

**Audit of the
Orange County
Code Enforcement Division**

**Report by the
Office of County Comptroller**

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January 4, 2005

Richard T. Crotty, County Mayor
And
Board of County Commissioners

We have conducted an audit of the Orange County Code Enforcement Division under the Department of Community and Environmental Services. The audit included a review of internal controls and a determination of compliance with applicable laws, regulations, and Orange County Code. The period audited was July 1, 2003 through March 31, 2004. Our audit was conducted in accordance with generally accepted government auditing standards, and included such tests as we considered necessary in the circumstances.

Responses to our Recommendations for Improvement were received from the Manager of the Code Enforcement Division and are incorporated herein.

We appreciate the cooperation of the personnel of the Code Enforcement Division during the course of the audit.

Martha O. Haynie, CPA
County Comptroller

c: Ajit Lalchandani, County Administrator
David Heath, Deputy County Administrator
Melvin Pittman, Director of the Department of Community and Environmental Services
Robert Spivey, Manager of the Code Enforcement Division

EXECUTIVE SUMMARY

Executive Summary

We have conducted an audit of the Orange County Code Enforcement Division. The objectives of our audit were to determine whether: the Division is being operated in accordance with the applicable laws, rules, and regulations; liens placed on citizens' property are done so in accordance with applicable laws and removed when compliance with the code has been achieved and; citizen complaints from the 311 Government Service Center are being uniformly addressed and actual code violations are being followed-up. Additional objectives were to ensure internal controls over revenues and expenditures are adequate and to determine contract compliance with vendors providing services to the County to correct code violations. The audit period was July 1, 2003 through March 31, 2004.

Based on the results of our testing, we found the Orange County Code Enforcement Division and contracted vendors providing code enforcement services materially complied with applicable laws, rules, and regulations. In our opinion, controls over Code Enforcement revenues and expenditures were adequate. Citizen complaints from the 311 Government Service Center are being uniformly addressed and actual code violations are being followed-up. Improvements are needed as follows:

Four of the 60 code violations reviewed did not have a re-inspection conducted in a timely manner. These re-inspections were conducted from 11 to 36 days following the 15 day re-inspection due date automatically assigned by the tracking system.

We reviewed all three senior code enforcement officers' Daily Activity Logs for five weeks during our audit period and found only one officer who consistently spent eight hours per week in the field as required in the Senior Officer Monitoring Procedures.

During our review of 17 lot cleaning cases, we noted six cases that took more than 60 days from the date the billing letter was mailed to the property owner requesting reimbursement for cleaning the lot until the case was approved by the BCC for permission to lien the property. The days ranged from 62 to 125, except for one case, there was a delay of 313 days between the date of the billing letter and the resolution. Further, Code Enforcement was unable to locate four files requested for review.

During our review of disbursements for legal services, we noted several instances where monies disbursed were not in accordance with the terms agreed upon between the County and the vendor.

Management concurred with all of the recommendations made in this report and corrective action is either planned or underway.

ACTION PLAN

**AUDIT OF THE ORANGE COUNTY CODE ENFORCEMENT DIVISION
ACTION PLAN**

NO.	RECOMMENDATIONS	MANAGEMENT RESPONSE			IMPLEMENTATION STATUS	
		CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED
1.	We recommend the Code Enforcement Division establishes a policy on a specific time in which to conduct a re-inspection of an initial code violation to determine whether the violation has been corrected.	✓			✓	
2.	We recommend the Code Enforcement Division measures the requirement of senior inspectors spending eight hours per week in the field and, if this is not being met, adjust accordingly.	✓				✓
3.	We recommend the Code Enforcement Division ensures lot cleaning cases are processed in a timely manner.	✓				✓
4.	We recommend the Code Enforcement Division implements additional procedures to ensure all files documenting the lot cleaning process are maintained according to Orange County records retention policies.	✓			✓	
5.	We recommend the Code Enforcement Division requires that title search requests are approved by a senior inspector prior to being submitted to the administrative section for processing.	✓			✓	
6.	We recommend the Code Enforcement Division ensures all invoices presented for payment of legal services be accurate and complete. Further, Code Enforcement should work with the County Attorney's office and the Purchasing and Contracts Division to determine if these services can be bid out.	✓			✓	

INTRODUCTION

Background

Orange County Code Enforcement is a division within the Community and Environmental Services Department. The Division's stated goal is to maintain and improve property values through enforcement of the Orange County Code and other regulations, education of homeowners' associations and other groups, and partnerships that promote community redevelopment.

