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DIVISION OF CODES AND STANDARDS
OF THE DEPARTMENT OF HOUSING AND
COMMUNITY DEVELOPMENT
REPORT ON REVIEW OF OPERATIONS

FEBRUARY 1974

Joint Legislative Audit Committee

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California Legislature

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March 5, 1974

The Honorable President of the Senate
The Honorable Speaker of the Assembly
The Honorable Members of the Senate and the
Assembly of the Legislature of California

Members:

Transmitted herewith is the Auditor General's report pertaining to the operations of the Division of Codes and Standards of the Department of Housing and Community Development.

The Division of Codes and Standards has failed to perform various functions required by statute or administrative regulations. This failure could endanger the health and safety of labor camp and mobilehome park residents. The division has failed to:

- Annually inspect all labor camps for compliance with health and safety standards. During 1973, only 741 of 1,144 camps were so inspected.
- Determine that those labor camps inspected in 1973 and found to be in violation of the health and safety standards made the necessary corrections. Of the 741 camps inspected, 488 were in violation of specific standards. The division should have referred the matter to the Attorney General for action as provided for by statute.
- Adequately follow up on noncomplying mobilehome parks. For the two-year period ended December 31, 1973, only 677 mobile-home parks, or 38 percent of 1,770, were in compliance.

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- Inspect construction of mobilehome accessory structures within a reasonable time. As of December 31, 1973 there was a seven-month backlog of 4,242 uninspected construction permits outstanding on accessory structures.
- Properly monitor the Quality Assurance Agencies used by the division to make inspections in the Factory Built Housing program element.

In the judgment of the Auditor General, the division has not performed its required functions because it did not fill vacant professional positions which increased from eight to 22 between June 30, and December 31, 1973. This is 21 percent of the authorized professional positions. Even though the division requested the State Personnel Board to conduct examinations for permanent personnel, inadequate attempts were made to fill the vacancies on a temporary basis. Further, management time was diverted to other than the enforcement responsibilities of the division.

The new director, appointed January 1974, has initiated corrective action by filling vacant positions and discontinuing the diversion of management personnel. However, all required inspections of labor camps, mobilehome parks, and mobilehome accessory structures were not yet completed as of March 1, 1974. Therefore, the health and safety of residents at these facilities could still be endangered.

The cost of primary enforcement activities of five of the division's program activities were not fully covered by fees during 1972-73 requiring a General Fund subsidy of \$223,400. Primary enforcement activities include inspection, plan checking, consulting and investigation of complaints.

The Commission on Housing and Community Development has recently increased fees for all of its programs except State Housing Law and Earthquake Protection Law.

However, because of the division's inadequate management reporting system, the division is unable to determine if fees are adequate to recover its costs of primary enforcement activities.

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The Auditor General has recommended that the Division of Codes and Standards develop a method of determining costs of program elements in a timely, consistent and accurate manner and that the Commission on Housing and Community Development establish fees which will recover primary enforcement costs. Recovery of costs related to the inspection of labor camps will require legislation to increase the present fee limitation.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Vincent Thomas", written in dark ink.

VINCENT THOMAS, Chairman
Joint Legislative Audit Committee

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INTRODUCTION

In response to a legislative request, we have reviewed the operations of the Division of Codes and Standards of the Department of Housing and Community Development. The Commission of Housing and Community Development establishes departmental policies. The scope of this review was limited to a review of:

- Enforcement of statutes and regulations by the division
- Cost of each program element
- Management reporting system.

The overall responsibility of the division is to protect the public against health and safety hazards originating from inadequate construction and maintenance of structures and vehicles used for human habitation. The responsibilities of the division are divided into two areas.

1. Primary enforcement when the state is directly responsible for enforcement of the statutes and regulations, and
2. General assistance when the state assists local governments in their enforcement of the statutes and regulations.

Under primary enforcement, the division personnel perform the activities of inspection, plan checking, consulting and investigation of complaints.

Under general assistance to local governments, the division provides such services as interpretation of statutes and regulations, development of regulations and consultation.

The Division of Codes and Standards provides for the development, interpretation and enforcement of laws and regulations for structures and vehicles for human habitation in the following six program elements:

1. State Housing Law and Earthquake Protection Law
2. Employee Housing
3. Mobilehome Parks and Accessory Structures
4. Mobilehomes
5. Factory Built Housing Law
6. Special Projects.

A new director of the Department of Housing and Community Development was appointed in January, 1974.

BACKGROUND

The following statements are brief descriptions of the six program elements of the Division of Codes and Standards program:

1. The State Housing and Earthquake Protection Program Element - Under this program element, the division is responsible for the development, interpretation and enforcement of minimum standards for design, construction, maintenance, use and occupancy of buildings used for human habitation. In fiscal year 1972-73, the division had primary enforcement responsibility in Trinity, Sierra and Mariposa Counties. The remaining counties have assumed primary enforcement with the division providing general assistance. Enforcement responsibility includes the issuance of building permits, inspection and fee collection.

