

Audit Highlights



Highlights of performance audit report on the Manufactured Housing Division issued on November 19, 2015. Legislative Auditor report # LA16-04.

Background

The Manufactured Housing Division of the Department of Business and Industry was created in 1979. The Division is primarily responsible for administering and enforcing manufactured housing laws and regulations to ensure that manufactured structures are constructed and installed in a manner that provides reasonable safety and protections to residents and other occupants. The Division's mission is to protect occupants of manufactured homes and commercial structures.

During fiscal year 2014, there were over 79,000 titled manufactured structures. Generally, structures regulated by the Division include manufactured or mobile homes, commercial coaches, portable and modular buildings, and factory-built housing. The Division's primary means of regulation is the issuance of licenses and titles, and the Division requires the purchase of permits for installations, remodels, and repairs of manufactured or mobile homes and commercial coaches.

As of November 2014, the Division had 13 employees located in its Carson City and Las Vegas offices. The Division operates from four budget accounts primarily funded by user fees and had revenues of \$1.5 million in fiscal year 2014.

Purpose of Audit

The purpose of the audit was to determine if certain operating and administrative controls related to inspections, deposits, information technology, and performance measures were adequate. Our audit focused on certain operating and administrative controls, primarily during calendar year 2014; however, certain information technology and inspection activity was reviewed through February 2015.

Audit Recommendations

This audit report contains 11 recommendations to improve operating and administrative practices over inspections, deposits, information technology, and performance measures.

The Division accepted the 11 recommendations.

Recommendation Status

The Division's 60-day plan for corrective action is due on February 19, 2016. In addition, the six-month report on the status of audit recommendations is due on August 19, 2016.

Manufactured Housing Division

Department of Business and Industry

Summary

The Manufactured Housing Division (Division) can improve its operating and administrative practices over inspections, deposits of certain fees, protecting sensitive electronic information, and documenting performance measures. Specifically, the Division needs to strengthen its program oversight to ensure inspections are performed on manufactured structures. In addition, weaknesses over revenue collections resulted in untimely deposits and inadequate safeguarding of cash and checks. We also found the Division collected and inadequately stored sensitive information. Finally, the Division maintains insufficient underlying records to support published performance measure results. Weak controls over these operating and administrative functions does not provide adequate assurance Division functions will be carried out properly and efficiently.

Key Findings

The Division needs to develop a process to ensure inspections are performed on structures, including a process to monitor permits where work did not meet adopted standards and permits where an inspection was never scheduled (open permits). Our review of permit and inspection records, or lack thereof, found 58% of failed inspection permits and 80% of open permits did not have a subsequent or an original inspection performed by the Division. Inspections were not performed by the Division because the Division relies solely on permit purchasers to schedule inspections and does not have a monitoring process in place to identify and perform necessary inspections when not notified by permit purchasers. (page 7)

The Division was unable to provide all records regarding inspections because inspection and permit records were not maintained appropriately. Our review of available records found the Division could usually provide permit documentation but not inspection checklists or correction notices. Furthermore, the Division does not cross-reference permit and inspection documentation to efficiently determine if regulation activities are complete and appropriate. As a result, the Division is unable, with any certainty, to determine whether work performed on regulated structures is adequate. (page 10)

The Division needs to develop a compliance label inventory system from receipt to affixation of the label. We found the Division does not maintain an adequate inventory of labels, does not complete a periodic reconciliation of labels stored in its possession, and labels are not properly safeguarded. Also, the database used to maintain the record of labels contained incomplete or inaccurate information. A compliance label inventory system is important because the Division affixes labels to structures to signify that adopted health and safety standards have been met. (page 12)

Control weaknesses exist over revenue collections and deposits. Weaknesses include fee revenue for licensing, titling, and annual park fees not always being deposited timely. The Division does not have a process to log checks upon initial receipt of payment. In addition, the Division does not perform a reconciliation between the receipt log and the state accounting system to ensure all amounts are deposited. Also, we found cash and checks received were not adequately safeguarded and access was not restricted. Finally, the Division has not adequately segregated the duties related to receipting and depositing of fees. Stronger controls over revenue collections and deposits are important because the Division collected almost \$1.5 million in fee revenue during fiscal year 2014. (page 14)

The Division is collecting and storing records of personal identifying information without statutory authority. Over 2,000 unencrypted social security numbers and names of applicants were found on the Division's network. In addition, approximately 200 files containing unencrypted personal identifying information were stored on local drives of individual desktop computers used by staff. Collecting and storing personal identifying information without appropriate safeguards puts the Division at risk of losing sensitive data. (page 17)

The Division can take steps to strengthen its oversight of performance measure results used in the State's budget process. We found records for some performance measures were not available or were incomplete for purposes of verifying reported results. Performance measures must be reliable because they can affect budget and policy decisions made by oversight bodies, including judgments made by stakeholders and the public about the Division's operations. Performance measures cannot be considered reliable; however, unless underlying records exist to support them. (page 18)