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Date: June 20, 2015

To: Audit, Finance and Enterprise Committee

CC: John Pombier, Assistant City Manager  
Harry Beck, Fire Chief  
Mike Dunn, Assistant Fire Chief  
John Locklin, Deputy Chief/Fire Marshal

From: Jennifer Ruttman, City Auditor

Subject: MFMD – Fire Prevention Audit Follow-up Review

Pursuant to the Council-approved Audit Plan, the City Auditor's office has completed a follow-up review of the MFMD Fire Prevention Division. The report is attached. Due to the number of recommendations that were not fully implemented, we plan to conduct another follow-up review later this year. Please feel free to contact me with any questions or concerns.

## **FOLLOW-UP REVIEW**

**CITY AUDITOR**

<b>Report Date:</b>	<b>June 20, 2016</b>
<b>Department:</b>	<b>Mesa Fire and Medical Department (MFMD)</b>
<b>Subject:</b>	<b>Fire Prevention Division</b>
<b>Lead Auditor:</b>	<b>Dawn von Epp, Sr. Internal Auditor</b>

### **OBJECTIVE**

The objective of this review was to determine whether the Mesa Fire and Medical Department (MFMD) effectively implemented the action plans presented in response to our July 2014 Fire Prevention audit report.

### **SCOPE & METHODOLOGY**

To accomplish our objective, we reviewed departmental procedures, interviewed staff, and analyzed financial and inspection data for the 2015 calendar year.

### **BACKGROUND**

In July 2014, we issued a report on our audit of the Fire Prevention Division of MFMD. The objective of that audit was to evaluate internal controls related to services, fees and charges administered by the Division. The audit report included the following six recommendations:

1. Develop and implement a plan to balance inspection demand with available resources.
2. Develop written procedures for critical tasks.
3. Strengthen oversight to ensure achievement of compliance and performance objectives.
4. Work with Facilities Maintenance to ensure code violations in City buildings are corrected in a timely manner.
5. Partner with ITD and Accounting to identify and resolve system issues.
6. Perform routine reconciliations/reviews to ensure payments are posted to the correct accounts, appropriate adjustments are made to receivables, and payment data is consistently recorded in the FireHouse system.

### **CONCLUSION**

Two of the six recommendations (#4 and #5, above) were successfully implemented, and the remaining four were partially implemented. A complete list of the original corrective action plans, along with detailed information regarding their implementation status, is presented in the attached Appendix.

In our opinion, management should continue to work on implementing corrective actions to address the issues identified in the audit and follow-up review. Our updated recommendations, along with responses from MFMD, are listed below. We plan to conduct another follow-up review in approximately 9 months.

## **RECOMMENDATIONS & RESPONSES**

- 1. Recommendation:** Management should regularly monitor to ensure that inspections are completed in compliance with established risk-based priorities.

**Management Response:** "Management will effectively monitor inspections using newly introduced iPad and reconfigured Firehouse Software. New program will allow the Sr. Program Assistant to more efficiently schedule inspections to meet our productivity standards and risk-based priorities."

- 2. Recommendation:** When inspection activity reports are provided to City management, the percentage of completion toward meeting the adopted standards (with regard to inspection frequency) should also be included in order to provide context.

**Management Response:** "Monthly report will be updated to include percentage of inspections completed fiscal year to date toward meeting the adopted standards and broken down between billable highs and mediums. (Falcon hangars and city facilities are inspected but are not billable and will not be included in this report.)"

- 3. Recommendation:** Staff should develop written procedures for invoicing activities, to ensure accuracy and consistency, and to maintain continuity of operations when employee turnover occurs.

**Management Response:** "Sr. Program Assistant will create a process document for all invoicing activities."

- 4. Recommendation:** Management should implement a process to ensure that follow-up inspections are conducted when required, and that all applicable fees are invoiced in a timely manner. Management should also regularly monitor these activities for compliance with established procedures.