2. The Employee Housing Program Element - Under this program element, the division regulates the construction, use and occupancy, and maintenance of all labor camps to protect the health, safety and general welfare of labor camp residents. The Employee Housing Act requires all labor camps annually to register with the division and be inspected to ensure that the labor camps are suitable

for human habitation. The division had primary enforcement in all counties in 1973 except Kern, Monterey, San Bernardino, Sacramento, San Joaquin and Stanislaus.

3. The Mobilehome Parks and Accessory Structures Program Element - Under this element, the division is responsible for protecting the health and safety of mobilehome parks occupants and the general public against improper design, construction and maintenance of a mobilehome park and accessory structures. The division has primary enforcement in 29 counties for 1,770 mobilehome parks with 81,726 spaces. Mobilehome parks are required to be inspected to ensure statutory compliance.

4. The Mobilehome Program Element - The division is responsible for protecting the health and safety of the occupants of mobilehomes, recreational vehicles and commercial coaches against hazardous structural design, and installation of electrical, plumbing and heat-producing equipment. The division has primary enforcement responsibilities in the Mobilehome Program for the entire state. All mobilehomes, recreational vehicles and commercial coaches sold, rented or leased within the state must have an official insignia indicating compliance with state law. In fiscal year 1972-73, the division issued over 146,000 insignias and inspected over 41,000 vehicles.

5. The Factory Built Housing Program Element - The division has primary enforcement responsibility for the regulation of the design, manufacture and inspection of factory built housing units.

6. Special Projects include assisting local governments, participating with industry and local governments in the development of programs, and preparing and presenting testimony on legislation within the purview of the division.

FINDINGS

THE DIVISION HAS FAILED TO PERFORM VARIOUS FUNCTIONS
REQUIRED BY STATUTE OR ADMINISTRATIVE REGULATIONS

The Division of Codes and Standards has failed to perform its functions as required by statute or regulations in several areas. This failure could result in endangering the health and safety of labor camp and mobilehome park residents. The division has failed to:

- Inspect annually all labor camps for compliance with health and safety standards, pursuant to Section 2642 of the Labor Code. During 1973, only 741 or 65 percent of 1,144 camps were so inspected.
- Determine that those labor camps inspected in 1973 and found to be in violation of the health and safety standards made the necessary corrections. Of the 741 camps inspected, 488 or 66 percent were in violation of specific standards. Pursuant to Section 2645 of the Labor Code, these 488 camps are public nuisances. Since the violations were not corrected within 30 days, the division should have referred the matter to the Attorney General for action as provided for by statute.
- Follow up adequately on noncomplying mobilehome parks, pursuant to Section 18401 of the Health and Safety Code requiring biennial inspections. For the two-year period ended December 31, 1973, only 677 mobilehome parks, or 38 percent of 1,770 parks with 81,726 spaces under state jurisdiction were in compliance.
- Inspect construction of mobilehome accessory structures, including awnings, cabanas, ramadas, storage cabinets, fences, windbreaks, and porches, within a reasonable time. As of December 31, 1973, there was a seven-month backlog of 4,242 uninspected construction permits outstanding on accessory structures.
- Properly monitor the Quality Assurance Agencies selected by manufacturers for making quality assurance inspections under the Factory Built Housing program element. The division does not know whether the minimum number of inspections required by Section 3103 of Title 25 of the California Administrative Code are being performed, and has allowed a noncertified inspector, who failed the certification test, to conduct a quality assurance program.

At December 31, 1973, the division had 22 vacant professional positions of 107 authorized, or, 21 percent of the professional authorized positions were vacant. Since June 30, 1973, the number of vacant positions has increased by 14 professional positions. In January 1974, the department requested the abolishment of seven Inspector I positions. The director stated this request was based on reduced workload of the mobilehomes program element. However, the workload in other program elements were not being accomplished.

Professional vacant positions for the division are shown as follows:

Table 1

<u>Job Classification</u>	<u>Professional Vacant Positions</u>		
	<u>December 31, 1973</u>	<u>June 30, 1973</u>	<u>Increase (Decrease)</u>
Assistant Division Chief	1	1	-
Administrator II	1	-	1
Administrator I	1	1	-
Assistant Civil Engineer	2	-	2
Inspector II	-	1	(1)
Inspector I	<u>17</u>	<u>5</u>	<u>12</u>
Totals	<u>22</u>	<u>8</u>	<u>14</u>

The division's previous management stated that they had been unable to fill these vacant positions as the State Personnel Board has a policy prohibiting temporary appointments. A representative of the State Personnel Board stated that no such policy exists and that it is their practice to allow temporary appointments when the division requests them. The division on July 31, 1973 requested three temporary positions for Inspector I, which were allowed. Only two of these positions were filled.

While the division did request the State Personnel Board to conduct examinations for their vacant positions, in order to fill such positions on a permanent basis, no additional attempts were made by the division to fill their vacancies on a temporary basis.

In our judgment, the division's overall attempt to fill positions which were needed to accomplish division functions was inadequate.

