New York State Comptroller
THOMAS P. DiNAPOLI

Town of Lockport

Building Permit Fee Collections

2025M-56 | November 2025

Division of Local Government and School Accountability

Contents

Audit Results

Town of Lockport

Audit Objective	Audit Period
Did the Town of Lockport (Town) Building Inspector (Inspector) properly manage building permit fee collections?	January 1, 2023 – June 18, 2024

Understanding the Audit Area

A building permit is an official document issued by a local government − in this case a town − that authorizes a property owner to construct a new building, expand or remodel an existing one or make significant changes to an existing structure. Typically, in addition to State and federal building codes and regulations, the town board (board) adopts its own local rules and regulations and establishes building permit fee (permit fee) amounts which vary based on property type and the nature of the modifications planned for the property.

A board-appointed inspector oversees, administers and enforces building codes, land use regulations and safety standards by issuing building permits and certificates of completion or occupancy, and inspecting properties. The inspector, as the head of the building department (department), is responsible for managing compliance with building codes, rules and regulations and overseeing the collecting, recording and depositing of permit fees. Although an inspector may assign tasks to other department staff, the inspector is responsible for ensuring building permits, including the collection of associated permit fees, are managed properly.

The Town's Building Department (Department) issued 840 permits totaling $404,544 from the period January 1, 2023 through June 18, 2024.

Audit Summary

The Inspector did not properly manage permit fee collections. The Inspector did not always apply the Board-approved permit fee and did not maintain accurate records. Because the Inspector did not always calculate and apply permit fees in accordance with the Board-adopted permit fee schedule and did not maintain sufficient records of the permit fees collected and deposited, the Town may not have received all revenues due to the Town, and permit fees collected may have been lost, misused or misappropriated.

We reviewed 34 building permits with related permit fees totaling $247,401 and determined that the Inspector made calculation errors totaling $11,127. He did not apply the correct permit fee amounts for

13 building permits with related permit fees totaling $146,180 as he overcharged a total of $7,629 for four building permits and he undercharged a total of $3,498 for nine building permits. This included two building permits that were not charged fees; each should have had a $50 permit fee assessed.

We also reviewed permit fees totaling $26,620 to determine whether permit fees were collected, recorded and deposited accurately and in a timely manner. The Inspector did not issue receipts or retain adequate records such as itemized deposit slips and detailed duplicate receipts to support deposits for the 116 building permits reviewed. As a result, we could not verify whether all permit fees were collected prior to building permits being issued or whether collections were deposited in a timely manner and intact (in the same form − such as cash, check or credit card − they were received) as follows:

- For 34 building permits with associated permit fees totaling $10,827, we could not determine whether the permit fees were collected before the building permits were issued because of insufficient documentation.
- For five collections totaling $1,092, the Inspector did not deposit checks in a timely manner, as they were deposited more than one week after collection.
- For five collections totaling $724, the Inspector did not record the collections in the permit tracking system. Of this amount, we verified that $674 was paid by check and deposited in a timely manner, but we could not verify whether the remaining $50 paid in cash was deposited.
- For 11 permit fees totaling $625, we could not determine whether the amounts recorded as collected were accurate or deposited in a timely manner and intact because the Inspector did not retain supporting documents for cash payments (e.g., itemized deposit slips, detailed duplicate receipts).

When adequate internal controls are not implemented over the collections process, the Board and Inspector run the risk that all collections may not be remitted. Additionally, without adequate procedures and accurate monthly reports, it makes it more difficult for the Board and the Inspector to monitor the Department operations.

The report includes 14 recommendations that, if implemented, will improve the Town's process for collecting, recording and depositing permit fees. Town officials agreed with our recommendations and indicated they will take corrective action.

We conducted this audit pursuant to Article V, Section 1 of the State Constitution and Office of the New York State Comptroller's (OSC) authority as set forth in Article 3 of the New York State General Municipal Law. Our methodology and standards are included in Appendix C.

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and provided to our office within 90 days, pursuant to Section 35 of the New York State General Municipal Law. For more information on preparing and filing your CAP, please refer to our brochure, Responding to an OSC Audit Report, which you received with the draft audit report. We encourage the Board to make the CAP available for public review in the Town Clerk's office.

