

PERFORMANCE AUDIT

OFFICE OF THE STATE FIRE MARSHAL

For the period January 1, 2010 through June 30, 2012



Oklahoma State
Auditor & Inspector
Gary A. Jones, CPA, CFE

**Audit Report of the
Office of the State Fire Marshal**

**For the Period
January 1, 2010 through June 30, 2012**



Oklahoma State Auditor & Inspector

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June 13, 2013

TO THE OKLAHOMA STATE FIRE MARSHAL COMMISSION

The Office of the State Fire Marshal aims to “promote safety and awareness and reduce the loss of lives and property to the citizens and businesses of Oklahoma.” Analysis of the agency’s plan review and building approval process revealed several key deficiencies in inspection, monitoring, financial, and inventory processes that directly impact the agency’s ability to fulfill this mission.

A number of inspection and construction review practices were identified that could create fire safety hazards for building occupants and inefficiencies for field agents. One example involves the agency’s failure to maintain a list of statutorily required inspections at correctional facilities. As a result of this deficiency, no inspections occurred in 12 percent of the correctional facilities for 2010 and 14 percent for 2011. Such an oversight not only results in statutory non-compliance, but has more severe implications, such as increasing the risk of property damage, personal injury, and potential loss of life at uninspected facilities.

A second example involves Fire Marshal employees who issued some certificates of occupancy prior to the proper approval of related inspections. This practice increases the risk that a building may be occupied with fire safety dangers present. Plan review errors have already led to one financial claim against the agency.

The Office of the State Fire Marshal has repeatedly exhibited a disregard for controls regarding its financial processes. This audit finds that control of finances by too few employees and lack of key reviews creates the opportunity for staff to divert assets or make improper payments from agency funds without management’s knowledge. This marks the *third consecutive audit* in which the same financial process risks were reported, for a total of nine years during which management has not advanced improvements. As this behavior pattern suggests that our warnings may yet again go unheeded, it is essential that the Commission hold management accountable for addressing these risks. To this end, our audit includes detailed recommendations toward segregating employee duties and implementing financial reviews.

Lax inventory recordkeeping and failure to conduct inventory counts on such items as firearms, laptop computers, and cigarettes seized for fire safety code violations have resulted in missing inventory. Most alarmingly, management was unable to locate a Remington shotgun assigned to a field agent. Another firearm was reportedly gifted to a retiring agent but no documentation was retained to support this explanation. This failure to adequately document and track high value and sensitive inventory could lead to financial losses and increased agency liability.

Deficiencies noted throughout this report place the Office of the State Fire Marshal at financial risk and could have serious consequences to the public welfare, health, and safety. With appropriate Commission oversight, management must take action to improve these processes toward successfully fulfilling the agency’s mission and protecting the citizens and businesses of Oklahoma.

A handwritten signature in blue ink, appearing to read "Gary A. Jones".

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

**Introduction
& Agency
Background**

Pursuant to the request of the State Fire Marshal and in accordance with 74 O.S. § 213.2.B, we conducted a performance audit of the Office of the State Fire Marshal for the period January 1, 2010 through June 30, 2012.

The mission of the Office of the State Fire Marshal (the Agency) is to promote safety and awareness and reduce the loss of lives and property to the citizens and businesses of Oklahoma through public education, investigations, inspections, building plan reviews, code assistance and enforcement and statistical data collection.

The Oklahoma State Fire Marshal Commission (the Commission) is composed of seven members appointed by the Governor and confirmed by the Senate. They include an individual selected by the governor, a fire investigator, and representatives of the following associations:

- A statewide association of career and volunteer firefighters
- A statewide association of municipalities
- A statewide association of Fire Chiefs, both career and volunteer
- A statewide association of electrical workers
- A statewide organization of exclusively professional firefighters

The current Commission members are:

Paul Gallahar	Chairman
Cecil Clay	Vice-Chairman
Keith Bryant.....	Member
Cary Williamson	Member
Joe Elam.....	Member
Kirk Trezell.....	Member
Mark Huff	Member

The Agency operates through three departments:

- Building: Building department personnel examine plans and specifications of certain types of new construction or remodeling to see that they meet minimum fire safety requirements. Together with the operations agents, they assist any city, town, or county in the enforcement of building codes and standards.
- Operations (described throughout this report as field operations): Agents who work in this department are charged with investigating acts of arson or attempted arson, or conspiracy to defraud, and keeping records of such investigations. They are also responsible for carrying out an extensive fire protection inspection program and issuing orders for condemnation or repair of

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dangerous or dilapidated buildings that constitute a hazard to life or other property.