In fiscal year 1998-1999, the Division was a section of the Zoning Division that was under the Planning and Development Department. Zoning had 57 authorized positions and the Code Enforcement Section performed inspections and issued citations. In fiscal year 1999-2000, the Code Enforcement Section became its own division and, along with 32 positions from Zoning, they received 17 new positions. Six more positions were added for fiscal year 2000-2001, for a total of 55 authorized positions. With this change, the Division became part of the newly created Growth Management and Environmental Resources Department. Further reorganization for fiscal year 2002-2003 placed the Division with another newly created department, Community and Environmental Services.

The Division currently has 51 positions filled. Of these positions, 38 are code enforcement officers (inspectors) with the remaining working in administration. The Division's budget of \$4,599,693 for fiscal year 2003-2004 is funded by the General Revenue Fund. Fiscal year 2002-2003 expenditures were \$4,418,055 and revenues collected were \$222,845. Capital outlay funds were set aside for the Division to consolidate to a central location and the move was completed in the spring of 2003. The Division operates approximately 40 vehicles. Generally, calls are received through the newly implemented Government Service Center and routed to the Division by integrating with the Code Enforcement Application tracking system (tracking system). The tracking system is used to track all incidents of possible code violations. Inspectors are assigned a geographic area of unincorporated Orange County in which to monitor the code and observe violations while making their rounds.

The various compliance areas for enforcement activities are nuisances, land use and zoning, commercial, environmental crime (such as illegal dumping), and housing standards. Nuisances, which are addressed in Chapter 28 of the Orange County Code, mainly consist of junk vehicles and lot cleanings. Land use and zoning issues are covered in Chapter 38. Chapter 31.5 is known as the Orange County Sign Ordinance and covers illegal signage. Chapter 32, Solid Waste, includes illegal dumping of waste tires and garbage or trash. The Standard Housing Code regulates safe and sanitary structures and includes unsafe structure demolition. If violations are not corrected within a reasonable period of time, the Division may tow vehicles, clean lots, and demolish unsafe structures at a cost to the violator. The Division contracts with outside vendors to perform these services. In fiscal year 2001-2002, inspectors performed 72,000 inspections, towed 875 vehicles, cleaned 638 lots, and demolished 44 unsafe structures. The Division may also issue citations and impose fees and fines.

Inspectors can use several other enforcement avenues, depending on the nature of the code violation. The Code Enforcement Board (CEB) is a seven member quasi-judicial body whose responsibilities are to receive and evaluate evidence and testimony regarding alleged violations of Orange County codes and regulations. For citations issued, the defendant may choose to pay a reduced civil penalty and avoid a court hearing, or a hearing may be requested. A third avenue that is used is the Special Master, which is an attorney hired by the County to hear various cases that include Fire Rescue, Building, Environmental Protection, and Public Utilities, as well as the Division's commercial cases. Commercial cases include illegal signage and dual-wheel vehicle cases.

Scope, Objectives, and Methodology

The scope of the audit included a review of internal controls and a determination of compliance with applicable laws, regulations, and Orange County code. The period under audit was from July 1, 2003 to March 31, 2004. The objectives of the audit were to determine whether:

INTRODUCTION



Audit of the Orange County
Code Enforcement Division

1. The Division is being operated in accordance with the applicable laws, rules, and regulations;
2. Internal controls over revenues and expenditures are adequate;
3. Liens placed on citizens' property are done so in accordance with applicable laws and removed when compliance with the code has been achieved;
4. Vendors providing services to the County to correct code violations comply with contract terms; and,
5. Citizen complaints from the 311 Government Service Center are being uniformly addressed and actual code violations are being followed-up.

To determine whether the Division is being operated in accordance with the applicable laws, rules, and regulations, we verified from a sample of inspection logs that a supervisory review was performed. We recomputed time on a sample of supervisor logs to confirm the supervisors spent a minimum of eight hours in the field each week as required by their in-house procedures. We accomplished this by adding the time spent in the field recorded on their logs.

