process for monitoring.</p> <p>The City will indicate in the inspection log whether a later inspection date than the first available date has been requested by the property owners.</p>
<p><b>7. Track Officer Training.</b></p> <p>To ensure that it can demonstrate this its resale record inspectors are qualified, the following should occur:</p> <ul style="list-style-type: none"> <li>- Novato should develop a process to maintain continuing education attendance records. The city should ensure that staff receive periodic continuing education through internal and external sources to enable them to be current on the building standards code requirements, especially when the requirements are updated.</li> </ul>	<p>The City will implement these recommendations.</p>

Blank page inserted for reproduction purposes only.

## Comments

### CALIFORNIA STATE AUDITOR'S COMMENTS ON THE RESPONSE FROM THE CITY OF NOVATO

To provide clarity and perspective, we are commenting on the response to our audit from the city of Novato (Novato). The numbers below correspond to the numbers we have placed in the margin of Novato's response.

Novato indicates that its residential building record (resale record) ordinance does not require the city to engage in enforcement actions pertaining to violations identified during residential resale record inspections. This response is inconsistent with the provision in the ordinance—enacted pursuant to Novato's constitutional police power to legislate on behalf of the health and welfare of the city's residents—that an additional reason for the inspection program is to assist the city in abating nuisances and enforcing building and zoning ordinances. It is unclear how this ordinance can assist Novato to enforce California Building Standards Code requirements and related ordinances if the city does not have a system to enforce violations that are revealed in the course of a resale record inspection.

①

We stand by our recommendations on pages 39 and 40 pertaining to the correction of violations identified during resale record inspections. Although Novato's response emphasizes the need to prioritize enforcement efforts based on the severity of code violations, we noted on page 24 of our report that it generally gives the owner 30 days from the date of the resale record report to resolve any violations that require permits or reinspection before it issues a reminder letter or notice letter. The city's current policy for following up on violations requiring these actions does not address any type of prioritization. We encourage the city to specify in its policy how staff should prioritize enforcement. In addition, the other two cities we audited had similar enforcement policies and ordinances related to identifying violations, but they did not raise any concerns about formalizing their enforcement processes.

②

Because the stated purposes of Novato's disclosure ordinance are to assist in the disclosure of property-related information to the parties and to assist the city in identifying properties that have code violations, it is our position that having better information regarding the occurrence of residential real property transactions and having signed homeowner cards would enhance the city's confidence that buyers and sellers are more fully complying with the resale record ordinance and that the purposes of the ordinance are being met. To clarify, our recommendation on page 38 is focused on Novato being able to monitor the property transfer

③

transactions in order to inform it of the degree that property owners have complied with obtaining resale record reports, but it does not specify that the monitoring occur in advance of property sale transactions being completed. As we discuss on pages 15 and 16, the city is not monitoring this information. Thus, it cannot know how well the ordinance is being followed and take steps to gain greater compliance from stakeholders in the future. Even if the information Novato uses is several months old, the information is still valuable in determining compliance. We encourage the city to explore methods to address this recommendation, and we look forward to learning of the city's progress in its 60-day, six-month, and one-year responses.

March 2016



## OFFICE OF THE CITY MANAGER

March 3, 2016

Elaine M. Howle\*  
State Auditor  
621 Capital Mall, Suite 1200  
Sacramento, CA 95814

Dear Ms. Howle:

The City of Pasadena appreciates the California State Auditor's resources provided for evaluating the city's residential occupancy inspection program. As mentioned in the draft report, the city's program is one of a few dozen throughout California that provides consumer protection to home purchasers and enhances health and safety regulations.

The draft report has been reviewed by various city staff. Attached are the City of Pasadena's comments to recommendations included in Report Number 2015-134.

If you or the audit team wishes to discuss our comments or the report further, please contact David Reyes, Interim Director of Planning and Community Development, at 626/744-4650 or [davidreyes@cityofpasadena.net](mailto:davidreyes@cityofpasadena.net).

Sincerely,

A handwritten signature in black ink, appearing to read "S Mermell".

Steve Mermell  
Interim City Manager

SM:ah

Attachment

*City Hall*  
100 N. Garfield Avenue, Room 229  
Mailing Address: P.O. Box 7115 • Pasadena 91109-7215  
(626) 744-6936 • Fax (626) 744-4774  
[smermell@cityofpasadena.net](mailto:smermell@cityofpasadena.net)

\* California State Auditor's comments appear on page 61.

## City of Pasadena Response to Report 2015-134

The City of Pasadena respectfully submits the following responses to the recommendations within draft report 2015-134.