- Support Services: Support personnel maintain records of all activities of the Agency and perform various financial and operational procedures.

Table 1 summarizes the Agency's sources and uses of funds for state fiscal years 2011 and 2012 (July 1, 2010 through June 30, 2012).

Table 1 - Sources and Uses of Funds for SFY 2011 and SFY 2012

	2011	2012
Sources:		
State Appropriations	\$ 1,931,920.77	\$ 1,796,764.00
Plan Review Fee	764,437.96	698,854.79
Market Inspection License/Permit/Fee	31,130.00	28,725.00
Other Non-Revenue Receipts	26,460.52	691.04
Licenses/Permits/Fees-General	18,750.00	96,950.00
Other	3,212.01	1,840.25
Total Sources	<u>\$ 2,775,911.26</u>	<u>\$ 2,623,825.08</u>
Uses:		
Personnel Services	\$ 1,751,276.68	\$ 1,599,708.48
Payments-Local Gov't, Non-Profits	357,126.00	332,127.00
Rent	142,251.63	161,858.23
Miscellaneous Administrative	57,890.79	41,591.41
Professional Services	35,512.04	66,462.57
Office Furniture & Equipment	24,506.90	47,998.20
General Operating	12,753.97	11,651.54
Travel	10,859.28	24,736.79
Production, Safety, Security	4,563.25	4,562.00
Refunds, Indemnities, Restitution	3,148.00	3,464.00
Other	1,822.18	5,019.10
Maintenance & Repair	161.21	4,329.87
Buildings-Purchase/Construction/Renovation	-	7,000.00
Total Uses	<u>\$ 2,401,871.93</u>	<u>\$ 2,310,509.19</u>

Source: Oklahoma PeopleSoft Accounting System (unaudited, for informational purposes only)

**Purpose, Scope,
and Sample
Methodology**

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusion based on our audit objectives.

Sample methodologies can vary and are selected based on the audit objective and whether the total population of data was available. Random sampling is the preferred method; however, we may also use haphazard sampling (a methodology that produces a representative selection for non-statistical sampling), or judgmental selection when data limitation prevents the use of the other two methods. We selected our samples in such a way that whenever possible, the samples are representative of the populations and provide sufficient evidential matter. We identified specific attributes for testing each of the samples. When appropriate, we projected our results to that population.

This report is a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24.A.1 et seq.), and shall be open to any person for inspection and copying.

Objective I - Determine whether the Agency's internal controls provide reasonable assurance that revenues, expenditures (including payroll), and inventory were accurately reported in the accounting records, and financial operations complied with 74 O.S. § 317 and OAC Title 265:30-1-1.

Conclusion

The Agency's internal controls *do not* provide reasonable assurance that revenues, expenditures (including payroll), and inventory were accurately reported in the accounting records.

Financial operations complied with Oklahoma Administrative Code Title 265:30-1-1, which requires the Agency to perform an annual inspection of all operating licensed horse race tracks.

However, financial operations *do not* comply with 74 O.S. § 317, which requires the Agency to perform an annual fire inspection of all correctional facilities under the jurisdiction and control of any state agency, county, city, or town.

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Methodology

To accomplish our objective, we performed the following:

- Obtained an understanding of internal controls related to the revenue, expenditure, payroll and inventory processes through discussions with Agency personnel, observation, and review of documents.
- Reviewed Agency records to ensure that an annual fire inspection was performed at each licensed horse race track and correctional facility specified by statute.
- Inspected 25 firearms listed on the inventory report to ensure the serial numbers agreed.

Observation

Inadequate Segregation of Duties in Financial Processes

The United States Government Accountability Office's *Standards for Internal Control in the Federal Government*¹ states in part, "Key duties and responsibilities need to be . . . segregated among different people to reduce the risk of error or fraud . . . No one individual should control all key aspects of a transaction." We noted several internal control deficiencies at the Agency related to the segregation of key financial duties.

Revenues

Revenue procedures are divided primarily between the plan review secretary and the executive secretary. The plan review secretary maintains records of plans reviewed and inspections performed by Agency personnel, and she prepares receipts and deposits for the related payments. There is no independent verification that all fees received were ultimately deposited to the Agency's account.