**Management Response:** "The implementation of the iPad and Accela will assist management in accomplishing this goal. The iPad will visually identify all occupancies within an inspector's district that are due for follow-up inspection. Assistant Fire Marshal will check follow ups on a monthly basis to make sure they are completing these inspections within the guidelines. Accela will allow for immediate invoicing when follow-up is completed."

- 5. Recommendation:** Staff should complete all necessary revenue posting corrections, and should eliminate any remaining backlog of open Accounts Receivable documents. In

addition, regardless of existing backlogs, staff should perform monthly reconciliations to ensure that current payments are posted to the correct accounts, receivables are adjusted, and payments are accurately and consistently recorded in the FireHouse system.

**Management Response:** "Sr. Program Assistant will continue to reconcile Firehouse to Advantage line-by-line until all accounts are current. Sr. Program Assistant will also start doing a monthly reconciliation now."

**APPENDIX / CAP IMPLEMENTATION STATUS REPORT**

✓ = Implemented

◆ = In Progress

✗ = Not Implemented

<b><u>Corrective Action</u></b>	<b><u>Implementation Status</u></b>	
<b>CAP#1: Develop a plan to balance inspection demand with available resources.</b>		
<p><b>Recommendation 1:</b> Develop and implement a plan to more closely match the established inspection schedule with the resources available to sustain it. This may require increasing the available resources, decreasing the frequency of inspections, changing the service delivery model, or a combination thereof. To determine the most appropriate balance, a detailed risk analysis should be performed.</p> <p><b>Management Response:</b> Fire Prevention will be pursuing a request to the Public Safety Committee presenting such options as:</p> <ul style="list-style-type: none"> <li>• Option 1: Hiring 4 new staff members under the current fee schedule. (Each Inspectors salary is already cost recovered at 80% of their total salary which means if we hire 4, 3 would be fully funded and the city would only have to cover 1 position.)</li> <li>• Option 2: Hiring 4 new staff members under an increase in fees. (This would fully fund all new Inspectors with the possibility of covering salaries of all current Inspectors, there has been no increase in fees since initial ordinance in 2007.)</li> <li>• Option 3: Changing our inspection frequency and performing a risk assessment to possibly reorganize hazard classifications to meet the goals with the current staffing levels.</li> </ul> <p>In the meantime we will do a risk assessment to ensure that we are meeting the goals and objectives set by the Fire Prevention bureau with the current staff intact with no changes to the inspection frequency. This could be a long term solution yet we do not feel this strategy is all inclusive as our current model attempts to be.</p>	<p><b>In Progress (Not Effectively Implemented)</b></p> <p>Early in 2015, changes were implemented to increase inspector productivity to a level which, in theory, would have met the inspection demand at that time.</p> <p>However, in July 2015 the inspection frequency requirements were changed in order to match National Fire Protection Agency (NFPA) standards. As a result, as of January 2016, only about 75% of required inspections are being completed in accordance with the new schedule. Also, this is not a metric monitored by Division management.</p> <p>Lastly, internal controls could be improved to systematically ensure that all required inspections are conducted, and that they are prioritized to reduce overall risk. Currently, individual Fire Inspectors are expected to prioritize and complete daily inspections from both high and medium risk types within assigned geographical areas.</p>	<p>◆</p>
<b>CAP#2: Develop written procedures and improve management oversight.</b>		
<p><b>Recommendation 1:</b> Develop written procedures that provide clear guidance to staff at a level of detail necessary to ensure critical tasks are completed correctly and consistently, in accordance with Division policies and management's expectations.</p>	<p><b>In Progress</b></p> <p>An SOP was developed that provides guidance to Inspectors. However, procedures regarding</p>	<p>◆</p>

