REPORT TO AUDIT COMMITTEE

915 I Street, Sacramento, CA 95814-2604
www.CityofSacramento.org

Staff Report
August 14, 2012

Honorable Members of the Audit Committee

Title: *City Auditor's Audit of the Fire Prevention Program*

Location/Council District: Citywide

Recommendation: Accept the Auditor's *Audit of the Fire Prevention Program* and forward to City Council for final approval.

Contact: Jorge Oseguera, City Auditor 808-7270

Presenters: Jorge Oseguera

Department: Mayor and City Council

Division: Office of the City Auditor

Organization No: 01001201

Description/Analysis

Issue: This audit was approved as part of the 2011-2012 Audit Plan. According to City Code Chapter 2.18, the City Council should be kept apprised of the City Auditor's work. The Audit Committee shall receive, review, and forward to the full Council the City Auditor's updates and reports.

Policy Considerations: The City Auditor's presentation of the *Audit of the Fire Prevention Program* is consistent with the Mayor and City Council's intent to have an independent audit function for the City of Sacramento.

Environmental Considerations: None.

Sustainability Considerations: None.

Rationale for Recommendation: The report includes three findings and makes 22 recommendations to help improve the City's to help improve the Fire Prevention Program.

Financial Considerations: The costs of performing this audit were funded out of the 2011-12 Office of the City Auditor Budget.

Emerging Small Business Development (ESBD): No goods or services are being purchased as a result of this report.

Respectfully Submitted by: _____
Jorge Oseguera, City Auditor

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Report # 2012-04

Attachment 1

Audit of the City's Fire Prevention Program

The Fire Department Needs to Formalize its Processes In order to Improve its Fire Prevention Program

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

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

Jorge Oseguera
City Auditor

Felicity Wood
Auditor

Laura Peth
Auditor

Office Of The City Auditor
August, 2012

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CITY OF SACRAMENTO
CALIFORNIA

Office of the City Auditor
Jorge Oseguera, City Auditor

August 14, 2012

Honorable Mayor and
Members of the City Council
915 I Street - Fifth Floor, New City Hall
Sacramento, CA 95814-2604

Enclosed is the *Audit of the City's Fire Prevention Program*. We conducted this audit in accordance with generally accepted government auditing standards and City Code Chapter 2.18.

The report contains three findings and makes 22 recommendations for improving the compliance, effectiveness and accounting of the City's fire prevention program. The written response to this report is found on page 44. I will present this audit at the August 14, 2012 *Audit Committee* meeting.

We would like to thank the Fire Department, and also the City Attorney's Office, the Community Development Department, Department of Finance and the Information Technology Department for their assistance and cooperation during this audit.

Should you have any questions, please feel free to contact me.

Respectfully submitted,

Jorge Oseguera
City Auditor

CITY HALL – THIRD FLOOR
915 I STREET, SACRAMENTO, CA 95814-2604
PH (916) 808-7270 • FAX (916) 264-7680 • EMAIL joseguera@cityofsacramento.org

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Executive Summary

To help prevent fires and comply with State and City regulations, the Sacramento Fire Department's Prevention Division performs inspections. In FY 2011/12 the Division comprised 31 full-time equivalent positions. The Fire Department is allowed to charge fees to defray costs for their inspection and permitting services. We assessed the completeness and accuracy of the fire data management system, reviewed inspection documentation and related practices, and tested the adequacy of its cash controls.

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

To prevent fires and reduce the impact of fires that do occur, California and City Code authorize the Fire Department to perform fire inspections and issue permits. To complete these inspections and issue permits, the Fire Department utilizes its Fire Suppression and Prevention divisions. In order to effectively carry out all aspects of this program, it is important that the Fire Department establish and clearly communicate policies and procedures. However, our review of the Fire Department's inspection and permitting program found that the program has had a long standing practice of relying on informal communication instead of formally documenting processes. Specifically, we found that:

- 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.

As a result of these shortcomings, the Fire Department may not treat businesses consistently, comply with State and local laws, or keep adequate records as required by Code.

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

According to the City's general ledger, the Fire Department generated about $22.4 million in revenue in FY 2010/11. Of that, $1.4 million or 6 percent is related to its fire prevention fees and permits. Despite the large amount of inspection revenue, the Fire Prevention Division lacks strong cash[1] handling controls and its revenue collection processes do not adhere to City Code. Additionally, the department does not use its authority to enforce compliance with its inspection programs or encourage timely payment of related charges.

We found that:

- The Fire Department lacks effective cash handling controls;
- The Fire Department does not apply fees consistently and lacks basic accounting controls; and

[1] "Cash consists of coins, currency (paper money), paper money, checks, money orders, and money on hand or on deposit in a bank or similar depository". Kimmel, Paul, Jerry Weygandt and Donald Kieso. Financial Accounting: Tools for Business Decision Making. Hoboken: John Wiley & Sons, Inc., 2007. p. 324

- The Fire Department's Prevention Division does not consistently apply late fees or effectively collect unpaid inspection fees.

Without strong cash handling controls and an effective billing and collection process, the Fire Department may be losing current and potential inspection revenue.

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

A complete database system containing property, business, inspection and permit information enables fire inspectors to effectively do their work and allows management to efficiently assign resources and track results. The Fire Department uses multiple database systems to record information. However, we found that some of the data within its main system is unreliable. Additionally, the Department is not using its database system to its fullest potential.

We found that:

- 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, the Fire Department is relying on incomplete information for its Fire Prevention program, which negatively impacts the department's ability to operate effectively. In order to improve its program, the Fire Department needs to address issues related to how it maintains its inspection data and ensure its information is accurate and complete. Doing this will improve the Fire Department's ability to utilize information to better inform its inspection practices. Failure to address the issues identified may unnecessarily increase the risk of fire and could potentially contribute towards preventable loss of property or life.

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Introduction

In accordance with the City Auditor's 2011/12 Audit Plan, we have completed an *Audit of the City's Fire Inspection Program.* We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The City Auditor's Office thanks Fire Department personnel, especially the Fire Prevention Division, and also the City Attorney's Office, the Community Development Department, Revenue Division of the Department of Finance, and GIS Division of the City's Information Technology Department for their time, information and cooperation during the audit process.

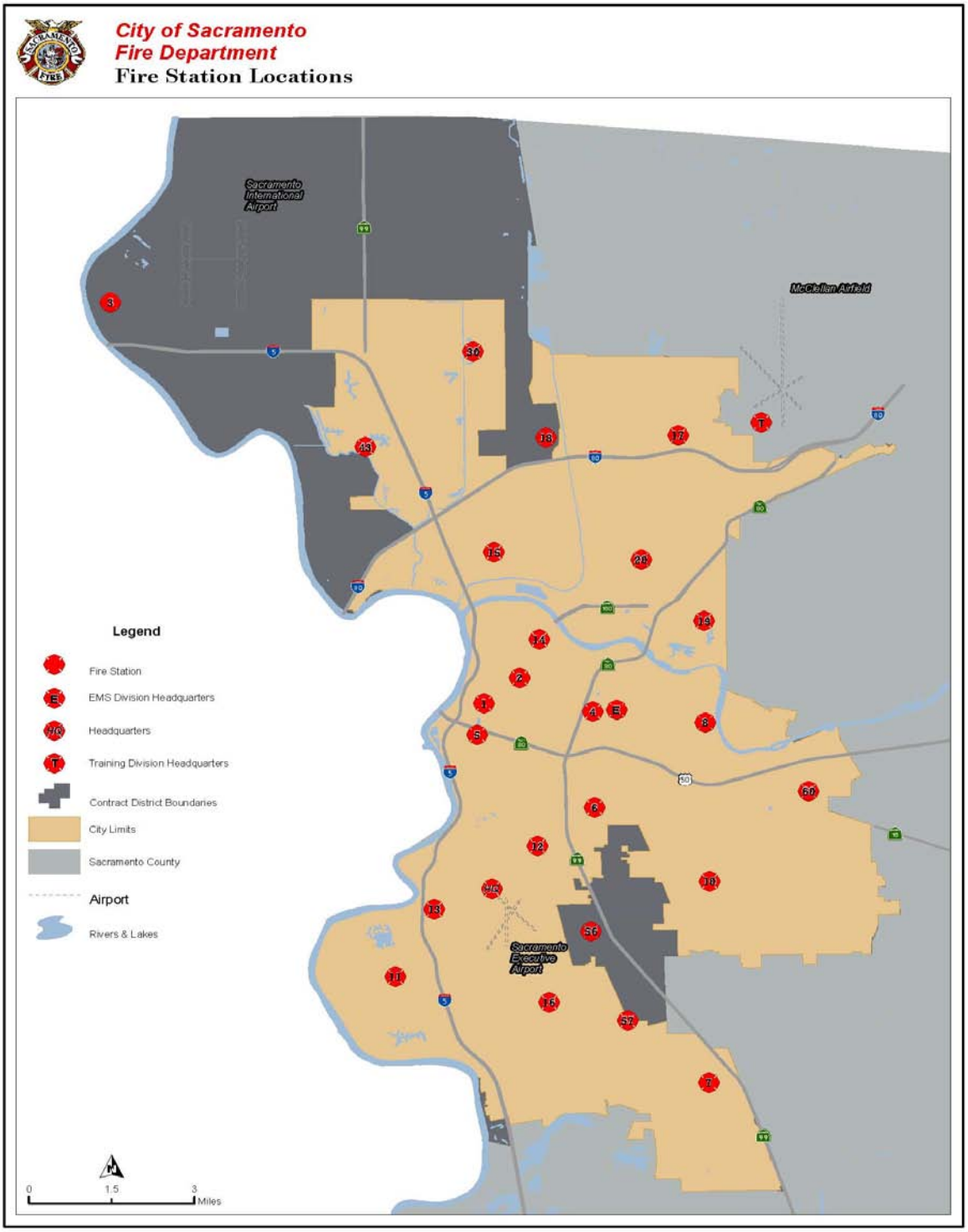
Background

The Sacramento Fire Department (Fire Department) responds to fires, emergency medical calls, hazardous materials incidents, and specialized rescues. In addition, the Fire Department provides fire code enforcement, fire prevention inspections and investigations of possible arson. The Fire Department's jurisdiction is comprised of both City and County[2] areas. The Fire Department is responsible for nearly 150 square miles[3] as shown in Exhibit 1 and serves a population of more than half a million people.