We performed analytical procedures by comparing the number and types of violations between code enforcement areas and the inspectors, the number from complaints called in versus violations observed, and the number of violations that were corrected versus violations that were heard before the CEB. We compiled this data from reports provided to us by the Division. We compared the Division's enforcement activities with other counties and cities by conducting a telephone survey. Information obtained included the most common violations cited, type of enforcement systems utilized, fines, and other corrective action imposed.

In addition, all of the audit procedures noted below assisted in our determination of whether our objective of compliance with laws, rules, and regulations was met.

To determine whether internal controls over the Division's monies were adequate, we interviewed employees for segregation of duties, supervisory review, and use of adequate documentation. We selected a sample of receipts from CEB fines, lot cleaning reimbursements, and demolition reimbursements. From a sample of recorded revenue, we confirmed the revenue was deposited by verifying that the receipt was validated by the Building Division. We determined the money was deposited timely by comparing the receipt date with the validation date. If payment was made for the satisfaction of a lien, we reviewed the Comptroller's Official Records web site to determine if a release of lien was recorded. We performed analytical procedures by comparing types of revenues between years to determine any significant fluctuations. Significant variances noted were investigated.

To determine whether liens placed on citizens' property are done so in accordance with applicable laws and removed when compliance with the code has been achieved, we reviewed a sample of liens recorded by the Division. We confirmed a lien was recorded for a valid violation by viewing photographs taken during the initial site visit and downloaded to the tracking system. We viewed photographs taken during the re-inspection to determine if the violation was corrected. If corrected, we verified the lien was released by reviewing the Comptroller's Official Records web site.

To determine contract compliance with vendors providing services to the County to correct code violations, we selected a sample of payments made for contracted lot cleaning and demolition services. For each payment, we recalculated the invoice amount and verified the charges were made in accordance with the contract. By reviewing the Division's payment files, we confirmed an approved work order for the service was obtained. By reviewing file documentation, we verified the inspector confirmed the requested service was received. We also reviewed the delivery order for the required signatures of approval and confirmed a billing letter for the service charges was mailed to the property owner. If reimbursement was not received

from the property owner, we verified the case was approved by the appropriate Board to advertise for notice of lien by examining a copy of the advertisement to lien in the case file. If a lien was going to be recorded, we verified the property owner was notified and given a chance to make payment. In some cases, we confirmed the amount due was included with the property tax roll for the reimbursement of the amount paid by the County.

We also selected a sample of payments made for contracted title search services. We verified the price charged was according to the contracted terms. Further, payment files were reviewed to determine if a search was conducted for a code violation.

In addition, we selected a sample of payments made for legal services and verified the services were charged in accordance with the contract. If payment was for foreclosure services, we verified whether the case was approved by the CEB for collection and whether charges were for a CEB case in which monies had not yet been received. We determined this by researching both the case file and the tracking system. We verified amounts charged for reimbursement were documented with detailed invoices from the legal firm the Division uses for collection of such monies.

We selected a sample of payments made for contract service employment and verified that, by comparing invoices to the terms of the contract, the hours and amounts charged were according to the contract. We reviewed the amounts paid for temporary employment and compared these amounts with the costs of a permanent employee to determine whether it may be feasible for the Division to request additional positions.

We determined whether citizen complaints from the 311 Government Service Center (GSC) are being addressed and actual code violations are being reinspected after notice. We accomplished this by selecting a sample of calls received by the GSC for code enforcement violations. We then confirmed the complaint was received by the tracking

system by tracing our sample items to a report of calls received by the tracking system.

We selected a sample of incidents from the tracking system and determined the address was visited within 48 hours by comparing the date the call was received to the date the inspector performed the initial visit. We also verified a digital photograph was on file documenting the alleged violation. We reviewed the tracking system for issuance of a warning being issued or verified the case was closed if the incident reported was determined to not be a violation. We confirmed a re-inspection was performed after the 15 day period that is given for a violation to be corrected. If the violation was not corrected, we verified the next appropriate action was taken by the Division. We tested the above criteria by reviewing a printout of each incident in our sample from the tracking system. We verified the incident was well documented in the tracking system by viewing the cases in our sample on-line. We selected a sample of the incidents from this review and visually inspected the sites to confirm the accuracy of the status noted in the tracking system.

