



**Mecklenburg County
Department of Internal Audit**

Mecklenburg County Health Department
Restaurant Inspections
Report 1563

September 30, 2016

Internal Audit's Mission To support key stakeholders in cultivating an environment of accountability, transparency and good governance.

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MECKLENBURG COUNTY
Department of Internal Audit

To: Dr. Marcus Plescia, Director, Health Department
From: Joanne Prakapas, Director, Department of Internal
Date: Audit September 30, 2016
Subject: Restaurant Inspections Report 1563

The Department of Internal Audit has completed its audit of the restaurant inspections process to determine whether internal controls effectively manage key business risks inherent to the activity. The scope of this audit was limited to a review of the food sanitation inspection program for restaurants and excluded the permit process for new restaurants.

Internal Audit interviewed key personnel; reviewed and evaluated policies, procedures, and other documents; accompanied agency personnel on restaurant inspections; and tested various activities for restaurant inspections that occurred July 1, 2012 through June 30, 2015.

This audit was conducted in conformance with The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing. 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 our findings and conclusions based on our audit objectives.

OVERALL EVALUATION

Overall, key risks inherent to the restaurant inspections process were managed to an acceptable level; however, opportunities exist to improve the design and operation of some control activities.

RISK OBSERVATION SUMMARY

The table below summarizes the risk observations identified during the course of the audit, grouped by the associated risk factor, and defined in Appendix A. The criticality or significance of each risk factor, as well as Internal Audit’s assessment of the design and operation of key controls to effectively mitigate the risks, are indicated by the color codes described in Appendix B.

RISK OBSERVATION SUMMARY			
Risk Factors and Observations	Criticality	Design	Operation
1. Policies and Procedures Risk	●	●	●
1.1 Formal Documentation			
2. Inspection Risk	●	●	●
2.1 Documentation Reviews 2.2 Supervisor Inspections 2.3 Quality Assurance Assessments			
3. Compliance Risk	●	●	●
3.1 Restaurant Inspections 3.2 Enforcement Actions			
4. Documentation Risk	●	●	●
4.1 Records Retention			
5. Human Resources Risk	●	●	●
No risk observations			
6. Segregation of Duties Risk	●	●	●
No risk observations			

The risk observations and management’s risk mitigation strategies are discussed in detail in the attached document. Internal Audit will conduct a follow-up review later to verify management’s action plans have been implemented and are working as expected.

We appreciate the cooperation you and your staff provided during this audit. Please feel free to contact me at 980-314-2889 if you have any questions or concerns.

- c: County Manager
- Assistant County Managers
- Deputy County Attorney
- Senior County Attorney
- Board of County Commissioners
- Audit Review Committee

BACKGROUND

The Mecklenburg County Food and Facilities Sanitation Program is a component of the Environmental Health Division (EHD) within the Mecklenburg County Health Department. The mandated program, which includes restaurant inspections, is administered in accordance with North Carolina General Statutes Chapter §130A.

The main goal of the EHD is to prevent the spread of disease by ensuring proper sanitation; safe food and water; proper waste disposal; and pest management. The EHD is responsible for conducting inspections of over 3,700 food service establishments, which includes restaurants, food trucks, etc., to ensure the facilities maintain adequate sanitation. In addition, EHD staff reviews plans for new and existing food service facilities. Staff also investigates complaints of unsanitary conditions, poor food handling practices, and provides educational information to workers to help prevent foodborne illnesses.