[2] County areas in Natomas and Pacific Fruitridge are incorporated into the Sacramento Fire Department's jurisdiction as part of a mutual aid agreement.

[3] The City of Sacramento comprises almost 100 square miles. Agreements with the County increase jurisdiction by about fifty square miles.

Exhibit 1: Map of Sacramento Fire Department Jurisdiction

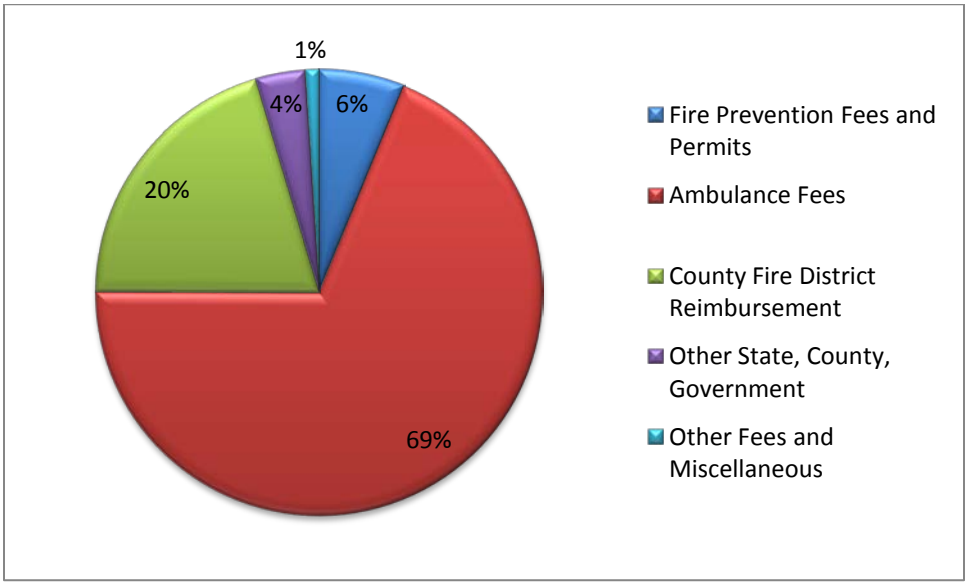


Source: Sacramento Fire Department

According to the City's 2011/12 Approved Budget, the Fire Department was approved for 589 full-time equivalent positions. The Department staffs 24 stations, with 3 companies browned-out[4] daily on a rolling basis.

The approved budget in 2011/12 was about $96 million, of which 99 percent was funded by the City's General Fund. The Fire Department generated about $22.4 million in revenue for the General Fund from ambulance services, contracts with County fire protection districts, fire prevention fees and other services such as hazardous materials as shown in Exhibit 2 below.

Exhibit 2: General Fund Revenue Generated by the Fire Department FY2010/11



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

In addition, the federal government awarded the Fire department with the SAFER grant for $5.6 million in February 2011 for a two year period starting in May 2011. As with most City departments, salaries and benefits comprise the majority of expenditures.

Fire Inspections

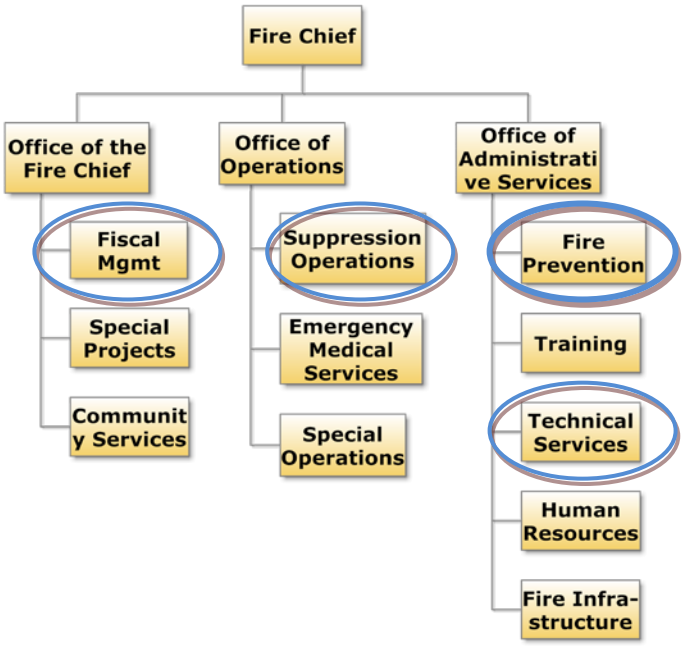
To help prevent fires and comply with State and City regulations, Fire Department employees perform fire prevention inspections. The *fire code official* (the Fire Chief) or his deputies are responsible for issuing permits to business owners that meet the requirements established by code. Owners and occupants are responsible for correction and abatement of hazardous conditions. Without a valid permit for a particular activity, a business would be in violation of the law and may not be allowed to continue operations.

[4] A "brown out" is the closing of a fire station, engine, or truck company on a rotating basis. A "Brown Out" is used to save money by reducing the amount of emergency personnel and equipment providing emergency services. In order to not permanently close one or more fire stations, the closure rotates on a daily basis.

Organization of the Fire Department

The Fire Department has 3 offices: the Fire Chief, Operations, and Administrative Services. All three offices are responsible for aspects of fire inspection fees. The three offices are further divided into 11 divisions as noted in Exhibit 3 below:

Exhibit 3: Organization Chart of Fire Department highlighting those Divisions with Responsibility over aspects of Fire Inspections and related Fees



Source: Auditor-generated from FY2011/12 Approved Budget

Although all divisions play critical roles in Fire operations, the four divisions circled in Exhibit 3 are tasked with responsibilities over aspects of fire inspections and related fees. Specifically, the Fire Chief's Fiscal Management Division deposits fire inspection fees into a City bank account, and along with the City's Department of Finance, is responsible for cash controls. The Technical Services Division supports the Fire Department's database of properties to be inspected. The Suppression Operations Division (sworn fire fighters) performs prevention inspections of some occupancies, as assigned by fire prevention management. The Fire Prevention Division is staffed by employees with training specific to inspections of various occupancies and activities requiring permits. As the Suppression and the Prevention Divisions are primarily responsible for performing inspections, we discuss those divisions in further detail below.

The Suppression Operations Division

The Suppression Operations Division (comprised of Companies stationed at fire houses) inspects businesses that are not required to have an operational permit. An Assistant Chief runs the Suppression Operations Division. In FY2011/12 the City had 33 companies, each staffed with four people for a total of 132 FTEs. According to a Battalion Chief, the Fire Department assigns each company a monthly list of inspections to perform.

