

CITY OF HAMILTON

CITY MANAGER'S OFFICE
Audit Services Division

TO: Chair and Members Audit, Finance and Administration Committee	WARD(S) AFFECTED: CITY WIDE
COMMITTEE DATE: April 6, 2011	
SUBJECT/REPORT NO: Follow Up of Audit Report 2009-06 - Hamilton Emergency Services - Fire Prevention Division (AUD11022) (City Wide)	
SUBMITTED BY: Ann Pekaruk Director, Audit Services City Manager's Office	PREPARED BY: Ann Pekaruk 905-546-2424 x4469
SIGNATURE:	

RECOMMENDATION

That Report AUD11022 respecting the follow up of Audit Report 2009-06, Hamilton Emergency Services - Fire Prevention Division, be received.

EXECUTIVE SUMMARY

Audit Report 2009-06, Hamilton Emergency Services - Fire Prevention Division, was originally issued October, 2009 and management action plans with implementation timelines were outlined in the Report. In February, 2011, Internal Audit conducted a follow up exercise to determine that appropriate and timely actions had been taken. Of the eight (8) recommendations made in the original Report, five (5) have been completed, two (2) have been initiated and an alternative has been implemented for one (1).

Alternatives for Consideration – Not Applicable

FINANCIAL / STAFFING / LEGAL IMPLICATIONS (for Recommendation(s) only)

Financial: None.

Staffing: None.

Legal: None.

HISTORICAL BACKGROUND (Chronology of events)

Audit Report 2009-06, Hamilton Emergency Services – Fire Prevention, was originally issued in October, 2009. It dealt mainly with the billing and collection of false alarm fees, fire inspection fees and inspections for business licences. The Report provided eight (8) recommendations dealing with invoicing, reconciliation, cheque endorsement and information accuracy.

It is normal practice for Internal Audit to conduct follow up reviews within a 12-18 month period following issuance of the original report in order to determine whether action plans committed to by department management have been implemented.

POLICY IMPLICATIONS

The Fire Protection and Prevention Act (FPPA)
City By-law 02-284 (Fire Prevention Services)
City By-law 02-283 (Open Air Burning)

RELEVANT CONSULTATION

The results of the follow up were provided to management responsible for the administration of Hamilton Emergency Services - Fire Prevention Division.

ANALYSIS / RATIONALE FOR RECOMMENDATION

(include Performance Measurement/Benchmarking Data, if applicable)

The report attached as Appendix “A” to Report AUD11022 contains the first three columns as originally reported in Report 2009-06 along with an added fourth column indicating Internal Audit’s comments as a result of the follow up work. The original Addendum section containing four (4) recommendations also contains follow up comments.

Five (5) of the eight (8) recommendations have been fully implemented. These include: false alarm and open air burn response invoices sent within a month of the occurrence date; billings and fees collected reconciled to the General Ledger, cheques restrictively endorsed as received; random reviews of closed/non-active files performed by the Chief Fire Prevention Officer; and information entered consistently in the Intake Log to monitor and assign work flow.

The two (2) recommendations that have been initiated but with minimal progress are: prompt updating of the master occupancy list with inspections of properties verified and the work carried out; and automation of manual processes in the Fire Data Management System to enhance various process efficiencies.

The one (1) alternative implemented resulted in revised Intake Logs to track statistical data.

ALTERNATIVES FOR CONSIDERATION

(include Financial, Staffing, Legal and Policy Implications and pros and cons for each alternative)

None.

CORPORATE STRATEGIC PLAN (Linkage to Desired End Results)

Focus Areas: 1. Skilled, Innovative and Respectful Organization, 2. Financial Sustainability, 3. Intergovernmental Relationships, 4. Growing Our Economy, 5. Social Development, 6. Environmental Stewardship, 7. Healthy Community

Financial Sustainability

- ◆ Delivery of municipal services and management of capital assets/liabilities in a sustainable, innovative and cost effective manner.

APPENDICES / SCHEDULES

Appendix "A" to Report AUD11022.

