



Lexington-Fayette Urban County Government
OFFICE OF INTERNAL AUDIT

MANAGEMENT ACTION PLAN PROGRESS REPORT

DATE: January 8, 2016

TO: Jim Gray, Mayor

CC: Sally Hamilton, Chief Administrative Officer
Glenn Brown, Deputy Chief Administrative Officer
Aldona Valicenti, Chief Information Officer
Derek Paulsen, Commissioner of Planning
Kenneth Armstrong, Director of Code Enforcement
Phyllis Cooper, Director of Accounting
Susan Straub, Communications Director
Urban County Council
Internal Audit Board

FROM: Bruce Sahli, CIA, CFE, Director of Internal Audit
Teressa Gipson, CFE, Internal Auditor

RE: Code Enforcement Billings & Abatement Process Audit MAPPR

EXECUTIVE SUMMARY

On February 11, 2014 the Office of Internal Audit issued the Code Enforcement Billings & Abatement Process Audit Report. The 2014 audit report contained several findings related to complaint files needing improved documentation, nuisance abatement project issues, and housing civil penalty needing improved file documentation. We also noted a risk observation related to electronic devices needed for field inspectors.

This review is provided for management information only. It is not an audit and no opinion is given regarding controls or procedures. The period of review included nuisance

abatements from January 1, 2015 through July 31, 2015 and housing complaints from February 1, 2015 through August 31, 2015.

A summary of the findings and risk observation from the original audit report and a summary of the results of our follow-up are provided in the table below. The original findings and risk observation, management's original responses, and details of the results of this follow-up are contained in the **ORIGINAL AUDIT RESULTS AND FOLLOW-UP DETAILS** section of this report.

Finding or Risk Observation	Summary of Original Finding	Follow-Up Results
Finding #1 High Priority	Complaint Files Need Improved Documentation	Significant improvements were made in the timeliness of housing inspections and nuisance abatements. Some minor opportunities for improvement still exist.
Finding #2 High Priority	Nuisance Abatement Project Issues	Significant improvements were noted in the nuisance abatement process; however, documentation issues still exist that should be addressed to improve transparency of the bid process.
Finding #3 High Priority	Housing Civil Penalty Needs Improved File Documentation	We noted adequate photograph documentation was included in each of the Housing files we examined. This finding has been resolved.
Risk Observation	Electronic Devices Needed for Field Inspectors	The new Code Enforcement system is almost completely configured, with only a few integrations and outstanding issues left to resolve before testing begins with staff. Management anticipates that field testing will start as early as spring of 2016. Configuration of the software should be performed as expeditiously as possible in order to make use of this technology.

ORIGINAL AUDIT RESULTS AND FOLLOW-UP DETAILS

Original Finding #1: Complaint Files Need Improved Documentation

Priority Rating: High

Condition:

The housing and nuisance complaint process is a time driven process initiated by a complaint with subsequent inspections to determine violations, followed by re-inspections to establish compliance. We noted that in some of the case files documentation did not exist or otherwise was not adequate to provide a complete picture of actions taken by Code Enforcement from the initial response to final resolution. During our review of housing files, we noted that 12 of 58 (21%) housing complaints were not resolved within the average timeframe of 90 to 120 days and documentation in the files was not adequate to explain the delay in compliance. The lack of file documentation gives the appearance that some homeowners should have been assessed civil penalties because there were no requests from the homeowners in the file to indicate extenuating circumstances. We also noted that in 5 of 58 (9%) files reviewed, the Housing Officer did not indicate on the inspection form that all violations had been corrected and/or the date of correction.

We also conducted a review of nuisance abatement files to determine if documentation was adequate to explain any delays in Code Enforcement's actions from the established guidelines. There were 10 of 35 (29%) nuisance files where the complaint was not responded to within two days or the nuisance was not abated and resolved within 30 days from the initial complaint. The files did not contain adequate documentation to indicate the cause for delays.

Effect:

Inadequate file documentation leads to a perception that inspectors and officers are not responding to issues timely and/or issues involving code violations are not resolved.