RECOMMENDATION #1 - To ensure that it is aware of the degree of compliance with its respective ordinances, Pasadena should implement procedures that can help it monitor the sale or exchange of properties that require resale record inspections. Pasadena should work with stakeholders, such as realtors, to aid in this effort.

- ① RESPONSE - The City of Pasadena respectfully disagrees with this recommendation. The City's current ordinance, rules and regulations, and policies provide a reasonable way for the city to monitor the sale or exchange of properties.

RECOMMENDATION #2 – To verify that new property owners are aware of the health and safety concerns at their properties and any corrections they need to make, Pasadena should develop a process to ensure that staff sign the inspection certificates and add them to the city's database.

RESPONSE – The City of Pasadena agrees with this recommendation. The Interim Director of the Planning and Community Development Department will issue a memorandum outlining the process for staff to sign inspection certificates and add them to the city's land management system. The City anticipates reporting completion of this item in its scheduled report due at the 60 day interval.

RECOMMENDATION #3 - To ensure that it can monitor the satisfaction individuals have with the resale record program and that it has a uniform approach for resolving complaints, Pasadena should develop a formal process for tracking the complaints received. In addition, it should develop a formal policy that describes how staff should evaluate complaints, and it should document its activities associated with resolving complaints, such as the resolution and the rationale for the resolution. The city should also establish a designated location in its database to record this information.

RESPONSE – The City of Pasadena agrees with this recommendation. A process will be developed for staff to note in the City's land management system complaints received and their resolution. The Interim Director of the Planning and Community Development Department will issue a memorandum to inform staff of the process and direct staff to enter complaints into the city's land management system. The City anticipates reporting completion of this item in its scheduled report due at the 60 day interval.

RECOMMENDATION #4 - Pasadena should develop formal written procedures for staff to follow up on a property owner's correction of violations. These procedures should identify the following:

- A. The method in which staff document in the database the violations identified during inspections and their actions to bring the property into compliance. In addition, the procedures should identify where within the database these documents should be kept.
- B. The protocol for ensuring that repeat violations are corrected in a timely manner.

City of Pasadena Response to Report 2015-134

RESPONSE – The City of Pasadena agrees with this recommendation.

- A. The Interim Director of the Planning and Community Development Department will issue a memorandum to inform staff of the method to document violations in the land management system. The City anticipates reporting completion of this item in its scheduled report due at the six month interval.
- B. The City will consider a protocol to address repeat violations. Any formal written procedures will involve input from local stakeholders and if there are any changes to current protocols, the changes will be issued to staff by memorandum from the Interim Director of the Planning and Community Development Department. The City will provide progress reports of this item in its scheduled reports.

RECOMMENDATION #5 - To ensure that property owners correct violations in a timely manner, Pasadena should do the following:

- A. Develop a work plan by July 2016 to identify and address its enforcement backlog by April 2017, so that the city is up to date with its enforcement actions, such as issuing notice letters and monitoring property owners' actions to resolve violations. Pasadena's work plan should also include updating the completion status of the violations so unresolved violations can be identified and monitored for subsequent correction.
- B. Follow through with its enforcement policies, such as issuing notice letters.
- C. Establish a written process for inspectors to monitor and ensure that property owners correct violations, including accurately identifying the properties that have not obtained necessary permits or have not had required reinspections performed.

RESPONSE – The City of Pasadena agrees with this recommendation.

- A. The Interim Director of Planning and Community Development will direct staff to identify and develop a work plan by July 2016 to address the backlog by April 2017.
- B. The Interim Director of the Planning and Community Development Department will issue a memorandum to remind staff of the enforcement policies related to issuing notice letters. The City anticipates reporting completion of this item in its scheduled report due at the 60 day interval.
- C. The Interim Director of the Planning and Community Development Department will also issue a memorandum with a written process for inspectors to monitor properties needing to correct violations or needing re-inspection. The City anticipates reporting completion of this item in its scheduled report due at the 60 day interval.

RECOMMENDATION #6 - To ensure that it conducts its resale record inspections and complete the reports in a timely manner, Pasadena should do the following:

- A. Establish a process to monitor its ability to meet its established time goals from application date to report issuance, such as developing a reminder report or using an automated feature of its

## City of Pasadena Response to Report 2015-134

database. Pasadena should also document the date the report is issued on the resale record report and in its database.

- B. Review its time goals by July 2016 for the resale record program and modify them if necessary, factoring in property owners' expectations and staff resources to complete the reports. If applicable, Pasadena should update its policies and procedures to reflect the revised time goals.
- C. Pasadena should also establish a method to identify those inspections that have inspection dates requested by property owners.

