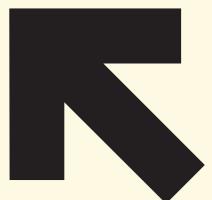


Conditional Use Permit Audit



Report Date: May 6, 2025
Report #24-02
Bradford Smith, CFE, City Auditor
Sylvia Martin, CICA, Assistant City Auditor II



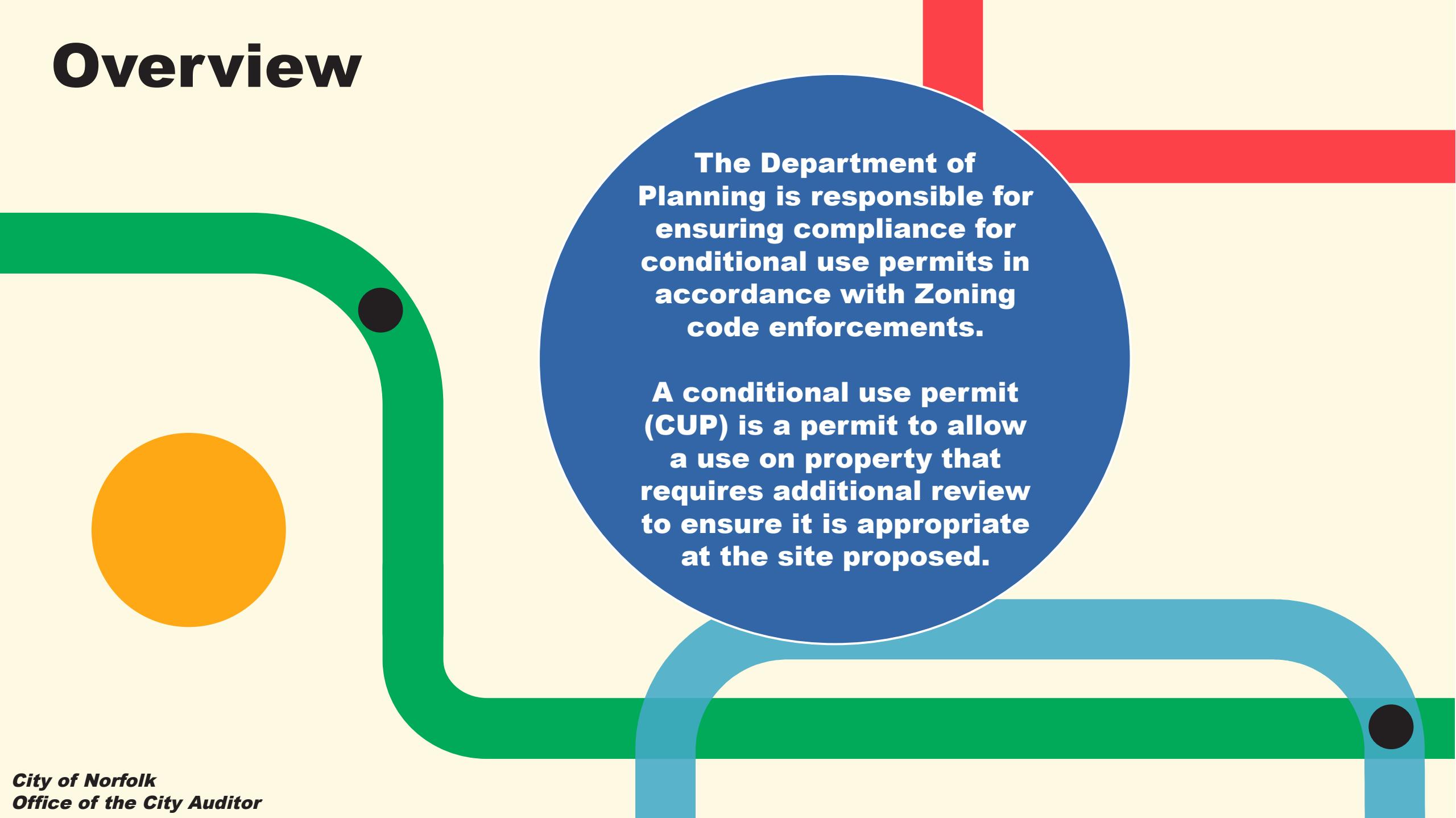
Purpose / Objective / Scope

Determine the efficiency and effectiveness of the conditional use permit process within the scope of FY2022 – FY2024.

