



20 E Main St Suite 820
PO Box 1466
Mesa, Arizona 85211-1466

Date: October 30, 2014

To: Audit, Finance and Enterprise Committee

From: Jennifer Ruttman, City Auditor

Subject: Audit of MFMD Fire Prevention Division

cc: Mayor and Council
John Pombier, Deputy City Manager
Harry Beck, Fire Chief
Mike Dunn, Assistant Chief
Rich Kochanski, Deputy Chief/Fire Marshal

Pursuant to the Council-approved Audit Plan, the City Auditor's office has completed an audit of the Fire Prevention Division of the Mesa Fire and Medical Department. The audit report is attached and includes 4 corrective action plans with responses from management. As is customary, we will follow up in approximately 9-12 months to verify that all planned improvements have been successfully implemented. Please feel free to contact me with any questions or concerns.



20 E Main St Suite 820
PO Box 1466
Mesa, Arizona 85211-1466

AUDIT REPORT

CITY AUDITOR

Report Date:	July 16, 2014
Department:	Mesa Fire and Medical Department (MFMD)
Subject:	Fire Prevention
Lead Auditor:	Dawn von Epp

OBJECTIVE

This audit was conducted to evaluate internal controls related to services, fees and charges administered by the Fire Prevention Division of MFMD.

SCOPE & METHODOLOGY

We interviewed staff members, analyzed data maintained in the MFMD "FireHouse" database, reviewed documents and reports from the Advantage financial system, and performed other tests and procedures as necessary to meet the audit objective. Our scope included reviewing processes related to inspections of commercial occupancies, City owned and privately owned aircraft hangars, and City owned buildings.

BACKGROUND

The Fire Prevention Division is responsible for a variety of functions, including conducting fire hazard inspections, issuing annual Fire Safety Operational Permits (FSOPs), reviewing and approving special permit applications (such as for fireworks tents), and conducting fire investigations. The staff is also responsible for issuing invoices for annual FSOP permit renewals and inspection fees. Fire Prevention Division staff includes the Fire Marshal, Assistant Fire Marshal, 5 Fire Inspectors, 1 Fire Investigator, and 3 support staff.

Commercial occupancies in Mesa are assigned a hazard risk rating of "high", "medium", or "low" based on several factors, including size, use, hazardous materials contained within, etc. The current goal is to conduct inspections on high rated occupancies every 2 years and on medium rated occupancies every 3 years. When violations are discovered, follow-up inspections are scheduled to ensure that the violations are remedied. City owned occupancies are not rated high or medium, but are inspected every 2 years. However, violations found in these buildings are turned over to the Facilities Maintenance Department to remedy. No follow-up inspections are scheduled, but Facilities Maintenance is expected to notify Fire Prevention when the violations have been remedied.

CONCLUSION

In our opinion, effective internal controls are in place to provide reasonable assurance that fees are consistently and accurately charged for completed services, invoices are issued accurately, and payments received are safeguarded from loss. However, to ensure that management's objectives are achieved, process improvements are needed in some areas. A summary of our observations and recommendations is included below. For more detailed explanations, along with responses from management, please see the attached Corrective Action Plans (CAPs).

OBSERVATIONS

1. The current inspection schedule is not achievable or sustainable with the resources available. Inspectors completed only 63.3% of the required inspections and follow-ups during FY 2013 and 55.4% during FY 2014.
2. The Fire Prevention Division lacks written procedures for critical processes. As a result, tasks are not always performed in accordance with expectations and staff turnover is more likely to have a negative impact on continuity of operations. In addition, management oversight activities have been infrequent, inconsistent, and/or ineffective in driving desired outcomes.
3. Code violations found in City occupancies have not been remedied in a timely manner by the Facilities Maintenance Department, and Fire Prevention has historically been unsuccessful in resolving this issue.
4. Information system related discrepancies have not been identified and appropriately addressed by staff. We found that permit payments were posting to the wrong revenue account, tent permit payments were not consistently recorded, and credits that were recorded in FireHouse were not applied to the corresponding receivables in Advantage.

RECOMMENDATIONS

1. 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.
2. Develop written procedures that clearly disseminate expectations at a level of detail necessary to ensure completion of critical tasks. Strengthen and increase the frequency of management oversight activities to ensure compliance with procedures and achievement of key objectives.
3. Develop an *actionable* plan to hold the Facilities Maintenance Department accountable for correcting City occupancy code violations in a timely manner.
4. Partner with ITD and Accounting to identify and resolve system issues; and perform routine reconciliations/reviews to ensure that payments are posted to the correct accounts, appropriate adjustments are made to receivables, and payment data is consistently recorded in the FireHouse system.

CAP #1: Develop a plan to balance inspection demand with available resources.

Observations: During FY 2013, there were 3,659 inspections and follow-ups due, and an additional 1,426 that were past due, for a total of 5,085 inspection services to be performed. Inspectors were able to complete only 63.3% of this workload.

During FY 2014 there were 2,634 inspections and follow-ups due, and an additional 1,865 that were past due, for a total of 4,499 inspection services to be performed. Inspectors were able to complete only 55.4% of this workload. It should be noted, however, that for most of FY 2014, only 4 of the 5 Fire Inspectors were available to complete this work.