The executive secretary is responsible for physically taking deposits to the bank and for entering the deposits to PeopleSoft (the state accounting system). She also prepares and approves the Agency's monthly clearing account reconciliations. There is no independent review of the bank deposit documents (the bank deposit slip or the subsequent receipt) or the monthly reconciliations to ensure that all fees recorded by the plan review secretary and by the executive secretary were ultimately deposited to the Agency's account.

¹ Although this publication addresses controls in the federal government, this criterion can be treated as a best practice. The theory of controls applies uniformly to federal or state government.

Although management believed that deposit duties were properly divided between the plan review secretary and the executive secretary, it appears that each has the opportunity to misappropriate or misstate funds received without timely detection by management.

Expenditures

The executive secretary is responsible for the following duties:

- Preparing and approving purchase orders
- Completing purchases
- Receiving and approving invoices
- Posting expenditures into the PeopleSoft accounting system
- Preparing monthly expense reports

This employee's control over the expenditure process grants her the ability to make inappropriate purchases or payments without detection. Management stated that the Commission reviews the monthly 6-Digit Detail Expenditure Report, suggesting they are aware of the risk created by the executive secretary's duties. However, because the report is provided to the Commission in Excel format, it could be altered and the inappropriate purchases concealed.

It appears that although management has been made aware of the risks related to inadequate segregation of financial duties multiple times in the past, they have elected not to make improvements. This finding was included in the past two audit reports issued by our office², such that we have now identified inadequate segregation of duties in financial processes for *nine years*. These problems create real risks of undetected theft and error and therefore must be addressed.

Critical financial control weaknesses have persisted for nine years

Insufficient segregation of duties was also noted in relation to the inventory process, and is discussed later in this report.

Recommendations In order to mitigate the risks related to segregation of duties issues, we offer the following recommendations:

- An independent party should reconcile receipts to database records and to deposit documentation to ensure that all fees

² Agreed upon procedures report covering the period July 1, 2003 through June 30, 2005, and operational audit report covering the period July 1, 2005 through June 30, 2008, both available at <http://www.sai.ok.gov>.

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received are accurately included in the deposit. In addition, deposit documentation should be independently reconciled to bank deposit records (such as bank deposit receipts or State Treasurer's Office reports) to ensure that all fees are actually deposited at the bank. These reconciliations could be performed by either the fire investigations secretary or the assistant state fire marshal, and the employee responsible for performing these duties should endorse the documentation as evidence that a successful review was performed. Once this review is established, it could be performed on a random and unannounced basis at the reviewer's discretion (for example, reconciling receipts for a particular week).

- Each month, the director should review the 6-Digit Detail Expenditure Report from the PeopleSoft system, in PDF format to limit the potential of alteration. The detailed review should ensure that all expenditures identified were presented to him for approval and are appropriate given the mission of the Agency. Ideally, evidence of this review should be retained with the date and signature of the director included.

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Officials**

Effective immediately, in order to mitigate the risks related to segregation of duties, the Agency will implement the following procedures:

- (1) The Assistant State Fire Marshal and/or Secretary V will reconcile receipts to the database records and to deposit documentation to ensure all fees received are accurately included in the deposit; and
- (2) The Executive Secretary will provide the State Fire Marshal with the monthly 6-Digit Expenditure Detail Report from the PeopleSoft Financial Module in PDF format to limit the potential of alteration. Evidence of the review shall be retained with the date and signature of the State Fire Marshal included.

Observation

Inadequate Reviews in Financial Processes

An effective internal control system provides for adequate management review of key financial transactions and reports. We noted two instances of insufficient reviews during our procedures.

Payroll Review

The executive secretary is responsible for processing payroll in PeopleSoft, and there is no independent review of payroll documents to ensure that hours worked and pay rates are appropriately stated. This creates an opportunity for hours and pay rates to be misstated intentionally or by error, without timely detection by management.

Monthly Reconciliation Review

As noted in the previous finding, the executive secretary is responsible for delivering deposits to the bank, entering the deposits into PeopleSoft, and preparing and approving the Agency's monthly clearing account reconciliation. There is no independent review of the monthly reconciliation, which could result in a failure to detect errors in a timely manner. The weakness in the revenue process compounds this problem, such that the executive secretary has the opportunity to misappropriate funds without detection and could manipulate the reconciliation to conceal the theft.