Restaurant Inspections

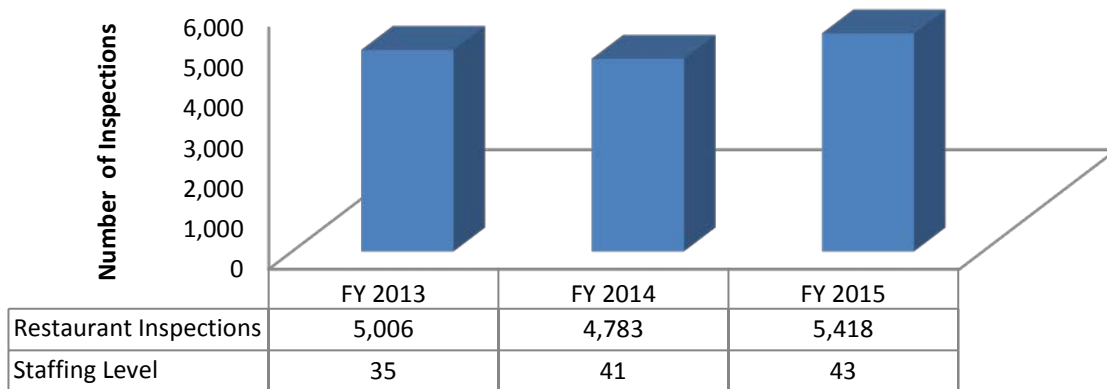
After a restaurant has its initial review to obtain an operating permit, the EHD conducts routine inspections up to four times a year. The inspection frequency is based on the restaurant's risk category assigned by the EHD. The North Carolina State Administrative Code defines the risk categories and inspection frequency and requires 100% compliance. The accounting period for determining compliance is the fiscal year beginning July 1 and ending June 30.

Inspection Frequency for Food Service Establishments		
Risk Category	Category Definition	Annual Inspection Frequency
Risk Category I	Food service establishments that prepare only non-potentially hazardous foods.	One
Risk Category II	Food service establishments that cook and cool no more than two hazardous foods.	Two
Risk Category III	Food service establishments that cook and cool no more than three hazardous foods.	Three
Risk Category IV	Food service establishments that cook and cool an unlimited number of potentially hazardous foods. Also applies to facilities using specialized processes.	Four

Source: Title 10A of North Carolina Administrative Code 46.0213

From FY 2013 to FY 2015, the EHD conducted 15,207 restaurant inspections. The following graph summarizes the number of inspections performed each year and available staff authorized to perform restaurant inspections.

Restaurant Inspections



Source: Auditor analysis of EHD data, unaudited

Inspection Violations

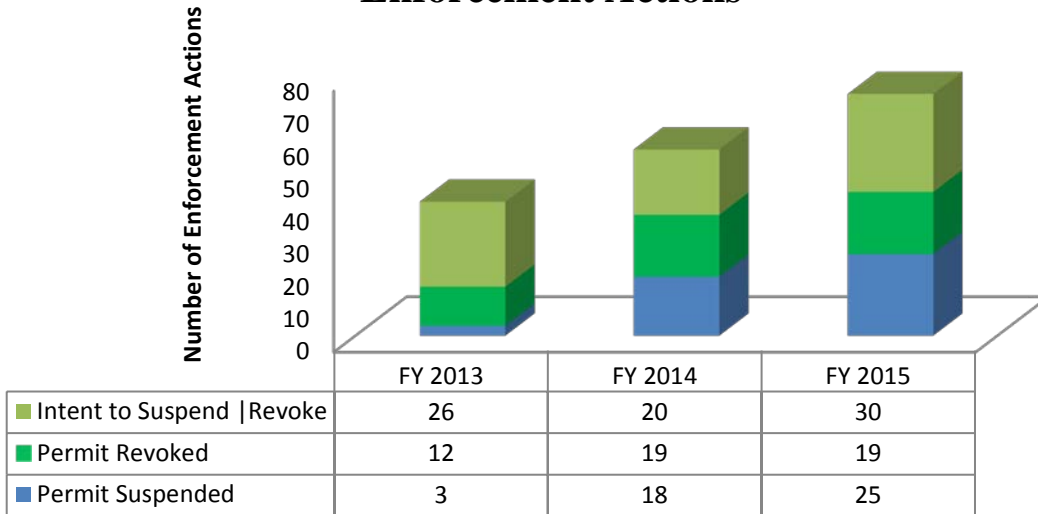
The EHD enforces compliance with State sanitary codes when violations are identified during inspections. If significant violations are not corrected during the course of the inspection, the EHD will conduct a subsequent inspection within 10 days to ensure violations have been corrected. Significant violations are categorized as either “priority foundation” or “priority” violations. Priority foundation violations are key support items, e.g., lacking metal-stem thermometers in the kitchen or soap or paper towels in the lavatory. When left uncorrected, these violations could lead to priority violations. Priority violations directly increase the hazards associated with foodborne illness, such as improper food temperatures or poor employee hygiene.