Exhibit 4: Fire Suppression Personnel Responding to an Emergency

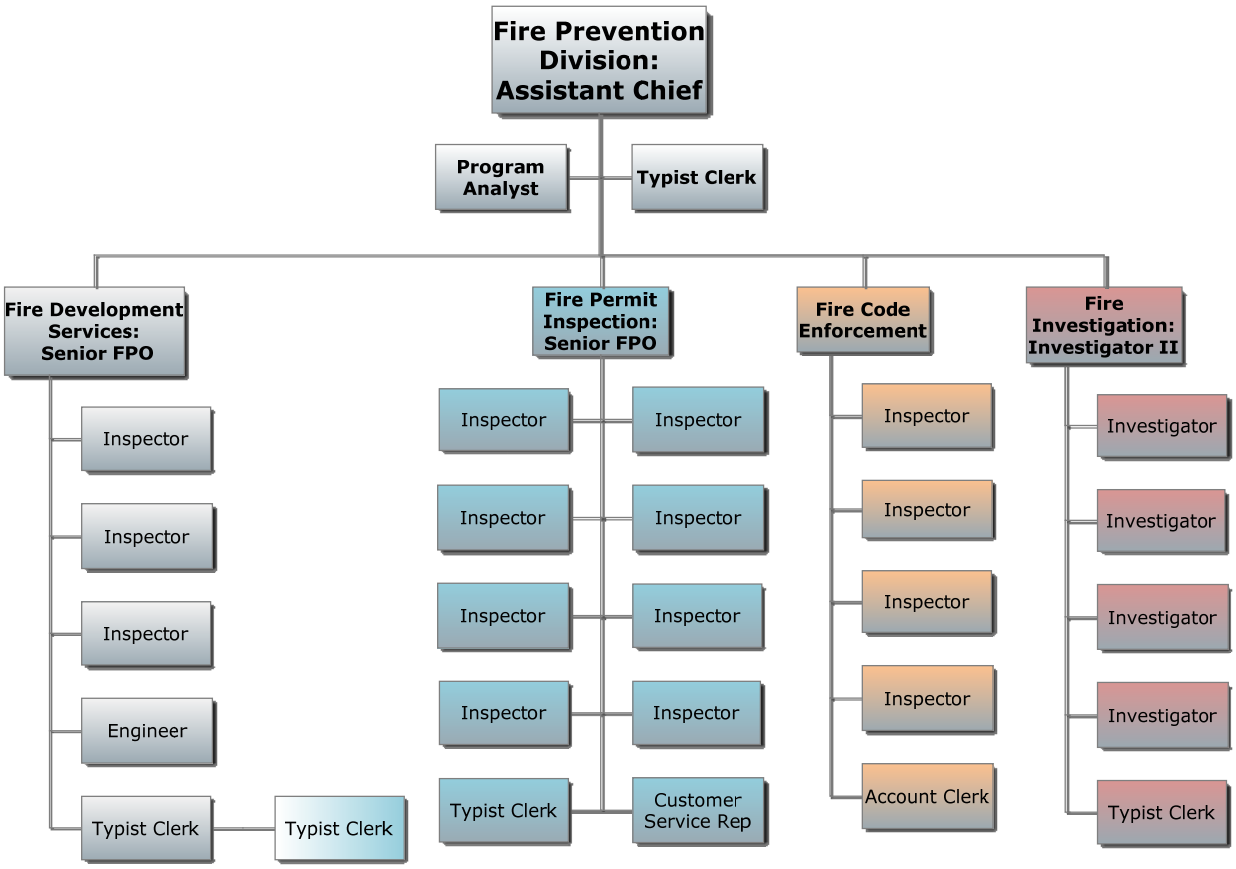
Source: Sacramento Fire Department

Fire Prevention Division

The Fire Prevention Division's mission is to improve the lives of City residents by preventing fires and reducing the impact of fires that occur. The Division performs inspections of businesses and occupancies as mandated by State and local ordinances and investigates all major fires occurring within the Fire Department's jurisdiction.

In FY 2011/12 the Division comprised 31 full-time equivalent positions overseen by an Assistant Chief. Fire Prevention is further divided into four units: 1) the Fire Development Services Unit, 2) the Fire Permit Inspection Unit, 3) the Fire Code Enforcement Unit, and 4) the Fire Investigation Unit.

Exhibit 5: Fire Prevention Division Organization Chart



FPO=Fire Prevention Officer (inspector)
FTEs=Full-time equivalent positions

Source: Auditor-generated from Fire Prevention Organization Chart dated 8/1/11

1) **The Fire Development Services** Unit (FDSU) inspects all new or repaired Fire Protection Systems requiring a Fire Construction Permit. The unit reviews construction plans and completed structures for new buildings, remodels, and tenant improvements. In addition Fire Development Services contracts out some work to a consulting company.

2) **The Fire Permit Inspection Unit (FPIU)** inspects all existing occupancies required to have an operational permit and those required by the California Health and Safety Code to be inspected on an annual basis.

3) **The Fire Code Enforcement Unit (FCEU)** is responsible for follow-up of complaints, school inspections, day care inspections, weed abatement, and administers the administrative penalty and hearing process. In addition, this unit inspects for permits issued by other departments like the Entertainment Permit issued by the Community Development Department (CDD), and Special Events issued by the Department of Parks and Recreation (Parks).

4) **The Fire Investigation Unit** investigates all major fires and makes arrests of persons responsible for unlawful actions related to fire.

Other City Departments

The Revenue Division of the Department of Finance, CDD and Parks also carry out elements of the fire inspection fee processes. The Revenue Division ensures Fire revenue is deposited into the City's General Fund.

Fire relies on CDD to identify construction projects requiring a fire prevention inspection. CDD collects fees for the fire inspections performed and issues related permits. CDD also manages an Entertainment Permit program for the City, collecting fees, assigning inspections to the Fire Department, and issuing permits.

Parks manages a Special Events Permit program. A fire prevention officer, who is on the special event review board, determines if events require fire inspections.

Inspection Databases

Fire permits and fees are tracked in several databases: the Fire Department's Flexible Data Management (FDM); CDD's Accela and CitizenServe, and CLASS[5] the database Parks uses to track Special Event Permits. In addition, the Fire Department and CDD use Excel spreadsheets to track permits issued, accounts payable, and other information. Management uses these data sets to retain and organize critical information, create reports and to make deployment decisions.

FDM is the primary database used by the Fire Prevention Division. City Council approved $936,000 for the purchase, support and maintenance of FDM in resolutions dated May 2005 and April 2011. The State Homeland Security Grant Program funded approximately $417,000 of this. Fire Prevention's database contains approximately 222,000 addresses both within City boundaries and in outlying County areas.

The Fire Development Services Unit uses Accela to manage fire-related construction permits as these are part of the building permitting process managed by CDD. According to its website, "Accela Automation utilizes an open architecture and centralized database, allowing information to be shared across departments and improving communication between an agency's office and field staff, the public, businesses, and other key stakeholders. It provides a complete solution for automating critical tasks associated with permitting, code enforcement, community development and planning, inspections and investigations, licensing and case management, asset and resource management and more."

Codes and Regulations

Fire prevention inspections are subject to California codes for Public Safety, Building Standards (which include Fire Code), and Health and Safety. Additional City Code and resolutions apply. In general, State law is designed so that municipalities can determine exact criteria and frequency of fire inspections depending on local circumstances.[6]

One of the key codes Fire is required to follow is the California Building Code. In order to classify occupancies by fire safety and relative hazard, California Building Code categorizes structures into 13 occupancy codes. The Fire Department uses these codes to designate structures according to these

[5] CLASS is a facility booking and course registration system through Active Network.
[6] The State requires annual inspections for high rises and multifamily residences.

categories. By using these codes the fire department is better able to identify how frequently it needs to inspect and permit certain entities.

Besides inspections required for certain types of buildings, California Fire Code requires the Fire Department to issue permits for some construction, and certain operations. Fire Code defines these permits as follows:

1. *Operational permit. An operational permit allows the applicant to conduct an operation or a business for which a permit is required by Section 105.6 for either:*
   1.1 A prescribed period.
   1.2 Until renewed or revoked.
2. *Construction permit. A construction permit allows the applicant to install or modify systems and equipment for which a permit is required by Section 105.7.*

In order to protect public safety, California Fire Code Section 105 specifically identifies 47 operational permit categories and 14 items for which construction permits are required. California Fire Code contains specific requirements for extinguishers, exits, housekeeping, electrical and miscellaneous items. California Fire Code also lays out administrative provisions such as what information is required on a permit and the length of time records must be maintained. California Code of Regulations Title 19 Public Safety includes detailed provisions such as emergency planning requirements for office buildings and hotels.

In addition to State fire safety requirements, the City may establish requirements for additional permits as deemed necessary. These requirements are memorialized in City Code and resolutions.

Fee Regulations

The Fire Department is allowed to charge fees to defray costs for their inspection and permitting services. In addition "the applicable governing authority is authorized to establish a refund policy." However permits may not be issued until the required fees have been paid. According to the 2010 California Fire Code "Any person who commences any work, activity or operation regulated by this code before obtaining the necessary permits shall be subject to an additional fee."

Objective, Scope and Methodology

The objective of this audit was to assess the Fire Prevention program. By performing this audit, we assessed the completeness and accuracy of the fire data management system, reviewed inspection documentation and related practices, and tested the adequacy of its cash controls.

Our scope included a review of regulations governing Fire Inspection for the Fiscal Year 2010-2011. On a limited basis, we reviewed Council Resolutions and Ordinances, Civil Service Rules, California State Law, labor contracts and the City Charter. During our audit, we interviewed representatives from three of the Fire Prevention Division's four units, the Revenue Division Manager, senior Fire management, Fire IT support, and the City's IT GIS unit, to gain an understanding of how the Fire Department's Fire Prevention program is managed. We also obtained and analyzed information from the Prevention Division's database FDM and performed sample testing to assess database completeness.

Due to the lack of key system controls, policies, or procedures, we could not always verify or validate the information reflected in the database system. Although our testing identified data integrity concerns, we relied on the system information as it was the best available information.

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.

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

To prevent fires and reduce the impact of fires that do occur, California and City Code authorize the Fire Department to perform fire inspections and issue permits. To complete these inspections and issue permits, the Fire Department utilizes its Fire Suppression and Prevention divisions. In order to effectively carry out all aspects of this program, it is important that the Fire Department establish and clearly communicate policies and procedures. However, our review of the Fire Department's inspection and permitting program found that the program has had a long standing practice of relying on informal communication instead of formally documenting processes. Specifically, we found that:

- 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.