Building Permit Fee Collections: Findings and Recommendations

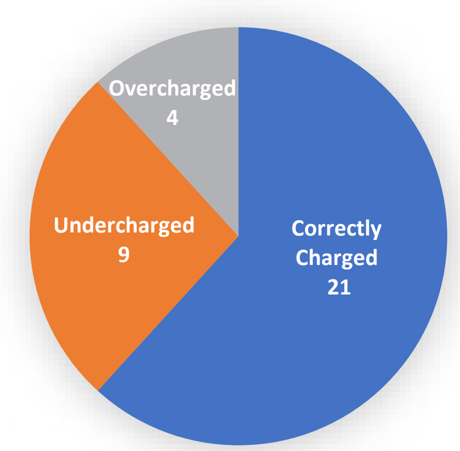
When a property owner wants or needs to make modifications to their property that are covered under a town's building code, they must submit a building permit application to the department with information regarding the modification, such as site plans and measurements. Once the application and related information are reviewed and approved, a building permit is issued allowing construction and/or alterations to proceed. An inspector should collect fees for all building permits in accordance with the town code and board-adopted fee schedule, prior to generating and issuing permits. An inspector is responsible for collecting, recording and depositing all fees collected.

More details on the criteria used in this report, as well as resources we make available to town officials that can help officials improve operations (Figure 2), are included in Appendix A.

Finding 1 – The Inspector did not always apply the correct permit fee amount to the building permit applications.

We reviewed 34 building permits with related permit fees totaling $247,401[1] and determined that the Inspector did not apply the correct permit fee amounts for 13 building permits with related permit fees totaling $146,180. This resulted in permit fee discrepancies totaling $11,127. Specifically, four applicants (12 percent) were overcharged a total of $7,629, and nine applicants (26 percent) were undercharged a total of $3,498. This included two building permits with no permit fees applied; each should have been assessed a $50 fee (Figure 1).

Figure 1: Permit Fee Collections



The Inspector stated that he did not apply the correct permit fee because he did not receive the newly adopted permit fee schedule[2] from the Board before certain building permits were issued. However, we identified permit fees that agreed with the newly adopted permit fee schedule collected on the same date as a permit fee with an incorrect permit fee was collected.

The Inspector also stated that he was using his judgment to interpret the permit fee schedule for certain projects, based on the project descriptions, such as remodeling, because remodeling is addressed in two sections of the permit fee schedule: the "residential buildings" section and the "accessory buildings; miscellaneous" section. The residential section includes a permit fee calculation for "remodeling/

1 See Appendix C for sample selection methodology used.
2 https://elockport.gov/wp-content/uploads/2023/06/Fee-schedule-2023.pdf

addition and repair," while the accessory buildings; miscellaneous section includes a different permit fee calculation for "interior renovations or remodeling." Using the residential permit fee calculation would result in a significantly lower permit fee.

For example, had the Inspector applied the residential permit fee calculation instead of the calculation applicable to accessory buildings, the fee would have been $195 instead of the $2,500 he charged the applicant. We disagree with the Inspector's interpretation for applying permit fees to the project in question because the project description clearly indicated that the permit fee was for home repairs and remodeling. In addition, we confirmed with the Town Attorney and the Board member who was the Department liaison (Department liaison) that residential remodeling projects should have been calculated using the formula in the "residential buildings" section of the permit fee schedule.

The Inspector provided monthly reports to the Board that indicated total building permits issued, building permit types and associated permit fees. The Department liaison told us that she reviewed the monthly reports provided by the Inspector to see what types of building permits were issued. However, in some cases the monthly reports did not include the actual types of building permits issued and instead listed building permits under a miscellaneous category. The Department liaison confirmed she did not review the monthly reports to verify that the appropriate permit fees were applied. Had the Board members or Department liaison reviewed the monthly reports and asked for support to verify the accuracy, the inconsistencies may have been identified and addressed. Refer to Finding 2 for more details on reporting inaccuracies.

Not applying fees in accordance with the Board-adopted permit fee schedule gives the appearance of inequity and potential favoritism amongst applicants.

Recommendations

The Board should:

1. Consult with the Town Attorney to recoup funds owed to the Town and return or reimburse funds to property owners that were overcharged.
2. Review monthly reports for accuracy and determine whether permit fees are applied in accordance with the Board-adopted permit fee schedule and request additional information if necessary.

The Inspector should:

3. Review the permit fee schedule to ensure a clear understanding and consult with the Board if clarification is necessary.
4. Ensure that all permit fees are applied in accordance with the Board-adopted permit fee schedule.
5. Provide accurate, detailed monthly reports to the Board.

Finding 2 – The Inspector did not maintain accurate records for permit fees.