Note: Short-term rentals were excluded in this audit due to scope limitations. A future standalone audit will be determined for this area to assess operational efficiencies and effectiveness.



Overview

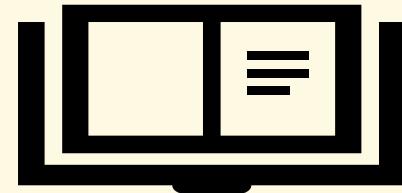


The Department of Planning is responsible for ensuring compliance for conditional use permits in accordance with Zoning code enforcements.

A conditional use permit (CUP) is a permit to allow a use on property that requires additional review to ensure it is appropriate at the site proposed.

Norfolk Zoning Ordinance Code 2.4.8 states:

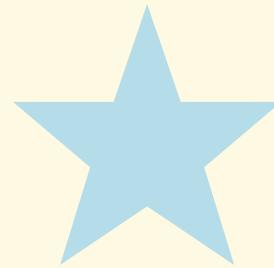
“A use designated as a conditional use in a particular zoning district is a use that may be appropriate in the district but because of its nature, extent, and external effects, requires special consideration of its location, design, and methods of operation before it can be deemed appropriate in the district and compatible with its surroundings”



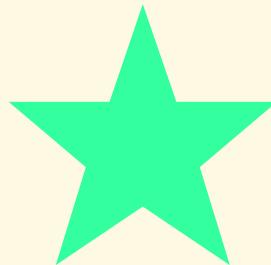
Planning Department Accomplishments:



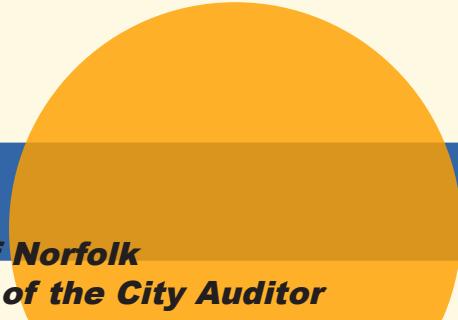
Provided the ability to schedule pre-application meetings on the website.



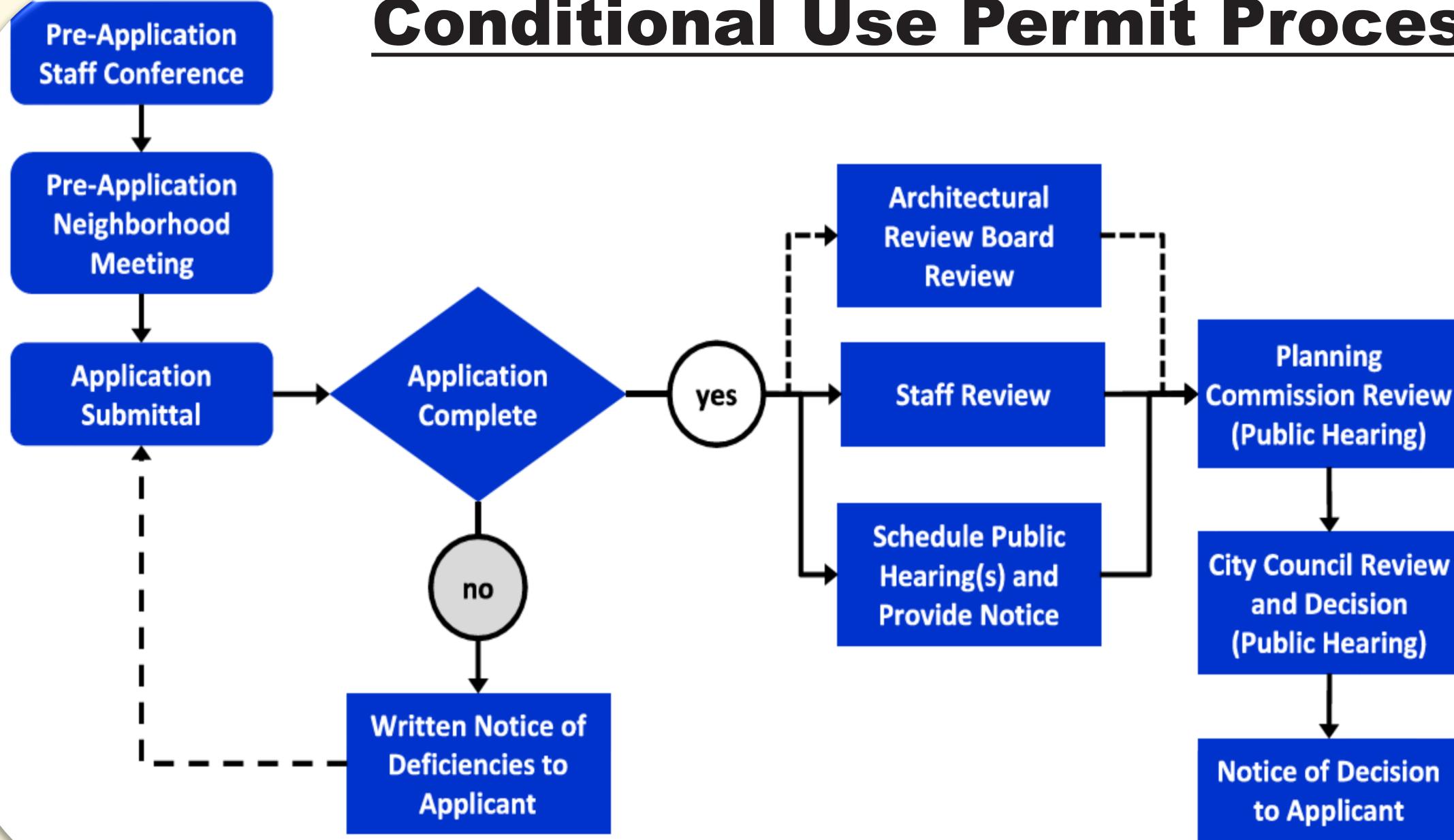
Improved the timeline for accepting applications based on a scheduled neighborhood meeting rather than holding the meeting beforehand.