As a result of these shortcomings, the Fire Department may not treat businesses consistently, comply with State and local laws, or keep adequate records as required by Code.

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 issues permits for certain activities and structures. Some of these permits are required by the California Code to be issued annually. Most of the permits issued by the Fire Department (and their frequency schedule) are proposed by the Fire Department and adopted by the City Council through a Resolution. We identified 87 types of permits that require fire prevention inspections per California Code, City Code or City Resolutions. However, we were only able to find evidence of inspections for 36 of the 87 types of permits in FY 2010/11. Some of the permit-types that were not documented in FY 2010/11 are listed in Exhibit 6 below.

Exhibit 6: Examples of Required Annual Permits Not Recorded as Issued in FY 2010/11

- **Artist Live/Work Facility**
- **Battery System Operation**
- **Christmas Tree Lots**
- **Covered Mall Buildings**
- **Fire Alarm System in a Commercial Building**
- **Fireworks Wholesale Storage**
- **Fireworks Booth**
- **Fumigation and Thermal Insecticide Fogging**
- **Waste Handling/Commercial Rubbish Operation**

Source: Auditor analysis

As the difference between permit types that could be issued and permit types that were actually issued could be indicative of incomplete inspection coverage, we performed testing to determine why certain permit types were not issued. As part of this process, we identified businesses that appear to engage in activities requiring these permit types and reviewed their inspection and permit history per Fire Prevention's records.

California Fire Code establishes Aviation Facilities as entities that require operational permits. Several Fire permits were established by the Fire department to address this need. For example, resolution 2007-120 requires an inspection of private and commercial airports for a fee of $2,917 or $2,920. Resolution 2009-178 adds an annual aviation facilities permit with an associated inspection fee of $241. However, the only documented permitting activities at the Executive Airport within the FDM database were for an air repair business and a restaurant. The Fire Department could not provide any additional evidence of an inspection being performed or an airport permit being issued to this airport within the last five years. As such, it appears that the airport has not been inspected as required by Fire Code. By not inspecting and permitting the Executive Airport, the Fire Prevention Division missed an opportunity to reduce fire risk at the executive airport and did not collect the associated permitting fees.

California Fire Code also establishes "Exhibits and Trade Shows" as entities that require an operational permit. City Resolution 2009-178 requires "exhibits and trade shows" be inspected and pay a $568 fee to receive the related permit. However, Fire Prevention was unable to provide any record of it inspecting a Convention Center event for the exhibits and trade show permit during FY 2010/11[7]. Instead, Convention Center Staff review event floor plans to identify potential problems and require necessary corrections.[8] According to Convention Center management, 51 exhibits were held at the Convention Center during FY 2010/11.

According to the acting head of the Fire Permit Inspection Unit, the Fire Prevention Division generally inspects larger events but does not charge for these or keep records of the inspections. According to the General Manager of the Convention Center, Convention Center management and a former Fire Marshall made a verbal agreement that the Convention Center would charge clients $50 for a Fire Marshall Permit fee. Subsequently, the Convention Center has charged approximately $2,050 in permit fees related to exhibits and trade shows during FY2010/11. If Fire Prevention had inspected all of the 51 exhibits as required by code, and charged the related fee of $568, the City would have invoiced $28,968.

We researched another example of an activity requiring permits from the Fire Department: Wholesale Fireworks. City Code requires an annual permit from the Fire Department for the wholesale storage of fireworks. We found two businesses in the phone book under "Fireworks-Wholesale". Despite the clear risk associated with facilities that hold tens of thousands of square feet of fireworks, neither had been provided a permit, inspection documentation, or invoiced for an inspection.

In addition to testing those types of permits for which no permits were issued, we also reviewed the number of multi-family residential and assembly inspections completed. According to California Health and Safety Code, multi-family residential properties, like apartment buildings and hotels, must be inspected annually. Multi-family residential inspections generally may be completed in two ways: an

[7] Other events held within the City may also have warranted an exhibit and tradeshow permit, but were not noted in the FDM system.

[8] These plan reviews are not included in the documented of permitted entities found in FDM.

inspection completed by Fire Prevention Unit staff or self-certification. The owners of certain types of apartment buildings are permitted to self-certify that their property is in compliance with State law for fire prevention and safety.

To determine the Fire Department's ability to comply with the law in FY 2010/11, we first calculated the total number of properties within the FDM database categorized within one of seven multi-family residential occupancy groups that required an annual inspection. We then determined the total number of multi-family inspections completed in FY 2010/11 by narrowing the FDM data by permit type.

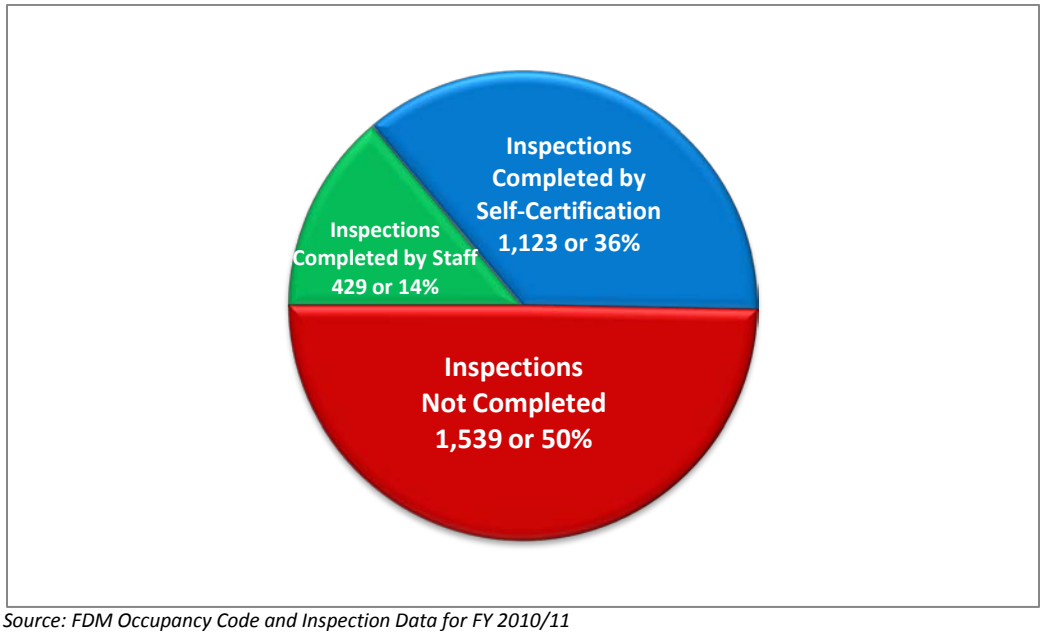
Exhibit 7: Fire Suppression Personnel Respond to a Burning Building

Source: Sacramento Fire Department

Our analysis found that of the 3,091 properties within the FDM database that are coded with a multi-family residential occupancy code requiring an annual inspection, only 1,552 were recorded as inspected in FY 2010/11. Of the 1,552 inspections recorded, 1,123 or 72 percent, were self-certification inspections. Ultimately, 1,539 or 50 percent[9] of multi-family residential properties that should have been inspected in FY 2010/11 were not as shown in Exhibit 8 below.

[9] As discussed in the scope and methodology section of this report, the database system may not contain complete information. For this reason, it is possible that the department's actual inspection rate for multifamily residences is different than noted above.

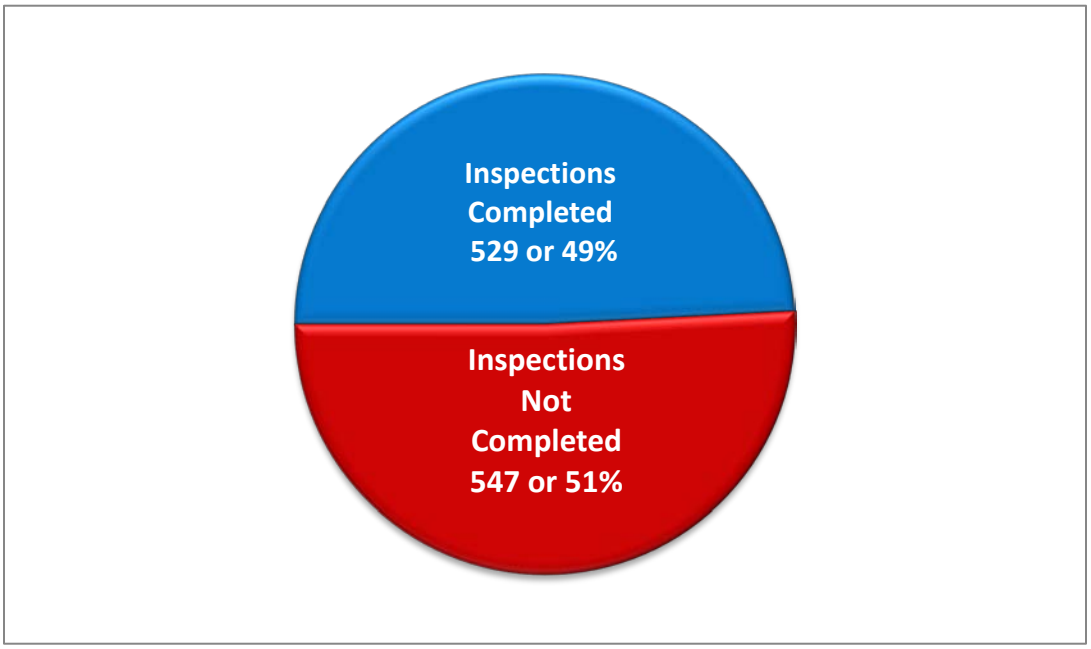
Exhibit 8: Completion of Statutory Residential Inspections in FY 2010/11



Source: FDM Occupancy Code and Inspection Data for FY 2010/11

In another example, we analyzed the Fire Department's rate of inspecting businesses classified as "Assemblies". California Building Code defines an Assembly to include the use of a building or structure for civic, social or religious functions; recreation, food or drink consumption or awaiting transportation. Resolution 2009-178 shows these are required to receive annual inspections. The Fire Prevention Division's database contained 1,076 Assemblies. However, as shown in Exhibit 9, the database system recorded that only 529 or 49 percent of assemblies inspected in FY 2010/11.

