COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-2766
PHONE: (213) 974-8301 FAX: (213) 626-5427

J. TYLER McCAULEY
AUDITOR-CONTROLLER

June 10, 2004

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley
Auditor-Controller

SUBJECT: **DEPARTMENT OF HEALTH SERVICES HOUSING INSPECTION PROGRAM**

At your request, we have reviewed the Department of Health Services (DHS) Environmental Health Services' (EHS) Housing Inspection Program. EHS is responsible for inspecting multi-family housing with five or more units (licensed sites) for compliance with health and safety requirements. The purpose of our review was to evaluate the controls EHS has in place to ensure all licensed sites are inspected as required by EHS' policies.

Background and Scope

EHS' total budget is approximately $54 million, and, in Fiscal Year (FY) 2002-03, EHS had a Net County Cost of approximately $2.5 million. EHS has 75 inspectors and 21 senior inspectors to inspect approximately 66,000 licensed sites. EHS policy requires that most licensed sites be inspected at least once a year. Sites with a record of serious violations, RA-1 sites, are supposed to be inspected twice a year and condominium buildings every other year. There are approximately 95 RA-1sites in the County.

In addition to regular inspections of licensed sites, EHS staff respond to tenant complaints for both licensed and unlicensed sites (buildings with less than five units) and perform follow-up inspections to ensure that identified violations are corrected.

The sites are divided by geographic area into seven inspection districts. EHS also has a separate unit to handle buildings with a record of continuing violations for possible criminal prosecution. DHS charges owners of licensed sites an annual fee ranging from $155 to $555 to cover the cost of the inspection program. The amount of the fee is

based on the size of the building and other factors (e.g., swimming pools, etc.) and is included in the owners' property tax bills.

Our review included interviews with EHS management and staff and reviews of related documentation. We also accompanied EHS staff on building inspections and surveyed San Diego, San Bernardino, San Francisco and Alameda counties' housing inspection programs to determine best practices.

Summary of Review

EHS inspected approximately 97% of the licensed sites during FY 2002-03. However, approximately 60% of the RA-1 sites (sites with a history of serious code violations) were inspected once during the year, instead of twice as required by EHS policy. In addition, we noted that, for approximately 30% of the RA-1 sites inspected, EHS inspectors were not able to inspect 30% of the individual RA-1 housing units as required by EHS policies, because inspections are frequently made at times when tenants are not home to allow the inspectors access to their units.

While the number of RA-1 sites is small, and the overall percentage of licensed sites that were not inspected is relatively low, failure to conduct the required inspections could allow serious housing code violations to go undetected or uncorrected. There are a number of areas where EHS can improve its operations to ensure inspections are completed. The following are the detailed results of our review.

Completion of Required Inspections

As noted earlier, our review and testing of EHS' records indicates that for FY 2002-03, while all of the RA-1 sites were inspected once, approximately 60% of the RA-1 sites did not receive the required second inspection. In addition, approximately 3% of total licensed sites were not inspected during FY 2002-03. Our review indicates that EHS' inability to complete all of the required inspections in FY 2002-03 was due to a number of factors including:

- Prior to FY 2003-04, EHS did not have staff dedicated to housing inspections. Inspector staff were responsible for multiple types of inspections (e.g., restaurants, housing, etc.). Beginning in FY 2003-04, EHS has assigned specific staff to perform only housing inspections.

- EHS reorganized the housing districts. As a result, some districts may not have known all of the sites assigned to them for inspection.

- Prior to November 2003, EHS management did not centrally monitor the number of licensed sites that were not inspected. This monitoring was supposed to be performed by the district offices. However, in November 2003, EHS management began monitoring the list of licensed sites that were not inspected.

While EHS has taken action to improve their operations by dedicating inspection staff and monitoring licensed sites that were not inspected, our review indicates that some of the missed inspections may be due to a lack of uniform procedures among EHS districts and a need to improve time accountability for housing inspectors. The following are specific areas where EHS can make additional improvements:

- Districts are not consistent in how workload is assigned. EHS policy requires senior inspectors to spend at least eight hours in the field doing inspections. However, some districts required senior inspectors to only perform supervisory duties, not field inspections.