It appears that, partially due to trust in the long-time employee involved, management did not fully consider the risks created by this arrangement of duties without proper review.

Recommendation

We recommend that an independent review of payroll records be conducted after each pay cycle to ensure that hours worked and pay rates are accurately stated.

In addition, someone independent of the revenue and reconciliation preparation processes should review the monthly clearing account reconciliation to ensure that it ties to relevant supporting documentation and that any reconciling items appear reasonable. Note that it is imperative that management *first* address the lack of segregation of duties identified in the previous observation; consideration may then be given to this review.

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Effective immediately, the State Fire Marshal will review all payroll records after each pay cycle to ensure that hours worked and pay rates are accurately stated and will review the monthly clearing account reconciliation report (OMES Form 11) to ensure it ties to relevant supporting documentation and that any reconciling items appear reasonable.

Observation

Missing Firearm and Other Deficiencies in the Inventory Process

The State Fire Marshal's office retains inventories of items such as office furniture, IT and technical equipment, firearms, and seized cigarettes³. During our procedures we noted several deficiencies related to these inventories.

Inadequate Segregation of Duties

As noted earlier, GAO standards state that, "Key duties and responsibilities need to be...segregated among different people to reduce the risk of error or fraud...No one individual should control all key aspects of a transaction."

During the majority of the audit period, the assistant state fire marshal (ASFM) served in multiple capacities, acting as the head of the building department and of field operations⁴ as well as the inventory control officer. As inventory control officer, the ASFM was responsible for periodically recording, transferring, and deleting assets from the Agency's inventory listings, for performing physical inventory counts, and for physically removing deleted inventory from the Agency's office and storage unit. As a result, the ASFM had the opportunity to misappropriate inventory items and to conceal the theft by manipulating inventory records.

Inventory Counts Not Performed

An effective internal control system provides for complete and accurate inventory records. In addition, the Agency's *Equipment Inventory* policy requires an annual inventory of equipment and immediate reporting of any lost, stolen, or damaged equipment to the Oklahoma City office.

Although the Agency submitted an asset report of low-risk office furniture to the state's Office of Management and Enterprise Services (OMES) each year, staff did not conduct an annual inventory of IT equipment or other equipment used by field operations agents, including high appeal items such as laptops, firearms, and cameras. While the ASFM relied on the agents to notify her of any changes in inventory, the agents failed to inform her of all relevant changes.

³ The Fire Safety Standard and Firefighter Protection Act (74 O.S. § 362) authorizes agents to seize cigarettes that do not comply with statutory fire safety standards or that bear counterfeit compliance marks.

⁴ During April 2012, the Agency promoted its western district agent supervisor to director of field operations, and he assumed all related duties from the ASFM from that point forward. He is referred to throughout this report as the current director of field operations.

Lack of an appropriate and independent inventory count may result in items being lost or misappropriated without timely detection by management, and likely contributed to the asset loss discussed in the following section.

Missing Items and Inadequate Records Retention

It is the responsibility of management to maintain an effective internal control system to ensure that inventory is properly recorded. Poor record retention practices were evident during several of our procedures. For example, although agents sometimes trade equipment amongst themselves, management did not enforce the use of transfer forms to document the exchange or return of equipment.

Regarding seized cigarette inventory, agents transferred seized cigarettes to the ASFM, but no documentation was maintained to record that transfer of custody. The ASFM also did not perform a periodic count of seized cigarettes to monitor the inventory after assuming custody.

Of even greater concern was management's inability to locate an Agency-owned Remington shotgun or provide any documentation to account for the missing weapon. The shotgun was not presented during the department's last firearm inventory

Shotgun missing from Agency inventory; regular counts of firearms and seized cigarettes not performed

count. In addition, another Agency-owned firearm was removed from the Agency without any related documentation. According to management, a former agent retained custody of the firearm upon retirement⁵; however, the Agency was unable to confirm this statement with any supporting documentation.

It appears management did not consider the risks related to failing to properly track and document inventory. Without diligent recordkeeping and regular inventory counts, items can clearly be misplaced or misappropriated, including sensitive items such as firearms and seized cigarettes.