Exhibit 9: Inspections of Assemblies in FY 2010/11 as Required by Resolution 2009-178[10]



Source: FDM Occupancy Code and Inspection Data for FY 2010/11

The Fire Department's current process may not be capturing all entities that perform activities requiring a permit. While some of these permit types may not be issued because the activities may not take place within the Fire Department's jurisdiction, the above examples show that this was not always the case. Fire Prevention Management's current process requires staff to refer to California Code, City Code and multiple fee resolutions. Given the intent of the inspection and permitting program to reduce fire risk in these key permitting areas, it is important that the Fire Department have processes in place that ensure entities engaged in activities requiring a certain permit type are inspected. Without such a process in place the Fire Department may not achieve complete inspection coverage and public safety may be compromised.

RECOMMENDATIONS

We recommend that the Fire Department:

1. **Establish a process that better identifies activities that require a permit per California Code, City Code or City Resolution and develop a plan on how the inspection needs will be met.**

The Fire Prevention Division Does Not Properly Document and Record Inspections Performed and Permits Issued

California Fire Code requires that the fire code official approve permits issued. Specifically, section 105.3.7 of the 2010 California Fire Code states, "Issued permits shall bear the signature of the fire code official or other approved legal authorization". However, the Fire Department issues permits without

[10] As discussed in the scope and methodology section of this report, the database system may not contain complete information. For this reason, it is possible that the department's actual inspection rate for assemblies is different than noted in Exhibit 7.

noting the legal authorization of the fire code official. Instead, an administrator in the Fire Prevention Unit generates operational permits from the database, and mails them without any official endorsement. By not having a mechanism to formally authorize the issuance of a permit, the Fire Department lacks a critical control that is intended to ensure accuracy and provide accountability. Without this type of control, the Fire Department's permits are at greater risk of being forged, modified, or counterfeited.

Signatures or other formal endorsements are a common control used to ensure authenticity. In some cases, the City even takes additional measures to improve document security. For example, the City's entertainment permits, issued by the CDD, are currently printed on security paper that shows "void" if the official document is scanned. Using security paper helps discourage copying of the official document for the purposes of modifying or counterfeiting the original.

To comply with State law and ensure permits are properly issued, Fire Department management should settle on an official mechanism for providing the fire code official's legal authorization.

RECOMMENDATIONS

We recommend that the Fire Department:

2. **Develop a process to ensure operational permits, and other permits jointly issued by the Fire Department with other City bodies, are signed by the fire code official or his delegate.**

Fire is not maintaining records that document the findings and dispositions of each inspection.
According to the 2010 California Fire Code, the Fire Department should be keeping official records for not less than five years or for as long as the structure or activity to which such records relate remains in existence, unless otherwise provided by other regulations. It further states that a record of each inspection made, including notices and orders issued, showing the findings and dispositions of each shall be maintained. As such, we reviewed how well the Fire Prevention units document inspections and found Fire Prevention personnel do not adequately document its inspection findings. To assess the adequacy of the inspection documents, we also selected multiple samples of the 4,316 records within the FDM database as of March 2012 of annual inspections and self-certification inspections performed within FY 2010/11 by the Fire Prevention Inspection and Fire Code Enforcement Units. We compared the data associated with these records within the database system with hard copy inspection records to determine the accuracy of the system's invoice and payment information. We also contacted a small sample of businesses that were inspected by either unit in FY 2010/11 to confirm inspection activity. The results of our testing are summarized in Exhibit 10 below:

Exhibit 10: Sample Test Results Summary

SAMPLE	TEST	RESULTS
31 Records of Inspections that occurred in FY 2010/11	Determine if hard copy inspection information agreed with data in the FDM database[11], such as: • Inspection performed per hard copy records from Fire Prevention Officer is inspection recorded in database system. • Inspection performed per hard copy records from Fire Prevention Officer is the inspection for which the entity was invoiced. • Inspection fee was accurate according to Fee Schedule approved by City Council.	• We were unable to locate and review hard copy files for 12 of the 31 records. • Of the 19 hard copy files we were able to locate for review, five did not contain sufficient information to complete our review. • Of the 14 remaining records, one used an old fee for an inspection within the FDM database resulting in an undercharge of $10. • The remaining 13 sample items were accurate within the FDM database in comparison to their respective hard copy files and the Fee Schedule approved by City Council.
8 Records of Inspections that occurred in FY 2010/11	Contacted property/business owner for a brief interview about inspections performed.	• All interviews with business owners confirmed inspection activity as shown in the FDM database.

Source: Auditor Analysis of FDM database records for inspections performed in FY 2010/11

As detailed above, it was difficult to locate hard copy records for inspections performed in FY 2010/11 to complete our testing of the accuracy of billing and payment information. In most cases, Fire Prevention Officers documented the inspections they performed with some type of hard copy paper file. However, the Fire Department does not have a standard procedure that dictates how the record of inspections performed should be created and what information and documentation it should contain.

Some of the hard copy files we were able to locate were simply a print out of the invoice created from the FDM database. As invoices are produced by the FDM database, a print out of an invoice cannot be used to verify billing and cash receipt information within the FDM database and is not a sufficient record of an inspection actually being performed by a Fire Prevention Officer. Each file we examined contained a different combination of forms and none of the forms were consistently completed in a similar manner. Some files contained handwritten post-it notes that were difficult to interpret. These

[11] We further explore issues with the use and maintenance of the FDM database in Finding 3.

inconsistent records were indicative of the lack of formal procedures for Fire Prevention Officers' to follow in documenting the inspections they performed.

Our attempt to test the accuracy of inspection billing and payment information was further complicated by the manner in which hard copy records of inspections performed are stored. The file cabinets containing the documents takes up an entire room and according to the Fire Department's Typist Clerk II, inspection records are filed by street address. However, it appeared that this filing system was inconsistently interpreted. In some instances files were in the correct drawer based on the street address of the entity inspected. In other instances, multiple files were grouped together in one folder by the street name or business name. Finally, we had to ask the Typist Clerk II to track down nearly half the files in our sample as we could not locate them within the file room despite multiple searches. Even after an extended search by the Typist Clerk II for the files we requested, some files were never located.

During our review, the Fire Department provided us with three forms used by inspectors to document inspection results as shown in the table below.

Exhibit 11: Forms Maintained in Inspection Files

Form Number	Title	Description	Instructions
FP15	Correction Notice	A one-page form followed by two carbon copies. Form contains 17 blank lines in which the inspector hand-writes violations.	The inspector is to provide a carbon copy to the business, and another to the assignment desk. File for 18 months.
FP5	Fire Inspection/Building Report	One side comprises a checklist of 9 topics like exits and fire extinguishers. The other side provides information like if the building is sprinklered and has emergency contacts.	Retain in Station for 24 Months.
None	Sacramento Fire Department Permit and Billing Information	One page form with lines for owner and emergency contact information, lines to list up to 5 permits, and type of fire inspection.	*None*

Source: Documents provided by the Sacramento Fire Department

As noted in the table above, the forms themselves state the inspection forms must be saved for 18 to 24 months. This direction does not comply with California Fire Code retention requirements of at least 5 years.

Although forms have been developed, as previously noted, it appears that management does not require consistent inspection documentation and communicates shorter retention requirements for operational permits than required by California Fire Code.
Without a standard process for Fire Prevention Officers to complete documentation of inspections performed, it is nearly impossible to verify if the inspection, billing and payment information in the FDM database is accurate.

The City has a records retention expert as a resource available to the Fire Department. As the official records keeper for the City, the City Clerk is responsible for coordination and administration of all City records, documents and public files. The Clerk has knowledge and experience working with other City departments on how to ensure records comply with the law and are easily and efficiently found when needed. The Fire Department may be able to establish a better system and benefit from a review and analysis by the City Clerk of the organization of the Fire Prevention Inspection documents. Regardless of the method used to complete documentation of inspections performed, the Fire Department must standardize the documentation process so that each inspection performed is properly recorded in a standard manner.

