



Department of Commerce Board of Building Standards Audit

Audit Period: January through June 2017

Results Summary:

Objective	Conclusion
Industrialized Unit Plan Review and Approval	Well-Controlled with Improvement Needed
Industrialized Unit Insignias and Shipping Reports	Well-Controlled with Improvement Needed

Refer to Appendix A for classification of audit objective conclusions.



Executive Summary

Background

The Board of Building Standards (BBS), within the Department of Commerce's (COM) Division of Industrial Compliance formulates and adopts rules governing building construction, repair, alteration, and maintenance to ensure building safety. BBS also certifies local building code enforcement departments and houses the Industrialized Unit (IU) Section, which regulates factory-built construction components (except for those regulated by the federal Department of Housing and Urban Development).

An IU is an assembly of materials or products manufactured in such a manner that its structural, plumbing, electrical, environmental control, or fire protection elements or components are concealed and are not readily accessible for inspection at the site of its intended use without disassembly, damage or destruction. It is a building unit or assembly of closed construction fabricated in an off-site facility, that is substantially self-sufficient as a unit or as part of a greater structure, and that requires transportation to the site of intended use. Industrialized units include units installed on the site as independent units, as part of a group of units, or incorporated with standard construction methods to form a completed structural entity. The BBS is tasked with reviewing the IU plans, certifying third parties to inspect IUs during construction, and issuing insignias for every IU. During the period January through June 2017, the BBS received 512 IU plan applications, issued 721 insignias, and collected fees totaling \$102,620.

During the audit, OIA identified opportunities for COM to strengthen internal controls and improve business operations. OIA conforms with the *International Standards for the Professional Practice of Internal Auditing*. OIA would like to thank COM staff and management for their cooperation and time in support of this audit.

This report is solely intended for the information and use of agency management and the State Audit Committee. It is not intended for anyone other than these specified parties.

Scope and Objectives

OIA staff was engaged to perform an assurance audit within the COM Division of Industrial Compliance. This work was completed July through September 2017. The scope of this audit included key processes within the Board of Building Standards' Industrialized Unit (IU) program.

The following summarizes the objectives of the review:

- Evaluate the design and effectiveness of controls over the IU plan review and approval process.
- Evaluate the design and effectiveness of controls over IU insignias and shipping reports.

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Detailed Observations and Recommendations

The Observations and Recommendations include only those risks which were deemed high or moderate. OIA did not identify any high or moderate risk observations. Low risk observations were discussed with individual agency management and are not part of this report. However, the low risk observations were considered as part of the audit objective conclusions.



Appendix A – Classification of Conclusions and Observations

Classification of Audit Objective Conclusions

Conclusion	Description of Factors
Well-Controlled	The processes are appropriately designed and/or are operating effectively to manage risks. Control issues may exist, but are minor.
Well-Controlled with Improvement Needed	The processes have design or operating effectiveness deficiencies but do not compromise achievement of important control objectives.
Improvement Needed	Weaknesses are present that compromise achievement of one or more control objectives but do not prevent the process from achieving its overall purpose. While important weaknesses exist, their impact is not widespread.
Major Improvement Needed	Weaknesses are present that could potentially compromise achievement of its overall purpose. The impact of weaknesses on management of risks is widespread due to the number or nature of the weaknesses.

Classification of Audit Observations

Rating	Description of Factors	Reporting Level
Low	Observation poses relatively minor exposure to an agency under review. Represents a process improvement opportunity.	Agency Management; State Audit Committee (Not reported)
Moderate	Observation has moderate impact to the agency. Exposure may be significant to unit within an agency, but not to the agency as a whole. Compensating controls may exist but are not operating as designed. Requires near-term agency attention.	Agency Management and State Audit Committee
High	Observation has broad (state or agency wide) impact and possible or existing material exposure requiring immediate agency attention and remediation.	Agency Management and State Audit Committee