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**CITY OF HAMILTON
INTERNAL AUDIT REPORT 2009-06
HAMILTON EMERGENCY SERVICES – FIRE PREVENTION DIVISION
FOLLOW UP**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (FEBRUARY 2011)
1.	<p><u>Timeliness of Billings</u></p> <p>The Fire Prevention Division invoices registered property owners or tenants for fire false alarm and open air burn responses. The Division tracks these occurrences and forwards billable amounts to the City's Accounts Receivable Section for invoicing. During the testing of these billings, instances where the billings were dated several months subsequent to the original date of the required Fire Department response were noted.</p> <p>These response billings are also used as an educational opportunity for the Fire Prevention Division to highlight to owners that unnecessary responses by the Fire Department are not an appropriate use of its resources. Delays in billing for these incidents on a timely basis will not achieve the desired effect of changing property owner behaviour.</p>	<p>That invoices to property owners and tenants as a result of fire false alarm or open air burn responses be issued within one month of the occurrence date.</p>	<p>Agreed. The Fire Prevention Division will review and amend the process of forwarding billable false alarm and open air burning responses to Hamilton Emergency Services (HES) Finance and Administration (F&A) staff on a bi-weekly frequency using the Fire Data Management System (FDM). HES F&A will ensure that billing details thus received are processed and forwarded to Accounts Receivable within one (1) week. The targeted implementation date is December 31, 2009.</p>	<p>Completed. The Fire Prevention Division has modified its procedure regarding false alarms and open air burnings responses. As a result, property owners and tenants are invoiced within a month of incurring false alarms or open air burning responses with the exception of billing issues that require investigation to be resolved.</p>

**HES - FIRE PREVENTION DIVISION
FOLLOW UP – FEBRUARY 2011**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (FEBRUARY 2011)
2.	<p><u>Reconciliation of Revenues</u> Revenue is collected for false alarm and open air burn responses, sale of permits, re-inspection fees and licence application and inspection fees. Some revenues are collected by other City departments on behalf of the Fire Prevention Division (i.e. permits sold at the Municipal Service Centres, license applications processed by Planning and Economic Development). All amounts that are billed are also tracked internally by the Fire Prevention Division.</p> <p>However, there is no reconciliation performed to determine if amounts forwarded for billing or collected for fees have been recorded in the Fire Prevention Division's revenue accounts.</p>	<p>That Fire Prevention billings and fees collected be reconciled to the amounts recorded as revenue on a regular basis.</p>	<p>Agreed. Additional controls have already been implemented to reconcile amounts forwarded from Fire Prevention for billing and fees credited to revenue accounts.</p> <p>The process for fire inspection fees collected by Planning and Economic Development (P&ED) and fees collected at the Municipal Service Centres will be reviewed and the procedures to reconcile amounts deposited to Fire Prevention documented.</p> <p>The Licensing Section of P&ED has been restructured and all processes are being reviewed. Revised procedures will be documented by December 31, 2009.</p>	<p>Completed. The Finance and Administration (F&A) section responsible for Hamilton Emergency Services reconciled the fees collected by the Municipal Service Centres and Planning & Economic Development to the revenue recorded in the General Ledger at the end of 2010. Immaterial variances were not investigated further. These reconciliations are now performed as part of F&A section's regular duties.</p>

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FOLLOW UP – FEBRUARY 2011**

#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (FEBRUARY 2011)
2.	<p><u>Reconciliation of Revenues</u> (Cont'd)</p> <p>During Internal Audit's review of transactions, it was noted that re-inspection billings for August 2008 had not been invoiced due to the electronic invoice register not having been posted. False alarm response invoices for November and December of 2008 were billed at incorrect rates. An attempt to verify that fire inspection fees collected from licence applicants by Planning and Economic Development had been journalled into the Fire Prevention Division's accounts resulted in only 2 out of the 5 transactions being traceable to the revenue accounts. The resulting loss of revenue for these omissions was not significant but it highlights the need for a secondary review and reconciliation of revenue accounts.</p>			

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3.	<p><u>Cheque Endorsement</u> Thirty four per cent (34%) of all Fire Prevention revenue is collected directly by the Division, by cash or cheque, with the majority of payments made by cheque. However, cheques are not restrictively endorsed until they are delivered to the City cashier for deposit once a month.</p> <p>Cheques not restrictively endorsed at the time of receipt are more susceptible to loss or misappropriation.</p>	<p>That all cheques be restrictively endorsed as received at each satellite office.</p>	<p>Agreed. Endorsement stamps have been obtained. Procedures regarding the endorsement process will be drafted for issue to staff with an implementation date of July 6, 2009.</p>	<p>Completed. Cheques are now restrictively endorsed when they are received. The procedures have also been updated to reflect this new process.</p>

