



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF ENERGY, LABOR & ECONOMIC GROWTH
LANSING

ANDY LEVIN
ACTING DIRECTOR

emailed 11/1/10 (ael)

November 1, 2010

Mr. Doug Ringler, Director
Office of Internal Audit Services
Office of the State Budget
George W. Romney Building
111 South Capitol, 6th Floor
Lansing, Michigan 48913

Dear Mr. Ringler:

In accordance with the State of Michigan, Financial Management Guide, Part VII, attached are a summary table identifying our responses and corrective action plans to address recommendations contained within the Office of the Auditor General's Performance Audit of the Bureau of Construction Codes, Department of Energy, Labor & Economic Growth for the period October 1, 2007 through September 30, 2009.

Questions regarding the summary table or corrective action plans should be directed to my attention at williamsa6@michigan.gov or (517) 636-0229.

Sincerely,

(SIGNED)

Allen Williams, Director
Office of Audit & Financial Compliance

Enclosure

cc: Audit Distribution List
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AUDIT RESPONSE SUMMARY

Performance Audit of the Bureau of Construction Codes Michigan Department of Energy, Labor and Economic Growth (October 1, 2007 through September 30, 2009)

I. Citations complied with:

- # 4. (in part)
- # 5d.
- # 7.

II. Citations to be complied with:

- # 1. Expected date of compliance is December 31, 2011
- # 2. Expected date of compliance is October 31, 2011
- # 3. Expected date of compliance is October 31, 2011
- # 5a. Expected date of compliance is October 31, 2010
- # 5b. Expected date of compliance is June 30, 2011
- # 5c. Expected date of compliance is June 30, 2011
- # 5e. Expected date of compliance is June 30, 2011
- # 6. Expected date of compliance is March 31, 2011

III. Citations agency disagrees with:

- # 4. (in part)

**Performance Audit of Bureau of Construction Codes
Michigan Department of Energy, Labor and Economic Growth
(October 1, 2007 through September 30, 2009)
Agency Response**

1. Monitoring of Correction Orders

The Bureau did not ensure that violations identified during boiler and elevating equipment inspections were corrected in a timely manner. As a result, boilers and elevating equipment with uncorrected violations could endanger users.

Response: DELEG agrees. Although DELEG does not believe that the uncorrected boilers and elevating equipment violations (cited in the audit) present a danger to users, it recognizes the need to improve upon the Bureau of Construction Codes' process of documenting the identified level of risk that each violation poses to public safety on Bureau inspection reports and tracking devices in order to ensure that follow-up is properly prioritized and executed within a reasonable time frame. The Bureau will continue to follow policies and procedures that mandate timely follow-up of major violations and will instruct inspectors to seal devices out-of-service if they pose a risk to public safety.

The Bureau's Boiler Division implemented its first ever on-line system, Jurisdiction On-Line (JOL) for inspection staff at the end of June 2010. JOL allows on-going reports and also differentiates notices by certification blocking or non-certification blocking with the cert blocking being a more severe violation. While we are already seeing better results, the Bureau has begun the process of updating procedures to assure more effective oversight and follow-up on corrections notices and anticipates procedures to be issued by December 31, 2010.

The Bureau's Elevator Division is still reviewing an on-line system for the elevator program and hopes to have a web-based system in place by the end of 2011. In the meantime, we are continuing to review our hard files and those reports that are available on-line to decrease our overdue correction notices. While these efforts are on-going, we expect to implement a new procedure by the end of December 2010. We continue to post the vacancies in an attempt to fully staff the program.

Our expected date of full compliance is December 31, 2011.

2. Boiler Inspections

The Bureau did not inspect boilers in a timely manner. Timely inspection of boilers is necessary to ensure that the public is protected from the operation of unsafe boilers.

Response: DELEG agrees with this finding and is in the process of complying. The Bureau of Construction Codes is currently working on a pay proposal which we expect to submit to Civil Service by the end of October, 2010. Also, the Bureau has created an entry level inspector position restricted to inspecting certain types of boilers. This has resulted in the division being able to hire inspectors capable of conducting inspections on small boilers while gaining the experience and training necessary and passing a written examination to become a fully commissioned inspector.

The Bureau has continually maintained job postings on the civil service web site and occasional postings on the National Board of Boiler and Pressure Vessel Inspectors web site to recruit for qualified boiler inspectors. The Bureau has also sent mailers to all licensees to seek interest in vacant positions. Even though the Bureau recruits candidates at the highest pay scale possible, we are often unable to attract qualified candidates because we cannot compete with salaries in the private sector. Without maintaining a full staff, the division will continue to struggle to meet inspection demands.

The boiler division has implemented an on-line system, Jurisdiction On-Line (JOL). Once fully implemented, JOL will assist in achieving efficiencies, and in time, increase inspection activity.

Our expected date of full compliance is October 31, 2011.

3. Elevator Inspections

The Bureau did not inspect elevators and elevating equipment in a timely manner. Timely inspections of elevators and elevating equipment is necessary to ensure that the elevators and elevating equipment have received the routine maintenance and required repairs necessary to ensure that the public is protected from the operation of unsafe elevators and elevating equipment.