Recommendation In order to mitigate these risks related to the inventory process, we offer the following recommendations:

⁵ Per 74 O.S. § 150.23, an agent of the State Fire Marshal's Office shall be entitled to receive, upon retirement by reason of length of service, the continued custody and possession of the sidearm and badge carried by such agent immediately prior to retirement.

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- Management should make every effort to locate the missing shotgun.
- The Agency should improve its recordkeeping practices and enforce the use of transfer forms for every exchange or return of equipment and seized property in order to ensure that Agency inventory items are properly tracked and accounted for.
- Management should perform a complete annual inventory count of all Agency items, including IT equipment, equipment used by field operations (including firearms), and seized cigarettes, all of which are high-risk, high-appeal inventory items. The person responsible for performing the count should be independent of inventory recordkeeping duties, and the Agency should retain a record of the count being performed and when and by whom it was completed.
- Someone independent of the inventory process should review the annual inventory count results, ensuring that any transfers or removals of inventory items from the previous year's inventory records are supported by proper documentation.

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Actions to find the missing shotgun have included a complete inventory of all issued equipment, to include firearms, a random inspection by District Supervisors of firearms, recording of issued firearm serial numbers at qualification and photography of issued firearms and their associated serial numbers. This missing shotgun is not in the known possession of an OSFM employee. A missing weapon report is filed with the Oklahoma City Police Department (OCPD). This missing shotgun is entered into the National Crime Information Center, with the OCPD and OSFM as the contact agencies in the event of recovery.

Firearm serial numbers are being tracked through the reinstated annual inventory, firearm qualification records and random inspections conducted by District Supervisors. All records of the firearm serial numbers are maintained in an annual file.

Existing policy is being reinforced in regards to inventory control for field personnel through the performance of annual inventory. The annual inventory is to record all issued equipment. Any returned or damaged equipment is returned to the appropriate Supervisor (District or Operations Chief) accompanied by a Returned Equipment form. A copy of the Returned Equipment form is provided to the appropriate

supervisor and the personnel returning the equipment, with the original maintained in a master file in the Operation Chief's office. If the equipment is in serviceable condition, it may be reissued, with inclusion of the item and its descriptors into a master inventory list and recipient's issued equipment inventory.

On May 22, 2013, an examination of all FSC inspection reports was conducted to determine what the seized cigarette inventory was indicated to be and compared the results to the seized cigarette inventory. All seized cigarettes are accounted for and placed into the Agency Evidence Locker.

Observation

Fire Safety Inspections Not Performed at Required Facilities

The Agency's field operations department is responsible for performing annual fire inspections of all correctional facilities under the jurisdiction and control of any state agency, county, city, or town, in accordance with 74 O.S. § 317.

In order to determine whether the Agency was in compliance with this statute, we compiled a list of relevant correctional facilities throughout the state, using records from sources such as the Department of Corrections, Department of Health, and Office of Juvenile Affairs. We identified as many as 210 total facilities the Agency is required to inspect on an annual basis.⁶

According to our procedures, during calendar year 2010 the Agency failed to inspect 27 correctional facilities, and during calendar year 2011, the Agency failed to inspect 30 correctional facilities.

This failure may have been due to the fact that management appeared to have no method for ensuring inspections were performed at all locations required by statute.

The current director of field operations and the eastern district supervisor each indicated that during the audit period, they used checklists to verify all statutory inspections were performed. However, neither could provide examples of their checklists. Although it

Agency failed to inspect 27 correctional facilities in 2010 and 30 correctional facilities in 2011

⁶ Subject to interpretation of state statutes, the number of juvenile correctional facilities the Agency is required to inspect may vary between 23 facilities and only one. There were also five adult correctional facilities technically under the Agency's purview that were instead inspected by local authorities during the audit period. With these considerations in mind, the final total of facilities identified in our procedures may vary between 183 and 210 in total.

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would seem to be a necessary resource for performing required inspections in order to achieve their mission of protecting Oklahomans and to fulfill their statutory obligations, it appears management did not maintain a list of facilities the Agency is required to inspect.

Failure to perform fire safety inspections at all required locations results in the agency being out of compliance with 74 O.S. § 317. However, it also has more severe implications, increasing the risk of property damage, personal injury, and even loss of life at uninspected facilities.