Improved the availability for in-person meetings with staff.



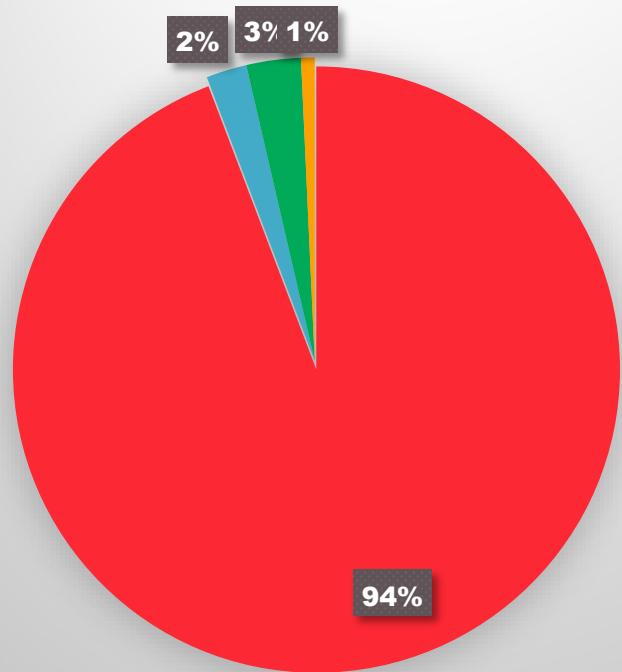
Conditional Use Permit Process



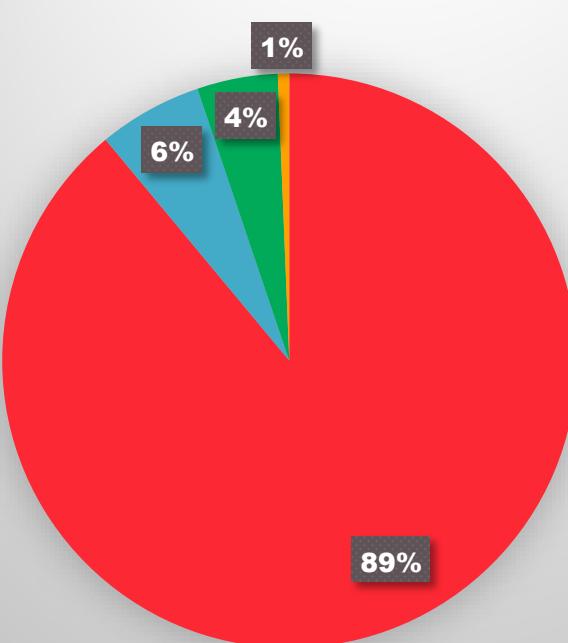


Approvals Percentage FY22-24

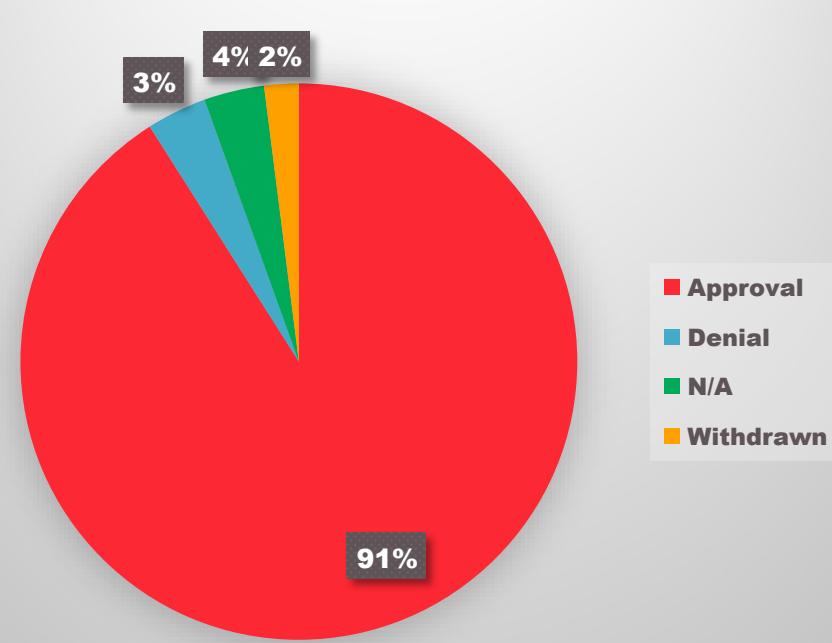
2022



2023



2024



■ Approval
■ Denial
■ N/A
■ Withdrawn

Note: N/A represents a change in the text amendment (no address) but must be approved by City Council



CUPs Approved FY22-24



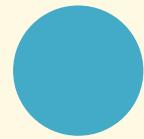
| Types of CUPs | # of Approvals by City Council |
|--|--------------------------------|
| 24+ dwelling units | 2 |
| ABC Off-Premises | 20 |
| ABC On-Premises | 16 |
| After-hours membership establishment | 1 |
| Alternative Signage | 5 |
| Automobile Repair | 1 |
| Automobile Repair and Maintenance | 1 |
| Automobile Sales | 1 |
| Automobile Sales and Service | 1 |
| Automobile Tow Lot | 1 |
| Banquet Hall | 13 |
| Banquet Hall (Live Entertainment & ABC On) | 1 |
| Banquet Hall with Live Entertainment | 1 |
| Billboard | 1 |
| Boat Sales, Rental, Service, or Repair | 1 |
| Car Wash | 3 |
| Commercial Recreation Center | 3 |
| Communication Tower, Commercial | 1 |
| Convenience Store | 7 |
| Daycare | 1 |
| Daycare Home | 1 |
| Drive-Through | 1 |
| Drive-through facility | 12 |
| Electric Vehicle Charging Station | 1 |
| expansion of nonconforming use | 1 |
| Extended Hours of Operation | 8 |
| Fuel or bottled gas distribution | 1 |
| Gasoline Sales | 1 |
| Home Occupation | 2 |
| Inn | 1 |
| Live Entertainment | 35 |
| Marina | 1 |
| Modify alternative dimensional standards | 1 |
| More than 24 DU | 5 |



