

Audit of the City's Fire Prevention Program

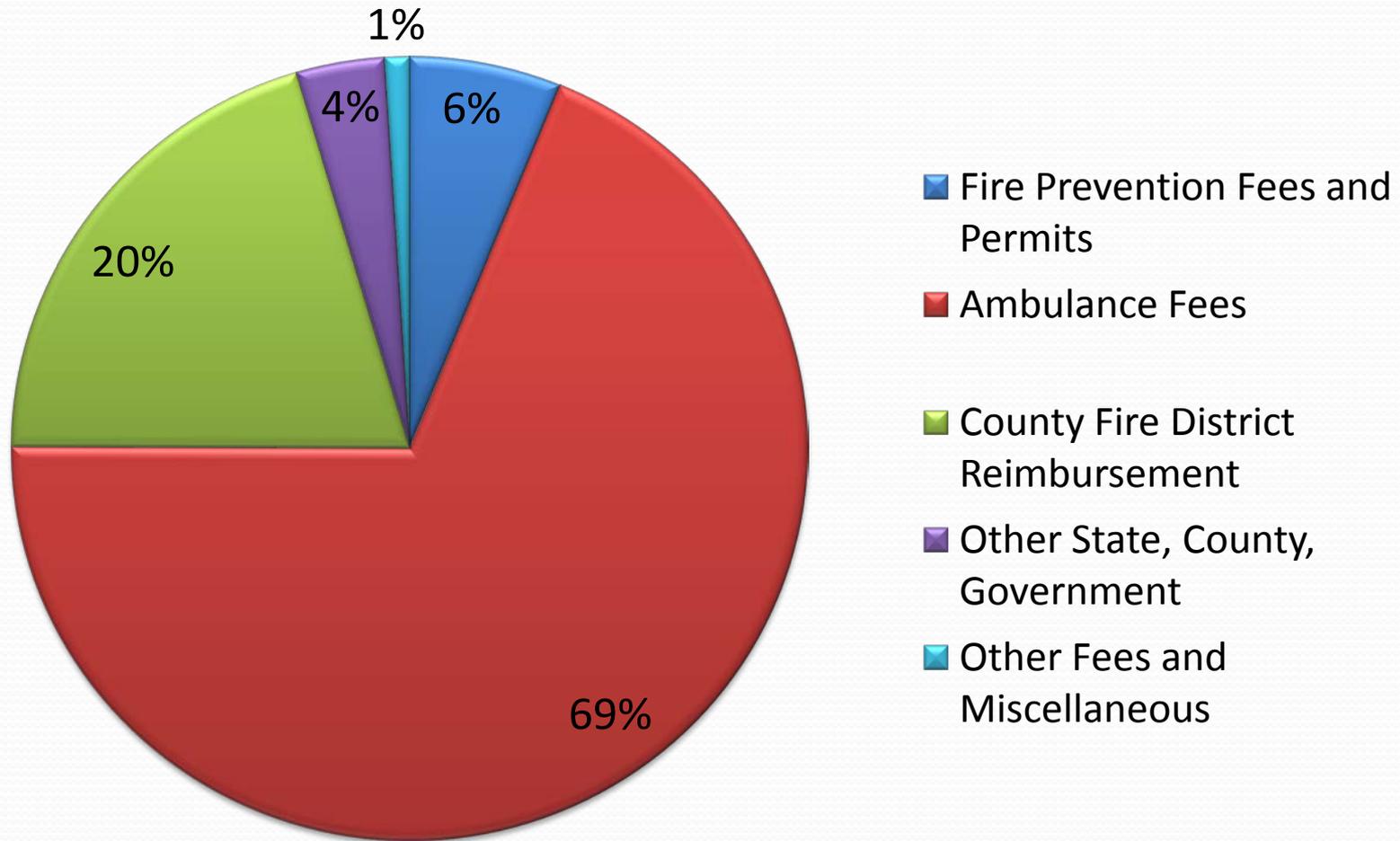
Office of the City Auditor
August, 2012



Background

- Audit completed under the City Auditor's 2011-12 Audit Plan
- The Fire Prevention Division is responsible for inspecting certain occupancies and operations for fire hazards
- In FY 2011/12 the Division comprised 31 full-time equivalent positions

The Fire Department Generated \$1.4 million in Fire Prevention fees and permits in 2010/11.



Source: Auditor-generated from the City's General Ledger

Audit Objective, Scope, and Methodology

- Audit focused on the completeness and accuracy of the fire data management system, inspection documentation and related practices, and the adequacy of its cash controls.
- We did not perform a comprehensive review of the training, enforcement tools, or cost to perform inspections. We also excluded the Fire Investigations Unit activity from our review.

