Audit Report A-1617BPR-023

Audit of Performance Measure Validity and Reliability: Division of Hotels and Restaurants Inspection-Related Measures

April 2018
MEMORANDUM

TO: Jonathan Zachem, Secretary
FROM: Lynne T. Winston, Inspector General
DATE: April 5, 2018
SUBJECT: Audit of Performance Measure Validity and Reliability: Division of Hotels and Restaurants, Inspection-Related Measures (Report Number A-1617BPR-023)

The attached report presents the results of our Audit of Performance Measure Validity and Reliability: Division of Hotels and Restaurants, Inspection-Related Measures. We found the division's performance measures were valid indicators of the achievement of Division of Hotels and Restaurant's inspection-related program objectives. We also determined the measures were reliable indicators of division outcomes.

However, our office determined that the division has struggled to meet the approved performance standards for the food service and lodging inspection measures. Our office concluded that absent other factors and given current trends, the division will continue to struggle to meet the performance standards for these measures. Our office recommends that the division explore additional methods to address their high turnover rate in order to meet the statutory performance standards for the food service and lodging inspection measures.

In accordance with Section 20.055, Florida Statutes, we provided our preliminary findings and recommendations for management’s review and response. Division Director Akin’s response has been attached to the final report.

We would like to thank the management and staff of the Division of Hotels and Restaurants for their cooperation and assistance during the course of our review. We appreciate the time spent with us in interviews and working conferences, as well as the timely response to our requests for information and supporting documentation.

cc: Reginald Dixon, Chief of Staff
    Andrew Fier, Deputy Secretary of Business Regulation
    Rick Akin, Director, Division of Hotels and Restaurants
    Sherrill F. Norman, Auditor General
    Eric W. Miller, Chief Inspector General
EXECUTIVE SUMMARY

This review was conducted in accordance with the Office of Inspector General’s Annual Audit Plan for Fiscal Year 2017-18 and Section 20.055, Florida Statutes, which requires that we assess the validity and reliability of agency performance measures and make recommendations for improvement.

Accordingly, we evaluated the validity and reliability of the legislatively approved performance measures reported by the Division of Hotels and Restaurants (division) for the Long-Range Program Plan for Fiscal Years 2017-18 through 2021-22 and also for Fiscal Years 2018-19 through 2022-23.

The division’s performance measures, approved standards, and reported results for Fiscal Year 2016-17 are shown below.

<table>
<thead>
<tr>
<th>Performance Measure</th>
<th>Approved Standard FY 2016-17</th>
<th>Actual FY 2016-17 Results</th>
<th>Approved Standard FY 2017-18</th>
</tr>
</thead>
<tbody>
<tr>
<td>25—Percent of food establishments inspected according to statute</td>
<td>95%</td>
<td>86.49%</td>
<td>93%</td>
</tr>
<tr>
<td>26—Percent of lodging establishments inspected according to statute</td>
<td>97%</td>
<td>72.33%</td>
<td>86%</td>
</tr>
<tr>
<td>27—Percent of elevators, escalators, and other vertical conveyance devices inspected according to statute</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>96%</td>
<td>96.72%</td>
<td>97%</td>
</tr>
</tbody>
</table>

We found the division’s performance measures were valid indicators of the achievement of Division of Hotels and Restaurants’ inspection-related program objectives. We also determined the measures were reliable indicators of division outcomes.

However, our office determined that the division has struggled to meet the approved performance standards for the food service and lodging inspection measures. While the division was formerly meeting the approved standards for these measures, in both Fiscal Years 2015-16 and 2016-17, the division did not meet their performance goals. Division management noted that the high turnover rate of inspectors was the causal factor.

Our office concluded that absent other factors and given current trends, the division will continue to struggle to meet the performance standards for these measures. Our office
recommends that the division explore additional methods to address their high turnover rate in order to meet the statutory performance standards for the food service and lodging inspection measures.

INTRODUCTION AND BACKGROUND

Section 216.013, Florida Statutes, requires state agencies to develop long-range program plans that are policy-based, priority driven, and accountable. The plans provide the framework for the development of budget requests and must include program outcomes and standards to measure progress toward the achievement of program objectives.