## RESPONSE

- A. The City of Pasadena agrees with the recommendation to monitor the established time goals. The City's Department of Information Technology is creating a report function to monitor the time from application date to report issuance. The report will be reviewed periodically to monitor the time goal. The City anticipates this item will be completed in April and included in its scheduled report due at the 60 day interval.
- ② B. The City of Pasadena respectfully disagrees with the recommendation to review the time goal and modify them if necessary. The current policy and procedures in place related to time goals reflect the dedicated staff resources for this program.
- C. The City of Pasadena agrees with the recommendation to establish a method to identify inspection dates requested by property owners. The Interim Director of the Planning and Community Development Department will issue a memorandum directing staff to add notes to the city's land management system of property owner requested inspection dates. The City anticipates reporting completion of this item in its scheduled report due at the 60 day interval.

RECOMMENDATION #7 - To ensure that the resale record fees it charges is appropriate, the following should occur:

- A. Pasadena should finalize its formal fee study by April 2016 that incorporates the actual costs associated with the issuance of a resale records report by dwelling type.
- B. Pasadena should establish a time frame to periodically determine whether the fees are commensurate with the cost of administering the resale record program. The city should ensure that it retains any documentation used to support its analyses and any subsequent adjustments to fees.

RESPONSE – The City of Pasadena agrees with this recommendation. The City of Pasadena also acknowledges it significantly undercharges for the home occupation inspection fee.

- A. The fee study will be finalized by April 2016 and the city will retain the documentation used to support the analysis.
- ③ B. The fee is already reviewed annually with City Council adoption of a fee schedule. The city will conduct a cost of service study periodically and will retain the documentation used to support the analysis.

City of Pasadena Response to Report 2015-134

RECOMMENDATION #8 - To ensure that it can demonstrate that its resale record inspectors are qualified, the following should occur:

- A. Pasadena should develop a process to maintain continuing education attendance records. The city should ensure that staff receive periodic continuing education through internal and external sources to enable them to be current on the building standards code requirements, especially when the requirements are updated.
- B. If Pasadena subsequently requires its resale records inspectors to have ICC certifications, it should ensure that staff maintain them in good standing to perform their necessary job functions.

RESPONSE

- A. The City of Pasadena agrees with the recommendation to maintain continuing education records. The Interim Director of the Planning and Community Development Department will issue a memorandum to staff requesting staff provide records periodically to the Department's Management Analyst who will maintain employee continuing education records. The City anticipates reporting completion of this item in its scheduled report due at the 60 day interval.
- B. The City of Pasadena respectfully disagrees and has no intention to require ICC certification for resale records inspectors. If an individual inspector has ICC certification it will be their personal responsibility to maintain the certification.

Blank page inserted for reproduction purposes only.

## Comments

### CALIFORNIA STATE AUDITOR'S COMMENTS ON THE RESPONSE FROM THE CITY OF PASADENA

To provide clarity and perspective, we are commenting on the response to our audit from the city of Pasadena (Pasadena). The numbers below correspond to the numbers we placed in the margin of Pasadena's response.

Although Pasadena states that its ordinance, rules and regulations, and policies provide a reasonable way to monitor the sale or exchange of properties, we believe the city should do more. As stated on page 15 of our report, Pasadena lacks procedures to monitor the sale or exchange of properties. In addition, as further noted on page 16, the city receives updates from the county assessor regarding property transfers, but it has not used this information to monitor property owners' compliance with the city's ordinance.

①

We stand by our recommendation on page 40 that Pasadena review its time goals for the residential building record (resale record) program and modify them if necessary. As noted on page 30, the city did not meet its goal from application to inspection for eight of the 20 resale records we reviewed, which we believe warrants a review of its goals and action by the city to modify them if necessary so that property owners have appropriate timing expectations.

②

Although Pasadena states that the city council reviews the fees annually, the fees are not always changed. We noted on page 32 that the city adjusted its fees periodically based on the consumer price index. However, as we also discuss on the same page, the city was unable to document how the current fee amounts were calculated and how those fees are commensurate with the costs incurred to operate its resale record program.

③

We are unclear as to why Pasadena disagrees with this recommendation. As we note on page 37 of our report, the interim director of the planning and community development department acknowledged that his department would benefit from its resale record inspectors obtaining International Code Council certification so they would have advanced knowledge of code requirements. Accordingly, our recommendation on page 41 focuses on ensuring that staff maintain certifications in good standing if the city subsequently decides to require these certifications.

④