RECOMMENDATIONS

We recommend that the Fire Department:

3. **Formalize how inspections should be documented by its Fire Prevention Officers.**
4. **Work with the City Clerk to evaluate their records, establish consistent records requirements and establish controls to ensure compliance with California regulations and the City's retention schedule.**

Fire Development Services Unit is Not Tracking Specific Required Construction Permits, nor Communicating in Writing to the Building Permits Division and Developers that these are Required

According to California Fire Code, Construction permits are required for 14 distinct areas. Some of these areas include automatic fire-extinguishing systems, compressed gases and hazardous materials. In developing our review of required fire permit types, and the number inspected in FY2010/11, we asked FDSU how many of each of the 14 construction permits had been issued. FDSU was unable to provide this information as they do not track the number of construction permits issued. Subsequently, we asked for one example of each type of construction permit inspected in FY2010/11, and again learned this information was not available.

Unlike most other Fire related permits that are entered and tracked in Fire's FDM database, Fire Construction inspection activity are tracked in the CDD Accela system. However, Accela does not currently identify the 14 required construction permit types. Instead, Accela contains a field titled "Activity Code". Staff select these activity codes when entering data regarding permits. Some of these activity codes appear similar to some construction permits required by the State. We asked Fire Prevention Management and City IT what the current activity codes represent, and received conflicting responses. Without high-level understanding or agreement among management, inspectors and IT on what data is required and how it should be entered, such fields serve limited value. Additionally, Fire Prevention loses an opportunity to accurately track its permitting activity. Reports could be used to ensure only authorized individuals are approving fire construction permits, and to help ensure construction activity that will later require an operational permit has been captured. Without accurate and complete paper or database records, management is not able to determine all of the permits these units issue and ensure that permits issued are authorized.

As noted above, documenting inspection results and retaining these records for the period of time required by law is not optional. Likewise, it is management's responsibility to document and retain inspection records to ensure that the City's key records are complete. The Fire Department's incomplete

and inconsistent record-keeping is a major control weakness and may allow unauthorized permits to be issued.

RECOMMENDATIONS

We recommend that the Fire Department:

5. **Explore making changes to the Accela system to better track the issuance and approval of construction permits required by the California Fire Code.**
6. **Work with the Chief Building Official to update the City's procedure to identify required fire construction permits when considering building permits.**

The Fire Prevention Division Lacks Written Policies and Procedures and May Perform Inspections Inconsistently

Effective public administration requires clear, authoritative communication to staff via established, accessible policies and procedures. However, the Fire Suppression and Prevention divisions do not have established written policies and procedures for performing fire inspections. Rather, Fire personnel rely on training, inspectors' interpretation of Codes, informal direction from management, personal experience and professional discretion. As a result, management may struggle to hold employees accountable for their performance and ensure inspections are performed consistently.

For example, our review of inspection records for one restaurant showed inconsistent inspection results over a number of years. Inspection records for this entity resulted in a variety of requirements by inspectors being applied based on several permit categories as shown in the table below.

Exhibit 12: Permitting Records of a Restaurant over Time

Fiscal Year	Inspection Results	Fire Permit applied	Fees Paid
FY 2008-09	Restaurant inspected as an "assembly"	Assembly	$116
FY 2009-10	No Inspection on record		$0
FY 2010/11	Inspection resulted in the requirement of an assembly permit and a flammable combustible permit.	Assembly Flammable Combustible	$135 $188
FY 2011/12	Inspection resulted in the removal of the combustible permit in exchange for a "liquid propane" permit and direction to add a Knox Box[12].	Assembly Liquid Propane	$135 $214

Source: Auditor Analysis of FDM database records

According to the inspectors, whom we interviewed, the Liquid Propane Gas permit was accurate, and the change was made for that reason. This raises questions as to why the appropriate one hadn't been applied earlier and why an inspector required a Knox Box, although this hadn't been required earlier. According to the inspector, Knox Boxes are required at new construction, but prior inspectors had missed this requirement.

[12] Properties with the Knox System allow the Fire department to can gain access to a property using one master key without having to force entry.

Concurrent with our observations, the Sacramento Metro Chamber's number one complaint to the City Fire Marshall is that inspections are inconsistent from one year to the next. Without written policies and procedures business owners have few resources to turn to for a clear understanding of the Fire Department's interpretation of code and therefore, what is required to obtain a permit.

To improve the understanding by businesses regarding what is required to obtain a fire permit, other cities have developed guidance and instructions that they make available on their website. For example, the San Jose Fire Department provides instructions on "How to Prepare for an Annual Fire Safety Inspection" detailing 24 expectations regarding fire extinguishers, use of extension cords, exits, storage and other topics. The Fresno Fire Department website describes their Annual Fire and Life Safety Process delineating a four-step process, what constitutes violations, when re-inspections occur and fees charged, and how fees are calculated.

Failure to establish policies and procedures may result in inconsistent interpretation of Code, varying implementation of inspections, and an overall lack of accountability. Ultimately, the absence of policies and procedures may hinder management's ability to administer the fire prevention program, utilize resources effectively and develop performance measures.

RECOMMENDATIONS

We recommend that the Fire Department:

7. **Establish Fire Prevention inspection and permitting policies and procedures.**
8. **Communicate minimum compliance expectations to business owners via a standard document**

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

According to the City's general ledger, the Fire Department generated about $22.4 million in revenue in FY 2010/11. Of that, $1.4 million or 6 percent is related to its fire prevention fees and permits. Despite the large amount of inspection revenue, the Fire Prevention Division lacks strong cash[13] handling controls and its revenue collection processes do not adhere to City Code. Additionally, the department does not use its authority to enforce compliance with its inspection programs or encourage timely payment of related charges.

We found that:

- 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.

Without strong cash handling controls and an effective billing and collection process, the Fire Department may be losing current and potential inspection revenue.

The Fire Department Lacks Effective Cash Handling Controls

According to the Government Finance Officers Association (GFOA)[14], proper controls over revenue are important to ensure strong financial management practices. A critical control that should be in place is a cash handling policy. Cash is the City's most liquid asset and is at risk of loss from theft or error. However, the Fire Department lacks cash handling policies and procedures. Without detailed, complete and well-communicated written procedures, Fire Department management may find it difficult to ensure that critical processes are performed correctly and consistently by all employees who handle cash. Having well-maintained procedures in place holds all employees, including management, accountable for the safekeeping of cash.

According to the City's Revenue Division Manager, the division is in the process of finalizing a draft citywide Cash Handling Policy. The draft of this administrative policy instruction (API) will go to City departments for feedback shortly. The Revenue Division Manager expects it will be released in the summer of 2012. This API will establish policies for cash collection and recording of cash collected at all City departments and can aid the Fire Department in developing its own cash handling procedures. Department-specific written procedures complement written policies and provide detailed instruction on how related policies will be put into practice.

As shown in Exhibit 13 below, establishing a Fire Department cash handling policy is within the duties required of the Fire Chief and Deputy Fire Chief. Based on these City job descriptions, the Fire Chief and

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[13] An introductory accounting textbook defines "cash" as follows: "Cash consists of coins, currency (paper money), paper money, checks, money orders, and money on hand or on deposit in a bank or similar depository". Kimmel, Paul, Jerry Weygandt and Donald Kieso. Financial Accounting: Tools for Business Decision Making. Hoboken: John Wiley & Sons, Inc., 2007. p. 324

[14] According to its mission statement, the purpose of the GFOA is to enhance and promote the professional management of governments for the public benefit by identifying and developing financial policies and best practices and promoting their use through education, training, facilitation of member networking, and leadership.

Deputy Fire Chief are responsible for developing, recommending, and administering policies and procedures and overseeing the day-to-day operations of the Fire Department or its Divisions.

Exhibit 13: Fire Department Job Description Excerpts Related to Financial Management

Position	Duties and Responsibilities Per City Job Descriptions
Fire Chief	• The Fire Chief's duties are administrative and managerial in nature. • Broad authority for overseeing the day-to-day operations of the Fire Department. • Develops, recommends, and administers policies and procedures. • Monitors the efficiency and effectiveness of Department work products through quality control and related activities.
Fire Deputy Chief	• The Fire Deputy Chief's duties are primarily administrative and managerial in nature. • Plans, organizes, manages, leads and directs the operations of one or more Divisions within the Fire Department. • Develops, recommends, and administers Division policies and procedures. Play a key role in the formulation and administration of City policy. • Recommends strategies to improve fiscal efficiency.

Source: City of Sacramento Charter and Position Job Descriptions.

Proper controls over revenue are important to ensure strong financial management practices. In its Sample Revenue Control and Management Policy, the GFOA states that management of each department shall be familiar with the Revenue Policy and establish standard internal controls that are properly documented and followed by staff members to ensure compliance with the policy. Some examples of cash handling best practices that should be documented and instituted within the Fire Department are detailed in Exhibit 14 below.