For the purposes of this review, we used the definitions of validity and reliability provided in the instructions for preparing the Long-Range Program Plan (LRPP) for Fiscal Years 2018-19 through 2022-23, as follows:

- **Validity**—the appropriateness of the measuring instrument in relation to the purpose for which it is being used
- **Reliability**—the extent to which the measuring procedure yields the same results on repeated trials and data is complete and sufficiently error free for the intended use

Our assessment of performance measure validity thus focused on whether the measures have a direct relationship to division goals and objectives and is appropriate for its intended use.

Our assessment of reliability evaluated the accuracy of the data source used to compile performance results, whether the numerical representation of the measure was mathematically and logically correct, and whether the measurement methodology produced replicable results. We also assessed the accuracy of the results reported for Fiscal Years 2015-16, 2016-17, as well as trends for 2017-18.

AUDIT RESULTS

The Division of Hotels and Restaurants is responsible for licensing, inspecting, and regulating public lodging and food service establishments in Florida. The mission of the division is to protect the health and safety of the public by providing the industry with quality inspections and fair regulation. The division is also responsible for licensing and regulating elevators, escalators, and other vertical conveyance devices.

The division is organized into four main units: Director’s Office; Bureau of Sanitation and Safety Inspections; Bureau of Field Services; and Bureau of Elevator Safety. According to the division’s Fiscal Year 2016-17 Annual Report, the division was authorized 308 positions and an operating budget of $23,979,992.

Within the LRPP for Fiscal Years 2018-19 through 2022-23, the division was responsible for a total of six performance measures. Three of these measures concerned food service and lodging licensing activities and elevator certificate of operation reviews. These measures were not assessed during this review.

The scope of this audit encompassed those three LRPP measures that concerned food establishment inspections; lodging establishment inspections; and the inspection of elevators,
escalators, and other vertical conveyance devices. Our review of these measures is discussed in further detail below.

**Measure 25 – Percent of food establishments inspected according to statute**

Chapter 509, Florida Statutes, provides the division with responsibility and jurisdiction for conducting inspections of food establishments. Each food service establishment must be inspected on a risk based frequency at least once, but not more than four times, for routine inspections, annually.

In reference to the validity of this measure, the division cited the specific statutory authority of Section 509.032(2)(a), Florida Statutes. These inspections are completed to assure compliance with all state sanitation and safety laws and to ensure the health and safety of the dining public. Our office determined that this measure is directly related to the division’s goals and objectives and is a valid indicator of the division’s effectiveness in performing its regulatory responsibilities with respect to food inspections.

In assessing the reliability of this measure, our office first evaluated whether the methodology used to calculate results would result in a mathematically and logically correct numerical representation. In this instance, we determined the methodology for calculating the total population of food establishments subject to inspection and the number of qualifying statutorily completed food inspections. Testing determined the calculation methodology for this measure yielded a mathematically and logically correct result.

Reliability testing also required our office to replicate the division’s reported results. As part of testing, our office successfully replicated the division’s reported results for Fiscal Year 2015-16.

Most essential to reliability testing, our office also evaluated the accuracy of the source data used to calculate the result for this measure. According to Exhibit IV of the LRPP, information in this measure is derived from the department’s Versa: Regulation system – the data management system used by the department to coordinate regulatory functions. Food service inspections are collected on a mobile electronic device or paper form by division inspectors and then uploaded into the OnBase document management system.

Audit staff pulled a random sample of 12 food service inspections from OnBase completed during Fiscal Year 2015-16 and verified the accuracy of the source information on the inspection form with the information in Versa: Regulation. This review entailed an evaluation of 25 specific data points on the inspection form. Audit testing determined that source data stored in OnBase matched the data entered into Versa: Regulation for all 12 inspections in our sample.

Our office therefore concluded that the division’s data sources were complete and sufficiently error-free for their intended use. The food service inspection performance measure is indeed reliable and yields comparable results from year to year.