Recommendation Management should develop a comprehensive list of facilities the Agency is required to inspect, and ensure that this list is reviewed and updated on a regular basis. Developing this master list will likely involve communicating with agencies such as the Department of Corrections, Oklahoma State Department of Health, and Office of Juvenile Affairs to ensure they share a common understanding of precisely what facilities the State Fire Marshal is required to inspect. It may also require statutory modifications.

Management should also ensure the facilities are clearly distributed amongst the agents so that no inspection is missed, and develop a procedure to ensure the annual list of facilities is reviewed frequently to determine whether agents are making proper progress. Required facilities the Agency failed to inspect during the audit period should be addressed as soon as possible.

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A comprehensive list was created in October 2012 of the facilities mandated in 74 O.S. § 317 through a request of information from the Department of Corrections, Oklahoma Department of Health Jail Inspection Division, the Oklahoma Juvenile Authority and an examination of OSFM records. The list is organized by facility type and Supervisor district. District Supervisors are directed to have the required inspections completed by June 1 of the calendar year. The Supervisors record the inspection file number and the name of the personnel performing the inspection. The district list is signed by the District Supervisor and forwarded to the Operations Chief, attesting that the required inspections are completed in their assigned areas. The Operations Chief signs receipt of the district list and includes them in an annual file for statutory inspections.

Objective II - Determine whether the certificate of occupancy issuance process should be strengthened to assist the Agency in its mission to protect the lives and property of Oklahoma citizens.

Conclusion Aspects of the Agency’s plan review and inspection processes should be strengthened to mitigate the risk of public endangerment and the Agency’s risk of liability exposure, and to facilitate the certificate of occupancy issuance process.

Methodology To accomplish our objective, we performed the following:

- Documented internal controls related to the certificate of occupancy issuance process through discussions with Agency personnel, observation and review of documents.
- Reviewed Agency records for 59 randomly selected construction projects to determine whether the related plans were adequately reviewed by the building department.

Background The Agency issues construction permits in geographical areas of the state where no such permit is required by local authorities, and for construction and alteration of all state-owned buildings. Building department personnel review plans prior to construction and approve permits to attest that plans are in compliance with fire safety codes and requirements. Reviewers are required to include comments with construction plans to notify field agents of any exceptions that should be addressed during inspections. This review process is essential to protecting the public from endangerment and the Agency from liability exposure.

Field agents throughout the state physically inspect construction sites upon 50% and 100% completion to ensure that approved plans and permits are present and construction follows approved plans and fire safety codes. Agents note any code deficiencies or violations on their inspection forms. Completed inspection forms are required to be approved by agent supervisors, who review to ensure that information is complete and all codes are followed.

When building projects pass the final inspection, agents may recommend on the inspection form that the Agency issue a certificate of occupancy. After supervisor review, the assistant state fire marshal (ASFM) is

responsible for approving the certificates, based upon the agents' recommendations.

During the majority of the audit period, the building department consisted of two full-time employees, including the department supervisor. Because department personnel were unable to complete all reviews in a timely manner, a third party contractor also reviewed plans on the Agency's behalf.

Observations

Monitoring of Plan Reviews

An effective internal control system provides for an appropriate level of monitoring and review. This may include monitoring of both the quantity and quality of work performed.

Inspection tracking information is provided to Commission members in their meeting packets, in the form of plan review statistics reports. These reports detail the numbers and types of plans that are submitted and reviewed, both on a monthly and annual basis. It appears management considers these reports to be monitoring tools to assess building department performance; however, the data used to compile the reports is accessible by the building department, and individuals in that department therefore have the ability to make changes that would affect data completeness.

Management voiced concerns about the number of plan reviews completed each month and the time spent performing each review.

Management and staff lack confidence in the quantity and quality of Agency plan reviews

Further discussions with management and other staff revealed pervasive concerns related to the *quality* of reviews performed by the building department. Management described one instance in which an error made during plan review resulted in a financial claim⁷ against the Agency and further indicated that the department was developing a reputation for poor customer service.

The building department supervisor, who was terminated from the Agency during the audit, did not perform a secondary review on plans that were approved by the other department employee or the plan review contractor. Although the ASFM claimed oversight responsibility for the building department, her experience related to plan review is limited, and she does not review plans for any permits approved by the Agency. While tools were in place to monitor the quantity of plans reviewed, it

⁷ Management represented the amount of the claim at \$25,000 but could not provide any supporting documentation.

appears *quality* management techniques were not implemented. This could lead to plans being approved despite errors.