Exhibit 14: Examples of Cash Handling Best Practices

- **Conflict of Interest**
  - Employees that are involved in providing services for which the department charges a fee or that are handling cash transactions should not perform any transaction in which they hold a personal interest. This would include transactions for themselves, their friends, their family members or for any business entity in which they have an interest.
  - Fees should adhere to a set schedule and not be able to be changed without proper authority and documentation.
- **Segregation of Duties**
  - Employee performing a service should not also collect payment for that service.
  - Employees that collect or record payments do not also prepare deposits.
  - No employee should have access to both the front and back end of any system that records cash transactions and all systems that record cash transactions should be consistently reconciled by an employee not directly involved in the processing of the transactions.
- **Proper Documentation of Cash Transactions**
  - Service records, invoices, receipts and general records should be properly organized, stored and retained in accordance with the City's Records Retention Policy.
- **Cash Security**
  - Timely deposit of cash.
  - Secure physical storage of cash.
  - Cash stewardship - cash is secure or in the possession of an employee of record at all times.

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

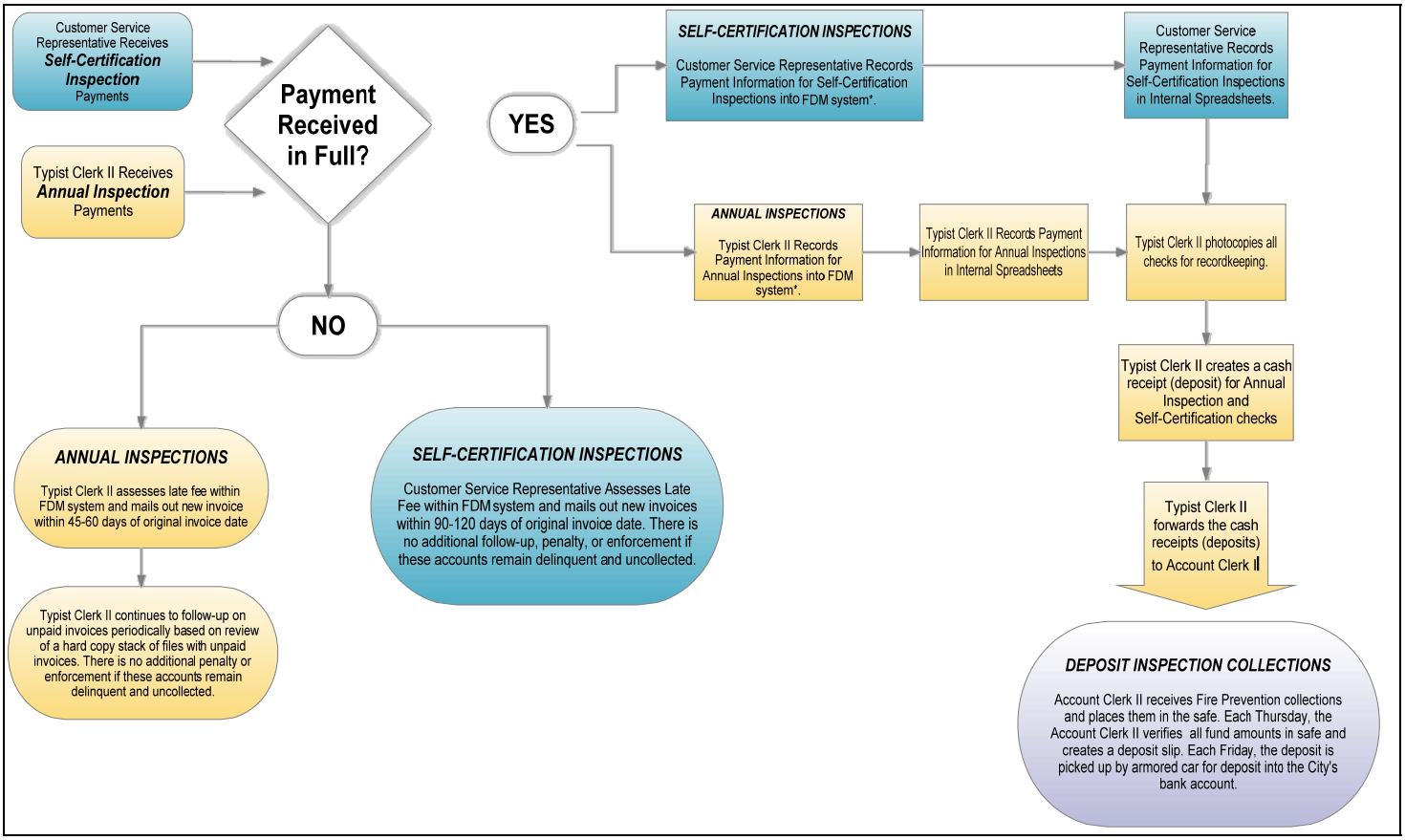
In the absence of formal written cash handling procedures, the Fire Department's cash handling control system is at risk. To determine if the cash handling procedures being performed employ adequate controls, we observed several days of activity within the sections of the Fire Department that handle cash related to fire inspections and permitting. We also performed transactional testing of information in the FDM database, contacted a random sample of businesses that had been inspected within FY 2010/11 and reconciled internal Fire Prevention deposit records with deposit information maintained by the Revenue Division.

Observation - Cash Handling Processes and Cash Controls

We observed the performance of inspections and processing of inspection records and payments within multiple units of the Fire Department. We focused our analysis on the processing of payments for non-construction-related annual inspections (annual inspections) and self-certification inspections. Within the Department's Fire Prevention Inspection Unit (FPIU) and Fire Code Enforcement Unit (FCEU), one person in each unit collects and records payments, issues inspection permits, and schedules the next inspection. These two staff people also have the ability to delete inspection records from the FDM database. This 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.

While we found similar issues within both the FPIU and FCEU, for the remainder of this section, we will focus on the FPIU since that unit is responsible for overseeing the majority of annual inspections and all self-certification inspections. As shown in Exhibit 15, payments for these inspections are generally processed by one of three employees within the FPIU: a Typist Clerk II, Customer Service Representative and an Account Clerk II.

Exhibit 15: Flowchart of Payment Processing within the Fire Prevention Inspection Unit



**Both the Customer Service Representative and Typist Clerk II have the ability to create, delete, and modify records within the FDM database.*
Source: FPIU Typist Clerk II, FPIU Customer Service Representative, Account Clerk II, and auditor analysis and observation.

The FPIU's current payment processing procedures lack adequate cash controls. The current process especially lacks segregation among the duties related to the receipt, recordation, and deposit of cash. For example, the Typist Clerk II receives, records, and prepares cash for deposit. Having one person perform all of these roles does not allow for any verification that the cash received is actually recorded or that the cash recorded is actually deposited. As this employee also has the ability to change data in the FDM database, it is conceivable that invoices associated with payments received could be modified or deleted. If this were to occur, there would be no record that the Fire Department is owed payment, let alone that it was received but ultimately not deposited.

In addition to protecting inspection revenue, strong cash controls can also provide employees who handle cash with documentation and corroboration of their actions. This furthers the transparency of the Fire Department's inspection and permitting operations. Exhibit 16 below lists some detailed fraud prevention practices recommended by the Association of Government Accountants that the Fire Department should incorporate into its payment processing procedures.

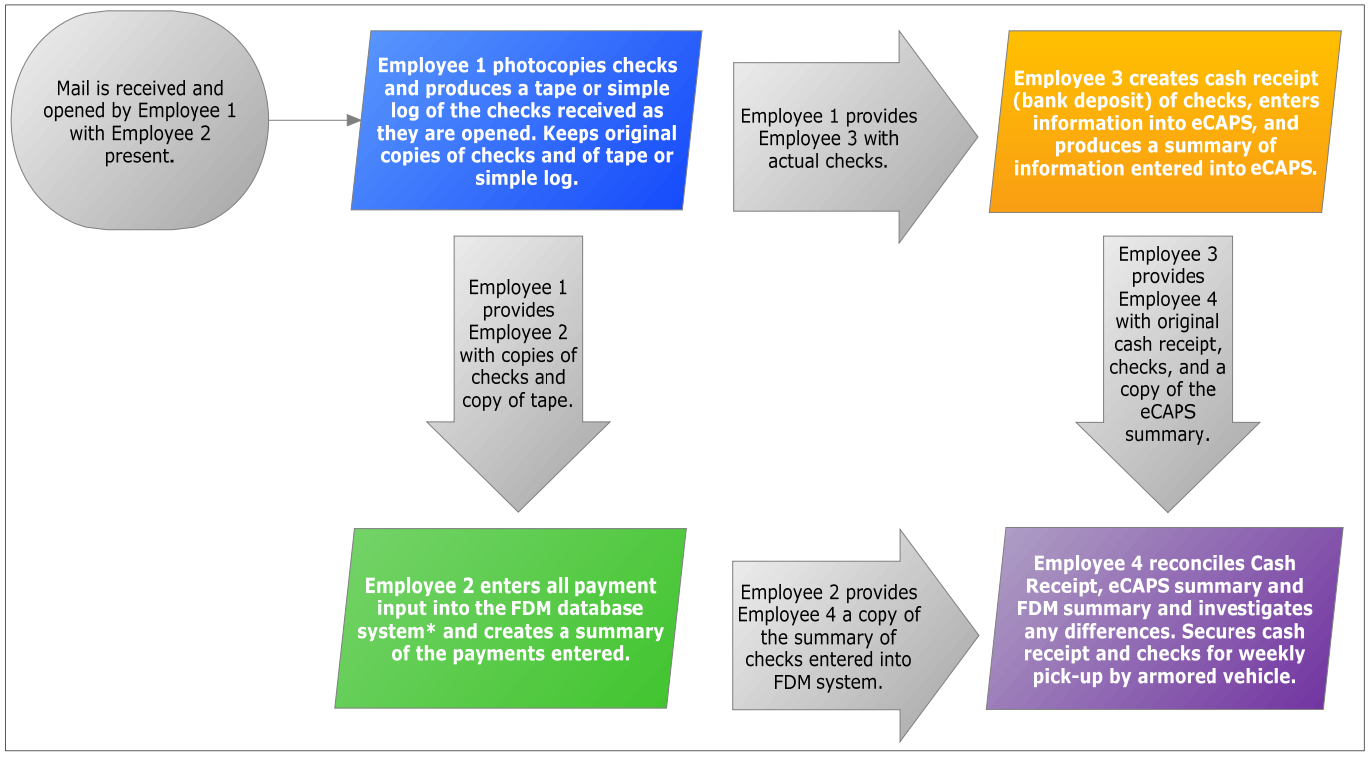
Exhibit 16: Fraud Prevention Practices Recommended by the Association of Government Accountants

