Date: November 4, 2013

To: Audit, Finance & Enterprise Committee

cc: John Pombier, Deputy City Manager
            Harry Beck, Fire Chief
            Jim Bloomer, Assistant Fire Chief

From: Jennifer Ruttman, City Auditor

Subject: Audit Follow-up Review – MFMD Emergency Management

Pursuant to the Council-approved Audit Plan, the City Auditor's office has completed a follow-up review of our 2012 audit of the MFMD Emergency Management Division. The final report is attached. The report includes 3 recommendations with responses from management. Please feel free to contact me you have any questions.

Report Date:	**August 29, 2013**
Department:	**Mesa Fire & Medical Department (MFMD)**
Subject:	**Emergency Management**
Lead Auditor:	**Dawn von Epp**

OBJECTIVES

The objective of this follow-up review was to determine whether the corrective action plans developed by the department in response to our 2012 audit of Emergency Management have been effectively implemented.

SCOPE & METHODOLOGY

To accomplish our objective, we interviewed key personnel; reviewed federal, state and city grant requirements; reviewed grant-related documentation; and performed other audit tests as required.

BACKGROUND

In April 2012, we issued a report on our audit of the Mesa Fire & Medical Department's Emergency Management Division. The objectives of that audit were to verify compliance with grant requirements, statutes and policies; evaluate internal controls related to procurement, reimbursement and asset management; and determine whether perishable items are adequately monitored to ensure appropriate and timely disposition.

Based on our audit findings, we made eight recommendations for improvement, primarily in the areas of asset management and management oversight. The MFMD prepared action plans in response to each of our recommendations. For a detailed list of these action plans, and our assessment of their implementation status at the time of this review, please see the attached Appendix. A summarized status report is shown below, followed by a new list of recommendations and the department's responses.

CONCLUSION

In our opinion, at the time of this review, the implementation status for the eight corrective action plans can be summarized as follows:

Status	Count
Effectively implemented	4
Implemented, but needs improvement	1
Partially implemented	1
Not implemented	2

RECOMMENDATIONS

1. To the extent possible, segregate the duties associated with performing periodic inventory counts from those associated with maintaining the inventory records and managing the physical assets. Segregation of duties protects not only the City and its grantors, but also protects the employee. If this is not possible, additional compensating controls should be implemented to mitigate the associated risks.

2. All required information related to grant-funded assets with a cost of $5,000 or more should be added to the current asset management database.

3. Develop and ensure compliance with the following new procedures:

   a. Grant Asset Disposal – Develop a procedure that ensures compliance with the Arizona DOHS Equipment Disposition Guidance issued in September 2012, as well as addressing tracking grant funded assets that have the potential to be disposed of through methods outside of Fire EM/WMD processes.

   b. Grant Asset Utilization – Develop a procedure that identifies grant funded assets that are not being utilized for their intended purpose, and ensures notification to Arizona DOHS, per grant requirements.

MANAGEMENT RESPONSE

Recommendation #1:

Beginning immediately, inventories will be performed perpetually with individual or multiple locations counted each month, following a set schedule. WMD inventories will be conducted by Fire Resource personnel and Fire Resource inventories will be conducted by WMD personnel.

Recommendation #2:

All items have been added to the system.

Recommendation #3:

a. Grant Asset Disposal – Per Arizona DOHS Equipment Disposition Guidance, when equipment is decommissioned the status will be updated on the AZDOHS Property Control Form. All grant funded equipment that was procured for use by a different division within the city, will be tagged with disposal notification labels.

b. Grant Asset Utilization – Grant funded assets that are not being utilized for their intended purpose will be entered into the asset manager data base, reflecting their new use and location. Notification will be made to AZDOHS on the AZDOHS Property Control Form.

(Items a. and b. have been added to our resource management procedures manual.)

APPENDIX

Corrective Action	Implementation Status
CAP#1: Improve Grant Funded Asset Management	

Recommendation #1-1: Fire EM should develop and follow a schedule for conducting physical inventories of grant funded assets at least once every two years. As part of each scheduled inventory:
  a. Asset records should be reconciled to physical inventory.
  b. Discrepancies and resulting adjustments should be reviewed by senior management, and any irregularities or other anomalies should be addressed and documented.
  c. All documentation should be retained in accordance with records retention guidelines.
 	
