



OFFICE OF INSPECTOR GENERAL
City of Chicago



REPORT OF THE OFFICE OF INSPECTOR GENERAL:

DEPARTMENT OF BUILDINGS
ELEVATOR INSPECTIONS FOLLOW-UP INQUIRY

JULY 2015

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OFFICE OF INSPECTOR GENERAL
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To the Mayor, Members of the City Council, City Clerk, City Treasurer, and residents of the City of Chicago:

The City of Chicago Office of Inspector General (OIG) has completed a follow-up to its October 2014 audit of the Department of Buildings' (DOB) compliance with the annual elevator inspection requirements set forth in the Municipal Code of Chicago (MCC) § 13-20-100. OIG concludes that DOB's corrective action related to two of the original audit findings is still pending, and DOB has fully implemented corrective action related to the remaining three audit findings.

The purpose of the 2014 audit was to determine the completion rates of annual elevator inspections for 2013, the timeliness of follow-up inspections, the completeness of inspection fee records, and the effectiveness of DOB audits of inspections performed by private inspectors under the Department's Annual Inspection Certification (AIC) program. Our audit found that,

- DOB and AIC inspectors inspected only 33.9% of the buildings requiring annual elevator inspections in 2013;
- DOB did not routinely conduct follow-up inspections to ensure timely correction of elevator inspection violations;
- DOB failed to create fee records for 18.0% of completed elevator inspections performed by DOB staff, resulting in estimated unbilled inspection revenue of \$50,200 over the course of a year;
- DOB had a backlog of 1,004 paper inspection records that had not been recorded in the DOB computer system as of January 2014, representing delayed billings of \$186,155; and
- DOB did not use a statistically valid sampling methodology to select AIC inspections for audit.

Based upon the results of our audit, we recommended that DOB,

- consider expanding the AIC program or work with the Office of Budget and Management (OBM) to fund appropriate DOB staffing levels to ensure that all elevators are inspected annually;
- develop a method to track the timely correction of elevator violations and resolve the existing backlog of open elevator violations;

- take immediate action to ensure fee exception reports are regularly reviewed and necessary corrections are made so that the Department of Finance (DOF) may promptly initiate billing for each inspection;
- document procedures and persons responsible for reviewing the reports, and train staff appropriately;
- issue Certificates of Compliance only after payment of the inspection fee is received;
- work to clear the existing data entry backlog and develop procedures that ensure the timely entry of inspection record data;
- consider revising the audit sampling process so that the sample is statistically valid; and
- provide staff training in generally accepted sampling methods to ensure the quality of future audit work.

In its response to the audit, DOB described a number of corrective actions it planned to take. In May 2015, OIG inquired with DOB regarding the status of the corrective actions the Department had committed to and any other actions it may have taken in response to OIG's audit. On the following pages we have summarized the five original audit findings and recommendations, as well as the Department's response to our follow-up inquiry.

Based on DOB's follow-up response, OIG concludes that the Department is still in the planning stage respecting corrective actions for two original audit findings and has fully implemented corrective actions that address the remaining three audit findings. It is also important to note that the scale of corrective action needed has increased since the time OIG issued the original audit. At the time of the audit, DOB records showed that 6,438 buildings required annual elevator inspections in 2013. However, in response to the audit the Department reviewed its data and found system errors had resulted in a serious understatement of its inventory of buildings requiring inspection. After correcting the errors the Department reported to OIG a building inventory of 9,875 for 2014 and 10,381 for 2015. DOB is to be credited for undertaking this review proactively and for its continuing actions to address the issue.

DOB is working diligently to implement corrective actions. However, it remains important for the Department to continue to strive towards its stated goal of 100% inspection completion rate for elevators citywide. To that end, we urge the Department to continue its expansion of the AIC program and its upgrade of its electronic inspection database. Expanding AIC will increase the total number of annual inspections completed while upgrading its electronic inspection database will allow the Department to conduct timely follow-up inspections.

We thank the staff and leadership of DOB for their cooperation during the original audit and responsiveness to our follow-up inquiry.

Respectfully,



Joseph M. Ferguson
Inspector General
City of Chicago

Follow-Up Results

In May 2015, OIG followed up on an October 2014 audit of DOB's elevator inspection processes.¹ DOB responded by describing the corrective actions it has taken since receiving the original audit and provided supporting documentation. We have summarized the five original audit findings, the associated recommendations, and the status of DOB's corrective actions below. OIG's follow-up inquiry did not observe or test implementation of the new procedures and thus makes no determination as to their effectiveness, which would require a new audit with full testing of the procedures.

FINDING 1: DOB and AIC inspectors only inspected 33.9% of the buildings requiring annual elevator inspections in 2013.

OIG Recommendation: We recommended that DOB consider expanding AIC because AIC had demonstrated a higher inspection completion rate and had processes for enforcement when building owners failed to comply. Expanding the program could have significantly increased the total number of annual inspections completed, thereby furthering the important public safety objectives at the core of the inspection program.

