



Office of the
Auditor General
City of Ottawa



INVESTIGATION OF BUILDING CODE SERVICES

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Acknowledgement

The team responsible for this investigation was comprised of Cory Richardson from the Office of the Auditor General, as well as subject matter experts from PricewaterhouseCoopers (external consultants), under the supervision and direction of myself, as Deputy Auditor General. Due to the potential of a perceived conflict of interest, the Auditor General has recused herself from this investigation to preserve the independence and objectivity of the project.

My colleagues and I would like to thank those individuals who contributed to this project, and particularly, those who provided insights and comments as part of this investigation.

Respectfully,



Joanne Gorenstein, CPA, CA, CIA, CFE
Deputy Auditor General

Introduction

As a result of several reports received through the City's Fraud and Waste Hotline (FWHL), the Office of the Auditor General (OAG) undertook an investigation to assess concerns with respect to the issuance of building and occupancy permits under the *Ontario Building Code*¹.

Background and Context

The *Ontario Building Code*, as enabled under the *Building Code Act* (the Act), is a technical, detailed, and comprehensive document that establishes the requirements and minimum standards for building construction in the Province of Ontario.

Building Code Services (BCS), within the City of Ottawa (the City), under the direction of the Chief Building Official, administers and enforces the *Ontario Building Code*, ensuring that all construction projects meet the required standards for safety, health, and structural integrity. This starts with the review and approval of building permit applications. BCS also conducts inspections at various stages of construction to ensure that the work complies with the approved plans and building codes.

In order to apply for a building permit in Ottawa, applicants prepare an application by gathering all necessary documents, including detailed plans, drawings, and specifications of the proposed work. These documents are submitted through the My ServiceOttawa portal to be reviewed for compliance with the *Ontario Building Code*, zoning by-laws, and other applicable laws by BCS. If the application meets all requirements, a permit will be issued, and construction can legally begin.

Administratively, the Municipal Administration Program (MAP) system has been used to monitor the status of permit applications, as well as act as a repository for



¹[O. Reg. 332/12: Building Code](#)

permit and inspection information. This can include details of deficiencies and links to supporting documentation. Additionally, physical records and documentation are maintained and once a file has been closed and reconciled, this paper record becomes the Official Business Record (OBR). As of September 2024, BCS was migrating from MAP to a new application, the Land Management Software (LMS), which in addition to other benefits, is expected to support improved record keeping.

Investigation Objective and Scope

The objective of this investigation was to review building permit application and inspection practices in relation to the concerns raised in reports received through the FWHL.

The scope of our investigation was limited to assessing whether the allegations had merit, and if so, to determine the appropriate course of action that may be required for each of the issues. However, to the extent that during the investigation, other control issues were identified and validated, they have been presented in this report. The investigation focused on the building permit application approval process, as well as the building inspection and occupancy permit process.

Readers are cautioned about the important distinction between an investigation and an audit. An audit is designed to provide a high level of assurance over its findings and will typically feature rigorous testing and analysis. While this investigation was conducted in a systematic and professional manner, the extent of activities undertaken by the OAG was narrow compared to an audit and focused solely on the concerns raised to our attention.

Refer to [Appendix 1](#) for additional details on the objective approach and methodology to the investigation.

Conclusion

The Chief Building Official and BCS staff play a critical role in enforcing the Act and the *Ontario Building Code*. The work we performed highlighted the need to improve processes and documentation within BCS to consistently demonstrate the due diligence undertaken to support the issuance of a building permit and an occupancy permit. Evidence assessed demonstrated that some BCS review and inspection activities were being taken; however, the documentation available did not allow us to conclude that **all** due diligence activities were completed before the permits were issued. Each finding in this report has been assigned a rating that prioritizes the associated remediation. Rating definitions are provided in [Appendix 2](#).

While we were able to substantiate specific allegations reported, the lack of specificity of various other allegations and the inability to corroborate the other claims resulted in us

not being able to fully prove or disprove their merit. **No further information can be provided on these allegations as we were unable to conclude on them.**

Value of Investigation: This investigation has highlighted areas where the City's documentation does not consistently demonstrate the due diligence activities required to be completed before issuing a permit under the Ontario Building Code. The recommendations, once implemented, will allow the City to consistently demonstrate the activities undertaken to support the permit.

