

Office of the Auditor General  
Follow-Up Report on Prior Audit Recommendations

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**Selected Activities Within the Bureau of  
Construction Codes**

Department of Licensing and Regulatory Affairs

November 2024

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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.

The auditor general may make investigations pertinent to the conduct of audits.

*Article IV, Section 53 of the Michigan Constitution*

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# OAG

Office of the Auditor General

## Report Summary

### *Follow-Up Report*

### *Selected Activities Within the Bureau of Construction Codes (BCC) Department of Licensing and Regulatory Affairs (LARA)*

**Report Number:**  
**641-0240-20F**

**Released:**  
**November 2024**

We conducted this follow-up to determine whether BCC had taken appropriate corrective measures in response to the three material conditions noted in our October 2021 audit report.

Prior Audit Information	Follow-Up Results		
	Conclusion	Finding	Agency Preliminary Response
Finding 1 - Material condition  Improvements needed to elevating device inspection processes.  Agency agreed.	Not complied	Material condition still exists. <u>See Finding 1.</u>	Agrees
Finding 2 - Material condition  Improvements needed to boiler inspection processes.  Agency agreed.	Not complied	Material condition still exists. <u>See Finding 2.</u>	Agrees
Finding 6 - Material condition  Timeliness of complaint investigation process needs improvement.  Agency agreed.	Substantially complied	Not applicable.	

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**Doug A. Ringler, CPA, CIA**  
Auditor General

November 13, 2024

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and Alteration Contractor's Board  
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Director Brown and Chairs:

This is our follow-up report on the three material conditions (Findings 1, 2, and 6) and three corresponding recommendations reported in the performance audit of the Selected Activities Within the Bureau of Construction Codes, Department of Licensing and Regulatory Affairs. That audit report was issued and distributed in October 2021. Additional copies are available on request or at [audgen.michigan.gov](http://audgen.michigan.gov).

Your agency provided preliminary responses to the follow-up recommendations included in this report. The *Michigan Compiled Laws* and administrative procedures require an audited agency to develop a plan to comply with the recommendations and to submit it to the State Budget Office upon completion of an audit. Within 30 days of receipt, the Office of Internal Audit Services, State Budget Office, is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.

We appreciate the courtesy and cooperation extended to us during our follow-up. If you have any questions, please call me or Laura J. Hirst, CPA, Deputy Auditor General.

Sincerely,

Doug Ringler  
Auditor General



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## INTRODUCTION, PURPOSE OF FOLLOW-UP, AND AGENCY DESCRIPTION

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### INTRODUCTION

This report contains the results of our follow-up of the three material conditions\* (Findings 1, 2, and 6) and three corresponding recommendations reported in our performance audit\* of the Selected Activities Within the Bureau of Construction Codes (BCC), Department of Licensing and Regulatory Affairs (LARA), issued in October 2021.

### PURPOSE OF FOLLOW-UP

To determine whether BCC had taken appropriate corrective measures to address our corresponding recommendations.

### AGENCY DESCRIPTION

BCC's mission\* is to ensure Michigan's built environment\* and the systems within are sound, safe, and sanitary; building users' health, safety, and welfare are protected; and, through a coordinated program of code compliance, investigation, and training, a consistent application of standards exists.

BCC is composed of the Surveying, Operations, Licensing, and Enforcement Division, which includes the Operations Section, Licensing Section, Enforcement Section, and Office of Land Survey and Remonumentation, and the Inspections Division, which includes the Specialty Trades Section and the Building Trades Section.

Building, electrical, mechanical, and plumbing code enforcement jurisdiction varies across the State based on the governmental subdivision's ability and preference to administer and enforce the legislative criteria for each regulated activity. All boilers\* and elevating devices\* in the State, except those located within the City of Detroit, fall under BCC's permitting and inspection jurisdiction. In addition, Section 339.5925 of the *Michigan Compiled Laws* allows inspectors hired by insurance providers to conduct routine inspections of boilers on behalf of BCC.

