



MICHIGAN

OFFICE OF THE AUDITOR GENERAL



THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

“...The auditor general shall conduct post audits of financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state established by this constitution or by law, and performance post audits thereof.”

– Article IV, Section 53 of the Michigan Constitution

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THOMAS H. MCTAVISH, C.P.A.
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July 6, 2005

Mr. David C. Hollister, Director
Department of Labor and Economic Growth
Ottawa Building
Lansing, Michigan

Dear Mr. Hollister:

This is our report on our follow-up of the material finding (Finding 1) and two corresponding recommendations reported in the performance and financial audit of the Bureau of Construction Codes, Department of Consumer and Industry Services. That audit report was issued and distributed in August 2001; however, additional copies are available on request or at <<http://www.audgen.michigan.gov>>.

Our follow-up disclosed that the Bureau had partially complied with the recommendations.

If you have any questions, please call me or Scott M. Strong, C.P.A., C.I.A., Deputy Auditor General.

AUDITOR GENERAL

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DEPARTMENT OF CONSUMER AND INDUSTRY SERVICES
FOLLOW-UP REPORT**

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**BUREAU OF CONSTRUCTION CODES
DEPARTMENT OF CONSUMER AND INDUSTRY SERVICES
FOLLOW-UP REPORT**

INTRODUCTION

This report contains the results of our follow-up of the material finding and corresponding recommendations and the agency's preliminary response as reported in our performance and financial audit of the Bureau of Construction Codes, Department of Consumer and Industry Services (#6346000), which was issued and distributed in August 2001. That audit report contained 1 material finding (Finding 1) and 5 other reportable conditions.

Subsequent to our audit, Executive Order No. 2003-18 renamed the Department of Consumer and Industry Services as the Department of Labor and Economic Growth (DLEG). In March 2003, DLEG reorganized and renamed the Bureau of Construction Codes as the Bureau of Construction Codes and Fire Safety.

PURPOSE OF FOLLOW-UP

The purpose of this follow-up was to determine whether the Bureau had taken appropriate corrective measures in response to the 1 material finding and 2 corresponding recommendations.

BACKGROUND

The Bureau of Construction Codes administered 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. Bureau staff reviewed plans for proposed construction and conducted inspections to determine compliance with the various construction codes. In addition, the Bureau received permit and fee revenue related to these activities. The financial transactions for the Bureau's boiler and elevator programs were accounted for in the

State's General Fund. The financial transactions for the rest of the Bureau's programs and operations were accounted for in the State Construction Code Fund.

The Bureau provided support staff to the commission and various boards to assist them in achieving their objectives:

- a. The State Construction Code Commission was created in 1973 and is governed by Sections 125.1501 - 125.1531 of the *Michigan Compiled Laws*. The Commission's purpose is to promulgate the State Construction Code, which governs the construction, use, and occupancy of buildings and structures; the manufacture and installation of building components and equipment; the construction and installation of premanufactured units; and other requirements relating to safety in such buildings and structures.
- b. The Board of Boiler Rules was created in 1966 and is governed by Sections 408.751 - 408.776 of the *Michigan Compiled Laws*. The Board regulates the construction, installation, use, and repair of boilers and enforces uniform rules and regulations. Also, the Board accepts license applications, conducts examinations, and grants licenses for boiler installers, repairers, and inspectors.
- c. The Elevator Safety Board was created in 1967 and is governed by Sections 408.801 - 408.824 and 338.2151 - 338.2160 of the *Michigan Compiled Laws*. The Board has the responsibility to provide for the safe use of elevators by the public. The Board regulates the construction, installation, alteration, maintenance, repair, and operation of elevators and enforces uniform rules and regulations. Also, the Board accepts license applications, conducts examinations, and grants licenses for elevator contractors and inspectors.

The State Construction Code Act requires contractors or homeowners, prior to the commencement of work regulated by the Code, to obtain a permit from the appropriate agency for construction of buildings, including permits for electrical, plumbing, and mechanical work and elevators and related equipment. The appropriate enforcement agency can be the Bureau of Construction Codes or a local unit of government depending on the type of construction and the geographical location in the State. The Bureau and insurance companies perform inspections of boiler installation and operations.

SCOPE

Our fieldwork was conducted in December 2004 and January 2005. We reviewed reports involving boiler and elevator invoices and correction orders to determine the changes since our audit. We interviewed Bureau personnel and reviewed boiler and elevator files to determine whether the corrective action taken to comply with the recommendations related to our material finding was working as the Bureau had intended.

FOLLOW-UP RESULTS

EFFECTIVENESS IN MEETING PROGRAM RESPONSIBILITIES AND GOALS

RECOMMENDATIONS AND RESPONSE AS REPORTED IN AUGUST 2001

1. Monitoring of Invoices and Correction Orders

RECOMMENDATIONS

We recommend that the Bureau of Construction Codes improve its controls over the monitoring of inspections to ensure that inspection fees are properly invoiced and collected.

We also recommend that the Bureau develop procedures to ensure that violations identified during inspections are corrected in a timely manner.

AGENCY PRELIMINARY RESPONSE

The Bureau agreed with the recommendations and informed us that procedures will be developed to ensure that all payments for the inspection of boilers and elevating equipment are received and that correction orders are followed up and violations corrected. The Bureau emphasized that the correction orders and violations that have not been corrected are minor in nature and do not endanger the users of the equipment. The Bureau added that all major violations that have an impact on customer safety are followed up in a timely manner and that the hand-held computer system has been corrected to properly generate invoices for all inspection activity of premanufactured housing units.

FOLLOW-UP CONCLUSION

We concluded that the Bureau had partially complied with the recommendations.

The Bureau improved its controls over the monitoring of boiler and premanufactured housing unit inspections to ensure that inspection fees were properly invoiced and collected. However, the Bureau had not improved its controls over the monitoring of elevator inspections.

Also, the Bureau had not developed procedures to ensure that violations identified during boiler and elevator inspections were corrected in a timely manner. We were informed by the Bureau that the violations did not endanger the users of the equipment.

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