**Measure 26 – Percent of lodging establishments inspected according to statute**

With respect to validity, our office determined that Section 509.032(2), Florida Statutes, requires the inspection of lodging establishments. The division is specifically authorized to conduct these lodging inspections. Some establishments are inspected once - while those classified as hotels, motels, and bed and breakfasts are inspected twice annually.
The division noted that this measure reflects the overall level of performance of the division to meet statutory requirements for inspections. This measure also holds licensees accountable and protects the health and safety of the public. Our office therefore determined that this measure is valid in that it is relevant and meaningful to the objectives of the division and is an appropriate measuring instrument of division lodging inspection activities.

In reference to the reliability of this measure, our office reviewed the accuracy of the division's relevant data report. Our office verified that reported performance for this measure was indeed mathematically accurate and that data sources were complete and sufficiently error-free. As such, our office concluded that the measure is mathematically and logically correct and that data sources referenced in the measure are accurate and replicable.

Reliability of this measure was also buttressed by our office's review and evaluation of other internal controls for this measure. These specific internal controls were cited in Exhibit IV of the LRPP. Most of these internal controls provided additional information regarding methods used to ensure the reliability and consistency of reported lodging inspection activities. This included the following:

- Supervisory quality assurance standards for the review of lodging inspections;
- Training activities of new inspectors to ensure consistency with respect to the lodging inspection process;
- New Inspector Training Manuals and periodic training materials; and
- Evidence of frequency of review of performance measure reports by division staff.

These internal controls help to ensure that lodging inspections are conducted uniformly and yield identical results on repeated trials. Supervisory review of lodging inspections, appropriate training, and close monitoring of the data reports help to ensure the data is consistent, complete, and error-free.

Our office concluded that these additional internal controls help to ensure the consistency of completed inspections and also help to ensure the reliability of the lodging inspections measure.

Measure 27 – Percent of elevators, escalators, and other vertical conveyance devices inspected according to statute

The Bureau of Elevator Safety within the division works to ensure elevators and escalators throughout Florida remain the safest mode of transportation by enforcing elevator safety laws and licensing and regulating industry professionals, elevators, escalators, and other vertical and inclined conveyance devices such as dumbwaiters, moving walkways, stairway chairlifts, and inclined or vertical wheelchair lifts.

In evaluating validity for this measure, our office evaluated the division’s elevator inspection activities with respect to required statutory guidance. Section 399.07(1), Florida Statutes, requires each elevator, escalator, and other vertical conveyance device be inspected once annually, unless otherwise exempted. The division issues certificates of operation on an annual basis and requires an inspection to be completed within the renewal year. Proof of satisfactory inspection (no violations) within one year is required at initial licensure and each year upon renewal payment.
Our office determined this measure is valid in that it is used to reflect statewide elevator licensees’ compliance with the licensing and inspection requirements of Section 399.07(1), Florida Statutes, and the effectiveness of the privatized elevator inspection program. This measure is therefore directly related to the division goal of protecting the health and safety of the riding public.

Our testing of reliability of this measure was similar to the testing of the other division inspection-related performance measures. Our office first evaluated whether the methodology used to calculate results would result in a mathematically and logically correct numerical representation. In this instance, we determined the methodology for calculating the total population of elevators, escalators, and other vertical conveyance devices subject to inspection and the number of qualifying, statutorily-completed inspections. Testing determined the calculation methodology for this measure yielded a mathematically and logically correct result.

Our office also evaluated the accuracy of the source data used to calculate the result for the measure. According to Exhibit IV of the LRPP, information in this measure is derived from the department’s Versa: Regulation system. Audit staff pulled a random sample of 10 elevator, escalator, and vertical conveyance device inspections from OnBase completed during Fiscal Year 2015-16 and verified the accuracy of the source information on the inspection form with the information in Versa: Regulation for all 10 inspections.

Our office therefore concluded that the division’s data sources were complete and sufficiently error-free for their intended use with respect to this measure. The elevators, escalators, and other vertical conveyance devices inspection performance measure was determined to be reliable.

Finding 1 – The division has struggled to meet approved legislative standards for the food service and lodging inspection measures.

As part of reliability testing, our office also examined recently reported inspection performance results. Although our office determined that all division inspection-related measures were reliable, we further determined that the division has struggled to meet the approved performance standards for their food service and lodging inspection measures.