BCC expended \$20.8 million for fiscal year 2023, and as of December 12, 2023, it had 137 employees.

\* See glossary at end of report for definition.



# **PRIOR AUDIT FINDINGS AND RECOMMENDATIONS; AGENCY PLAN TO COMPLY; AND FOLLOW-UP CONCLUSIONS, RECOMMENDATIONS, AND AGENCY PRELIMINARY RESPONSES**

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## **FINDING 1**

Audit Finding Classification: Material condition.

Summary of the October 2021 Finding:

BCC needs to improve its processes to ensure it completes elevating device inspections in a timely manner. Specifically, in our review of inspection data for 40 elevating devices, we noted BCC had not:

- a. Conducted 58 (78%) of the 74 required routine inspections.
- b. Established a benchmark or monitoring process to ensure follow-up of identified violations in a timely manner. Our review of the 16 required follow-up inspections noted BCC:
  - (1) Took an average of 121 days to complete 10 (63%) of the required follow-up inspections.
  - (2) Did not complete 6 (38%) of the required follow-up inspections, which were outstanding from 94 to 713 days.
- c. Documented the date of the contractor's request for an initial inspection and, therefore, could not ensure it conducted inspections in a timely manner.

Recommendation Reported in October 2021:

We recommended BCC improve the efficiency\* of its elevating device inspections.

## **AGENCY PLAN TO COMPLY\***

On January 19, 2022, LARA acknowledged the need for continuous improvement related to the efficiency of its elevating device inspections and indicated BCC was taking numerous efforts, such as:

- Generating reports for monitoring purposes, including weekly and monthly reports identifying violations requiring follow-up inspections, and weekly monitoring reports per inspector.
- Completing updates to policies and procedures for documenting and tracking inspection requests and appointments in Accela\*.

\* See glossary at end of report for definition.

- Continuing recruiting efforts to hire qualified elevator inspectors.

## FOLLOW-UP CONCLUSION

Did not comply. A material condition still exists.

We reviewed BCC's permit and inspection data for elevating devices and noted BCC:

- Did not comply.

For the 40 elevating devices we reviewed, we determined 20 (50%) had outstanding, overdue routine inspections as of August 29, 2024:

Time Overdue	Number (Percentage) of Devices With Overdue Inspection(s) by Inspection Frequency	
	Annual	Biennial
1 to 180 days	1 ( 2.5%)	
181 to 364 days	3 ( 7.5%)	
1 year to less than 3 years	8 (20.0%)	1 (2.5%)
3 years to less than 5 years	1 ( 2.5%)	
5 years to less than 8 years	5 (12.5%)	1 (2.5%)
Total	18 (45.0%)	2 (5.0%)

- Partially complied.

BCC established benchmarks in August 2022 for performing follow-up inspections, including a one-month follow-up benchmark for high-risk violations and a one-year follow-up benchmark for medium-risk and low-risk violations. Our sample-based review of 50 violations requiring follow-up inspections related to 30 elevating devices noted as of April 1, 2024:

- (1) For the 17 high-risk violations reviewed, BCC had 10 (59%) outstanding and overdue follow-up inspections ranging from 16 to 423 days late and averaging 172 days late.
- (2) For the 33 medium-risk and low-risk violations reviewed, BCC had 3 (9%) outstanding and overdue follow-up inspections ranging from 80 to 151 days late and averaging 121 days late.

- Partially complied.

While we were performing our follow-up procedures, BCC created a new policy in April 2024 requiring documentation of the date of the contractor's request for an initial inspection. Implementation of the new policy was still in progress during our review with limited

documentation available for us to verify compliance with the policy requirement.

We still consider this finding to be a material condition based on the significance of the exception rates identified for routine and follow-up inspections not completed and the potential safety risk to users.

**FOLLOW-UP  
RECOMMENDATION**

We again recommend BCC improve the efficiency of its elevating device inspections.