From July to December 1973, the former deputy director assigned the division chief and acting assistant chief the duties related to the Building and Safety Reorganization Bill (AB 2265). The chief and acting assistant chief stated that they were directed to devote time in support of this legislation which they believed was to the detriment of the division's enforcement responsibilities.

The division chief was also assigned by the Secretary of the Business and Transportation Agency, the duties of Secretary to the Commission of Housing and Community Development. The duties of the secretary to the commission are the responsibility of the director, and not the division chief, pursuant to Section 37037 of the Health and Safety Code.

In our judgment, the failure to fill the vacant positions and the diversion of management personnel resulted in the division not performing its required functions.

It should be noted that these events occurred prior to recent changes in management. The new director has already initiated corrective action to fill the vacant positions. Diversion of management personnel was discontinued by January, 1974.

However, all required inspections of labor camps, mobilehome parks, and mobilehome accessory structures are not yet completed as of March 1, 1974. Therefore, the health and safety of residents at these facilities could still be endangered.

Cost of Primary Enforcement Activities
Was Subsidized by \$223,400 by The
General Fund in Fiscal Year 1972-73

Program element expenditures of \$223,400 for primary enforcement activities were not fully covered by fees in 1972-73 requiring a General Fund subsidy as shown in the following table.

Table 2

<u>Program Elements</u>	<u>1972-73 General Fund Subsidy For Primary Enforcement Expenditures</u>
State Housing Law And Earthquake Protection Law	\$ 11,900
Employee Housing	62,300
Mobilehome Parks and Accessory Structures	19,100
Mobilehomes	64,300
Factory Built Housing	<u>65,800</u> *
Total	<u>\$223,400</u>

* Includes general assistance and primary enforcement costs, which the Legislature requires to be supported by fees.

The director pointed out that the division is precluded from recovering total employee housing costs, due to fee limitations pursuant to Section 2630 of the Labor Code.

By legislative authority, the commission may charge fees to recover the cost of the division's primary enforcement activities in the other program elements.

The commission has recently increased fees for all program elements except State Housing Law and Earthquake Protection Law. As explained in the next section of this report, management is presently unable to determine if fees are recovering the costs of primary enforcement activities.

THE MANAGEMENT REPORTING SYSTEM IS INADEQUATE

The division has failed to develop costs of program elements and activities on a consistent basis and in a timely manner. Further, the division has allocated costs to program elements inaccurately. This has resulted in distortions in reporting expenditures by program element and in an inability of management to determine if fees are recovering costs.

During fiscal year 1972-73, the division recorded the hours spent by the professional staff by program element, based on time reports prepared by the staff.

However, the costs of program elements and activities are not developed until the end of the fiscal year. The division, therefore, is unable to determine if the fees charged during the year are sufficient to fully recover the costs of the activities performed.

Further, the division's basis for converting hours into man-years was not consistent. For example, in charging time of the Administrator II classification to the program elements, the division used 2,091 hours to equal a man-year for the State Housing and Earthquake Protection program element, and 1,721 hours to equal a man-year for the Special Projects program element. This caused distortion in costs between the program elements.

The division also was not applying all travel hours to the program elements. For example, travel hours of Inspector I's were used in charging time to program elements, but travel hours of other professional staff were not used.

For accuracy, total hours recorded for each program element should be used as a basis for allocating time to the program elements. We, therefore, recomputed the allocation of costs to the program elements on the basis of the total hours recorded, as shown by the division's timesheets.

As shown below, the differences in allocation of costs between our computation and those made by the division for the program elements in fiscal year 1972-73 are as follows:

Table 3

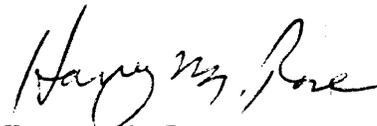
<u>Program Elements</u>	<u>1972-73 Costs Per</u>		<u>Division Over Or (Under)</u>
	<u>Division's Computation</u>	<u>Auditor General's Computation</u>	
State Housing and Earthquake Protection	\$ 129,400	\$ 103,900	\$25,500
Employee Housing	111,300	104,800	6,500
Mobilehome Parks and Accessory Structures	620,200	626,300	(6,100)
Mobilehomes	1,183,000	1,253,900	(70,900)
Factory Built Housing	149,400	114,300	35,100
Special Projects	<u>72,300</u>	<u>62,400</u>	<u>9,900</u>
Totals	<u>\$2,265,600</u>	<u>\$2,265,600</u>	<u>\$ -0-</u>

RECOMMENDATION

We recommend that the Division of Codes and Standards develop a method of determining costs of program elements in a timely, consistent and accurate manner, and the Commission establish fees which will recover the costs of primary enforcement activities. The director stated that this recommendation will be implemented in the near future. Recovery of costs related to employee housing will require legislation to increase the fee limitations.

SAVINGS

Implementation of this recommendation will produce fees which will ensure that the division's costs of primary enforcement activities are recovered.



Harvey M. Rose
Auditor General

March 1, 1974

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