- Districts are not consistent in how they establish and monitor inspector workload goals. Some districts establish annual workload goals for inspectors, while other districts establish monthly goals, which are reviewed by the supervisor on a monthly basis. Monitoring workload goals on a more regular basis may ensure that inspectors perform more required inspections and avoid backlogs of licensed sites that are not inspected.

We also noted that EHS does not require inspectors to identify the amount of time they spend to complete inspections. For example, inspectors record the time spent doing the actual site inspections. However, the time spent completing inspection reports is recorded as "office activity", not inspections. Because inspectors do not record all of the time required to complete inspections, it is difficult for EHS management to evaluate the time required to complete the assigned workload and assess whether they have adequate staff to complete all the required inspections.

To ensure that licensed sites are inspected efficiently, EHS needs to develop and implement uniform procedures for districts to use in assigning and monitoring inspector workload. These procedures should include having senior inspectors perform fieldwork as needed to ensure all sites are inspected as required. In addition, EHS needs to revise their time accountability records to ensure that they account for all of the time staff spend on inspections. This will allow EHS management to assess the time required to complete the assigned workload and adequacy of the unit's staffing levels.

Recommendations

EHS Management:

1. **Develop and implement uniform methods for districts to use in assigning and monitoring inspector workload, including having senior inspectors perform fieldwork as needed to ensure all sites are inspected as required.**

2. **Revise their time accountability records to ensure that they account for all of the time staff spend on inspections.**

Inventory of Licensed Housing Units

One of the critical elements to ensuring that all licensed housing sites are inspected is an accurate inventory of licensed sites. Our review indicates that EHS does not have a complete inventory of licensed sites.

EHS uses a computer database (EHMIS) to keep track of licensed sites. The December 2003 EHMIS report indicated there were 66,808 licensed sites in the County. However, the County Assessor's records indicate that there were 69,161 licensed sites.

The difference in the number of sites could result in sites going uninspected. EHS management indicated that it is difficult to reconcile the EHMIS inventory with the Assessor's records because EHMIS records sites by property address, while the Assessor's records are by parcel number.

EHS is currently doing a manual reconciliation of the data to the Assessor's and Treasurer Tax Collector's (TTC) databases. EHS is also "cleaning-up" the data by having each district review the uninspected inventory report to verify that the database records are accurate.

EHS is developing a new database system for licensed sites, electronic Development And Permit Tracking System (eDAPTS). The new system is supposed to be implemented in October 2004 and will be based on the Assessor's parcel number. Once eDAPTS is implemented, EHS management should continue its efforts to obtain an accurate inventory of licensed sites.

Recommendation

3. EHS management continue its efforts to obtain an accurate inventory of licensed sites.

Access to Individual Housing Units

EHS policy requires inspectors to examine the public areas of licensed sites (e.g., hallways, staircases, etc.). EHS policy indicates that inspectors are also supposed to attempt to inspect a minimum of 5% of dwelling units for sites with no history of violations. For RA-1 sites with a history of violations, EHS policy requires inspectors to check a minimum of 30% of the dwelling units. If inspectors are unable to gain access to the required number of units, they are supposed to post a notice that they will return in two days. EHS policy states that, if inspectors are unable to obtain access to the units at the second visit, the inspectors are supposed to discuss with their supervisors whether to make additional attempts to inspect the units or to record the inspection as complete without inspecting the required number of units.

Our review of RA-1 housing inspection reports indicated that, in 30% of the inspections of RA-1 sites, EHS staff were unable to inspect the required number of dwelling units. We also noted that EHS staff perform housing inspections mostly unannounced between 8 a.m. and 5 p.m., when most tenants are not available. As a result, inspectors are frequently unable to gain access to the required number of dwelling units. In addition, we noted that the inspectors do not document their discussions with their supervisors on how to resolve inspections where they cannot access the required number of units.

In San Francisco, we noted that the County's housing inspectors inform landlords of their inspections in advance in writing. The notification letter also requests that the landlord provide an escort for the inspection so that the inspector can have access to all required areas and units.