**FOLLOW-UP  
AGENCY  
PRELIMINARY  
RESPONSE**

LARA provided us with the following response:

*BCC agrees that the previous finding has not yet been fully complied with at time of the review. Since the initial audit, BCC's corrective actions have resulted in over 2,000 fewer devices with an overdue inspection.*

*BCC has increased staffing in the elevator safety program by almost 50% since 2021 and continues to advocate for the resources necessary to fully staff the program to ensure all devices have timely routine, permit, and violation follow-up inspections. The corrective actions implemented since the initial audit are having the desired effect of incrementally improving the efficiency of the elevator safety program. The deficiencies noted will take more time to be fully corrected, but progress has been noted in each of the areas of noncompliance during the review. In addition, BCC has developed reports to ensure the data points cited in the audit are being tracked to provide leadership with a comparative analysis of the program's status over time.*

## FINDING 2

Audit Finding Classification: Material condition.

Summary of the October 2021 Finding:

BCC needs to improve its processes to ensure it completes boiler inspections in a timely manner. Specifically, in our analysis of boiler inspection data, we noted BCC had not:

- Conducted 7,860 (13%) of the 61,900 required routine inspections.
- Conducted 2,217 (96%) of the 2,308 required follow-up inspections.
- Documented the date of the contractor's request for an initial inspection and, therefore, could not ensure it conducted inspections in a timely manner.

Recommendation Reported in October 2021:

We recommended BCC improve the efficiency of its boiler inspections.

### AGENCY PLAN TO COMPLY

On January 19, 2022, LARA acknowledged the need for continuous improvement to the efficiency of its boiler inspections and indicated BCC was taking numerous efforts, such as:

- Generating reports for monitoring purposes, including weekly reports identifying boilers for routine inspection, weekly and monthly reports identifying boilers requiring follow-up inspections, and weekly monitoring reports per inspector.
- Completing updates to policies and procedures for documenting and tracking inspection requests and appointments.
- Continuing recruiting efforts to hire qualified boiler inspectors.

### FOLLOW-UP CONCLUSION

Did not comply. A material condition still exists.

Our analysis of BCC's database\* noted BCC:

- a. Did not comply.

\* See glossary at end of report for definition.

BCC had not conducted 5,982 (9%) of the 66,795 required routine inspections of active boilers as of April 1, 2024:

Time Overdue	Number (Percentage) of Overdue Routine Inspections by Boiler Usage Type	
	Hot Water	Steam, Power, and Other
Less than 1 year	2,932 (5%)	647 ( 9%)
1 year to less than 3 years	1,273 (2%)	318 ( 5%)
3 years to less than 5 years	397 (1%)	119 ( 2%)
5 years to less than 7 years	174 (0%)	39 ( 1%)
7 years to less than 10 years	48 (0%)	19 ( 0%)
10 years or more	1 (0%)	15 ( 0%)
Total overdue inspections	4,825 (8%)	1,157 (17%)
Total required routine inspections	59,820	6,975

b. Did not comply.

BCC had not conducted 2,642 (84%) of the required follow-up inspections for 3,159 boilers with violations as of May 15, 2024:

Time Overdue	Number (Percentage) of Overdue Follow-Up Inspections by Boiler Usage Type	
	Hot Water	Steam, Power, and Other
Less than 1 year	1,156 (39%)	90 (41%)
1 year to less than 3 years	1,066 (36%)	65 (30%)
3 years to less than 5 years	164 ( 6%)	10 ( 4%)
5 years to less than 7 years	50 ( 2%)	14 ( 6%)
7 years to less than 10 years	19 ( 1%)	8 ( 4%)
Total overdue follow-up inspections	2,455 (84%)	187 (85%)
Total required follow-up inspections	2,939	220

c. Partially complied.

While we were performing our follow-up procedures, BCC created a new policy in April 2024 requiring documentation of the date of the contractor's request for an initial inspection. Implementation of the new policy was still in progress during our review with limited information available for us to verify compliance with the policy requirement.

We still consider this finding to be a material condition based on the significance of the exception rates identified for routine and follow-up inspections not completed and the potential safety risk to users.