Recommendation:

We recommend Code Enforcement adhere to their Divisional Policy 04-001.5 for housing complaints which indicates extensions may be granted up to 90 days for health reasons, 60 days for financial hardship, 60 days upon written timeframes submitted by owner, and 90 days for weather. We recommend that Code Enforcement also adhere to their Divisional policy 99-002 for nuisance abatement which states that complaints must be responded to within 48 hours, and all notices generated from non-compliance for nuisances must be re-inspected within 14 days. We understand that the policies/guidelines as mentioned only provide timeframes for the average case; however, documentation should be required in all cases, especially when there are issues that cause deviations from the normal timeframes.

Director of Code Enforcement Response:

All Code Enforcement complaints are taken through LexCall with time and date of complaint. The case is then assigned to an Inspector and an inspection is initiated, these actions are noted in the hard files as well as updated in the LexCall system. Inspectors often maintain their own notes, correspondences and reasons for extensions either on the laptops, desk computers or hard copy notes. In order to rectify the issues outlined in finding 1 with respect to documentation of extensions we will be doing two things. First, we have taken steps through our current SOP's to require the Inspectors to elaborate in the hard files of any extensions, or deviation of our normal process. This will improve our documentation of inspections. Divisional policy SOP # 99-002 establishes the 48-hour response guideline and this is the goal we strive to meet on a daily basis. We will be working to improve the response times through management and technical improvements. In cases where it is not always possible to abate a nuisance within the 14 day period (locked gates, weather, or other) we will be requiring all inspectors to document thoroughly any reasons for this variance. Secondly, we will be working with Commissioner Paulsen on implementing a new Code Enforcement data management system that will allow for better documentation and follow up than our current system. We feel that a new system will greatly improve our ability to standardize both our documentation and our inspection times. In addition, this new system will help to address concerns raised in the "risk observation" component of the audit.

Commissioner of Planning Response:

I agree with this finding of the audit and believe that the improved documentation through a new SOP will work to mitigate future issues. In addition, I feel strongly that a new data management system will help to alleviate root causes of the documentation issues. We will be working within the FY2015 budget to implement this new system.

Follow-Up Detail Results:

We noted that Code Enforcement has established a procedure manual for Housing Enforcement. Officers have been adhering to the new procedures since February 2015. We selected a sample of housing complaints and tested to determine the length of time from complaint to resolution. We noted a significant improvement in inspections being performed timely and cases closed, with only 9% (4 of 44) of case files being open from 76 to 175 days without a documented disposition of delay in the case file. One of these case files had been open for 76 days without any activity because the city was trying to determine if it had jurisdiction to assess penalties against a mobile home. Additionally, we were told by management that job vacancies in the department had increased the case load for Housing Officers and they were forced to make interior violations a priority over exterior violations. Some of the cases mentioned relate to exterior violations.

We also noted improvement in the total time of completion in nuisance cases with only 5% (2 of 39) of cases being abated more than forty days from the initial date of complaint. Documentation in the case file for these cases was not adequate to determine if reasonable delays had occurred.

We recommend that officers continue with their diligent documentation to provide an adequate transaction trail for each case regarding delays and issues encountered. We also recommend that management randomly select case files for review on a monthly basis to help encourage and assist officers with the numerous issues that may arise regarding housing and nuisance abatements. This review may also be used as a valuable training tool.

Director of Code Enforcement Response:

The implementation of a new Records Management System (RMS) should assist in providing the Code Enforcement Staff and Supervisor with a more systematic way of tracking inspections and should continue to reduce late/delayed responses. The RMS should also provide adequate resources to capture information related to the justification of case extensions. However, supervisors have been directed to conduct random monthly file inspections of both open and closed cases to ensure proper documentation is occurring. If these procedures do not have the desired effect, a policy change related to the closure of cases by supervisors only, may need to be enacted.

Commissioner of Planning Response:

I am in agreement with the recommendations of the Director of Code Enforcement.

Original Finding #2: Nuisance Abatement Project Issues

Priority Rating: High (Repeat Finding from 2005 Audit)

Condition:

Purchasing procedures do not require bids for specific abatement work because all abatement contractors have Price Contracts with LFUCG. However, Code Enforcement has implemented an internal policy, Contractor Usage 97-004 revised October 9, 2008, which requires inspectors to obtain bids for any abatement deemed to be over \$250. Our detail testing noted an inconsistent approach to awarding projects by alternating contractors and/or not bidding a project between all available contractors, as well as confusion on when to bid projects.