While the division was formerly meeting the approved standards for the food service and lodging inspection measures, the division has struggled in recent fiscal years. In both Fiscal Years 2015-16 and 2016-17, the division did not meet their performance goals for these measures.

The below chart outlines recently reported division results for the food service inspection measure:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Approved Standard</th>
<th>Division Reported Performance Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013-2014</td>
<td>95%</td>
<td>98.81%</td>
</tr>
<tr>
<td>2014-2015</td>
<td>95%</td>
<td>98%</td>
</tr>
<tr>
<td>2015-2016</td>
<td>95%</td>
<td>94.78%</td>
</tr>
<tr>
<td>2016-2017</td>
<td>95%</td>
<td>86.49%</td>
</tr>
</tbody>
</table>
The gap between the approved standard and the division-reported results is even larger for the lodging inspection measure:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Approved Standard</th>
<th>Division Reported Performance Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013-2014</td>
<td>97%</td>
<td>98.76%</td>
</tr>
<tr>
<td>2014-2015</td>
<td>97%</td>
<td>98%</td>
</tr>
<tr>
<td>2015-2016</td>
<td>97%</td>
<td>86.97%</td>
</tr>
<tr>
<td>2016-2017</td>
<td>97%</td>
<td>72.33%</td>
</tr>
</tbody>
</table>

Our office inquired as to the causal factor for the recent downturn in meeting these standards. While the division cited the recent Zika virus and the busy hurricane season, division management noted that the high turnover rate of inspectors is the single largest contributing factor. This inspector turnover rate is currently projected to be 37% for Fiscal Year 2017-18.

This high turnover rate is worsened by the fact that the number of licensees requiring an inspection is growing. The below chart from the division’s Fiscal Year 2016-17 annual report highlights this reality. This chart represents the total number of public lodging and food service accounts over the most recently completed last five fiscal years and represents a nearly 12% increase:

Our office concluded that absent other factors, the division will continue to struggle to meet the performance standards for these measures.

Further, our office has examined recent trends and noted that the division will likely also struggle to meet the approved standards for Fiscal Year 2017-18, as well. Although our office observed that historically more inspections tend to be completed in the later months of the fiscal year than in earlier months, it is expected that the division would be more than half completed with all statutory food service and lodging inspections as of the end of February 2018 – a period of eight months into the fiscal year.
However, as the source data from the department dashboard illustrated on the below charts indicates, meeting these approved measure standards will be a challenge.

The below chart indicates division historical food service inspection performance through the end of February:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Approved Standard</th>
<th>Percentage Completed thru end of February</th>
<th>Final Reported Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 15-16</td>
<td>95%</td>
<td>47.89%</td>
<td>94.78%</td>
</tr>
<tr>
<td>FY 16-17</td>
<td>95%</td>
<td>42.49%</td>
<td>86.49%</td>
</tr>
<tr>
<td>FY 17-18</td>
<td>93%</td>
<td>32.31%*</td>
<td>?%</td>
</tr>
</tbody>
</table>

* Reported percentage as of March 1, 2018.

And the below chart illustrates historical lodging inspection performance also through the end of February:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Approved Standard</th>
<th>Percentage Completed thru end of February</th>
<th>Final Reported Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 15-16</td>
<td>97%</td>
<td>46.83%</td>
<td>86.97%</td>
</tr>
<tr>
<td>FY 16-17</td>
<td>97%</td>
<td>44.97%</td>
<td>72.33%</td>
</tr>
<tr>
<td>FY 17-18</td>
<td>86%</td>
<td>21.42%*</td>
<td>?%</td>
</tr>
</tbody>
</table>

* Reported percentage as of March 1, 2018.

Even if the division doubles the number of statutory food service and lodging inspections in the next four months, they will likely finish well short of the approved standards for these measures.

**Recommendation** – Our office recommends that the division explore additional methods to address their high turnover rate in order to meet the statutory performance standards for the food service and lodging inspection measures.

**MANAGEMENT’S RESPONSE**

Management of the Division of Hotels and Restaurants concurred with the audit finding and recommendation. The full text of the division’s response is appended.