Although our testing identified data integrity concerns, we relied on the system information as it was the best available information.

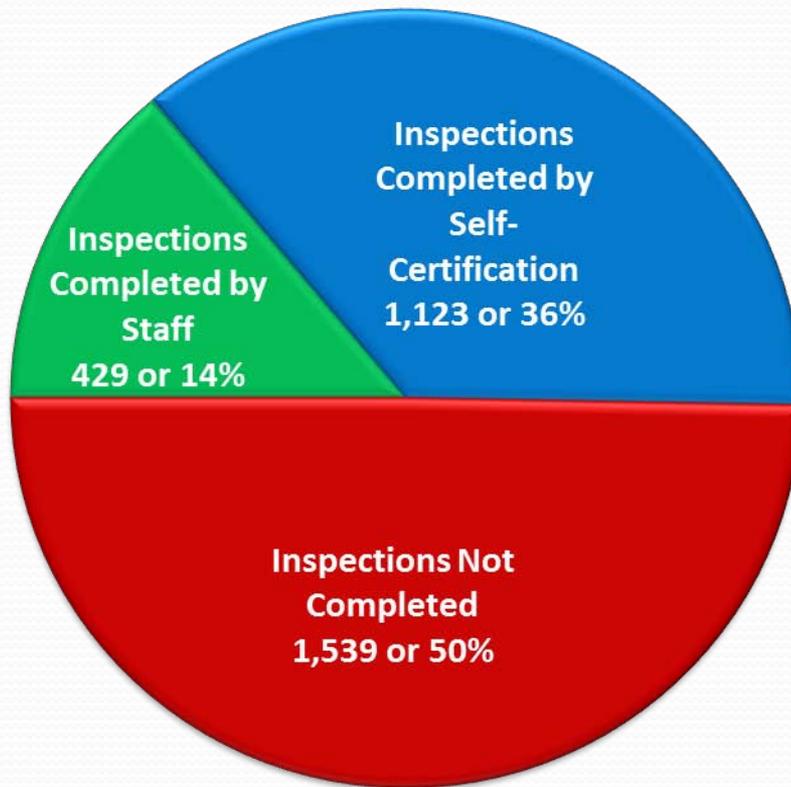
Finding 1: The Fire Department Needs to Formalize its Processes In Order To Improve Its Fire Prevention Program

- The Fire Prevention Division is not Inspecting for certain permits and may not be performing all of the inspections required by California and City Code,
- The Fire Prevention Division does not properly document and record inspections performed and permits issued; and
- The Fire Prevention Division lacks written policies and procedures and may perform inspections inconsistently.

Examples of Required Annual Permits Not Recorded as Issued in FY 2010/11

- **Aviation Facilities**
- **Fireworks Wholesale Storage**

Completion of Statutory Residential Inspections, such as apartment buildings, in FY 2010/11

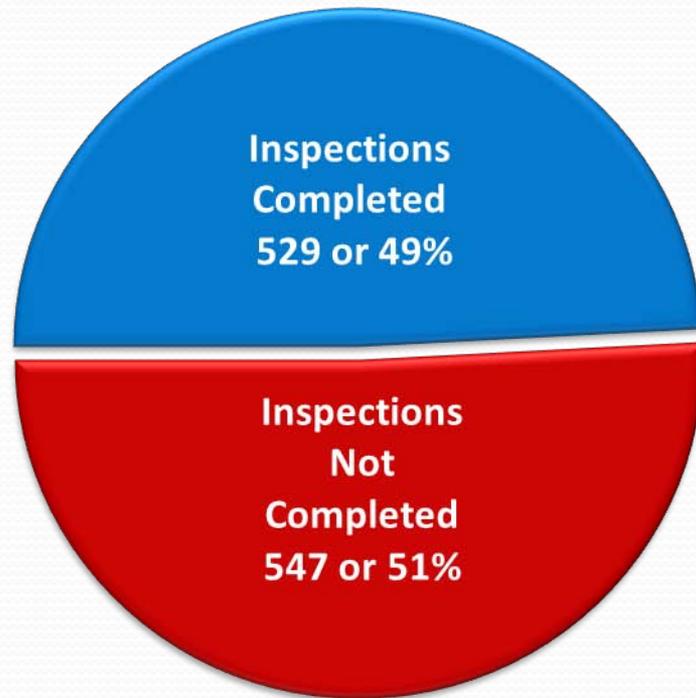


Note: Owners of apartment buildings with up to 16 units may “self-certify” compliance by sending in a form to the Fire Prevention Division.

Our analysis found that 50 percent of multi-family residential properties that should have been inspected in FY 2010/11 were not.

51% of assembly buildings, which include churches, restaurants and bars, may not have been inspected.