Investigation Findings and Recommendations

1.0 Occupancy/Final Inspections

The City is mandated by the *Ontario Building Code* to conduct building inspections associated with construction authorized by a building permit. It is the responsibility of the permit holder to arrange inspections at key stages of construction. The stages applicable to an individual project is listed in the Notice to Permit Holder, which is included with the issuance of the building permit. Examples of key inspection stages include:

- **Excavation** – Required prior to placement of concrete footings. The geotechnical soils report confirming soil-bearing capacity may be requested by the building official, if warranted by on-site soil conditions.
- **Foundation** – Required before the foundation is backfilled.
- **Plumbing (rough in)** – Required when the plumbing is roughed in (includes drains, waste, vent and water piping system).
- **Framing and mechanical rough-in** – When structural framing and stairs, including fire separation and fire stopping components, are completed and the electrical system, fireplace and ductwork for heating, ventilation and air conditioning are roughed in.
- **Plumbing final** – When plumbing system, fixtures and appliances are complete (test required).
- **Occupancy** – A person may occupy a dwelling that has not been fully completed, provided an Occupancy Permit or Partial Occupancy Permit has been issued by the City's Building Official. To be eligible, there must be no outstanding *Ontario Building Code* Orders, and certain building components and systems must be complete and inspected.

- **Final** – When the building is complete, at which time the Building Inspector will issue a Final Occupancy Permit.

The BCS Building Officials and Inspectors are expected to perform all required inspections. All deficiencies should be documented, tracked and resolved in a timely manner (and filed appropriately) prior to the issuance of an occupancy permit and/or final occupancy permit. Management has indicated that upon closure of an occupancy permit file, a full-scope file reconciliation exercise is undertaken to ensure all documentation to support the file is in place.

1.1 Evidence of how deficiencies were resolved to allow an occupancy permit to be issued was not consistently demonstrated.

Priority Rating:
Moderate

A sample of six (6) new build projects were selected for review to ensure sufficient documentation to support the inspection activities leading to the issuance of the occupancy permit. From our testing, we observed several outstanding inspection related deficiencies. From the list of all deficiencies, we selected those outstanding deficiencies deemed critical (such as life safety elements) for further review to assess whether they were resolved prior to issuance of occupancy/final permits and completion of final inspections. For three (3) files, evidence could not be provided to demonstrate that outstanding deficiencies were resolved before the issuance of the occupancy permit and completion of the final inspection.

Without sufficient documentation, and the City cannot demonstrate how identified deficiencies were resolved, nor can compliance to the *Ontario Building Code* be confirmed. While we understand that an exercise to reconcile all supporting documentation is undertaken at file closure, the long-elapsed timeframe of a more complex file increases the risk that all supporting documentation cannot be found at the time of file closure.

It should be noted that each one of the samples tested had been issued an occupancy permit. Management has attested that even though the documentation was not consistently available, a City Inspector would not issue an occupancy permit if all deficiencies had not been cleared. Management has further indicated that the above-mentioned samples were larger, multi-storey buildings, which are also subject to review by third party professionals for the design and confirmation of *Ontario Building Code* compliance, which is relied upon by the City Inspectors.

1.2 There are incomplete files related to occupancy permits and final inspections.

Priority Rating:
Moderate

As part of the investigation, we analyzed the status of files within MAP related to occupancy permits and final inspections. In doing so, we focused on open files between 2020 and 2024 which were missing key milestones. For the key milestones assessed, this was limited to:

- **occupancy inspections/permits**, which demonstrate that a building/dwelling is safe to occupy, and
- **final inspections**, which demonstrate that all remaining deficiencies (that may have been observed during occupancy inspections) have been cleared.

We understand that in some cases, BCS may issue partial occupancy permits (for specific floors or areas) where necessary, but it is best practice to perform a full occupancy inspection and issue a full occupancy permit once all floors or areas are complete. In cases where an overall occupancy inspection/permit was not available, we reviewed partial occupancy inspections/permits to confirm they covered the entire building being constructed or modified.