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<b><u>Corrective Action</u></b>	<b><u>Implementation Status</u></b>	
<p><b>Management Response:</b> To ensure policies are followed, the Assistant Fire Marshal will develop written procedures for scheduling inspections, verifying payment of fees, checking for violations, and other critical task procedures. Currently the Assistant Fire Marshal is writing a goal oriented procedure for uniform completion of fire inspections. Formal training on the procedure will be conducted prior to implementation. To address training needs and requirements for inspectors the Assistant Fire Marshal will begin monthly mandatory training beginning November 3<sup>rd</sup> to ensure consistency and efficiency by all inspectors. The Sr. Program Assistant will develop written procedures for invoicing and FSOP permitting. The most critical written procedures will be completed by January 1, 2015.</p>	<p>invoicing activities have not been developed due to a planned system replacement (scheduled for July 2016).</p>	
<p><b>Recommendation 2:</b> Strengthen and increase the frequency of management oversight activities to ensure compliance with procedures and achievement of key objectives. Useful reports should be developed and regularly reviewed to identify exceptions, monitor specific activities and metrics, and analyze resource needs.</p> <p><b>Management Response:</b> Management will create reports that are monitored quarterly by management to ensure processes are being followed. All reports to be completed by January 1, 2015. Additionally, the Fire Marshal has reinstated a chain of command model. The Assistant Fire Marshal is responsible for direct oversight of daily activity of all inspectors. All inspectors will report operational issues, training needs, and customer relations issues directly to the Assistant Fire Marshal for timely disposition.</p>	<p><b>In Progress</b></p> <p>There has been an increase in oversight; however, the efforts have been narrowly focused on productivity targets. Management established and monitored monthly quotas for regularly scheduled inspections, but not for follow-up inspections or other activities.</p> <p>In contrast, activities that were not specifically measured or monitored did not improve. For example, follow-up inspections were not always conducted in a timely manner; and invoices were not always issued for follow-up inspection fees.</p>	<p></p>

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<b>CAP#3: Improve the process for ensuring violations in City occupancies are resolved.</b>		
<p><b>Recommendation 1:</b> Develop an <i>actionable</i> plan to hold the Facilities Maintenance Department accountable for correcting City occupancy code violations in a timely manner. <i>[Note: We believe that compliance would be more likely if there were a predetermined course of action to be taken at defined intervals, similar to the process followed for commercial occupancies. We also acknowledge that this will require support from the City Manager's office.]</i></p> <p><b>Management Response:</b> Fire Prevention will create a policy that will outline the regulations for inspections performed on City buildings, including frequency and compliance. It is suggested that violations in any city building be submitted to a central person in Facilities. From her/him, violation correction orders can be given to an appropriate Facilities member either on site or otherwise assigned. The Assistant Fire Marshal will support that process as required. In partnership with Fire Prevention and Facilities Maintenance this policy will be put into both divisions operational procedures. Results of these inspections and follow ups will be included in month end reports. The policy will be completed by January 1, 2015.</p>	<b>Implemented</b>	
<b>CAP#4: Resolve system-related issues.</b>		
<p><b>Recommendation 1:</b> Partner with ITD and Accounting to identify/resolve system issues.</p> <p><b>Management Response:</b> We will have a meeting with ITD and Accounting to identify issues between iNovah, Firehouse and Advantage to ensure all invoices and payments are reaching all systems correctly. Meeting to be schedule in month of November. Corrections will be made as soon as Accounting and ITD have time to work with Prevention in getting these items corrected.</p>	<b>Implemented</b>	
<p><b>Recommendation 2:</b> Perform routine reconciliations and reviews to ensure that payments are posted to the correct accounts, appropriate adjustments are made to</p>	<b>In Progress</b>	

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<p>receivables, and payment data is consistently recorded in the FireHouse system.</p> <p><b>Management Response:</b> We will initiate the meeting with Accounting in November to do a primary reconciliation between Firehouse records and Advantage records to ensure that all accounts match. Once that initial reconciliation is complete a month end report will be ran out of both systems so that reconciliation will be completed each month.</p>	<p>As of January 2016, Fire Prevention and Accounts Receivable had reconciled approximately 53% of the previously identified discrepancies, and had not yet begun performing month-end reconciliations.</p>