The current inspection schedule (High/2 years, Medium/3 years) requires that approximately 5,465 inspections and follow-ups be completed annually. This includes approximately 3,105 initial inspections and 2,360 follow-ups to confirm that violations are corrected.

Comments: Inspectors are required to complete a minimum of 27 inspections of high and medium rated occupancies each month to meet the current demand. However, they must also complete any necessary follow-ups, as well as inspections of City occupancies, aircraft hangars, and other non-billable occupancies. When these additional activities are included, the actual minimum workload rises to an average of 91 inspection services per month. In reality, over the past 3 years, the Inspectors have completed an average of 51 inspection services per month.

When inspection services are not completed as scheduled, fire code violations may go unchecked, which could impact public safety.

Recommendation: 1-1. 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.

Management Response: 1-1. Due to lack of personnel, we are currently unable to obtain our established goals under the current frequency of inspections. To decrease said frequency, in the opinion of the Fire Marshal, would invite the opportunity for hazardous conditions to reoccur without intervention from a Fire Inspector. Fire Prevention will be pursuing a request to the Public Safety Committee presenting such options as:

- 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.)
- 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.)
- 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.

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.

CAP #2: Develop written procedures and improve management oversight.

Observations: The Fire Prevention Division lacks written procedures for critical processes. As a result, tasks are not always performed in accordance with expectations. For example, we noted that invoices were not always issued in a timely manner (or were not issued at all), Inspectors did not always provide required information to support staff, inspections were not always scheduled when due, and other inconsistencies.

In addition, management oversight activities have been infrequent, inconsistent, and/or ineffective in driving desired outcomes.

Comments: Written procedures provide the guidance necessary for consistently and correctly performing necessary tasks. In addition, these documents aid in setting clear expectations and minimizing disruptions of essential operations during employee absences and turnover. At a minimum, written procedures should be maintained for the following activities, as well as any other activities that are critical to daily operations:

- Scheduling inspections (including checking for unpaid fees prior to scheduling)
- Conducting inspections and following up on open violations
- Issuing FSOPs and special permits
- Invoicing customers and processing invoice credits

The system reports currently in use do not provide sufficient information, and are not reviewed frequently enough, to enable management to effectively monitor and manage staff activities and Division performance. As a result, management is unable to readily identify staff performance issues. Management has also been unable to accurately evaluate workloads and resources, develop reasonable performance targets, and track overall progress.

Recommendations: 2-1. 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.

2-2. 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.

Management Response: 2-1. 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 3rd 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.

- 2-2. 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.

CAP #3: Improve the process for ensuring violations in City occupancies are resolved.

- Observations:** There was little or no action taken between July 2012 and April 2014 to ensure fire code violations in City buildings were resolved.
- In April 2014, we noted that 440 fire code violations in 84 City owned occupancies had remained uncorrected since July 2012. Records showed that Facilities Maintenance staff had not responded to repeated requests by the Fire Marshal for status updates. A response was received from Facilities only after the City Auditor requested an explanation as part of the audit process.
- Comments:** The City has historically relied on interdepartmental cooperation between MFMD and Facilities Maintenance to ensure violations identified during inspections of City buildings are appropriately addressed. However, this approach has not been effective, in part because no mechanism was in place to hold Facilities Maintenance accountable.
- We have since been told that Facilities Maintenance has renewed its efforts to resolve the violations and status information has been provided to the Fire Marshal. However, the information still requires review by Fire Prevention to determine if all violations have been remediated.
- Code violations that are not corrected may present an increased safety risk to City employees as well as to Mesa citizens.
- Recommendation:** 3-1. Develop an *actionable* plan to hold the Facilities Maintenance Department accountable for correcting City occupancy code violations in a timely manner. [*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.*]
- Management Response:** 3-1. 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.

CAP #4: Resolve system-related issues.

Observations: Information system related discrepancies have not been identified and/or appropriately addressed by staff.

Comments: Fire Prevention staff has relied on various system interfaces to ensure that revenue is posted accurately, receivables are adjusted as required, and payment details are consistently captured at the customer account level within FireHouse. However, the systems, interfaces, and related processes involved in these transactions have not been well understood by staff, and no reconciliations were being done to verify that transactions were being recorded correctly. As a result, staff was not aware of and/or did not appropriately address the following discrepancies:

- Permit payments were posting to the wrong revenue account.
- Tent permit payments were not consistently recorded in FireHouse, resulting in inconsistent confirmation of prior tent permit payments before approving new permit requests by the same customer.
- Credits were recorded in FireHouse but were not applied to the corresponding receivables in Advantage, resulting in overstated accounts receivable balances.

With a better understanding of how these systems function, and with better communication between responsible parties, staff would be more likely to identify discrepancies and seek appropriate solutions.

Recommendations:

- 4-1. Partner with ITD and Accounting to identify/resolve system issues.
- 4-2. Perform routine reconciliations and reviews to ensure that payments are posted to the correct accounts, appropriate adjustments are made to receivables, and payment data is consistently recorded in the FireHouse system.

Management Response:

- 4-1. 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.
- 4-2. 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.