Overall Evaluation

Based on the results of the work performed, the Orange County Code Enforcement Division materially complied with applicable laws, rules, and regulations. In our opinion, controls over the Division's revenues and expenditures were adequate. Based on work performed, contract compliance with vendors providing services to the County to correct code violations was met and liens placed on citizens' property were done so in accordance with applicable laws and removed when compliance with the code had been achieved. Also, based on the work performed, we determined citizen complaints from the 311 Government Service Center were being uniformly addressed and actual code violations are being followed-up. However, opportunities for improvement were noted and are described herein.

RECOMMENDATIONS FOR IMPROVEMENT

1. Procedures Should Be Implemented on the Timing of Re-Inspections of Prior Violations

During our review of 60 code violations recorded in the Code Enforcement Application tracking system, four did not have a re-inspection conducted in a timely manner. These re-inspections were conducted from 11 to 36 days following the 15 day re-inspection due date automatically assigned by the tracking system. The Orange County code provides violators 15 days to correct the most common violations, such as lot cleaning and junked cars, but there is no provision in the code or internal policy that specifies the number of days in which the violation should be re-inspected by an inspector. Without an established policy specifying a period of time in which to conduct re-inspections of code violations, the County may hamper its mission to enhance the quality of life and economy of Orange County.

We Recommend the Code Enforcement Division establishes a policy on a specific time in which to conduct a re-inspection of an initial code violation to determine whether the violation has been corrected.

Management's Response:

Concur. Although there are a multitude of reasons why it is difficult to establish a hard and fast rule for when re-inspections are due (Inspector absences, vacancies, workload, intervening priorities, etc.) we agree that Inspectors should be held to a standard. Re-inspections will be performed within 30 days; and Inspectors will document performance of the re-inspection, or document extensions to a new compliance date(s). A Division-level policy has been developed and implemented to define the maximum time period that may elapse, until a re-inspection is performed.

2. Senior Inspector Field Time Requirement Should Be Measured to Determine Adequacy

During our audit of the Division, we reviewed all three senior inspectors' Daily Activity Logs for five weeks during our audit

period and found only one inspector who consistently spent eight hours per week in the field as required in the Senior Officer Monitoring Procedures.

A requirement such as this should be periodically reviewed to determine whether or not it is being met. The senior inspectors may appear as if they are not adequately performing their job if this requirement is not attainable. If an established measure is consistently not being met, it should be adjusted for reasonableness of the activity being conducted.

We Recommend the Code Enforcement Division measures the requirement of senior inspectors spending eight hours per week in the field and, if this is not being met, adjust accordingly.

Management's Response:

Concur. Work time spent in the field is monitored by review of field travel logs that are completed and submitted to the Manager on a daily basis. The field logs are currently prepared manually. An automated format will be created that will measure the eight hour standard.

3. Lot Cleaning Cases Should Be Processed in a More Timely Manner

During our review of lot cleaning cases, we noted six out of 17 cases (35 percent) that took more than 60 days from the date the billing letter was mailed to the property owner requesting reimbursement for cleaning the lot until the case was approved by the BCC for permission to lien the property. The days ranged from 62 to 125, but for one case there was a delay of 313 days between the date of the billing letter and the resolution.

When a property owner does not respond to the County's request to clean their property, the lot is cleaned by a private contractor at the County's expense. A billing letter is mailed to the owner requesting payment to the County within 15

days. If payment is not received within 15 days, the case is prepared for resolution to be approved and adopted by BCC. The resolution is to provide permission to advertise a notice of lien on the property. Counting the two weeks allowing the owner to remit payment, two weeks for preparation of the case and resolution, and another month to be included on the agenda to the BCC meeting, 60 days should be sufficient time for a case to be prepared and included on the BCC agenda. When this process gets delayed, it could delay the case ultimately being included on the yearly tax roll whereby the property owner would have to remit the amount with their yearly property tax payment or face the sale of their tax certificate at the County courthouse.

We Recommend the Code Enforcement Division ensures lot cleaning cases are processed in a timely manner.

Management's Response:

Concur. The number of lot cleaning resolutions that Code Enforcement Division has historically been allowed to submit to the Board of County Commissioners has been limited to 25 resolutions per hearing. In the future, Code Enforcement Division will submit all lot cleaning resolution agenda items to Agenda Development in a timely manner, as the cases develop.