We examined a sample of nuisance abatement projects occurring during FY 2013. We stratified our sample to examine all abatement invoices exceeding \$300 for a total of 25

projects, and also randomly selected 35 additional projects for the purposes of our detail testing. From our examination of these 60 projects, there were 18 of 60 (30%) files that did not contain a contractor bid sheet, indicating the abatement was not bid among all available contractors. Thirteen of the 60 (22%) files did not contain the Contractor of Analysis forms, which would have been used to perform a comparison of the quoted hourly bid fee to invoice price. We also noted that 9 of 60 (15%) bid sheets were not signed by the Nuisance Control Officers to certify the bid results were obtained. Additionally, 6 of 60 (10%) of those files did not contain before and/or after pictures to demonstrate the source of the abatement issue and/or the subsequent cleanup.

We also identified 8 of 60 (13%) nuisance abatements whose costs appeared to be excessive based on the total amount charged by the contractor. Of these, there were four instances where there was only one contractor who bid on the job, and either the pictures were inadequate to show the detail of the nuisance or the job appeared to be billed at an excessive rate. We also noted three projects that had excessive abatement costs an only one bidder, and one project with excessive abatement costs and no bid sheet.

Effect:

Abatement costs (which are passed in full to the property owners), may not be contained when bids are not sought on all nuisance abatements and invoice pricing may not be analyzed. Failure to include before and after abatement pictures in the files results in inadequate transparency and justification for expenses.

Recommendation:

We recommend that current procedures be updated to ensure inspectors consistently bid or re-bid all nuisance abatements. In the event of 24 hour abatement, current procedures should be followed to clearly document the urgent situation and how and why it was abated. Procedures should also include a requirement that all contractor abatement invoices be compared to the original bid amount to ensure all invoices billed to property owners are limited to the lower of bid or actual cost. Code Enforcement's Contractor Analysis of Charges form used by contractors to provide detail of abatement costs should be amended to reflect all cost categories listed on the Price Contract to enhance the efficiency of invoice price reviews and the forms should be signed by the Code Enforcement Officer. We also recommend that contractors be instructed to provide a limited numbers of pictures from different property angles to adequately show the abated property before and after the abatements are complete. Management may also want to consider requiring inspectors to maintain file pictures of the nuisance violation for adequate documentation in the event of a dispute.

Director of Code Enforcement Response:

As with any other Division, the Contractor's that Code uses are not LFUCG employees and at times it is difficult to have each of them adhere to our strict guidelines. We work with them every day to improve their process and even withhold payment if their work or documentation is not up to our standards. We have taken the following corrective steps to ensure all documentation is correct and all abatement contracts follow our guidelines.

Corrective steps:

1. All nuisance abatement is set out to bid and all of the approved contractors have the right to bid. No bids will be noted in the case files.
2. All contractors must submit before and after photographs from the same vantage points of all abatement work performed, all debris and multiple containers of debris must be photographed. Lack of appropriate photographs will negate payment of the abatement. No exceptions.
3. Inspectors will now take their own before and after photographs to ensure compliance with the guidelines. These photographs will be made part of the hard copy record.
4. Contractors must submit dump tickets from yard or transfer stations to receive payment for debris hauling.
5. All contractor bid requests, bid sheets, no bids and final invoices must be signed by the Inspector and the Contractor in order to be valid and before contractor is compensated. No exceptions.
6. All contractor bid sheets will be reviewed by the Inspector to ensure accuracy and contract unit pricing.
7. All contractor bid requests and submittals shall be sent via e-mail and a hard copy kept in the abatement file.
8. Contractors shall have bids submitted within 24 working hours after receiving the request.
9. Emergency and large unenforceable abatements may not be bid if they demand immediate attention. In this event 2 capable contractors will be selected depending on equipment, manpower and resources needed and must respond within 30 minutes of contact. The emergency contractor may be notified and selected using the Division of Purchasing approved contract up to \$1,000 with Director of Code approval.
10. Inspectors will fill out the unenforceable or emergency abatement form noting the situation, foreclosure, sit outs, public safety issue, and this will be approved by the Supervisor or Director and included in the hard file.
11. Inspectors will include in the hard file, photographs, correspondence, re-inspection forms, time extensions, e-mails or letters in writing of requested extensions, unenforceable or emergency forms, bid requests and any and all correspondence related to the case and maintained in the hard file.

