



**CITY AUDITOR'S OFFICE
INVESTIGATIVE REPORT MEMORANDUM**

TO: Audit Committee

FROM: George Holland, CIA, CISA, CCA, City Auditor

DATE: December 19, 2025

SUBJECT: Development Services Department Allegation and Closed Internal Investigation

Allegation

On November 26, 2024, the City Auditor's Office (CAO) received an allegation regarding potential irregularities in the approval of failed inspections within the Development Services Department (DSD). The report detailed instances in which electrical and plumbing inspections, previously failed by licensed inspectors, were subsequently approved by management personnel who lacked the required inspection qualifications. At that time, the CAO did not obtain enough evidence to support the fraud, waste, or abuse allegation; however, the office consulted with law enforcement on the matter.

On July 29, 2025, the CAO received a second allegation for the department from a second party. The second allegation claimed that written comments made by plan reviewers on plats, construction plans, and building permits are often withheld from applicants, removed from records, and/or approvals are entered into the system without the plan reviewer's input, thus overriding their input. The second allegation provided additional evidence to the first allegation.

Conclusion

While this case was initially received as an allegation of fraud, waste, or abuse, **the investigation determined it did not meet the established criteria for any of those categories**. However, the review uncovered internal control weaknesses in the permitting process and non-compliance with the established policy. The weaknesses created doubt, confusion, and suspicion among various stakeholders. The CAO recommends immediate corrective action for these weaknesses, with a maximum completion timeline of 90 days, given the sensitive nature of the involved business operations. The investigation into the matter has been concluded; the detailed results and subsequent recommendations are outlined on pages 2 and 3.

The CAO acknowledges and appreciates the proactive approach made by the Development Services Department to addressing the aforementioned recommendations. Since our initial discussion with the department management, the DSD has made some progress in improving the internal controls. At the request of the DSD, an audit of the department will be included in the Approved Annual Audit Plan for the fourth quarter of 2026. The CAO and DSD will meet to discuss anticipated audit objectives.

DSD Allegation and Closed Internal Investigation

Sequence of Events

Date	Event
November 26, 2024	A Texas Ranger requested a meeting with the CAO to report a potential Fraud, Waste, or Abuse allegation that had been reported to their office.
December 11, 2024	The CAO met with the individual who reported the allegation to the Texas Ranger. The individual requested a second meeting with the CAO, this time with a second person to corroborate their allegation.
December 19, 2024	The CAO met with both individuals to discuss the allegation and initiated an investigation.
April 18, 2025	The CAO met with the Corpus Christi Police Department (CCPD) to present the allegations and results from the department's investigation.
July 29, 2025	A third individual contacted the CAO and requested a meeting to provide more details on a second similar allegation.
September 17, 2025	CCPD provided an assessment of the first allegation, concluding that the information did not substantiate a corruption allegation and did not meet the legal threshold for further criminal investigation.
September 18, 2025	The CAO met with CCPD again to provide additional information from the third individual. Investigators confirmed they would contact the third individual for further investigation.
October 28, 2025	The CAO met with the third and fourth person, who confirmed the reported allegations. The individuals indicated that additional individuals may also corroborate the second allegation.
November 12, 2025	The CAO met with the Assistant Director of the DSD to discuss the allegation and to receive feedback on process-control improvements within the department.
December 17, 2025	The CAO met with the Director and Assistant Director of Development Services to discuss the results and recommendations of this memo.
December 19, 2025	The CAO reported the allegation, results, and recommendations of this memo to the City Attorney and City Manager.

Results & Recommendations

The CAO provides the following results and recommends that DSD implement stronger controls within the department as follows:

	Result	Recommendation
1	Inconsistent documentation of the evidence supporting inspection methods/results.	<p>Require Evidence for Every Inspection</p> <ul style="list-style-type: none"> • No inspection should be marked “passed”, “failed”, or “partial passed” without checking the virtual inspection box, photo evidence, or documented verification of the site visit, along with the approver’s name and license in their Infor profile. • Any modification to inspection results must be supported by documented justification and promptly communicated to the inspectors, including the reason for the change.

DSD Allegation and Closed Internal Investigation

Result		Recommendation
2	Inspections were passed by DSD employees who are unlicensed to perform such tasks.	<p>Define Qualified Inspection Approvers</p> <ul style="list-style-type: none"> • Ensure that only licensed and properly trained inspectors approve inspections within their area of expertise. • Create and publish a clear approval matrix that outlines who has the authority to approve what.
3	The correction process for failed inspections lacks sufficient documentation and formal justification to support final approval.	<p>Strengthen System Controls</p> <ul style="list-style-type: none"> • Update the permitting system to prevent unqualified approvals, require documentation after failed inspections, and log all user actions and approval changes.
4	A plat was recorded with the county before receiving City Council approval of the associated deferment agreement.	<p>Enforce Compliance with UDC Requirements</p> <ul style="list-style-type: none"> • Secure City Council approval of related deferment agreements before recording plats with the county. <p>Provide Training and Accountability</p> <ul style="list-style-type: none"> • Train all staff on updated procedures, ethics, and documentation standards. Include policy compliance in employee performance evaluations.
5	Review comments were removed from DigEPlan ¹ by department management.	<p>Control Plan Review Overrides</p> <ul style="list-style-type: none"> • Establish a process that documents why a review comment is overridden, requires agreement from a second qualified reviewer depending on project complexity, and maintains all versions of review comments in the record.
6	Quality Assurance/Quality Control Review Forms are not being completed.	<p>Create Independent Quality Assurance (QA)</p> <ul style="list-style-type: none"> • Form an independent QA team to review samples of inspections and approvals for documentation quality regularly. <p>Increase Transparency</p> <ul style="list-style-type: none"> • Publish applicable reports showing monthly inspection results, re-inspection rates, overrides, QA findings, and correction-action progress, with results reported to the applicable board or commission.

Staff Acknowledgment

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¹ DigEPlan is an electronic plan review software designed for government permitting processes. It integrates directly into permitting systems, allowing agencies to review, markup, and approve plans digitally.