Inspections of Assemblies in FY 2010/11 as Required by Resolution 2009-178



We noted documentation problems of inspections that were performed. Fire Code requires these records to be kept for five years. We selected 31 inspection records from the database to compare to hard copy reports by Fire Prevention Officers. However 17 hard copy reports were either missing, or contained insufficient information to complete the review.

Finding 1: The Fire Department Needs to Formalize its Processes In Order To Improve Its Fire Prevention Program

- **Recommendations Summary:**

- **Improve processes to:**
 - **Identify activities that require a permit,**
 - **Ensure the Fire Code Official, or a delegate, signs permits,**
 - **Communicate minimum compliance expectations to business owners, and**
 - **Plan how inspection needs will be met.**
- **Establish Fire Prevention inspection and permitting policies and procedures, such as how Fire Prevention Officers should document inspections.**

Department Response:

The department generally agrees with these recommendations

Finding 2: The Fire Department's Revenue Collection Process Does Not Adhere to City Code, Lacks Internal Controls, and May Result in Lost Revenue

- The Fire Department lacks effective cash handling controls;
- The Fire Department does not apply fees consistently and lacks basic accounting controls; and
- The Fire Department's Prevention Division does not consistently apply late fees or effectively collect unpaid inspection fees.

Examples of cash handling best practices that should be documented and instituted within the Fire Department

- Conflict of Interest;
- Segregation of Duties;
- Proper Documentation of Cash Transactions; and
- Cash Security.

Source: Auditor expertise and the Government Finance Officer's Association.

Note that "cash" includes checks, money orders, and money on deposit in a bank.

The lack of segregation of duties related to cash collection and recordation, combined with the absence of controls over the ability to modify data, produces an environment that is at high risk for improper behavior or errors.

A Fire Prevention Officer (FPO) may modify the total amount invoiced in certain circumstances with the approval of a Senior FPO. However, this practice and any related procedures for recording such decisions are not currently documented.

Example: Total Fee Calculation of a Plastics Company with Multiple Buildings in One Area

Total for Services Provided per Resolution	\$805.00	Total Amount Actually Invoiced	\$161.00
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Source: Resolution 2009-178 and Auditor Analysis

Finding 2: The Fire Department's Revenue Collection Process Does Not Adhere to City Code, Lacks Internal Controls, and May Result in Lost Revenue

Recommendations Summary

Establish procedures to ensure:

- **Council-approved fees are applied, and prescribe circumstances where the Fire Code Official allows exceptions;**
- **Payments received are handled appropriately;**
- **The City is able to track delinquent accounts;**
- **Businesses have a way to apply for permits, such as an application form; and**

Consider charging for inspections before they occur, or additional penalties for late payments.

Pursue finalizing the move of its invoice and collection process to the Revenue Division

Department Response:

The department generally agrees with these recommendations.

Finding 3: The Fire Data Management System Lacks Accuracy, is Not Managed Efficiently, and is Not Being Used to its Fullest Potential

- The Fire Department's database system lacks completeness and accuracy;
- The Fire Prevention database system could be maintained more efficiently; and
- The Fire Prevention Division does not adequately track the entities that participate in its self-certification program within its database system.

As a result, Fire Prevention is relying on incomplete information. This could contribute towards preventable loss of property or life.

Only 11 of 20 addresses we tested were in Fire Prevention's database.

Location of Address	Number in category	In FDM	Percentage Included in FDM
County Contract Area	5	1	20.0%
Within City Limits	15	10	66.7%
Total	<u>20</u>	<u>11</u>	<u>55.0%</u>

Source: Auditor's analysis based on the FDM database and other City and County databases

Last year a major fire started at a recycling business that was not in the database

- 16 of the City's 22 fire engines responded on August 10, 2011
- One truck reported using more than 400,000 gallons of water, and numerous nearby streets were closed
- The recycling business where the fire started had stored debris up to its property line, a violation of California Fire Code. The fire spread to a neighboring business, where most damage occurred.

Source: Fire Department reports

If the Fire Department had a complete database and had inspected this recycling facility, the fire might have been prevented or caused less damage.

Finding 3: The Fire Data Management System Lacks Accuracy, is Not Managed Efficiently, and is Not Being Used to its Fullest Potential

Recommendations Summary

- Test the database for accuracy on a regular basis and work with the City's IT Department to improve the maintenance and completeness of data.
- Use the software licenses the Fire Department has procured to automate the importation of inspection and permit related data; and discontinue paying for licenses it is not using.
- Consider the higher risk of fire damage associated with multi-family residential properties without sprinkler systems, and evaluate which properties to allow to self-certify.

Department Response:

The department generally agrees with these recommendations