We selected a sample of files for new building projects where we would expect to see occupancy inspections/permits and final inspections, as follows:

- Seven (7) projects had a final inspection, but no evidence of occupancy inspections/permits issued for all floors/areas (per MAP):
 - a. For five (5) of the seven (7) selected projects, even though final inspections were completed, an overall occupancy inspection/permit covering all floors/areas had **not** been issued. We noted that these projects had partial permits covering specific floors/areas but **did not** cover all floors of the building. Management has indicated that the City Inspectors may have assumed the final inspection was the indication that a full occupancy was issued. While this may be the case, we understand that an occupancy permit for all floors is expected to be issued.
- Seven (7) projects did not have evidence of a final inspection nor occupancy inspections/permits for all floors/areas (per MAP):

- a. For three (3) of the seven (7) projects, partial occupancy inspections/permits were completed covering certain floors but **not all** floors. An occupancy permit **was not** issued for the whole building nor had a final inspection been issued. It should be noted that for these buildings the last partial inspection dates on file were between 2018 and 2021; and therefore, the expectation would be that by time of this investigation, all inspections and reconciliation would be completed.

Without evidence of an occupancy inspection for all floors/areas and/or a final inspection, the City cannot demonstrate that deficiencies identified during previous inspections had been cleared, potentially impacting the safety of the building.

RECOMMENDATION 1 – PROACTIVE MONITORING OF OPEN INSPECTION FILES

Leveraging the new LMS system, the Chief Building Official should ensure there is proactive and timely monitoring of open inspection files and ensure that the necessary evidence of inspection results/occupancy permits are maintained.

MANAGEMENT RESPONSE 1

Management agrees with this recommendation.

The Chief Building Official will work to ensure there is proactive and timely monitoring of open inspection files and will work to ensure that the necessary evidence of inspection results/occupancy permits are maintained, leveraging the new LMS System. The recommendation will be completed by Q3 2025.

RECOMMENDATION 2 – ENHANCED OPERATING AND DOCUMENTATION PROTOCOLS

The Chief Building Official should, in conjunction with the rollout of LMS, enhance operating protocols with defined guidance (checklists, templates, etc.) on how to review files, capture/document results and deficiencies, and track and resolve deficiencies to complete/close a file.

MANAGEMENT RESPONSE 2

Management agrees with this recommendation.

Following the rollout of LMS, the Chief Building Official will work to enhance operating protocols with defined guidance (checklists, templates, etc.) on how to review files,

capture/document results and deficiencies, and track and resolve deficiencies to complete/close a file.

The recommendation will be completed by Q3 2025.

RECOMMENDATION 3 – RISK-BASED QUALITY ASSURANCE PROGRAM

The Chief Building Official should, in conjunction with the rollout of LMS, consider the design and introduction of a risk-based quality assurance program to review the completeness of the building permit and inspection files at all stages, including prior to building permit issuance, prior to occupancy permit issuance, and prior to file closure.

MANAGEMENT RESPONSE 3

Management agrees with this recommendation.

With the rollout of LMS, the Chief Building Official along with BCS staff will work to design and introduce a risk-based quality assurance program to review the completeness of the building permit and inspection files at all stages, including prior to building permit issuance, prior to occupancy permit issuance, and prior to file closure.

The recommendation will be completed by Q3 2025.

RECOMMENDATION 4 – PRIORITY SCALE FOR DEFICIENCIES

The Chief Building Official should develop a categorization/priority scale for deficiencies identified to ensure critical/high-risk items, such as life safety, are addressed before a permit is issued.

MANAGEMENT RESPONSE 4

Management agrees with this recommendation.

The Chief Building Official and staff will develop a categorization/priority scale for deficiencies identified to ensure critical/high-risk items, such as life safety, are addressed before a permit is issued.

The recommendation will be completed by Q3 2025.

2.0 Building Permits

The *Ontario Building Code* establishes that a building permit is required for the construction of a new building, an addition or alteration of any building or structure with a

building area over 10 square meters. Common projects that require a building permit include:

- New builds
 - Commercial or residential (single or multi-storey)
- Interior and exterior structural alterations
 - Adding/removing walls
 - One/two storey additions
 - New windows (where there were none before)
 - Enlarging or relocating a door or window
- Plumbing
- Structural foundation repairs
- Structural repairs or alterations

Once an application for a building permit is received by the City, the assigned BCS Plan Examiner is expected to review the application. All deficiencies should be documented, tracked and resolved in a timely manner (and filed appropriately) prior to issuance of the building permit to enable the initiation of construction.

2.1 Evidence of how deficiencies were resolved to allow a building permit to be issued could not be consistently demonstrated.