**OBJECTIVES, SCOPE, AND METHODOLOGY**

**Objectives**

Our overall audit objectives were to evaluate the validity and reliability of the legislatively approved inspection-related performance measures reported by the Division of Hotels and Restaurants and to make recommendations for improvement, if necessary. We also assessed the accuracy of the division’s reported results for Fiscal Years 2015-16 and 2016-17.

**Scope**

This audit evaluated the validity and reliability of the three legislatively-approved performance measures reported by the division in the department’s *Long-Range Program Plan for Fiscal Years 2017-18 through 2021-22* and related activities through the conclusion of fieldwork.
Methodology

This audit was conducted pursuant to Section 20.055, Florida Statutes, and in accordance with the Principles and Standards for Offices of Inspector General, as published by the Association of Inspectors General, and the International Standards for the Professional Practice of Internal Auditing published by the Institute of Internal Auditors, Inc. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for the findings and conclusions presented herein.

To accomplish our audit objectives, we reviewed the LRPP instructions for performance measurement reporting for the Fiscal Year 2017-18 through 2021-22 and the Fiscal Year 2018-19 through 2022-23 plans. We reviewed the division’s reported performance measure results and standards for Fiscal Years 2015-16 and 2016-17, as well as the division’s LRPP exhibits for these fiscal years and performance trends for Fiscal Year 2017-18.

We also carried out the following steps:

- Reviewed relevant statutes and rules.
- Interviewed division management and staff.
- Evaluated the methodology used to calculate the outcome for each performance measure.
- Compared source documentation in OnBase with Versa: Regulation for a sample of restaurant, lodging, and elevator safety inspections completed in Fiscal Years 2015-16 and 2016-17.
- Analyzed internal controls to ensure the reliability of lodging inspection reported performance measures.
- Reviewed Fiscal Year 2015-16 and 2016-17 performance measure results for inspection-related division measures.
- Evaluated Fiscal Year 2017-18 performance result trends for the food and lodging inspection performance measure.
ACKNOWLEDGEMENTS

We would like to thank the management and staff of the Division of Hotels and Restaurants for their cooperation and assistance during the course of this audit. We greatly appreciate the time and effort spent in compiling data and information for our review and analysis.

The mission of the Department of Business and Professional Regulation is to:
License efficiently. Regulate fairly.

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This review was conducted by Steven Henry, CIGA, CGAP, CICA Senior Internal Auditor, under the supervision of Karen Barron, Director of Auditing.

This and other reports prepared by the Office of Inspector General of the Department of Business and Professional Regulation can be obtained by telephone (850-414-6700) or by mail (2601 Blair Stone Road, Tallahassee, FL 32399-1018).
MEMORANDUM

TO: Lynne T. Winston, Inspector General
FROM: Rick Akin, Director
SUBJECT: H&R Response, Audit of Inspection Performance Measures
DATE: April 2, 2018

The Division of Hotels and Restaurants received and carefully reviewed the Office of Inspector General (OIG) preliminary and tentative report regarding the Audit of Performance Measure Validity and Reliability: Division of Hotels and Restaurants inspection-Related Measures (A-01617BPR-023). We appreciate the work done by your Office in completion of this audit. The Division is pleased the OIG's independent audit results revealed sound and accurate methods for legislative performance measure validation and reliability.

There was one finding in the audit, and the division has been working diligently to meet or exceed approved performance measure standards utilizing efficiencies where available. The division agrees that further approaches are required to address this current deficiency.

Finding 1 – The division has struggled to meet approved legislative standards for the food service and lodging inspection measures.

The division will compile an approach to address the shortfall in meeting approved legislative standards for the food service and lodging inspection measures. The division’s methodology for consideration during the next legislative session will include, but is not limited to, an updated inspector incentive proposal and a potential request for increased staffing. The division will continue to seek out efficiencies and new solutions to address the situation.

Please let me know if we can be of any further assistance.

cc: Reginald Dixon, Chief of Staff
    Andrew Fier, Deputy Secretary of Business Regulation
    Steven von Bodungen, Assistant Director, Division of Hotels and Restaurants