EHS indicated that they are working on additional ways to gain access to individual housing units, such as posting notices on doors indicating when the inspectors will return. Based on the difficulty that EHS inspectors sometimes encounter when attempting to inspect the required number of dwelling units, EHS management should also consider announcing housing inspections to landlords in advance and request an escort to obtain access to the units. In addition, EHS management should ensure that inspectors document their discussions with their supervisors on how to resolve inspections where they cannot access the required number of units.

Recommendations

4. **EHS management consider announcing housing inspections to the landlords in advance and request an escort to obtain access to the units.**

5. **EHS management ensure that inspectors document their discussions with their supervisors on how to resolve inspections where they cannot access the required number of units.**

Cost Recovery

EHS' total budget is approximately $54 million, and in FY 2002-03, EHS had a Net County Cost of approximately $2.5 million. We attempted to determine whether the fees charged for housing inspections are sufficient to recover the cost of the inspection program. However, DHS EHS does not track revenue and expenditures by program. As a result, the financial information for the housing inspection program is intermingled with the revenue/cost of other EHS programs (e.g., restaurant inspections, etc.).

DHS has previously considered developing information on the cost of each EHS program and revising its EHS fees to ensure that the fees for each program matched the cost. However, this would have required some significant changes in some fees. As a result, DHS decided not to revise the fees and focus on ensuring that overall EHS

fees were sufficient to offset EHS' overall costs. This approach results in some users paying higher fees to offset the cost of other EHS programs. For example, owners of licensed housing units may be paying higher fees to subsidize the cost of restaurant inspections. While developing information on the cost of each EHS program and setting each program's fees to match the individual program costs may result in some significant changes in fees, we believe that it is necessary to ensure that users of each program are paying the appropriate costs for the programs they use.

DHS should establish an additional organizational code to determine the cost and related revenue of each EHS program and set each program's fees to recover the program's costs.

Recommendation

6. **DHS establish an additional organizational code to determine the cost and related revenue of each EHS program and set each program's fees to recover the program's costs.**

Penalties for Uncorrected Violations

When landlords do not correct violations within the allowed time, EHS holds an office hearing with the landlord. If the violations are not corrected even after the office hearing, the case is sent to the District Attorney's Office for possible prosecution. EHS may also report the landlord to the State Franchise Tax Board. State law provides that landlords cannot deduct depreciation on multi-family housing buildings that have code violations that are not corrected within six months after the notice of violation. This type of financial penalty may result in landlords taking action to correct housing code violations without the need for repeated inspections.

During our review, EHS staff indicated that some district offices grant landlords extensions to correct violations to avoid the cost of prosecution. However, granting extensions also increases the County's cost by requiring additional follow-up inspections to determine if the violations have been corrected.

We noted that Alameda County assesses additional fines ranging from $1,000 to $5,000 if landlords do not correct violations within the allowed time and the inspectors have to make re-inspections of the buildings. (In severe cases, the county actually corrects the violations and bills the landlords for the repairs plus an additional 30%.) If the landlord does not pay the fines or the expenses to correct the violations within 30 days, a lien is placed against the property.

To provide stronger incentives for landlords to correct violations and minimize the need for re-inspections, EHS should evaluate the feasibility of imposing reinspection fees and penalties on landlords who do not correct violations within the required period of time.

Recommendation

7. **EHS evaluate the feasibility of imposing reinspection fees and penalties on landlords who do not correct violations within the required period of time.**

We met with EHS management to discuss the results of our up review. Their attached written response indicates agreement with our findings and recommendations. We thank EHS management and staff for their cooperation and assistance during our review.

If you have any questions, please contact me or your staff may contact DeWitt Roberts at (626) 293-1101.