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#	OBSERVATIONS OF EXISTING SYSTEM	RECOMMENDATION FOR STRENGTHENING SYSTEM	MANAGEMENT ACTION PLAN	FOLLOW UP (FEBRUARY 2011)
4.	<p><u>Documentation</u> Each municipal address that has had regular and repeated interaction with the Fire Prevention Division has a corresponding hard copy property file which is maintained by file number at the appropriate Fire Prevention office. The file contains all documentary support for the individual property address and the interaction with the Fire Prevention Division (e.g. inspections, complaints, reports, notes). A random sampling of property files (20 for each office for a total of 60 files) showed some instances where pertinent, hard copy documentation was missing. Two files could not be found at all.</p> <p>The Division carries out regular reviews of active files for quality control.</p> <p>The hard copy file provides documentary evidence of work carried out in support of the fire prevention strategies of the division.</p>	<p>That the Fire Prevention Division expand its current file review process to also include regular random reviews of closed or non active files.</p>	<p>Agreed. As of July 1, 2009, the Chief Fire Prevention Officer will commence monthly random reviews of closed/non-active files selected from intake documents.</p>	<p>Completed. The Chief Fire Prevention Officer performs random reviews of closed/non-active files. A record of these reviews is maintained in a log. The information in the log is supported by the notes in the hard copy property files.</p>

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FOLLOW UP**

ADDENDUM

The following items were noted during the course of the audit. Although they do not present internal control deficiencies, they are indicated in this Addendum so management is aware of the issues and can address them as necessary.

Information Tracking

1. The Fire Prevention Division uses a variety of Excel tracking spreadsheets to monitor and assign work flow. One of these sheets is the Intake log where all requests are recorded by administrative staff. There is an Intake log for each office that is further segregated by month resulting in thirty six (36) tabs of information. On an annual basis, the information is consolidated for summary reporting purposes. However, information in this log is not consistently recorded across all offices. For example, a column entitled "date attended" was being used differently by one of the three offices (i.e. date, filed, reviewed). Dates in this column were sometimes blank or incorrect. While this is an internal monitoring tool for management, data that is inconsistent or not readily available will result in incorrect results which may lead to incorrect management assumptions.

Types of buildings are also tracked via a master occupancy list binder that is translated into electronic form annually. Review of this binder found information that was incomplete (inspections of properties verified to have occurred as evidenced by the property file were not listed in the binder and work carried out was not accounted for).

It is recommended:

That information recorded in the Intake log be complete and entered consistently to ensure that resulting information is comparable and more meaningful to management.

Management Response:

Agreed. Policy and procedures to address the recommendation have been revised and implemented as of June 25, 2009.

Follow Up Comment:

Completed. All administrative staff have been informed as to how the information in the Intake Log should be entered so that it consistent. Also, to ensure that the information is complete, the Intake Log is reviewed each week by a senior officer.

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ADDENDUM

It is recommended:

That the Fire Prevention Division consider reducing the log to one document with three tabs (one continuous list for each of the offices) for greater ease of review during the year and summary reporting at year end.

Management Response:

Agreed. (Minor variance) The log will be one document with four (4) tabs instead of three (3) to allow for separation of schools/day care centres from the west area data for more meaningful statistics. Implementation date of January 1, 2010.

Follow Up Comment:

Alternative Implemented. The Intake Log currently consists of four excel spreadsheets: one for schools and day care centres and one each for three different geographic areas of the City.

It is recommended:

That the Master Occupancy list be updated regularly and accurately to ensure that the most current summary information is available for review.

Management Response:

Agreed. A policy and procedure concerning the updating of the Master Occupancy list was drafted and made effective July 6, 2009. The Master Occupancy list will be updated in real time as building occupancies are added and/or deleted.

Follow Up Comment:

Initiated. The Master Occupancy List is now maintained as an electronic spreadsheet by the Fire Prevention Secretary. This list is still not being updated in real time. Rather, the list is updated as the inspection information is received, which in some instances is still annually.

Fire Data Management System

2. The Fire Data Management system (FDM) was implemented in April 2009 for some fire prevention activities. As resources and priorities allow, more functions related to the work of the Fire Prevention Division will be added to the FDM system, reducing the reliance on the current use of multiple disconnected Excel spreadsheets. There is an opportunity to also automate several manual yet regular processes as the functionality of the new system is expanded. For example, the printing of open air burn warning letters, the issuance of receipts for payments at the satellite offices or billing details for charging of re-inspection fees over the follow up threshold based on information in the database would increase efficiency over the current, largely manual methods.

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ADDENDUM

It is recommended:

That management and systems support investigate the full potential functionality of FDM in regard to enhancing the efficiency of various processes through automation and database extractions.

Management Response:

Agreed. Work is in progress and priorities have been established for completion as follows:

- Revenue related spreadsheets - target implementation date of July 1, 2010***
- Intake and work flow spreadsheets - target implementation date of January 1, 2011***
- Other recording/tracking processes (dailies, commercial in-service program, Orders/Reports, building files, etc.) - target implementation date of July 1, 2011***

Follow Up Comment:

Initiated. Management has had a preliminary meeting with Systems Support to look at how FDM can be used to enhance various process efficiencies related to revenues generated by the Fire Prevention Division. However, the discussion is still at an early stage. Management cannot provide timelines at this point as to when various stages may be completed.