Enforcement Actions

Certain violations observed during an inspection deemed an imminent risk may result in an enforcement action. Over the past three fiscal years, the EHD has identified violations resulting in nearly 180 enforcement actions. The EHD classifies an enforcement action as either a) an *intent* to suspend or revoke a restaurant permit or b) an *actual* permit suspension or revocation.

- A restaurant with an intent to suspend or revoke enforcement action has 30 days to correct the violation. If not corrected within 30 days, the restaurant’s permit may be suspended or revoked depending on the type of violation(s).
- A permit suspension prevents the restaurant from preparing or serving food until the violation is corrected.
- A permit revocation invalidates the restaurant’s permit to serve food and the owner must obtain a new permit to resume operations.

Enforcement Actions



Source: EHD data, unaudited

Qualifications and Training

The EHD requires staff to register with the State Board of Environmental Health Specialist Examiners (the State Board) and become Registered Environmental Health Specialists (REHS) through the State Board within three years of their initial registration. They must also meet the State Department of Health and Human Services (DHHS) authorization and training requirements. Once environmental specialists obtain their REHS designation, they must complete a minimum of 15 hours of continuing education each year.

Quality Assurance Program

To ensure uniformity among environmental health specialists in the interpretation of laws, regulations, program policies, and compliance/enforcement procedures, EHD management implemented an ongoing quality assurance program. Key program aspects include formal policies and procedures, required training, and management reviews, such as ride-along and ride-behind assessments. In a ride-along assessment, the EHD supervisor observes the environmental specialist’s inspection and provides him or her feedback shortly thereafter. In a ride-behind assessment, the restaurant operator provides EHD management with feedback on various aspects of the inspection process. Both assessments evaluate and measure key inspection activities.

COUNTY MANAGER’S OVERALL RESPONSE

The County Manager concurs with all risk mitigation strategies and timeframes for implementation.

RISK OBSERVATIONS AND MITIGATION STRATEGIES

Risk Factor	Criticality	Design	Operation
1. Policies and Procedures Risk	●	●	●

Risk Observation

- 1.1 Formal Documentation—While the EHD has formal, documented policies and procedures for many aspects of its restaurant inspections program, some procedures did not reflect current and/or best practices. Yet, policies and procedures are important control activities to help management ensure its directives are carried out while mitigating risks that may prevent the organization from achieving its objectives.

Inspection activities impacted include:

- Quality assurance
- Record retention
- Inspection scheduling

Recommendation

- 1.1 Internal Audit recommends management review and update policies and procedures to reflect current and best practices in the following areas:
- Quality assurance activities, to include quality monitoring criteria and guidelines on management’s application of such criteria
 - Record retention and disposal requirements, including processes to determine appropriate retention requirements were met
 - Inspection scheduling, including staff assignment and inspection prioritization

Management’s Risk Mitigation Strategies

- 1.1 Quality Assurance Activities—Supervisors will be accountable for ensuring that quality assurance is completed for each assigned staff at a frequency specified in both an updated quality assurance policy and individual work plans. They will use a standardized field assessment tool and marking instructions. The results of each assessment will be tabulated on a spreadsheet, and critical measures reported quarterly by the Program Manager to the Division Director and Health Department Division Quality Improvement staff.