Priority Rating:
Moderate

To substantiate the allegations brought forward, our investigation selected a sample of building permit files to confirm that all documentation within the file supported the issuance of the building permit. More specifically, a sample of six (6) projects were selected for review and the OAG observed several outstanding deficiencies documented within the MAP files. From the list of all deficiencies, critical outstanding deficiencies were selected for further review to confirm whether evidence could be provided to demonstrate that these deficiencies were resolved prior to issuance of the building permit.

Our testing results identified that for three (3) of the sampled files, documentation could not be provided to demonstrate that the outstanding deficiencies were resolved before issuance of the building permit.

Without evidence of how identified deficiencies were resolved, building permits may have been issued inappropriately with outstanding deficiencies. These outstanding deficiencies, if not resolved, could result in life safety issues once the building is occupied by residents. Management has attested that even though the documentation was not available to support this, a Plan Examiner would not issue a building permit if all deficiencies had not been cleared. The recommendations provided in Section 1.0, once implemented, should address this finding.

2.2 There are a significant number of open, dormant building application permit files.

Priority Rating:
Low

Based on a review of MAP at the time of the investigation, there were over 80,000 open building application permit files, dating back many years, for which a building permit was never issued. There could be many reasons for this. For example, the applicant could have abandoned the application or been unable to proceed with the application based on the questions or deficiencies identified by the City.

We understand from management that while there have been past initiatives to attempt to follow-up on dormant application files, this was a manual, labour-intensive process. There is currently no formal program in place to follow-up on open application permit files.

While no building permit has been issued for these files, without appropriate closure with the applicant, there is a risk that construction could have proceeded without the legal right to commence construction. While this may not represent a legal exposure to the City, it could have reputational impacts.

RECOMMENDATION 5 – TIMELY CLOSURE OF DORMANT BUILDING APPLICATION FILES

The Chief Building Official should, in conjunction with the rollout of LMS, establish a formal program to follow-up on the status and close, as applicable, dormant building application files.

MANAGEMENT RESPONSE 5

Management agrees with this recommendation.

With the rollout of LMS, the Chief Building Official along with BCS staff will work to establish a formal program to follow-up on the status and close, as applicable, dormant building application files.

The recommendation will be completed by Q4 2025.

Appendix 1 – About the Investigation

Investigation objective

The objective of this investigation was to review building permit and inspection practices in relation to the concerns raised in reports received through the FWHL.

Scope

The scope of our investigation was limited to reports received through the FWHL. Our assessment covered specific projects mentioned in the allegations as well as additional judgementally based sampling based on information available within MAP between 2020 and 2024.

Investigation approach and methodology

To assess the merit of the concerns outlined in the FWHL, we conducted the following:

- **Data analysis:** Analysis of data from MAP to identify trends and potential gaps.
- **Review of information:** This included a review of policies and procedures available to BCS staff to guide their building permit application and inspection activities.
- **Detailed Testing/Review of documentation:** Based on the sample of files selected, review of information maintained within MAP, as well as physical documentation maintained at City offices and/or in long-term storage.
- **Interviews, discussions and enquiries:** Interviews, discussions and enquiries were held with relevant City staff.

Appendix 2 – Rating Scale for Investigation Findings

The following rating definitions were used to assign priority to the findings associated with this investigation.

Priority Rating	Description
Critical	The finding represents a severe control deficiency, non-compliance or strategic risk and requires an immediate remedy. If left uncorrected, this could have a catastrophic impact on the achievement of the City's strategic priorities, its ongoing business operations, including the risk of loss, asset misappropriation, data compromise or interruption, fines and penalties, increased regulatory scrutiny, or reputation damage.
High	The finding represents a significant control deficiency, non-compliance or strategic risk and requires prompt attention. If left uncorrected, this could have a significant impact on the achievement of the City's strategic priorities, its ongoing business operations, including the risk of loss, asset misappropriation, data compromise or interruption, fines and penalties, increased regulatory scrutiny, or reputation damage.
Moderate	The finding represents a moderate internal control deficiency, non-compliance or is a risk to business operations that should be addressed timely. If left uncorrected, this could have a partial impact on business operations, resulting in loss or misappropriation of organizational assets, compromise of data, fines and penalties, or increased regulatory scrutiny. Typically, these issues should be resolved after any high-priority findings.
Low	The finding should be addressed to meet leading practice or efficiency objectives. Remediation should occur as time and resources permit. While it is not considered to represent a significant or immediate risk, repeated oversights without corrective action or compensating controls could lead to increased exposure or scrutiny.

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