4. Procedures for Retention of Lot Cleaning Files Should Be Enhanced

During our review of lot cleaning cases, the Division was unable to provide us with four of 17 case files requested for our review. Three of the files that could not be located had been closed out and noted as sent to the warehouse for retention. All of the files requested had been active at some time during our audit period. One of the research analyst position descriptions includes the duty of the archiving of closed files, as required by Section 2.06.01, Disposition of Public Records, Orange County Administrative Regulations. This duty requires the storage and boxing of files. The boxes are labeled and a list of the boxes along with their

contents is maintained. The Records Center's personnel sign a transmittal form when they pick up the boxes. Improvements to this procedure such as additional review by a supervisor or other analyst may help ensure completeness of the process so closed files will be available if needed in the future. If files are not adequately retained, management cannot verify job responsibilities have been performed in accordance with policies and procedures that may result in lost revenue.

We Recommend the Code Enforcement Division implements additional procedures to ensure all files documenting the lot cleaning process are maintained according to Orange County records retention policies.

Management's Response:

Concur. Code Enforcement Division has re-assigned records archival duty to another archival-trained staff person. Additionally, in-house organization and retention of archival document submittal documents has been revised and supervisory oversight has been initiated.

5. Requests for Title Searches Should Be Approved by a Senior Inspector

Requests for title searches by inspectors are not approved by a senior inspector prior to processing the request. The County's current contracted rate is \$220 for each title search. During the audit period, we noted 199 requests were processed for a total of \$43,780. Most commonly, title searches are requested when a structure is unsafe, in a dilapidated condition, and should be demolished. Notices are mailed to the owner and all parties with an interest in the property. An adequate system of internal control should include supervisory approval of request for services prior to performance by the third party. Reviewing the matter with their senior inspector could result in a determination that the service is not necessary thereby avoiding additional costs to the County.

We Recommend the Code Enforcement Division requires that title search requests are approved by a senior inspector prior to being submitted to the administrative section for processing.

Management's Response:

Concur. Title searches requested by Code Enforcement Officers now require the approval of the inspector's supervisor, prior to submittal to the Administration Support Section for purchase.

6. Controls Over the Payment of Invoices for Legal Services Should Be Strengthened

During our review of ten disbursements for legal services, we noted several instances where monies disbursed were not in accordance with the terms agreed upon between the County and the vendor. Each disbursement reviewed represented payment of one or more invoices. These instances include:

- Hours expended for services rendered were not included on the three invoices submitted for payment for legal counsel to the Code Enforcement Board. The original engagement letter signed with the County in 1994 required an hourly summary submitted for payment, although the attorney is paid a fixed monthly fee. The letter has been renewed yearly, with no change regarding hours expended to be included on invoices.
- The number of photocopies was not indicated on invoices submitted for payment and the price charged was not evenly divisible by the amount to be charged for copies stated in the contract. In addition, approved hourly rates were not stated on invoices for the paralegal or the attorney and there was no rate listed for a paralegal in the contract to verify amounts paid were correct. The contract is for legal counsel to

the Nuisance Abatement Board and is with the same firm as the engagement letter noted above.

- Code Enforcement has used this attorney since 1994 without going out to bid. Code Enforcement should work with the County Attorney's office and the Purchasing and Contracts Division to determine if these services can be bid out. Without periodically bidding out services, Code Enforcement is not ensuring they are receiving the best service at the best price.

Without adhering to terms or ensuring all necessary terms are included in contracts or agreements between the County and its vendors, the County may be paying for services that are not needed.

We Recommend the Code Enforcement Division ensures all invoices presented for payment of legal services be accurate and complete. Further, Code Enforcement should work with the County Attorney's office and the Purchasing and Contracts Division to determine if these services can be bid out.

Management's Response:

Concur. Contractor's bookkeeper has been provided copies of related contracts and engagement letters and informed of invoice component requirements. All invoices received will be reviewed for close adherence to contract billing parameters.

The current arrangement – a letter of engagement – was the recommended method of obtaining legal services and has been renewed periodically since 1994. Although we believe the current rate of \$1,000 per hearing (approximately \$125 per hour) is a very good deal for Orange County, the Code Enforcement Division will work with the Purchasing and Contracts Division and County Attorney's Office to determine if it is advisable to initiate a new procurement (bid, quotes, RFP, etc.)