CUPs Approved FY22-24



| Types of CUPs | # of Approvals by City Council |
|---|--------------------------------|
| More than 24 dwelling units | 1 |
| More than 50% of first floor to be utilized for residential purposes | 1 |
| Multi-family Dwelling | 1 |
| Nightclub | 5 |
| Office Spaces | 1 |
| Outdoor Seating with extended hours of operation | 1 |
| Production of Craft Beverages | 11 |
| Recreational Vehicle Sale, Rental, and Maintenance | 1 |
| Reduce required parking | 2 |
| Religious Institution | 2 |
| Residential Use | 1 |
| Restaurant (Live Entertainment & Extended Hours of Operation) | 1 |
| Restaurant with Alcoholic Beverages and Extended Hours of Operation | 1 |
| Restaurant with Extended Hours | 8 |
| Restaurant with Extended Hours of Operation | 4 |
| Restaurant with Live Entertainment | 1 |
| Restaurant with Sale of Alcoholic Beverages, Off Premises | 3 |
| Restaurant with Sale of Alcoholic Beverages, On Premises | 19 |
| Retail goods establishment | 2 |
| Sale of Alcoholic Beverages, Off Premises | 7 |
| Sale of Alcoholic Beverages, On Premises | 13 |
| Sale of Smoking or Vaping Products | 5 |
| Short-Term Rental | 38 |
| Short-Term Rental (Homestay) | 4 |
| Short-Term Rental (Vacation Rental) | 58 |
| Smoke or Vape Products | 2 |
| Smoke or Vape Shop | 1 |
| Smoking or Vaping Products | 2 |
| Solar Energy Collection Facility | 1 |
| Tattoo Parlor | 3 |
| Tattoo Parlor | 1 |
| Tire Sales and Repair | 1 |
| Used merchandise sales | 1 |
| Veterinary Hospital or Clinic | 1 |



Benchmark Analysis

| <u>City</u> | <u>Submission Process</u> | <u>Cost of Fees</u> | <u>Estimated Processing Time for CUPs</u> | <u>CUP Requirements</u> |
|-----------------------|--|---------------------|---|---|
| Norfolk | Manual-via email/mail | \$1,080 | 2-3 months | Checklist Form |
| Chesapeake | Automated via (eBUILD) system | \$850 | 5 months | Included on the application form |
| Virginia Beach | Automated via system - Accela / In-person | \$1,090 | 4 months | Included on the application form |
| Portsmouth | Manual-via email/mail | \$660 | 4 months | Included on the application form |



Challenges

Planning Department does not have an automated process for tracking applicants.



Management has not established a reconciliation process for tracking and monitoring incoming fees for CUPs.



Planning Department does not have a formal process for tracking and monitoring expired CUPs.



Management has not established internal policies and procedures to ensure application fees are collected, recorded, and deposited.



Conclusion

Our examination of the policies, procedures, and practices related to the CUP process disclosed that they were generally adequate. However, we noted some areas for improvement to strengthen the internal control system and reduce the risk of fraud, waste, and abuse in the future. Therefore, we identified controls that require improvements to address the following:



1

- Operational and process improvements for Conditional Use Permits.



2

- Deficiencies in the monitoring and tracking of CUPs, tracking of application fees, and potential delays in processing CUPs timely.

The areas for improvement are detailed in the following slides.

**1**

Tracking and Monitoring CUPs

Condition

Conditional Use Permit (CUP) applications are manually tracked and monitored within the Department and only consist of completed and approved applications by Planning. Incomplete and pre-applications are not tracked.

Additionally, CUP applications do not have a standardized method for capturing when applications are officially submitted. During our evaluation, we sampled 15 applications. We observed that the application dates were provided, but we did not have a method for tracking the application submission dates for all 15 samples.

Management Response:

The Department of City Planning agrees with the findings for tracking of applications. This is on the work program for our team to upgrade Clariti (Building Permit and Site Plan tracking software) to include Planning applications but is not a high priority due to issues and necessary improvements for existing permits and processes. Difficulty is tracking incomplete applications, and no process has yet been identified to track those well. Planning will begin reviewing ways to use Clariti for Planning applications Winter 2025 and determine ways to better track incomplete applications and pre-applications. The plan would be to start digitally accept applications for agendas beginning of calendar year 2026 to provide a clean “break” from the current submittal process.

Recommendations

- A feasibility assessment is conducted to determine if an automated system will improve operational efficiency and internal controls for tracking and monitoring CUP applications and streamlining the CUP process.
- Establish a consistent and verifiable tracking system for CUP applications from submission to approval by the City Council. This will ensure that applications are processed within the 2–3-month timeframe to prevent delays in CUP approval.