All supervisors received training by North Carolina DHHS staff on the use of this assessment tool in FY 2015. Additionally, in FY 2015 all supervisors were FDA standardized, meaning that they have been assessed and found to be fully knowledgeable in the application and interpretation of the most current version of the FDA Food Code, upon which the North Carolina Food Code is based. All

policy revisions, forms, marking instructions, and spreadsheets will be in place by the end of July 31, 2016.

Record Retention and Disposal Requirements—A new policy will be created by the end of July 2016 to address the procedure for quality assurance of records being scanned into OnBase to ensure that records are properly retained. The policy will address clarity of the scanned images and address quality assurance steps needed to ensure the documents are correctly indexed and categorized. A form to document the review will be developed simultaneously with the policy.

Training will be provided to the individual(s) responsible for the review and it will be added to their work plan. Through FY 2014 into FY 2015 all paper records were scanned into OnBase and all other inspection records are retained in the inspection database and are currently being retained forever. No paper inspection records are stored in the office. We will work with IT staff to have unneeded records removed in accordance with state records retention requirements mandated by the North Carolina Department of Cultural Resources.

Inspection Scheduling— Current territories based on corrected parcel numbers are in the process of being created for a more equitable distribution of workload. Expected completion of this project is December 31, 2016. In addition, facilities are being evaluated to ensure that they are assigned correct risk categories which will correct inspection frequency, expected completion by September 30, 2016. Policies and procedures will be revised to reflect changes by July 31, 2016.

We will work with our Environmental Health Analyst to determine a way to flag foodservice establishments using our current priority assignment system to ensure that high risk, low performing establishments do not miss inspections. Policies and procedures will be revised to reflect changes by July 31, 2016. Staff work plans will include this requirement as well. Work plans will be revised and signed during October 2016 and the priority list tested and ready to use by November 1, 2016.

Environmental Health will contact GIS by September 1, 2016 to determine if there are routing efficiency recommendations or applications that we can implement to improve inspection performance.

Risk Factor	Criticality	Design	Operation
2. Inspection Risk	●	●	●

Risk Observations

- 2.1 Documentation Reviews—The EHD did not perform file reviews of restaurant inspection documentation as required by the EHD policies and procedures to ensure inspection quality standards were met.
- 2.2 Supervisor Inspections—The EHD did not perform ride-along and ride-behind assessments for restaurant inspections conducted by supervisors. Inspection performance that is not adequately monitored could have a direct and negative impact on food safety and public health.

- 2.3 Quality Assurance Assessments—The EHD did not complete the required ride-along and ride-behind assessments for 11 of 17 environmental specialists. In addition, the EHD did not use their standard assessment form for three of 16 environmental specialists to ensure consistent criteria were applied in all quality assurance assessments. Inconsistent assessment performance could have a direct and negative impact on food safety and public health.

Recommendations

- 2.1 Internal Audit recommends management ensure required file reviews of inspection documentation are conducted.
- 2.2 Internal Audit recommends management ensure restaurant inspections performed by supervisors are subject to quality assurance assessments.
- 2.3 Internal Audit recommends management ensure quality assurance assessments are consistently performed, documented, and maintained.

Management's Risk Mitigation Strategies

- 2.1 Specific requirements for inspection documentation review will be added to the quality assurance policy, along with a standardized form to capture the review and marking instructions. All will be in place by the end of July 2016 and file review will be implemented by October 1, 2016. Data captured will be available by January 15, 2017.
- 2.2 Inspection consistency between the six Food and Facilities Sanitation (F&FS) supervisors is vitally important. In FY 2015, to begin addressing this issue, all F&FS supervisors were Food and Drug Administration (FDA) standardized, meaning that they have been assessed and found to be fully knowledgeable in the application and interpretation of the most current version of the FDA Food Code, upon which the North Carolina Food Code is based. This standardization creates the foundation on which the following processes will be built.
- The FDA Regional Retail Food Specialist has standardized two of the six supervisors. They serve as the Standards for this Department and are required, as part of this designation, to complete staff standardizations yearly and to attend the annual Southeast Regional FDA Food Safety Conference to ensure that they maintain their knowledge base and are kept informed of the latest developments in food safety. Beginning in FY 2017, each of these Standards will complete two standardizing inspections with two of the remaining four supervisors yearly.
 - The Program Manager will complete an annual field inspection assessment of each supervisor, utilizing a standardized assessment tool and marking instructions. The quality assurance policy will be revised to reflect this change.
 - Both projects will be implemented beginning October 1, 2016 with information available for three quarters of the fiscal year at the end of FY 2017.
- 2.3 The measures put in place in 2.1 and 2.2 of this Risk Observation should accomplish this goal. All supervisors will be held accountable for quality assurance assessments beginning October 1, 2016.