**FOLLOW-UP  
RECOMMENDATION**

We again recommend BCC improve the efficiency of its boiler inspections.

**FOLLOW-UP  
AGENCY  
PRELIMINARY  
RESPONSE**

LARA provided us with the following response:

*BCC agrees that the previous finding has not yet been fully complied with at time of the review. Since the initial audit, BCC's corrective actions have resulted in almost 1,900 fewer overdue routine inspections and a 12% improvement in the number of overdue follow-up inspections. This is particularly noteworthy as the volume of routine inspections required to be conducted by the bureau has increased 8% since the time of the initial audit.*

*BCC has increased staffing in the boiler program by 25% since 2022. The bureau also worked with LARA's Finance and Administrative Services Bureau and the Department of Technology, Management, and Budget to manage the vendor contract for the inspection database to improve access to metrics and analytics. With better access to data the bureau will be able to make informed decisions related to staffing levels and assignments. The bureau is currently evaluating responses to a Request for Information to evaluate the market for IT systems that may provide better access to data analytics and improved scheduling efficiencies to further improve the program. The process of procuring a new system or dedicating Information Technology Investment Fund (ITIF) funding to improving existing systems is expected to begin in FY 2025. The corrective actions implemented since the initial audit are having the desired effect of incrementally improving the efficiency of the program. The deficiencies noted will take more time to be fully corrected, but progress has been noted in each of the areas of noncompliance during the review.*

## FINDING 6

Audit Finding Classification: Material condition.

Summary of the October 2021 Finding:

BCC needs to implement controls over its complaint investigation process to efficiently identify and complete complaint investigations regarding incidents that could potentially result in financial and/or physical harm to a consumer. Specifically, in our review of 33 selected complaints open at any time from October 1, 2018 through June 15, 2020 noted BCC had not:

- a. Completed 31 (94%) of the complaint investigations in a timely manner.
- b. Reported any of the complaint investigation results to the LARA director or the designee.
- c. Provided timely written acknowledgment to the complainants for 9 (29%) of the 31 complaints received after October 1, 2018.

Recommendation Reported in October 2021:

We recommended BCC improve the timeliness of its complaint investigation process.

### AGENCY PLAN TO COMPLY

On January 19, 2022, LARA acknowledged the need to improve timeliness of its complaint investigation process and indicated BCC was taking numerous efforts, such as:

- Completing updates to policies and procedures regarding alignment of the complaint investigation process and standardization of complaint closures.
- Implementing system updates to Accela to autogenerate complaint receipt acknowledgment e-mails to complainants when provided with an e-mail address.

### FOLLOW-UP CONCLUSION

Substantially complied.

Our review of BCC complaints noted BCC:

- a. Complied.

BCC completed complaint investigations within 30 days or obtained an extension request approval for all complaints reviewed. For complaints not completed within 30 days, BCC implemented a monthly process to request extensions for occupational code complaints in July 2023 and for skilled trade complaints in June 2024.

- b. Complied.

The BCC director, as the LARA director's designee, began receiving monthly complaint investigation results

for occupational code complaints in July 2023 and for skilled trade complaints in June 2024.

c. Substantially complied.

Our review noted BCC provided timely written acknowledgment to complainants for 32 (97%) of 33 complaints reviewed. The 1 remaining written acknowledgment was provided three days late.



## **FOLLOW-UP METHODOLOGY, PERIOD, AND AGENCY RESPONSES**

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### **METHODOLOGY**

We reviewed BCC's corrective action plan and updated procedures and conducted interviews with BCC management. We also examined applicable State laws and *Michigan Administrative Code* rules. Specifically, for:

- Finding 1, we:
  - Randomly selected 40 of the 29,159 active elevating devices as of April 1, 2024 and reviewed inspection documentation to determine the timeliness of routine inspections.
  - Randomly selected 30 of the 7,782 noncompliant elevating device inspections completed from October 1, 2022 through April 1, 2024 and reviewed follow-up inspection documentation to determine the timeliness of follow-up inspections.
  - Reviewed BCC's new policy requiring documentation of the date of the contractor's request for an initial inspection.
- Finding 2, we:
  - Analyzed inspection data for the 66,795 active boilers as of April 1, 2024 to determine the timeliness of routine inspections.
  - Analyzed inspection data for the 3,159 boilers with violations still requiring a follow-up inspection as of May 15, 2024 to identify any overdue follow-up inspections.
  - Reviewed BCC's new policy requiring documentation of the date of the contractor's request for an initial inspection.
- Finding 6, we:
  - Randomly selected 11 of the 765 complaints opened from June 14, 2023 through April 1, 2024 to determine if the complaints were closed within 30 days or if an extension was approved.
  - Reviewed the May and June 2024 complaint reports sent to the BCC director to verify inclusion of complaints requiring extension approvals and complaint investigation results. We also obtained documentation supporting the BCC director was established as a designee of the LARA director.

- Randomly selected 40 of the 1,770 complaints open at any time from October 1, 2022 through April 1, 2024 and reviewed 33 applicable complaints to determine if written acknowledgment was provided to a complainant within 15 days.

**PERIOD**

Our follow-up generally covered October 1, 2022 through April 1, 2024.

**AGENCY  
RESPONSES**

Our follow-up report contains 2 recommendations. LARA's preliminary response indicates it agrees with both of the recommendations.

The agency preliminary response to each follow-up recommendation in our report was taken from the agency's written comments and oral discussion at the end of our fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and the State of Michigan Financial Management Guide (Part VII, Chapter 4, Section 100) require an audited agency to develop a plan to comply with the recommendations and to submit it to the State Budget Office upon completion of an audit. Within 30 days of receipt, the Office of Internal Audit Services, State Budget Office, is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.

## GLOSSARY OF ABBREVIATIONS AND TERMS

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<b>Accela</b>	The vendor-hosted system BCC uses for licensing, permitting, complaints, inspections, and plan reviews.
<b>agency plan to comply</b>	The response required by Section 18.1462 of the <i>Michigan Compiled Laws</i> and the State of Michigan Financial Management Guide (Part VII, Chapter 4, Section 100). The audited agency is required to develop a plan to comply with Office of the Auditor General audit recommendations and to submit the plan to the State Budget Office upon completion of an audit. Within 30 days of receipt, the Office of Internal Audit Services, State Budget Office, is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.
<b>BCC</b>	Bureau of Construction Codes.
<b>boiler</b>	A closed vessel in which water is heated, steam is generated, or steam is superheated or a combination of those actions occurs, under pressure or vacuum by the application of heat from combustible fuels, electricity, or nuclear energy. Boiler does not include facilities of an integral part of a continuous processing unit but does include a fired unit for heating or vaporizing liquids other than water if the unit is separate from a processing system and is complete within itself.
<b>built environment</b>	Man-made surroundings supporting human activity.
<b>database</b>	A collection of information organized so it can be easily accessed, managed, and updated.
<b>efficiency</b>	Achieving the most outputs and the most outcomes practical with the minimum amount of resources.
<b>elevating device</b>	The machinery, construction, apparatus, and equipment of an incline lift, escalator, moving walk, or device serving two or more landings used in raising and lowering a car, cage, or platform which is guided. The term includes a passenger elevator, freight elevator, gravity elevator, workmen's elevator, dumbwaiter, manlift, or other guided lifting or lowering apparatus.
<b>LARA</b>	Department of Licensing and Regulatory Affairs.

<b>material condition</b>	A matter, in the auditor's judgment, which is more severe than a reportable condition and could impair the ability of management to operate a program in an effective and efficient manner and/or could adversely affect the judgment of an interested person concerning the effectiveness and efficiency of the program. Our assessment of materiality is in relation to the respective audit objective.
<b>mission</b>	The main purpose of a program or an entity or the reason the program or the entity was established.
<b>performance audit</b>	An audit which provides findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision-making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.









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