Management Response: *Physical inventory audits for all capital assets will be completed every 2 years. The first inventory will be completed by Dec. 2012. Any discrepancies between the physical inventory and the asset records will be reviewed and addressed by management. Fire EM will follow federal and city guidelines for record retention and will add those guidelines to EM SOP's.*
	Implemented but Needs Improvement
	
	A physical inventory was completed in March 2013; however, the following issues should be addressed:
	• Lack of segregation of duties – the inventory was performed by the same individual who manages the warehouse and maintains the records.
	• Non-compliance with the Arizona Department of Homeland Security (AZ DOHS) Equipment Disposition process.
	• Older assets that were not in the database were not included in the inventory.

Recommendation #1-2: All grant funded capital assets should be accurately recorded in the EEMS Asset Tracker database. Missing data, such as serial numbers, locations (if applicable), acquisition dates, etc., should be researched and added to the database. **Management Response**: *All grant funded capital assets will be added to the EEMS asset tracker database. This will be completed by Dec. 2012. Missing data will be researched and added to the data base.*	*Partially Implemented* As of this review: • Only 39 of the 149 capital assets in question have been added to the database. • Only 120 of the 244 capital asset records in question have been updated to include missing data.
Recommendation #1-3: Fire EM should develop a procedure to ensure accurate tracking of grant funded assets that have the potential to be disposed of through methods outside of the Fire Department (i.e. computers that may be cycle-replaced by ITD), to ensure that disposal details are captured in accordance with federal and state grant guidelines. **Management Response**: *EM SOP's will be written to specifically document the Homeland Security Grant asset disposal process in accordance with Federal and City requirements. Emergency Management will work with Fire ITD and Resource Management to integrate our databases to share information between different departments.*	*Not Implemented* No evidence was found that a Grant Asset Disposal process has been developed.
Recommendation #1-4: Fire EM should develop a procedure that identifies grant funded assets that are not being utilized for their intended purpose. **Management Response**: *MFD EM SOP's will be drafted which documents the Homeland Security Grant asset utilization process. Assets not being utilized will be evaluated and disposed of, as needed, following federal and city guidelines.*	*Not Implemented* No evidence was found that a Grant Asset Utilization process has been developed.

APPENDIX

Corrective Action	Implementation Status
Recommendation #1-5: Standard Operating Procedure (SOPs) should be developed for all EM grant-related activities (including those at the WMD warehouse), to ensure efficiency and continuity of operations as well as compliance with grant requirements. **Management Response**: *MFD EM SOP's will be drafted to clearly identify roles, responsibilities and process used for grant management and the WMD warehouse. This will be completed by Dec. 2012.*	*Implemented* Process documents have been created that capture grant related activities.
CAP#2: Improve Departmental Procedures to Strengthen Management Oversight	
Recommendation #2-1: Fire EM and Management Services staff members should continue conducting monthly grant budget reviews. Fire EM should also consider developing a checklist containing essential activities and associated due dates, or other management oversight tools, to ensure compliance with grant requirements. **Management Response**: *MFD EM will conduct Quarterly budget review meetings. MFD EM will also conduct quarterly meetings with WMD Manager to review asset tracking database and equipment entry. This will begin immediately.*	*Implemented* Grant budget meetings are conducted quarterly and have been effective in providing timely submissions to AZ DOHS.
Recommendation #2-2: The activities necessary to complete the grant closure process should be documented in a Standard Operating Procedure (SOP) to clearly disseminate expectations, minimize disruptions of essential operations during employee absences and ensure compliance with grant requirements. **Management Response**: *MFD Management Services Division has drafted SOP's that clearly disseminates expectations and lines out essential responsibilities. This will assist in the continuation of work flow regardless of personnel. Management Services is also cross training an additional Financial Specialist to ensure continuity of essential operations. The SOP's will be implemented in Sept. 2012.*	*Implemented* The Grant Close Out process has been documented and contains a complete list of all activities and required documents to be submitted to the Arizona Department of Homeland Security. A Program Assistant has been cross trained on AZ DOHS grant activities.
Recommendation #2-3: The grant procurement process should be updated to include controls designed to prevent and/or detect purchases that circumvent established procedures. **Management Response**: *MFD EM has drafted and is now following a Homeland Security Grant procurement process flowchart. This document will be added to our EM SOP's and will be reviewed for compliance at our quarterly grant budget review meetings.*	*Implemented* The grant procurement process flowchart has been updated.