JTM:DR:JS

c: David E. Janssen, Chief Administrative Officer
Department of Health Services
Thomas L. Garthwaite, M.D., Director and Chief Medical Officer
Jonathan Fielding, M.D., Director, Public Health
Violet Varona-Lukens, Executive Officer
Public Information Office
Audit Committee (6)

BOARD OF SUPERVISORS

Gloria Molina
First District

Yvonne Brathwaite Burke
Second District

Zev Yaroslavsky
Third District

Don Knabe
Fourth District

Michael D. Antonovich
Fifth District

THOMAS L. GARTHWAITE, M.D.
Director and Chief Medical Officer

FRED LEAF
Chief Operating Officer

COUNTY OF LOS ANGELES
DEPARTMENT OF HEALTH SERVICES
313 N. Figueroa, Los Angeles, CA 90012
(213) 240-8101

June 8, 2004

TO: J. Tyler McCauley
Auditor-Controller

FROM: Thomas L. Garthwaite, M.D.
Director and Chief Medical Officer

for Jonathan E. Fielding, M.D., M.P.H.
Director of Public Health and Health Officer

SUBJECT: **DEPARTMENT OF HEALTH SERVICES HOUSING INSPECTION PROGRAM**

This is in response to the Auditor-Controller's review and recommendations of this Department's Housing Inspection Program. The recommendations and our response are as follows:

RECOMMENDATION #1 - Develop and implement uniform methods for districts to use in assigning and monitoring inspector workload, including having senior inspectors perform fieldwork as needed to ensure all sites are inspected as required.

RESPONSE – The Department concurs with this recommendation and with the need for uniform methods in assigning inspector workload. Mechanisms to implement this exist; however, application of established policies needs to be re-affirmed. The Department of Health Services (DHS), Environmental Health Division (EH), will issue directives to ensure district offices are complying with established written policy.

RECOMMENDATION #2 - Revise their time accountability records to ensure that they account for all of the time staff spend on inspections.

RESPONSE – DHS concurs with the need to ensure time accounting for inspections. The EH Management Information System (EHMIS) is the database where EH's time accountability records are stored. While EHMIS does differentiate between field and office activities, time spent on office activities is not attributed to each specific inspection, but rather to the group of inspections of a particular type. Thus, in the aggregate, the time attributable to inspection is accounted for, but not by specific property. EH will review its data collection process and determine if it is feasible to provide greater specificity to the inspection cost accounting.

RECOMMENDATION #3 - EHS management continue its efforts to obtain an accurate inventory of licensed sites.

RESPONSE – DHS concurs with this recommendation. EH will continue to reconcile EHMIS inventory with the County Assessor's records.

RECOMMENDATION #4 - EHS management consider announcing housing inspections to landlords in advance and request an escort to obtain access to the units.

RESPONSE – DHS concurs with the need to gain access into more units and will consider announcing housing inspections to landlords in advance as one way to accomplish that. As part of the recommendations for improving the housing inspection program, DHS has proposed several options: 1) More inspections conducted during evening and weekend hours when tenants are more likely to be home, and 2) Notices of an attempted inspection to be hung on doorknobs to encourage tenants to schedule an inspection of their unit. Based on recent Board action, a placard with EH contact information will be posted at licensed sites, directing tenants to contact the local office for any health code complaints. EH will also consider and evaluate the feasibility of announcing housing inspections as another way of gaining greater access to units.

RECOMMENDATION #5 - EHS management ensure that inspectors document their discussions with their supervisors on how to resolve inspections where they cannot access the required number of units.

RESPONSE - We agree with this recommendation. EH is revising the policy to include the documentation of this discussion on the field card.

RECOMMENDATION #6 - DHS establish an additional organizational code to determine the cost and related revenue of each EHS program and set each program's fees to recover the program's costs.

RESPONSE - DHS concurs with the approach of assuring better cost accounting for use in fee setting in EH. Full review of the fees may require a period of more detailed cost accounting and the assistance of experts in fee-setting to review the entire fee schedule. DHS will develop a work plan to move in this direction.

RECOMMENDATION #7 - EHS evaluate the feasibility of imposing reinspection fees and penalties on landlords who do not correct violations within the required period of time.

RESPONSE – DHS concurs. Our recent recommendations to the Board on the housing program included a recommendation of a reinspection fee. This will be included in the fee package the Department proposes to the Board for FY 04/05.

We will provide you with another status report by August 31, 2004. In the meantime, if you have any questions or need additional information, please let us know.

TLG:JEF:dc
108

c: Fred Leaf
Sachi Hamai
John Schunhoff