We noted that, if DOB expanded AIC, it would be important for the Department to diligently monitor the rate of compliance and strive toward 100% completion. If 100% completion was not met, as in 2013 (88.5%), it would be essential that DOB ensure all non-compliant building owners were referred to Administrative Hearings to enforce compliance.

We recommended that, if DOB chose to continue the separate inspection programs, the Department work with OBM to fund DOB staffing at appropriate levels that ensure all elevators are inspected annually.

Status of Corrective Action: **Pending.** DOB stated that 3,806, or 38.5%, of the 9,875 buildings requiring an elevator inspection were inspected in 2014.² DOB projected that 48-50% of buildings will be inspected in 2015.

DOB stated that it has completed the first phase of AIC expansion, which included enrolling 699 buildings of the Chicago Housing Authority, Chicago Transit Authority, Chicago Public Schools, Chicago Park District, and both airports into the AIC program. The

¹ The 2014 audit report is available on the OIG website: <http://chicagoinspectorgeneral.org/wp-content/uploads/2015/04/DOB-Elevator-Inspections-Audit.pdf>.

² AIC inspectors inspected 1,269, or 81.5%, of 1,558 buildings in the AIC program. DOB inspectors inspected 2,537, or 30.5%, of 8,317 buildings subject to DOB inspections.

second phase, which involves adding 433 universities and hospitals within the central business district to the AIC program, is in process with a target completion date of August 1, 2015. The third phase, also in process, will add buildings that fall under the MCC's Life Safety Evaluation ordinance to the AIC program.³

DOB stated that it has "worked with the Office of Budget and Management to add two additional Elevator Inspector positions to DOB's 2015 hiring plan." In addition, DOB stated that it is in the process of hiring a Senior Database Analyst to assist with reporting and technical support and that the department has restored an Administrative Assistant position that will assist with record keeping, customer service, and inventory management.

FINDING 2:

DOB does not routinely conduct follow-up inspections to ensure timely correction of elevator inspection violations.

OIG Recommendation:

DOB had no method for tracking whether building owners corrected elevator violations within the required timeframe of 60 days. Therefore, we recommended that DOB develop a method to track the timely correction of elevator violations to ensure compliance. Furthermore, we recommended that DOB immediately review and resolve the existing backlog of open elevator violations.

Finally, we recommended that DOB consider expanding AIC for annual inspections, as mentioned in Finding 1. In AIC, minor violations were corrected prior to the issuance of the Certificate of Inspection and DOB only performed follow-up inspections on major violations. Therefore, the expansion of AIC would have allowed DOB staff more time to conduct follow-up inspections of code violations.

Status of Corrective Action:

Pending. DOB stated it is working with the Department of Innovation and Technology (DOIT) and a design consultant team to upgrade its electronic inspection database to allow for "reporting, tracking and analyzing data for the AIC program and all elevator annual inspections, as well as to segue into a new tracking system for permits." The Department stated it plans to launch the new system in the fourth quarter of 2015. In the meantime, DOB stated it is manually tracking failed inspections,

³ DOB stated that the third phase of expansion will occur in sub-phases, because "many of the buildings are currently in the Circuit Court system due to non-compliance with the Life Safety Evaluation ordinance deadline of January 1, 2015." DOB said it is evaluating all 732 buildings in the Life Safety Evaluation portfolio and has already enrolled 250 in AIC. For more information on Life Safety Evaluations, see the Department of Buildings Website at http://www.cityofchicago.org/city/en/depts/bldgs/provdrs/inspect/svcs/life_safety_high-riseordinance.html.

completing follow-up inspections as part of inspectors' daily work assignment, and continuing to prioritize 311 complaint inspections.

The original OIG audit found that 12,475 elevator code violations (62.1% of the total) before December 31, 2013 did not have a follow-up inspection recorded and remained open. The Department reported that as of June 3, 2015, there were 11,825 open violations—6,118 open violations dated before January 1, 2014, and 5,707 dated after January 1, 2014.⁴ DOB stated that it is working with the Department of Law and DOIT to develop a “protocol for closing out older open violations in order to more quickly update this information [on the Data Portal].” The Department stated that it planned to implement the new protocol in the third quarter of 2015. In the meantime, DOB explained that it is closing out open violations as it completes annual inspections.

In addition, the expansion of AIC, as discussed above, should allow DOB staff more time to conduct follow-up inspections of code violations.

FINDING 3:

DOB failed to create fee records for 18.0% of annual inspections performed by DOB staff, resulting in estimated unbilled inspection revenue of \$50,200 over the course of a year.

OIG Recommendation:

We recommended that DOB take immediate action to ensure fee exception reports are regularly reviewed and necessary corrections are made so that DOB may promptly initiate billing for each inspection. We recommended that DOB document procedures and persons responsible for reviewing the reports, and train staff appropriately.