Communication Issues between Inspectors and Plan Reviewers

Communication is an integral part of the internal control structure that allows any entity to function effectively. Successful communication of relevant, accurate, and timely information is required for efficient and effective operations and compliance with relevant statutes, regulations, and rules.⁸

Building department personnel are required to include review comments with their construction plans. However, field agents indicated that such comments are often general in nature and do not include sufficient detail to determine what actual violations were noted during plan review. While in the field, agents then note any code deficiencies or violations found during their examinations on the inspection forms. However, building department personnel do not receive copies of the inspection forms and are therefore unaware of any problems identified that relate to their initial plan review, unless directly informed by the inspecting agents or construction clients. This serious lack of two-way communication between plan reviewers and field agents makes it difficult to remedy the quality issues discussed in the previous section.

Errors or omissions in the plan review process do not only lead to additional work for the field agents. These quality issues also create additional work for contractors, who must make changes when the problems are identified, and can cause increased risk to eventual building occupants if the errors are not identified.

Inadequate Inspection Approvals

We performed detailed procedures related to the quality of building plan reviews completed by the building department, reviewing 59 randomly selected examples of 50% inspection forms and evaluating the associated plans as necessary. In two of these 59 instances, building department personnel approved permits for construction which did not meet all applicable fire safety codes and requirements. While in these instances it appears the violations were identified by field operations agents during 50% inspections and corrected prior to a Certificate of Occupancy being issued, the potential for code violations and deficiencies to be overlooked by plan reviewers and agents remains strong absent effective management oversight.

⁸ COSO *Internal Control Integrated Framework*, 1994.

Paper copies of the agents' inspection forms are required to be maintained in the Agency's filing room. However, in one instance management was unable to locate a copy (paper or digital) of an inspection form for construction performed at a public school. Without this key documentation, management cannot verify whether violations were noted during an inspection or whether the inspection was approved by the agent supervisor.

Certificates of occupancy issued without supervisor approval of building inspections

Although inspection forms are intended to be reviewed and approved by supervisors prior to the certificates of occupancy being issued, the forms are periodically submitted directly to the ASFM and the certificates issued without agent supervisor approval or a detailed review. Because of this, new buildings are at an increased risk of being approved for occupancy despite deficiencies that may have been overlooked during inspections.

Overall, these shortcomings in the plan review, inspection, and certificate of occupancy issuance processes could lead to the Agency approving the use of buildings that endanger occupants. Management must address these deficiencies in order for the Agency to meet its mission of promoting safety and awareness and reducing the loss of lives and property to Oklahomans.

Recommendation

Management should implement the following procedures, in order to monitor the quality of both the plan review and inspection processes:

- Periodic review of approved plans: a qualified member of management should perform occasional secondary reviews of plan reviews conducted by the building department, to ensure the results of the review are accurate and clear.
- Assessment of inspection comments: plan reviewers should review the results of field agents' inspections to ensure any problems identified in the field that were not captured in the initial plan review are communicated to the original reviewer.

Written policies may need to be developed to support implementation of these procedures.

In addition to these quality measures, we recommend the following improvements to the Agency's certificate of occupancy issuance and overall plan review and inspection processes:

- Management should develop policies and procedures to make certain that supervisor approval is granted on inspection reports

before a Certificate of Occupancy is issued, to help ensure that if any deficiencies or violations were overlooked during plan review or inspections, they are caught before the final structure is approved for occupancy.

- The Agency's internal plan review and inspection database should be secured in such a manner that only necessary employees (such as the plan review secretary and fire investigation secretary) have editing abilities. Read-only access could be granted to other employees, such as reviewers and inspectors, as warranted by their job duties.

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Random quality assurance reviews will be performed on plan review projects, prior to the release of the plans to the submitting entity. A plan review commentary template has been implemented to provide consistent and clear results of the plan review process. Copies of approved construction inspections will be forwarded to the original plan reviewer. Supervisory approval of construction inspection reports will occur prior to the initiation of the Certificate of Occupancy process. Upon supervisory approval of the final construction inspection, the completed file is to be transferred to management for the creation and issuance of a Certificate of Occupancy. The implementation of the iPad reporting system will greatly speed this process, while increasing the accuracy and oversight of the performed inspections. A request to OMES to restrict writable access to the database by any personnel other than the plan review secretary or fire investigation secretary was made on May 22, 2013.



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