Commissioner of Planning Response:

I agree with the finding of the audit and believe that the corrective measures laid out in steps 1-11 of the response will help to mitigate problems.

Follow-Up Detail Results:

We were informed by management that several changes have occurred in the nuisance abatement area regarding new and improved procedures; however, formal procedures have not been adopted yet.

Some of the improvements stated by management were:

- All nuisance abatements are bid among approved nuisance contractors (Division of Purchasing bid process used).
- 24 hour abatements must be approved by the Director and one vendor handles abatement of these cases.
- The green contractor analysis bid sheet is no longer used. Instead, contractors provide adequate breakdowns on their invoices detailing their original bid pricing.
- Contractors are no longer reimbursed for photos; however, photos are still required as proof of completion.

We selected a sample of nuisance abatement files and noted that Nuisance Officers had made significant improvement in maintaining contractor bid sheets in the file, reducing the error rate from 30% (18 of 60) in the prior audit to 8% (3 of 39) noted in this review.

We noted that officers did not maintain adequate documentation to justify not awarding projects to the lowest bidder in 10% (4 of 39) of cases, and documentation was not sufficient to determine why 5% (2 of 39) of abatements were not resolved in a timely manner after receipt of complaint. We noted 36% (14 of 39) of contractor bid sheets were not signed by the Code Enforcement Officers. It appears that there was some confusion by the Officers whether the forms should be signed.

We also noted an issue with how abatements are handled when they cannot be connected to a specific property. One of the case files we reviewed included an abated invoice that was significantly greater than the contractor bid. This occurred because the cost of abating the Laredo right-of-way was added to the cost of abating property on Kenesaw Drive. Since the Laredo right-of-way was not associated with a property address, the expense of abatement was added to an unenforceable property (property in foreclosure) in order to process the invoice and pay the abatement contractor. The Acting Director explained that the Laredo right-of-way was not

being maintained by any other LFUCG Division, and a Councilmember had complained about the condition of the property. The Acting Director stated that these abatements are now being taken out of the department's abatement fund and the department will no longer combine abatement fees for properties.

We recommend the contractor bid sheets be signed to provide complete documentation that officers are analyzing bids and making appropriate bid awards. Officers should be instructed to consistently document justification when the abatement work is not awarded to the lowest bidder. The process regarding abatement of areas with no property address should be added to the abatement procedures and communicated to all abatement officers.

Director of Code Enforcement Response:

An addition to the Standard Operating Procedures outlines that all bids for abatement should be retained in the case file and all accepted bids must be signed by the officer and retained for review. It also states that if for some reason a non-low bid contractor is to be used a supervisor must approve this matter and he/she should provide a signed document to the case file which explains why the vendor was utilized.

SOP also indicates that any area that requires abatement, but has no property address and will be classified as “un-enforceable”, must be approved by a supervisor and should be processed via its own independent abatement bid procedure.

Commissioner of Planning Response:

I am in agreement with the recommendations of the Director of Code Enforcement.

Original Finding #3: Housing Civil Penalty Needs Improved File Documentation
Priority Rating: High

Condition:

Housing Officers did not maintain adequate pictures in Civil Penalty Housing files. There were 4 of 15 (27%) instances where detailed documentation of the housing violation was not visible prior to the homeowner being assessed penalties because pictures were not maintained in the file to provide visual evidence of the noncompliance.

Effect:

Not having adequate visual documentation may impede appeal verdicts in favor of the city.

Recommendation:

We recommend that the Divisional Civil Penalties 99-003 policy be updated to include the requirement that Housing Officers take pictures of all major housing violations, when practical, to provide visual documentation of the code violation. These pictures should remain as part of the permanent file.

Director of Code Enforcement Response:

Informally, Code Enforcement maintained adequate notes and pictures that were kept with the Inspector. Subsequently, we have updated the policy to require all photos and notes of major housing violations to be included in the hard files where possible. When on occasion property owners do not allow access to the Inspectors for re-inspection purposes and photo documentation isn't possible, we will document this situation and the reasons for no photo evidence and then impose the specified civil penalty. All photographs of housing violations will be maintained in our hard files.