Risk Factor	Criticality	Design	Operation
3. Compliance Risk	●	●	●

Risk Observations

- 3.1 Restaurant Inspections—The EHD did not always complete restaurant inspections at the frequency required by Title 10A of North Carolina Administrative Code 46.0213, which could have a direct and negative impact on food safety and public health.

The table below represents the number of inspections completed verses inspections required for FY 2013 through FY 2015.

Restaurant Inspections Completed vs. Inspections Required						
Risk Category	FY 2013		FY 2014		FY 2015	
	Inspections Completed	Completion Percentage	Inspections Completed	Completion Percentage	Inspections Completed	Completion Percentage
I	43 of 49	88%	24 of 26	92%	25 of 27	93%
II	939 of 1,129	83%	892 of 1,150	78%	1,091 of 1,158	94%
III	1,515 of 1,908	79%	1,298 of 1,876	69%	1,635 of 1,958	84%
IV	2,509 of 3,634	69%	2,569 of 3,750	69%	2,667 of 3,720	72%
Total	5,006 of 6,720	74%	4,783 of 6,802	70%	5,418 of 6,863	79%

- 3.2 Enforcement Actions—Four of 42 or 9.5% of enforcement actions sampled did not contain the restaurant person-in-charge signature as required by EHD policy. Yet, the person-in-charge signature acknowledges the restaurant inspection was conducted and the results were communicated by EHD staff.

Recommendations

- 3.1 Internal Audit recommends management continue to seek strategies that increase the efficiency of the inspection process and the number of required inspections performed. Strategies could include, but are not limited to:
- Continually assessing the use of emerging technology
 - Periodically evaluating adequacy of staffing levels
 - Centralizing the inspection scheduling process
 - Using compliance history as an additional criterion to determine inspection frequency
 - Leveraging geospatial data for routing inspections
- 3.2 Internal Audit recommends management ensure staff captures the restaurant person-in-charge signatures on all enforcement actions. They should also review documentation for completeness and accuracy.

Management’s Risk Mitigation Strategies

3.1 Preliminary results for FY 2016 indicate an increase of over 30% in inspections compared to FY 2015 results. This was accomplished by completing State authorization requirements for nine positions, which included seven vacancies and two betterment positions, before the end of December 2015. We also were able to hire an authorized individual in the spring of 2016 to fill a vacancy. We believe that we can continue this upward climb in FY 2017 by the following strategies:

- Hiring one additional staff from an approved betterment in September 2016, anticipating 5 to 8 months of training prior to authorization;
- Continued improvement in employee retention through initiatives created by the Environmental Health Quality Improvement team in FY 2016;
- Requesting a manpower study from North Carolina DHHS by September 1, 2016;
- Realignment of current territories to create a more equitable distribution of workload by January 1, 2017 and;
- Evaluating facilities to ensure that they are assigned correct risk categories which will correct inspection frequency by September 30, 2016.
- Working with our Environmental Health Analyst to determine a way to flag foodservice establishments using our current priority assignment system to ensure that high risk, low performing establishments do not miss inspections. Staff work plans will include this requirement as well. Revised priority list tested and implemented by November 1, 2016.
- Environmental Health will contact GIS by September 1, 2016 to determine if there are routing efficiency recommendations or applications that we can implement to improve inspection performance.