We reviewed 116 permits with fee collections totaling $26,620 to determine whether permit fees collected were recorded, deposited and reported accurately and in a timely manner. However, the Inspector did not maintain suitable records to demonstrate that all permit fees due to the Town were recorded, deposited and reported to the Board.

Department employees did not properly issue duplicate receipts and did not consistently or accurately record permit fee details such as how much was collected, who collected it, the payee, when it was collected, what it was collected for and in what form the payment (i.e., cash, check, credit card) was collected. Due to the Department's inconsistent and incomplete records, we could not determine whether all permit fee collections were recorded and deposited accurately and in a timely manner. Specifically:

- For 41 check and credit card collections totaling $13,096 that were marked with "NP" (not paid) in the duplicate receipt book, all 41 were deposited in the bank. However, two totaling $202, that were deposited, were not recorded in the permit tracking system. In addition, two cash collections totaling $100 that were marked NP in the duplicate receipt book were recorded as collected in the permit tracking system but we could not verify whether the amounts were deposited. The remaining 76 collections totaling $13,424 were marked as paid on duplicate receipts and included a payment type.
- For 34 permits totaling $10,827, we could not determine whether the permit fees were collected before building permits were provided to applicants because the permit fees were recorded as collected after the date the building permit was generated, and a Department employee did not document the date the building permit was provided to the applicant. The remaining 82 permits had permit fees recorded as collected the same day the related building permits were generated.
- Five payments totaling $724 were marked as collected on the respective applications in November 2023, December 2023 and January 2024 but were not recorded as paid in the permit tracking system as of August 2024. While we verified that four check payments totaling $674 were deposited in a timely manner, we could not verify that one cash payment for $50 was deposited. Although the remaining 111 building permits with permit fees totaling $25,896 were recorded accurately as collected in the permit tracking system, we could not determine whether those collections were recorded in a timely manner because neither a Department employee nor the permit tracking system captured or documented the date that the collection was recorded in the permit tracking system.
- For 11 permit fees totaling $625 that were recorded as collected in the permit tracking system, we could not determine whether the amounts collected were accurate, or whether they were deposited in a timely manner and intact, because records indicated cash was collected but did not include the amount of the collection or date of the deposit. The Inspector deposited 108 check

and credit card collections totaling $25,995 intact, and while 103 totaling $24,903 were deposited in a timely manner, five totaling $1,092 were deposited more than one week after collection.

The Inspector did not assign specific tasks to the two Department employees. Rather, they each could be involved in any part of the process except for making deposits, which were carried out by the Inspector. However, the Inspector, as the Department head, was responsible for ensuring permit fees were properly recorded, deposited and reported.

The Inspector stated that on some occasions when the Department collected cash, he kept a portion in the Department safe that he did not deposit. He said that he did this because he needed to have cash on hand to make change for permit applicants making cash payments. He told us that he did not believe this was an issue and that no one ever questioned him about this practice. When collections are not deposited in a timely manner and intact, the risk of theft, misappropriation or missing funds increases significantly.

The Inspector also stated that the deposits that were made more than a week after collection were due to his absence for annual leave and that he was the only authorized person to make bank deposits. Because the Inspector was responsible for all aspects of collections – generating and issuing permits; and collecting, depositing and recording permit fee collections – with no oversight or mitigating controls in place, the errors and irregularities we identified were not previously detected and corrected. The Inspector and two Board members we spoke to told us they were unaware of the deficiencies.

While the Inspector provided monthly reports to the Board, the five monthly reports we reviewed did not accurately reflect collections for the month. The Inspector created the monthly reports from the permit tracking system records and included all building permits generated in the month with the permit fees associated with those building permits, whether the permit fees were collected or not. The monthly reports contained building permits that were not yet paid for, and the check remitted to the Town Supervisor (Supervisor) for permit fee collections contained permit fees collected for building permits previously reported to the Board. The Inspector told us he believed that because he had sufficient money in the bank to cover the building permits included in his report for the month that he was reporting on, that he was accurately reporting to the Board.

The Inspector also did not reconcile building permits generated, building permits issued and collections recorded and deposited. Instead, he considered his monthly reports to be reconciliations. However, the monthly reports were not accurate, and a proper reconciliation would have identified the variances. Additionally, because the Inspector did not always include the building permit type, date the building permits were issued and the total amount collected or dates of collections on his report to the Board, the Board would not have been able to determine reasonableness or accuracy by reviewing the monthly reports.

