

**REPORT
HIGHLIGHTS**
PERFORMANCE AUDIT

Our Conclusion

The Department of Fire, Building and Life Safety (Department) includes the Office of the State Fire Marshal (Office) and the Office of Manufactured Housing. The Office has not been able to address long-standing problems in conducting fire safety inspections. Despite some progress, staff reductions and inadequate building records have negatively affected inspections. The Office should better manage its fire safety inspection processes, and the Department should seek legislation to charge fees to cover inspection costs. The Department, through the Office of Manufactured Housing, should ensure that the fees it charges cover the full cost of regulating the State's manufactured housing and modular building industries. Finally, the Department incorrectly spent some Mobile Home Relocation Fund monies in fiscal years 2009 through 2011 and should implement procedures to ensure it correctly uses these monies.



2011

State Fire Marshal's Office should ensure adequate fire safety inspection coverage and establish fees to cover costs

Office responsible for fire safety inspections of certain buildings—The Office is responsible for ensuring that regular fire safety inspections are conducted for buildings under its jurisdiction. The Office also reviews construction plans for these buildings to ensure compliance with the state fire code. Inspections may be done by local fire authorities or private vendors pursuant to agreements with the state fire marshal.

Office has history of inspection coverage deficiencies—In our 1988 and 1999 audit reports, we found that the Office did not conduct regular inspections because of either having too few inspectors, not having an accurate and complete inventory of buildings, and/or not prioritizing how often buildings should be inspected. The Office addressed several of these issues as reported in our 2001 performance audit report, but it did not sustain the progress. The Office does not have complete and accurate inspection information for buildings requiring inspection. It also does not adequately prioritize inspections based on fire risk. The Office has also experienced a reduction in staff from 13 inspectors in 2008 to 5 inspectors as of June 2011. The Office is developing a new database, which it should use to more effectively track all inspection activities.

Office should increase number of agreements and establish oversight—As of June 2011, the Office reported that it had 37 agreements with local fire authorities and 2 agreements with a private vendor covering separate jurisdictions to perform inspections.

The Office should solicit additional agreements to help provide greater inspection coverage, increase efficiency, and reduce costs. The Office should also establish oversight of these agreements.

Department should seek authority to establish fees to recover inspection costs—Statute allows local fire authorities to charge fees to recover inspection costs. However, the Office can charge fees only for permits, plan submissions and reviews, and reinspections—not for regular inspections. If the Office had authority to charge fees, it could cover its regular inspection costs. The Department should use a structured approach to evaluate its current fees and propose new fees. This approach should take into consideration the efficiency of operations, track direct and indirect costs, and identify the actual costs for specific activities. The Department should then seek legislation allowing it to charge fees to recover its costs for fire safety inspections.

Recommendations

The Office should:

- Use its new database to better manage fire safety inspections; and
- Solicit additional agreements with local fire authorities or private vendors and establish oversight of these agreements.

The Department should:

- Use a structured approach to develop a fee proposal and then seek legislation allowing it to charge fees to recover its fire safety inspection costs.

Fees should fully cover Department's manufactured housing and modular building regulatory costs

Department performs state and federal regulatory activities—The Department, through the Office of Manufactured Housing, regulates the manufactured housing and modular building industries. The U.S. Department of Housing and Urban Development has designated the Department as the state agency responsible for handling consumer complaints; inspecting the construction of manufactured homes and their installation; and resolving disputes between manufacturers, retailers, and installers.

Fees do not fully cover regulatory costs—The Board of Manufactured Housing (Board) is statutorily required to set fees that cover 95 to 105 percent of the Department's manufactured housing and modular building regulatory costs. For example, fees are charged for licenses, permits, plan reviews, and inspections. However, because the Department has applied statute on a more limited basis, it did not consider all of its regulatory costs, such as overhead and licensing costs, to establish its fees. As a result, the fiscal year 2011 fees covered, at

most, 90 percent of the Department's regulatory costs, and the actual amount is likely lower.

The Department has begun to develop cost estimates for its regulatory functions. For example, the fee for a manufactured home installation permit is \$123, which allows for up to three inspections to ensure that the home is properly set and the utilities are properly connected. However, the Department estimated that the cost for performing this function can range from \$89 to \$237, excluding overhead.

Using the same approach that it develops to review its fire safety inspection costs and fees, the Department should evaluate its manufactured housing and modular building regulatory costs and fees, develop new fees, and propose them to the Board.

Recommendation:

The Department should develop a structured approach to assess its fees and propose new fees to the Board.

Department has incorrectly spent some Mobile Home Relocation Fund monies

The Mobile Home Relocation Fund (Fund) assists people who relocate in certain circumstances, such as when their mobile home park closes, is redeveloped, or there is a qualifying rent increase. Fund monies may also be used for the Department's costs to administer the Fund and to support the Department's hearing function. The Department used about three-fourths of the fund monies spent in fiscal year 2011 for salaries and benefits, excluding monies paid to mobile home tenants, totaling nearly \$543,000. About three-fourths of fund monies spent in fiscal years 2009 and 2010 were also used for salaries and benefits. This level of spending does not appear warranted based on limited department data and fund activity. Additionally, the Department used fund monies to pay for more than \$6,000 of out-of-state travel in fiscal years 2009 and 2010, but could not show how this travel pertained to the Fund's purposes.

The Department should develop a methodology for charging appropriate direct and indirect costs to the Fund, ensure costs are correctly charged to the Fund, and determine whether monies should be repaid to the Fund. The Department indicated it will continue its efforts to fully identify and track costs and activities that the Fund should cover.

Recommendations:

The Department should:

- Establish a methodology for charging costs to the Fund;
- Implement policies to ensure costs are correctly charged to the Fund; and
- Seek advice from its Assistant Attorney General to determine whether the Fund should be repaid for the incorrect expenditures.