3.2 Supervisors will review 100% of all enforcement actions for accuracy and completeness. All staff will receive training on this documentation in August 2016.

Risk Factor	Criticality	Design	Operation
4. Documentation Risk	●	●	●

Risk Observation

4.1 Records Retention—The EHD did not have a process in place to ensure proper documentation was maintained in compliance with applicable retention requirements mandated by the North Carolina Department of Cultural Resources.

Recommendation

4.1 Internal Audit recommends management include record retention as a component of the EHD’s quality assurance program.

Management's Risk Mitigation Strategies




- 4.1 A new policy will be created by the end of July 2016 to address the procedure for quality assurance of records being scanned into OnBase to ensure that records are properly retained. The policy will address clarity of the scanned images and address quality assurance steps needed to ensure the documents are correctly indexed and categorized. A form to document the review will be developed simultaneously with the policy. Training will be provided to the individual(s) responsible for the review and it will be added to their work plan. This will be initiated beginning January 1, 2017 due to a vacancy in the Division. Through FY 2014 into FY 2015 all paper records were scanned into OnBase and all other inspection records are retained in the inspection database and are currently being retained forever. No paper inspection records are stored in the office. We will work with IT staff to have unneeded records removed in accordance with state records retention requirements mandated by the North Carolina Department of Cultural Resources.

APPENDIX A—Risk Factor Definitions




Risk Factor	Definition
Policies and Procedures Risk	Policies and procedure that are non-existent, ineffective, unclear, or outdated may result in poorly executed processes and/or increased operating costs.
Inspection Risk	Failure to perform accurate and/or complete restaurant inspections may result in the agency’s inability to provide adequate assurance to the public, the State, and other key stakeholders that restaurants meet sanitation and food handling compliance requirements.
Compliance Risk	Lack of compliance with established policies, procedures, and/or statutory requirements may result in unacceptable performance that impacts financial, operational, or customer objectives.
Documentation Risk	Failure to adequately collect, file, and retain key documentation may result in lack of accountability and/or evidence of inspection information and support.
Human Resources Risk	Failure to attract, train, develop, deploy, and/or empower competent personnel may inhibit the organization's ability to execute, manage, and monitor key business activities.
Segregation of Duties Risk	Inadequately segregated duties may allow an employee or group of employees to both perpetrate and conceal errors or irregularities without timely detection.

APPENDIX B—Color Code Definitions

The criticality of a risk factor represents the level of potential exposure to the organization and/or to the achievement of process-level objectives before consideration of any controls in place (inherent risk).

Criticality	Significance and Priority of Action
	The inherent risk poses or could pose a significant level of exposure to the organization and/or to the achievement of process level objectives. Therefore, management should take immediate action to address risk observations related to this risk factor.
	The inherent risk poses or could pose a moderate level of exposure to the organization and/or to the achievement of process level objectives. Therefore, management should take prompt action to address risk observations related to this risk factor.
	The inherent risk poses or could pose a minimal level of exposure to the organization and/or to the achievement of process level objectives. Risk observations related to this risk factor, however, may provide opportunities to further reduce the risk to a more desirable level.

The assessment of the design and operation of key controls indicates Internal Audit’s judgment of the adequacy of the process and system design to mitigate risks to an acceptable level.

Assessment	Design of Key Controls	Operation of Key Controls
	The process and system design does not appear to be adequate to manage the risk to an acceptable level.	The operation of the process’ risk management capabilities is not consistently effective to manage the risk to an acceptable level.
	The process and system design appear to be adequate to manage the risk to an acceptable level. Failure to consistently perform key risk management activities may, however, result in some exposure even if other tasks are completed as designed.	The operation of the process’ risk management capabilities is only partially sufficient to manage the risk to an acceptable level.
	The process and system design appear to be adequate to manage the risk to an acceptable level.	The operation of the process’ risk management capabilities appears to be sufficient to manage the risk to an acceptable level.