Commissioner of Planning Response:

I agree with the findings of the audit and believe that the course of action described in the Code Enforcement response will help to mitigate any future problems.

Follow-Up Detail Results:

We selected a sample of 44 case files for review and noted adequate photograph documentation was included in each of the files.

This finding has been resolved. No management response required.

RISK OBSERVATION

Standards for the Professional Practice of Internal Audit stipulate that it is the Office of Internal Audit's responsibility to inform management of areas where risk to the organization or those it serves exist. The following observation identifies a risk associated with the Code Enforcement inspection process that does not represent a violation of statutes or policies. It is considered to be of sufficient importance to deserve mention in this report to ensure senior management's awareness.

Original Risk Observation: Electronic Devices Needed for Field Inspectors

Code Enforcement would benefit from having access to a real-time system while in the field conducting inspections. According to a Nuisance Inspector, LexCall may receive multiple calls for one area, sometimes on the same day; however, the call may not be given to the

inspector until the following day. This means that the inspector will have to return to the same area as the previous day for inspection. If the inspector had been notified of the complaint in real time, an inspection could have been conducted on additional properties while he was in the area. This would prevent multiple trips to the same neighborhood on subsequent days. Additionally, having access to PVA and the Code Enforcement System while in the field could provide instant history on a particular property and may decrease the need for redundant paperwork by the inspector. This inspector also stated that other municipalities have access to various programs in the field which allow inspectors to immediately serve notices and inquire about properties and their histories without returning to the office.

Having interactive devices in the field could also increase on-site documentation by the inspector that would become part of a permanent file for the property. This practice could also improve file documentation issues noted as deficient during the audit.

Director of Code Enforcement Response:

We couldn't agree more that Code Enforcement would greatly benefit from in field access to real time data. We could greatly increase our efficiency and documentation process. We are currently working with Commissioner Paulsen to implement a new data management system that will allow for real time data access and documentation while in the field.

Commissioner of Planning Response:

We are currently working to implement a new data management system that will allow for in-field documentation and record keeping. It is my belief that this system will allow for greater standardization in documentation and inspection of properties and increase overall efficiency and effectiveness of Code Enforcement. While this new data system and accompanying mobile devices are a designed as intermediary step before a planned implementation of a more complete data management system, it is my belief that the system will be a great improvement over current methods. This is a top priority for Code Enforcement in FY2015.

Follow-Up Detail Results:

We obtained the current disposition of the Code Enforcement software implementation from the Administrative Officer Senior in the Commissioner's Office. We were provided the following update:

- 1) Eighteen iPads were purchased on June 4, 2014.**
- 2) Software licensing was purchased from Software House International on June 17, 2015.**

- 3) The new system was almost completely configured as of November 12, 2015 with only a few integrations and outstanding issues left to resolve before testing begins with staff.
- 4) Management anticipates that field testing will start as early as spring 2016.

We noted that iPads were purchased about 17 months ago and software has still not been loaded and/or implemented on the iPads. We asked management about the length of time this project has been outstanding and were told that iPads were purchased with funds from FY 2015 with the intent of using them with the in-house Accela software. However, after the iPads were purchased, management noted that there were some internal issues with the Accela software, and Accela was no longer viable software for the unique needs of Code Enforcement. Therefore, management had to look for a new software option for the Code Enforcement function. These issues have significantly delayed the project. Management stated that they are currently configuring software to the unique needs of Code Enforcement.

We support the effort to provide iPads and data management software to Code Enforcement field personnel that will enhance their ability to perform their duties. We recommend that the configuration of software be performed as expeditiously as possible in order to make use of this technology.

Director of Code Enforcement Response:

The Code Enforcement Staff is currently working to address any software issues that may present themselves before full implementation of the new Record Management System. While this process has been slow, required changes to the software to fit the Division's needs have been vital to prevent any future system failures. At this time, plans are to begin field testing the hardware and software in January of 2016. And, if all goes well, full enactment of the project later in the spring or early summer at the latest.

Commissioner of Planning Response:

I am in agreement with the findings of the audit and concur with the Director as to the benefits of the new software and mobile solutions we will be implementing. While we would have liked to have been "live" with regards to the new RMS and iPads, we are more concerned with getting the implementation correct at this point.