OIG also recommended that DOB consider expanding AIC to cover more annual inspections. At the time of the original audit, AIC document review fees were more reliably created, billed, and collected than DOB inspection fees because the Department routinely monitored the payment status of document review fees and issued the Certificate of Inspection only after payment was received. While the fee amount related to each inspection would be

⁴ In the original audit report, OIG found that only 7,629, or 37.9% of the 20,104 elevator code violations since January 2006, received a follow-up inspection (according to data available through the City of Chicago Data Portal). In its response to the original audit, DOB stated that, “elevator violations that show as open in the system are not necessarily current and may have been resolved. Open violations may actually remain documented on a building’s history, even after the building subsequently passed its follow-up inspection. Currently, as a result of unrealized technology improvements, the Department is without a streamlined method to systematically close these outdated violations.”

reduced to half relative to DOB inspections, the number of annual inspections completed would likely increase considerably, as noted in Finding 1. OIG estimated that expanding AIC to cover all elevators citywide could result in additional revenue of \$253,670.⁵

Status of Corrective Action: **Implemented.** DOB stated that it developed and documented a process to create, review, and audit fee exception reports. The Department further explained that the Elevator Bureau and the Finance Section are responsible for reviewing the reports to ensure “thoroughness,” “accuracy,” and that all completed inspections are billed.

The Department stated that it updated its electronic inspection database system so that Certificates of Compliance are not generated until fees have been paid. In addition, as discussed above, the expansion of the AIC program will reduce the number of buildings subject to DOB inspection fees and increase those subject to document review fees which were more reliably created, billed, and collected.

FINDING 4: **DOB had a backlog of 1,004 paper inspection records that had not been recorded in the DOB computer system as of January 2014, representing delayed billings of \$186,155.**

OIG Recommendation: We recommended that DOB work to clear the existing data entry backlog and develop procedures that ensure the timely entry of inspection record data. To resolve these issues, we stated that DOB could either assign responsibility for data entry to an existing staff member or work with OBM to determine the feasibility of restoring the administrative assistant position previously budgeted for the Department. Another possible solution was to use technology (laptops or tablet computers) to record inspection results on-site. Expanding AIC may also have addressed this problem because all AIC private inspection companies submit inspection records electronically.

Whatever solution the Department chose to pursue, we stated that it was essential that DOB prioritize timely and accurate recordkeeping in order to support effective elevator inspection and billing.

⁵ This estimate was based upon a 100% completion rate. A reduction in the completion rate would, of course, result in less revenue. For instance, if AIC maintained its 88% completion rate, additional revenue was estimated at \$191,466.

Status of Corrective Action: **Implemented.** DOB stated that, as of June 3, 2015, there was no backlog of paper inspection records and that, to prevent future backlogs, DOB now requires its inspectors to electronically record inspection data in its database. DOB stated that it is in the pilot stage of issuing mobile devices to inspectors that would allow them to record inspection data in real time.

Further, DOB stated that it worked with OBM to restore the administrative assistant position and is currently hiring for the position.

FINDING 5:

DOB did not use a statistically valid sampling methodology to select AIC inspections for audit.

OIG Recommendation: OIG recommended that DOB consider revising its audit sampling process so that the sample is statistically valid. We explained that a simple random sample would achieve this goal, but may not include every inspection company each year. If DOB determined that it was important to examine the work of each inspection company every year, the Department could implement a stratified sampling methodology. We further recommended that DOB provide staff training in generally accepted sampling methods to ensure the quality of future audit work.

Status of Corrective Action: **Implemented.** DOB stated that it has implemented a statistically valid sampling methodology to select AIC inspections for audit. DOB explained that it relies on its Director of Information Technology—who has experience in statistical sampling—to create the auditee list. The Department has also trained staff in simple random sampling techniques.

CITY OF CHICAGO OFFICE OF INSPECTOR GENERAL

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The City of Chicago Office of Inspector General (OIG) is an independent, nonpartisan oversight agency whose mission is to promote economy, efficiency, effectiveness, and integrity in the administration of programs and operations of City government. OIG achieves this mission through,

- administrative and criminal investigations;
- audits of City programs and operations; and
- reviews of City programs, operations, and policies.

From these activities, OIG issues reports of findings, disciplinary, and other recommendations to assure that City officials, employees, and vendors are held accountable for the provision of efficient, cost-effective government operations and further to prevent, detect, identify, expose, and eliminate waste, inefficiency, misconduct, fraud, corruption, and abuse of public authority and resources.

AUTHORITY

The authority to produce reports and recommendations on ways to improve City operations is established in the City of Chicago Municipal Code § 2-56-030(c), which confers upon the Inspector General the following power and duty:

To promote economy, efficiency, effectiveness and integrity in the administration of the programs and operations of the city government by reviewing programs, identifying any inefficiencies, waste and potential for misconduct therein, and recommending to the mayor and the city council policies and methods for the elimination of inefficiencies and waste, and the prevention of misconduct.