

Performance and Financial Audits at the Department of Building and Safety



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BACKGROUND

- The Los Angeles Department of Building and Safety has a budget of over \$65 million and more than 800 staff.
- Building and Safety enforces the City's building regulations, reviews construction plans, issues building permits, inspects all new construction work and ensures existing buildings comply with building codes.
- The Department was identified as high risk based on an audit universe risk assessment.

Performance Audit Objectives

- To determine the efficiency and effectiveness of the Inspection and Code Enforcement Bureaus. Specifically,
 - Assess whether performance indicators are measured, monitored and reported results are accurate.
 - Assess whether there are adequate procedures to assure that high quality inspections are performed.
 - Determine whether there are adequate procedures to ensure that code violations are appropriately prioritized and resolved.

Significant Audit Issues

- Process efficiency and effectiveness was impacted by –
 - Lack of follow up on outstanding building documents and violations
 - Lack of compelling code enforcement methods
 - Backlogged inspections

Significant Audit Issues (contd)

- Quality assurance practices were lacking –
 - Partial compliance with State certification requirements for inspectors
 - Insufficient supervisory oversight of inspectors and Registered Deputy Inspectors
- Performance measures were not sufficient
- Information systems were not integrated

Unresolved Permits and Code Violations

- At 12/31/05, over 150,000 building permits expired without the Department's final approval or other determination. Over 13,600 code violations also remained unresolved.

Based on a small sample of expired permits, we observed 3 new single-family dwellings that were occupied, a commercial drug store with a drive-thru window in operation and a mixed-use building that was at least ready for occupancy – all without a final inspection sign-off before the permits expired.

The Department had no process to track outstanding documents.

Code Enforcement Methods

- No consistent or compelling enforcement methods resulting in continued, long-term violations.

Assessing fees was left to the discretion of individual inspectors and were fairly low. The average fee assessed was only \$210 and could apply to a high-priority violation such as “building or wall that could fall down”. If fees were consistently applied, there was a potential assessment of over \$5 million from 7/1/04 through 12/31/05.

Backlogged Inspections

- The Department was several months' behind in completing required inspections.

For example, elevator inspections are required to be inspected annually. 20% of the City's elevators were overdue for inspections since the Department was working at a rate to complete the inspections on a 15-month cycle.

Inspection Staff Certification

- Over 40% of the inspection staff did not have International Code Council (ICC) certification.

ICC certified inspectors received bonuses but by not designating specific certification programs that must be attained by staff, not all staff met State certification requirements.

Inspection Oversight

- Supervisors did not routinely review inspection work.

30% of inspection staff had supervisors review or direct their work no more than 5 times in the past year.

Inspection Oversight (contd)

- Deputy inspectors' work was not adequately reviewed by City inspectors.

Deputy inspectors are employed by contractors and registered as to experience by the Department to provide continuous oversight on construction sites.

The Department had no set standards for reviewing Deputies' work. Further, there was no confirmation as to the Deputies' work experience.

Performance Standards

- No comprehensive or accurate performance measures for inspection or code enforcement activities.

Inspection reporting focused on timely responses to customers but not the number of inspections made or completed.

With the focus on response time, the quality of inspections may have suffered. Half of the inspection staff said they compromise the quality of their work, at least sometimes, because of time constraints. One in five inspection staff said they sometimes, or more often, feel pressured not to write Orders to Comply or Notices to Correct.

Performance Measures – Code Enforcement

Code enforcement reporting focused on tracking the percentage of requests responded to within 72 hours and resolved within 60 days.

This limited focus did not identify that high priority or hazardous conditions were part of the on-going backlog and some cases were over 2 years old. Further, not all unresolved cases were accounted for in the 60-day closure tracking.

System Integration

- No integrated information system within the Department or with other City departments (e.g., Planning).

Inspectors may need to access as many as 3 different computer systems that are not fully compatible.

Financial Audit Objectives

- Evaluate the Department's internal controls over its trust and special revenue funds.
- Review deposits, expenditures, and transfers for compliance with laws, regulations, and policies.
- Review accounts receivable and the billing process.
- Determine whether DBS' fees are set to recover the cost of providing the services rendered.

Cash Collections

- \$100 million in collections per year.
- Controls were in place to ensure all collections were deposited.

Building and Safety Trust Fund

- Property owners post bonds for grading work.
 - Good for two years

- \$12.7 million on deposit
 - \$2.8 million over three years old

B&S Trust Fund (contd)

- Lack of controls over monies on deposit.
 - No reports to inspectors
 - No evidence of notification to depositors of unclaimed funds.
- No assurance that conditions that may be created by owners who abandon or fail to complete their projects have been corrected.

Special Revenue Funds

- Purpose - To account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes (GAS).

Repair and Demolition Fund

- Revolving fund - For expenses to repair, secure, clean or demolish buildings that violate building codes.
- Cash balance increased from \$2.1 to \$3.8 million over three-year period.
- Required to transfer balance over \$1 million to the City's Reserve Fund.

Repair and Demolition Fund (contd)

- Large encumbrances established at year-end.
 - Large portion unspent ten months later.
 - No support for the majority of amounts encumbered.

System Development Fund

- 1991 ordinance - 6% surcharge to finance an automated Plan Check and Inspection Status (PCIS) System.
- Monies deposited into the fund - \$5 million annually.
- Balance increased from \$5 million to \$7 million over a three-year period.
- Sunset clause to stop the surcharge.

System Development Fund (contd)

- System implemented in 1997.
- Monies used for general maintenance and implementation of other systems (HR, AR, and employee tracking).

Special Services Fund

- Balance increased from \$4 million to \$6 million over three years.
- Expenditures did not meet the purpose of the fund.

Accounts Receivable

- Accounts referred late.
- Some referred over one year after delinquency.

User Fees

- Building permit fee and plan check fee based on valuation of the construction.
- Revenue highly dependent on market conditions.

Department Response

- Department management agreed with all the findings and recommendations.
- Corrective action plans were developed by the Department in response to the reports.

Audit Follow-up

- Controller's follow-up procedures require a review of the Department's implementation status six months after report issuance.
- A six-month follow-up on both reports is scheduled to be conducted.