Overall, the Department lacked written policies and procedures to establish proper guidelines and clear responsibilities and roles for all aspects of the permit fee collection process. In addition, the Board did not provide the oversight necessary to verify that the Department's records were accurate or that all permit fees were collected and deposited. This significantly increased the risk that permit fee collections could be lost, misused or misappropriated. These risks increase particularly with cash transactions.

Recommendations

The Board should:

6. Develop and adopt a written policy to communicate its expectations and establish controls over the building permit fee collection process and require the Inspector to develop and implement Department procedures to comply with the Board policy.

7. Require the Inspector to submit detailed and accurate monthly reports and a reconciliation of building permits generated, building permits issued and permit fees collected and deposited; and review the monthly reports and reconciliations and correct any discrepancies identified.

The Inspector should:

8. Establish Department procedures for managing permit fee collections, including issuing duplicate receipts and recording building permit fee details such as how much was collected, who collected it, the payee, when it was collected, what it was collected for and in what form (i.e., cash, check, credit card) it was collected. The procedures should also identify who is responsible for carrying out each task while establishing proper segregation of duties so that one person does not control all key processes and procedures and establishing compensating controls when proper segregation of duties is not possible.

9. Deposit all permit fee collections intact and in a timely manner.

10. Prepare monthly reconciliations of building permits generated and issued and the building permit fees collected and deposited, and investigate and resolve any differences.

11. Generate and provide an accurate monthly report to the Board, and as requested, detailing the building permits issued and the permit fee collections and deposits.

12. Monitor the activities of the Department employees to ensure compliance with policies and procedures.

Department employees should:

13. Generate building permits only after permit fees are collected and recorded to ensure all permit fees are collected prior to issuing building permits.

14. Maintain accurate and timely records, including duplicate receipts, to reflect the collection form (i.e., cash, check, credit card), amount collected, the payee, purpose of collection, date collected and who collected the funds. Record transaction details when the transaction occurs.

Appendix A: Profile, Criteria and Resources

Profile

The Town is located in Niagara County and governed by an elected five-member Board, which includes the Supervisor and four Board members. The Board is responsible for the general oversight of Town operations and finances. The Supervisor is the Town's chief financial officer.

Department heads are responsible for overseeing cash collections within their respective departments. The Inspector is responsible for enforcing the Town's building code, issuing building permits and collecting permit fees.

Criteria – Properly Managing Building Permit Fee Collections

To properly manage building permit fee collections, a town inspector must collect, deposit and record permit fees in accordance with New York State Laws, board-adopted fee schedules and policies and other local laws and/or guidance.

An inspector can delegate tasks related to collecting, recording and depositing permit fees, but the inspector remains responsible for ensuring the tasks are properly carried out. As such, an inspector should:

- Develop clear procedures consistent with board-approved policies which provide guidance and direction to staff performing the duties of collecting, depositing and recording permit fee collections accurately and in a timely manner. These procedures should clearly identify the transaction details required to be documented and recorded and identify who is responsible for each task.
- Monitor compliance with policies and procedures.
- Calculate fees in accordance with the board-adopted permit fee schedule.
- Collect permit fees prior to generating and issuing building permits to applicants.
- Issue duplicate press-numbered receipts for each permit fee collection where no other adequate evidence of collection is available. All copies of the duplicate receipts should include the same information: collection form (i.e., cash, check, credit card), amount collected, payee, purpose of collection, date collected and who collected the funds. Duplicate receipts should not be generated prior to payment being received.
- Ensure complete and accurate records of building permit fee transactions are maintained; electronic records should agree with permit fee collections and related information documented in duplicate receipts.

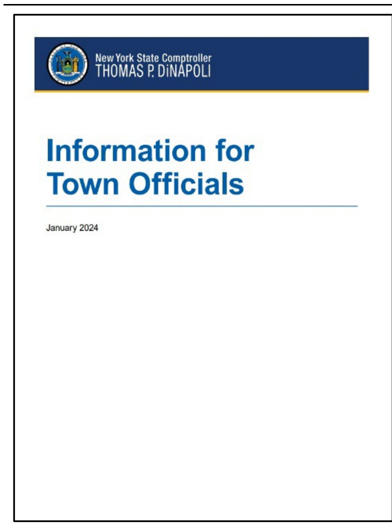
- Prepare and maintain itemized bank deposit slips to identify what permit fee collections were deposited.
- Deposit permit fee collections intact (in the form it was collected) and in a timely manner (as soon as possible after collection).
- Perform monthly reconciliations between building permits generated, building permits issued and permit fee collections received and deposited to ensure completeness and accuracy. Any discrepancies should be investigated and resolved promptly.
- Generate an accurate, detailed report of building permits issued and permit fees collected and provide to the board monthly, and as requested.
- Adequately segregate duties for collecting, recording, depositing and reconciling permit fee collections so that no one individual is performing all aspects of collections. Work with the board if staffing levels prevent this to help ensure sufficient controls are maintained over building permit operations.