K**2**

Tracking Application Fee Payments in AFMS

Condition

Conditional Use Permit (CUP) application fees are not identifiable in the city's financial system (AFMS) for tracking payments by fiscal year. The Department does not have a process to ensure CUP application fees are collected, recorded, and deposited. In our sample of 15 CUP applications, we did not find evidence of collected, recorded, and deposited application fees for eight applications.

We reviewed revenue reports in AFMS from FY22-24 to reconcile the number of CUP applications to the revenue amount received. During our review, CUPs were recorded under various revenue sources which we could not directly reconcile to the specific CUP application fee. As a result, overlapping totals prevented us from reconciling the revenue for CUPs in FY22-24.

Recommendations

- Implement an internal control system to ensure receipt of payment for all CUP application fees and take the necessary steps to verify that all CUP application fees have been collected, recorded, and deposited appropriately.
- Develop and implement written procedures for recording, processing, and reconciling revenue received for conditional use permit fees.

Management Response:

Planning agrees with the findings and will write an SOP for the intake and tracking of CUP fees. Intaking of fees will also be improved by moving to digital application intake through Clariti. SOP review will begin immediately to determine interim controls prior to digital plan intake with implementation beginning no later than Spring 2025. Additionally, administrative staff has been trained to better track payments and provide information directly to the staff members managing the application.

**3**

Lack of Monitoring CUPs that may be Expired

Condition

Conditional Use Permits (CUPs) are not monitored periodically to ensure business owners operate appropriately according to the terms and conditions of the permit. Per our review and discussion with management, CUPs are tracked by zoning violation but are not tracked from the time of the CUP approval to the time of the CUP expiration. Per discussion, this process for tracking and monitoring is currently underway and will be included in Clariti (the system for tracking violations).

Recommendation

Establish a written process for tracking and monitoring conditional use permits for expirations.

Management Response:

SOP will be created for the tracking and monitoring of CUPs as we program Clariti to provide automatic inspections for each CUP within the system. However, CUPs for Short Term Rentals and Restaurants already have built in inspection controls due to current operations of the department associated with the Business Compliance Unit and STR teams within Zoning. Zoning Inspections is also trained to do 360 inspections when they go to sites which often times have them inspect other CUP locations. Recently, separate digital database of all CUPs was updated and completed by staff. This data will be used to help inspections.



Observations



1. CUPs were missing checklist forms among supporting documents. All supporting documentation must remain consistent with its most current processes to ensure adherence to internal controls.
2. While a general violations process exists, no formal policy is currently documented. It is essential that all internal control policies have a corresponding SOP on file.
3. In instances where a CUP application fee remains unpaid, an internal control procedure must be established for notifying the CUP applicant regarding unpaid/outstanding fees.



Methodology

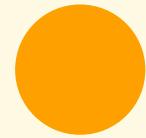
Reviewed City Ordinances that govern Conditional Use Permits

Examined internal policies and procedures that govern the Department's operations concerning Conditional Use Permits

Performed a walkthrough of the Conditional Use Permit process and evaluated the internal controls

Assessed management's report for monitoring and tracking conditional use permits

Selected a sample of permit applications to determine CUP timeliness, effectiveness, and efficiencies



Government Auditing Standards

Compliance w/ GAGAS

- We conducted this performance audit in accordance with 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. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Data Reliability

- We relied on manual data from management and the Clariti system for accuracy when conducting this audit. The extent of our evaluation depended on the data's expected importance to the final report, the strengths or weaknesses of any corroborating evidence, and the anticipated level of risk in using the data. We determined the information provided to be sufficiently reliable and, therefore, the level of risk from using this information to be medium.

Internal Controls

- We obtained an understanding of significant internal controls within the context of the audit objective. We assessed whether internal controls were properly designed and implemented and performed procedures to obtain enough evidence to support the effectiveness of those controls. The extent of our assessment was dependent on the Conditional Use Permit internal processes and compliance with state and local regulations. Our results indicated some opportunities for improvements, but none of the deficiencies are considered material weaknesses.



**We want to thank the
members of the
Planning Department
for their cooperation
and responsiveness to
our requests during
the audit.**

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or

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for any questions