

## EXECUTIVE DIGEST

### BUREAU OF CONSTRUCTION CODES

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#### **INTRODUCTION**

This report contains the results of our performance and financial audit of the Bureau of Construction Codes, Department of Labor, for the period October 1, 1991 through September 30, 1994, including the financial audit of the State Construction Code Fund for the period October 1, 1991 through September 30, 1993.

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#### **AUDIT PURPOSE**

This performance and financial audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Performance audits are conducted on a priority basis related to the potential for improving effectiveness and efficiency. Financial audits are conducted at various intervals to permit the Auditor General to express an opinion on the State's financial statements. Also, this audit complements the overall financial audit of the department.

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#### **BACKGROUND**

The bureau administers laws governing the construction of buildings, including electrical, plumbing, and mechanical laws; barrier free designs; building officials' and inspectors' registration; boiler installation and operation; and elevator safety. The bureau also receives permit and fee revenue

related to these activities. For fiscal year 1993-94, the bureau expended approximately \$8.9 million. As of September 30, 1994, the bureau had 135 employees, including student interns and temporary inspectors.

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**AUDIT  
OBJECTIVES  
AND  
CONCLUSIONS**

**Audit Objective:** To assess the bureau's effectiveness in meeting its program responsibilities and goals.

**Conclusion:** We concluded that the bureau needs to improve its effectiveness in meeting its program responsibilities and goals. We identified the following material findings:

- The bureau did not ensure that contractors and homeowners obtained permits for projects on which work had been performed (Finding 1).

The department agreed with our corresponding recommendation and informed us that the bureau had implemented procedures to comply.

- The bureau did not monitor the status of open permits and did not administratively close permits on a timely basis (Finding 2).

The department agreed with our corresponding recommendation and is in the process of obtaining a new permit system to comply.

In addition, we identified problems in the areas involving refund of permit money and inspection of elevators and boilers (Findings 3 through 5).

**Audit Objective:** To assess the adequacy of the bureau's internal control structure.

**Conclusion:** Our assessment did not disclose any material weaknesses in the bureau's internal control structure. However, we noted control weaknesses related to the receipt of fees and the reconciliation of bureau revenue records with the State's accounting records. (Finding 6)

**Audit Objective:** To assess the bureau's compliance with applicable statutes, the *Michigan Administrative Code*, State procedures, and department policies and procedures which could have a material effect on the State Construction Code Fund financial statements.

**Conclusion:** We concluded that the bureau complied with laws and regulations that could have a material effect on the State Construction Code Fund financial statements. However, the bureau used State Construction Code Fund money rather than General Fund money, as required in the statute, to fund its performance evaluation and complaint investigation programs (Finding 7). Also, the bureau improperly recorded training fee revenue and did not report to the Legislature how the additional funds from the increase in the electrical, mechanical, and plumbing license and examination fees were used (Finding 8 and 9).

**Audit Objective:** To audit the State Construction Code Fund financial statements for the fiscal years ended September 30, 1993 and September 30, 1992.

**Conclusion:** We expressed an unqualified opinion on the financial statements. However, the bureau improperly recorded some accounts receivable (Finding 10). This condition was taken into consideration and did not affect our report on the financial statements.

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**AUDIT SCOPE  
AND  
METHODOLOGY**

Our audit scope was to examine the program, financial, and other records of the Bureau of Construction Codes for the period October 1, 1991 through September 30, 1994, including the financial audit of the State Construction Code Fund for the period October 1, 1991 through September 30, 1993. Our audit was conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

The methodology included a preliminary survey of the bureau's programs. Based on the survey information, we selected programs and other records for review to determine the bureau's effectiveness in meeting its program responsibilities and goals. Also, we included an analysis of financial records, reviewed licensing and permit issuance procedures and records, conducted tests of records related to payroll and permits, and discussed operational practices with agency personnel.

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**AGENCY  
RESPONSES  
AND PRIOR AUDIT  
FOLLOW-UP**

Our audit report contains 10 findings and 12 corresponding recommendations. The agency preliminary response indicated that the department either took steps to implement or will seek amendatory legislation to comply with all the recommendations.

The bureau had complied with 12 of our 14 prior audit recommendations.