Additional Building Permit Fee Collection Resources

Figure 2: OSC Publications

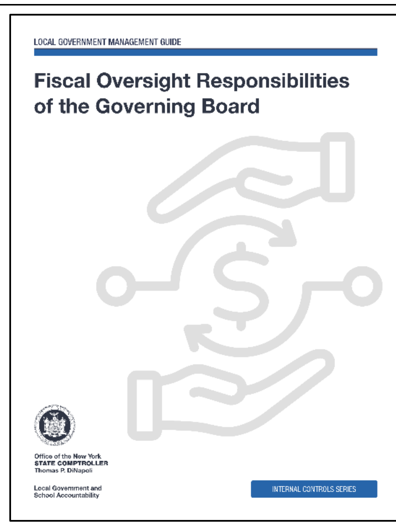
OSC *Local Government Management Guides* available on our website to help officials understand and perform their responsibilities.

Information for Town Officials



information-for-town-officials.pdf

Fiscal Oversight Responsibilities of the Governing Board



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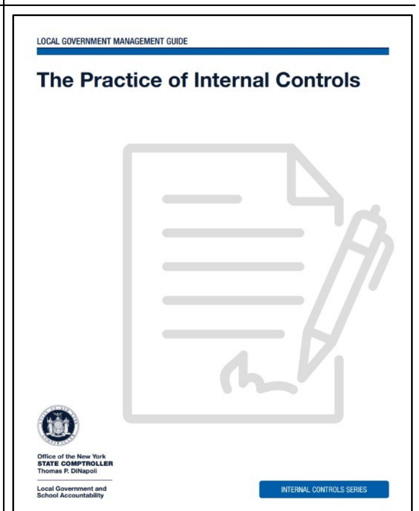
The Practice of Internal Controls



the-practice-of-internal-controls.pdf

In addition, our website can be used to search for audits, resources, publications and training for officials: https://www.osc.ny.gov/local-government.

Appendix B: Response From Town Officials

SUPERVISOR
Mark C. Crocker

SUPERINTENDENT OF HIGHWAYS
James E. Rook

TOWN CLERK
Judith A. Newbold

TOWN OF
Lockport
ESTABLISHED 1824

COUNCIL MEMBERS
Darlene S. DiCarlo
Patricia Dufour
Thomas J. Keough
Paul W. Siejak

TOWN ATTORNEY
Thomas D. Seaman

[redacted]

Office of the State Comptroller

295 Main Street, Suite 1032

Buffalo, NY 14203-2510

[redacted],

After a very thorough debrief on 8 October, 2025, on the initial report of findings on your 2024 Audit for the Town of Lockport's Building Department and the Highway Office, **we accept your report.**

We have already addressed most of the issues mentioned in your report. We look forward to your final report.

Sincerely,

Mark Crocker

Town of Lockport Supervisor

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Lockport, NY 14094

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Appendix C: Audit Methodology and Standards

We obtained an understanding of internal controls that we deemed significant within the context of the audit objective and assessed those controls. Information related to the scope of our work on internal controls, as well as the work performed in our audit procedures to achieve the audit objective and obtain valid audit evidence, included the following:

- We obtained an understanding of the building permit fee collection process by interviewing the Inspector, Deputy Building Inspector, the Department clerk and Board members; reviewing applicable sections of the Town code and the Town policy manual; and reviewing records from the Department's permit tracking system.

- For the period January 1, 2023 through June 18, 2024, a total of 840 building permits with associated permit fees totaling $404,544 were issued. Using our professional judgment, we reduced the population of building permits to a smaller subset of 142 building permits totaling $354,546 which included building permits with a permit fee of over $250 (128), all voided building permits (10), and building permits without any associated permit fees (four). We then used our professional judgment to select a sample of 34 building permits totaling $247,401. We selected building permits with larger recorded permit fee amounts and permit types with variable permit fees such as single-family residence building permits (20), all voided building permits (10) and all building permits recorded without an associated permit fee (four). We included voided building permits and building permits with no fees charged due to the increased risk that permit fees could have been collected and not recorded. We used this sample to determine whether permit fees were accurately applied in accordance with permit fee schedules. To accomplish this, we compared building permit applications to the permit tracking system records to determine whether what was recorded in the permit tracking system agreed to what was recorded on the building permit application. We then used the permit fee schedule and the building permit type recorded in the permit tracking system to calculate the correct fee amounts for each building permit in our sample. We compared our calculations to the amounts recorded and discussed any differences with officials.