Response: DELEG agrees with this finding and is in the process of complying. The Bureau of Construction Codes' Elevator Division has had two vacant inspector positions for a significant amount of time. The Bureau has continually maintained job postings on the civil service web site and occasional postings in Elevator World for qualified elevator inspectors. The Bureau has also sent mailers to all licensees to seek interest in vacant positions. Even though the Bureau recruits candidates at the highest pay scale possible, we still are unable to attract qualified candidates because we cannot compete with salaries in the private sector. We are working on a pay proposal which we expect to submit to Civil Service by the end of October, 2010. Without maintaining a full staff, the division will continue to struggle to meet inspection demands.

Our expected date of full compliance is October 31, 2011.

4. Inspection Fees

The Bureau's controls over boiling and elevating equipment inspections did not ensure that inspection fees were properly collected. As a result, the Bureau had not collected boiler and elevating equipment inspection fees totaling \$468,745.

Response: DELEG partially agrees with this finding. We have complied with the portion of the finding for which we agree. However, we continue to dispute the accuracy of certain aspects of the finding.

The Bureau of Construction Codes' Boiler Division has detailed written procedures for handling non-payment of invoices. The procedure is invoked when an invoice has been issued and becomes greater than 90 days overdue. It details several steps to be taken by boiler division staff before the unpaid debt is finally transferred to Treasury for collection. The Bureau contends that truly "overdue" invoices are those that are over 180 days old. This would mean the Boiler Division has 2,132 overdue invoices totaling \$160,202, not 4,675 invoices totaling \$328,480. Many outstanding debts are less than \$100.00, therefore not allowing the division the opportunity to send them to Treasury for collection. New fees implemented in 2009 rectify this situation for the future and the Bureau is working on a process to write off long-outstanding debts less than \$100.00 (where appropriate). Division management continues to review unpaid and uncollected debts more than five years old to determine if we should continue to attempt collection or write off the debt. As a result of the implementation of the Jurisdiction On Line program at the end of June 2010, the Bureau has been able to run more detailed reports and has submitted an additional \$48,000 to collections and has determined \$53,000 was attributed to boilers that are no longer in service. We will continue to enforce overdue collection procedures.

The Bureau's Elevator Division initiated overdue invoice procedures in April of 2005. At that time the Elevator Division had \$98,935 in unpaid invoices which were at least 181 days overdue. At the time of the audit in August 2009 this value was \$17,345. The \$140,265 value the auditor is reporting refers to all money owed past 61 days. At 61 days, customers are receiving their first overdue notice. Collection efforts don't truly start until the 2nd overdue notice 30 days later at which time a letter is included citing enforcement codes. This letter is designed to encourage customers to pay their invoice. Once an invoice is six months old staff initiates a phone call. This process often requires several calls to successfully get the invoice paid. It has been determined the six month mark is a manageable amount of invoices to make calls on.

5. Controls Over Cash Receipts and Inventory of Construction Code Books

The Bureau had not established effective internal control over its cash receipts and inventory of construction code books at its office locations. As a result, the Bureau could not detect and address errors or irregularities in a timely manner.

Response: DELEG agrees with this finding and will comply. Additional internal control over the Bureau's cash receipts and code book inventory is necessary.

a. Proper Segregation of Duties

The Bureau has experienced staff shortages but will assign at least two separate persons to handling cash receipts and sending the receipts to Revenue Services, as well as receipting cash and entering permits and code book sales into the Bureau's databases. This process will be implemented when we become fully staffed in the program area. We expect this to occur by October 31, 2010.

b. Mail Receipts and Cash Receipts Log

The Bureau has experienced staff shortages but will assign at least two separate persons to open all mail. The Bureau is working with DTMB to research a new database system that will have a cash receipts log, produce sequentially numbered receipts and maintain an inventory of the Bureau's code books. We expect this system to be in place by June 30, 2011.

c. Sequentially Numbered Receipts

The Bureau is working with DTMB to research a new database system that will have a cash receipts log, produce sequentially numbered receipts and maintain an inventory of the Bureau's code books. We expect this system to be in place by June 30, 2011.

d. Endorse Checks Upon Receipt

Effective June of 2010, the Bureau is now endorsing checks immediately upon receipt at its main reception area. Additional endorsement stamps have been ordered for the other offices.

e. Code Book Inventory

The Bureau is working with DTMB to research a new database system that has a cash receipts log, produces sequentially numbered receipts and maintains an inventory of the Bureau's code books. We expect this system to be in place by June 30, 2011.

6. Reconciliation of Permits Plus

The Bureau did not perform periodic reconciliations of its database system (Permits Plus) with the Michigan Administrative Information Network (MAIN). Without periodic reconciliations, errors may not be detected in a timely manner and accounting information within Permits Plus and MAIN may not be appropriately recorded.*

Response: We agree. The Bureau expects to implement procedures by March 31, 2011; where revenue from licenses and permits entered into Permits Plus (and all other databases) will be reconciled with MAIN.

7. Permit Monitoring

The Bureau had not effectively monitored the status of permit inspections with outstanding violations. As a result, projects that required permits may have been completed without the final inspection required by the Bureau. Such final inspections ensure that the building users' health, safety, and welfare are protected as described in the Bureau's mission statement.

Response: DELEG agrees with this finding and has complied. As of May, 2010, the bureau began providing a report of open permits with violations to program managers; whom have followed-up when appropriate.