- We used our professional judgment to select one receipt book with 119 building permit fee collections totaling $26,620 that were associated with 116 building permits (three permits had two forms of payment) generated from October 25, 2023 through February 28, 2024 to determine whether permit fees were collected in a timely manner and whether permit fee collections were recorded and deposited accurately and in a timely manner. We selected the receipt book due to a high number of "NP" (not paid) notes documented in the book.

    - To determine whether permit fee collection records were accurate, we compared duplicate receipts, permit tracking system records and building permit applications to determine whether permit fee collections received, payment type, date and amount agreed. We also compared the permit fee collection amounts recorded in the permit tracking system to the amounts deposited per bank records to determine whether permit tracking system records agreed with bank deposits.

    - To determine whether permit fee collections were made in a timely manner, we tested to determine whether permit fees were collected prior to the building permit being issued.

We compared the permit fee collection date recorded in the permit tracking system to the date the building permit was generated to determine whether permit fee collections were received prior to generating the building permit. For building permits that lacked a permit fee collection date in the permit tracking system, we compared the permit fee collection date documented on the respective building permit application to the date the building permit was generated. If the permit fee collection date was after the date the building permit was generated, we concluded that we could not determine whether permit fee collections were made in a timely manner, because the Department's practice was to generate and print building permits before the applicant came to make payment; the building permits were dated the day they were generated.

- To determine whether permit fee collections were recorded in a timely manner, we compared the date the permit fee collection was recorded in the permit tracking system (if available) to the permit fee collection date recorded on the respective building permit application. Using our professional judgment, we determined permit fee collections were recorded in a timely manner if they were recorded in the permit tracking system within two days of the permit fee collection date indicated on the building permit application. If the dates that permit fee collections were recorded in the permit tracking system were not documented, we determined we could not verify the timeliness of the permit tracking system records. If there were no permit fee collection dates documented in the records, we compared building permit application information to bank deposits to determine whether the collected permit fee was deposited and concluded the permit fee collections were not recorded in a timely manner.
- To determine whether deposits were made intact, we compared deposits per online bank records, copies of canceled checks and credit card receipts to duplicate receipts and the permit tracking system records. To identify variances indicating deposits were not made intact, we compared the amounts deposited to the amounts recorded.
- To determine whether deposits were made in a timely manner, we compared the permit fee collection date recorded in the permit tracking system, if available, to the deposit date per bank records. Using our professional judgment, we considered any deposit made within seven days of collection to be made in a timely manner.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or relevant population size and the sample selected for examination.

Contact

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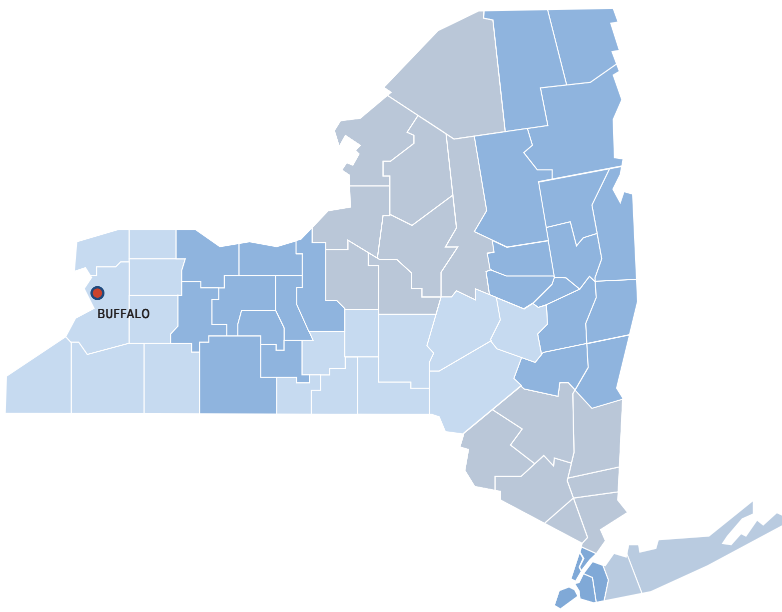

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