- **Proper Segregation of Duties**
  - All incoming mail should be opened with two persons present.
  - A receipt log or register tape should be maintained to record checks received as the mail is opened.
  - The receipt log or register tape should be reconciled to the bank deposit (cash receipt) once it is prepared. This reconciliation should be done by a person not involved in either the receipting or recording of receipts.
  - All money should be deposited as quickly as possible. The person depositing the money should not be a person involved in receiving or receipting the money.
  - Any refunds or voids should require a supervisory signature.
  - Whenever a customer questions a balance, indicates that a payment recorded as outstanding has been paid, or complains of not receiving a permit, the situation should be reviewed to determine whether lapping or skimming has occurred.

Source: Association of Government Accountants

Exhibit 17 below shows how the payment processing procedures might change if proper segregation of duties were incorporated.

Exhibit 17: Example of Payment Processing Employing Segregation of Duties



**Employees 2 should only be able to modify information in the FDM database, not create or delete records.*
Source: Auditor Analysis

Strong cash handling controls ensure accountability, encourage transparency and deter fraud. The Fire Department's lack of strong cash handling controls combined with the absence of data controls exposes inspection program revenue to potential fraud or errors.

RECOMMENDATIONS

We recommend that the Fire Department:

9. **Establish and implement cash handling procedures that incorporate best practices and are in line with the upcoming citywide Cash Handling Policy.**

The Fire Department Does Not Apply Fees Consistently and Lacks Basic Accounting Controls

While having strong cash controls within the process of receiving, recording and handling cash are important, it is just as important to control and document how fees are assigned for payment prior to cash being received. Currently, the Fire Department's inspection fee schedule, like many City fees, is approved as a resolution by the City Council. Fees that are approved by resolution may only be modified or changed by further City Council action. To promote transparency and deter potential fraud, the Department's Fire Prevention Division should adhere to the fees set forth by the City Council and any changes to those fees should be made with proper authority and documentation. However, we found that the Fire Department inconsistently applies and documents fees related to fire prevention inspections and permits.

Currently, Fire Prevention Officers (FPO) determine which permit(s) an entity requires based on the nature of the building and activities performed within it. Following an inspection, FPOs enter inspection information into the FDM database. This includes information about permit types an entity was inspected for and how many units of that permit type the entity should receive. FDM uses this information to calculate the total amount for which an entity should be invoiced following an inspection. Fees in FDM are based on those approved by City Council.

In Exhibit 18 below, we provide an example of how the permit type and unit information entered into the FDM database by an FPO would generate the total fee due to the Fire Department by the entity. In this example, the FPO inspected each of a tire shop's eight distinct locations that are spread throughout the City and found that each shop required a hi-pile storage permit. As one person owns all eight locations, the Tire Shop may receive one invoice for all eight inspections.

Exhibit 18 – Example of Total Fee Calculation for Tire Shop with Multiple Distinct Locations throughout the City

BUSINESS	PERMIT TYPE	INSPECTION FEE PER RESOLUTION 2009-178	UNITS	TOTAL FEE TO BE PAID
Tire Shop[15]	Hi-Pile Storage	$283.00	8	$2,264.00

Source: Resolution 2009-178 and Auditor Analysis

Given the previously described criteria, the example above is in accordance with our understanding of how fees should be applied for multiple permit issuances for the same entity regardless of the physical location for which each permit may apply. However, many of the fields within the FDM database related to the permitting process can be modified by most prevention employees. According to the Fire Marshal, an FPO may modify the total amount invoiced in certain circumstances with the approval of a

[15] The Tire Shop is a hypothetical example of how the rate structure should be applied.

Senior FPO. However, this practice and any related procedures for recording such decisions are not currently documented. According to the Fire Marshal and a Senior FPO, the practice of modifying the total amount invoiced has been used in the past when a business has multiple buildings, such as suites, all within close proximity to one another that perform similar functions.

For example, a plastics company used multiple suites in one area to produce its products. During its 2010 inspection, the plastics company needed five hot works operations permits for work performed within five of its suites. Instead of charging the plastics company for five inspection fees to obtain five hot works operations permits, a Senior FPO approved charging the company for one inspection fee related to these permits. However, the plastics company still received five hot works operations permits. The FDM database's quantity of inspections performed was modified by FPIU staff to lower the total amount to be invoiced. As shown in Exhibit 19 below, the Fire Department charged $161 for $805 worth of inspection services.

Exhibit 19: Total Fee Calculation of a Plastics Company with Multiple Buildings in One Area

BUSINESS[2]	PERMIT TYPE	INSPECTION FEE PER RESOLUTION 2009-178	UNITS	TOTAL FEE TO BE PAID
Plastics Company Suite A	Hot Works Operations	$161.00	1	$161.00
Plastics Company Suite B	Hot Works Operations	$161.00	0	$0
Plastics Company Suite C	Hot Works Operations	$161.00	0	$0
Plastics Company Suite D	Hot Works Operations	$161.00	0	$0
Plastics Company Suite E	Hot Works Operations	$161.00	0	$0
	Total for Services Provided per Resolution	***$805.00***	***Total Amount Actually Invoiced***	***$161.00***

Source: Resolution 2009-178 and Auditor Analysis

The majority of the fee changes that we learned of during our observation and transactional testing were not well documented. The Senior FPO at the time verbally agreed to modify the total fees, the FPO changed the unit amounts to achieve the desired total fee amount and a short note was entered into FDM that this change was approved by the Senior FPO. The associated hard copy files that we examined generally had no written authorization or explanation behind the changes to the total fees charged.

Other cities that allow fees to be changed have a policy specific to when certain inspection fees may be consolidated or waived. For example, the City of San Francisco's Submittal Guidelines and Requirements

for Fire Permit Applications, posted publicly on its website, states that fire permit fees may be reduced in two situations: the applicant is engaged in multiple regulated permit activities or operations or an event has a sponsor and at least one vendor engaged in fire-regulated activity or operation. In these cases, the policy states that the full application fee is collected for the first permit and additional applications are charged reduced fees if certain conditions are met. The policy further specifies when a fire permit fee may be waived. Having a detailed policy regarding how and when fees may be reduced provides transparency and consistency for those entities paying inspection fees.

By allowing employees, even at the supervisory level, to charge fees different from those approved by the City Council, the Fire Department is opening itself up to potential fraud and abuse. At the very least, this manner of modifying fees may lead to entities being treated, and charged, differently. The absence of any written policy or procedure for determining when to override these fees or how to document such overrides is troubling in light of the fact that most employees have the ability to modify the FDM database. The combination of no policy, no procedure, verbal agreements and low data security produces a weak control environment.

While occasional exceptions to the City Council's Citywide Fees and Fee Adjustments Resolution may be reasonable, they should be documented and approved by an appropriate authority. However, if the Fire Department is frequently overriding fees set by resolution, it should propose a more accurate fee structure to the City Council that more closely reflects Fire's inspection costs and intended practice.

RECOMMENDATIONS

We recommend that the Fire Department:

10. **Establish and enforce a procedure that clearly dictates how the inspection and permit fees approved by the City Council are to be applied and detail under what circumstances exceptions to the Council approved fees are allowed.**

Revenue Division's Current and Future Role

Many of the cash handling and procedural problems the prevention units of the Fire Department face are directly related to its billing and collection of inspection fees. While developing and maintaining strong cash controls remains an important task for the Fire Department, transferring its billing and collection processes to the Revenue Division may help alleviate many of its problems. Currently, to bill and collect these fees, the prevention units have modified existing systems to maintain accounting information, kept information outside of existing systems in their own format and developed individual ways to work around the various issues they have with the current process.

For example, in order to invoice for inspections performed, FPIU has modified certain templates within the FDM database to print invoices. As mentioned in a previous section, our concern with the Fire Department using the FDM database to produce invoices is that most prevention employees can modify the invoices. It is also concerning that this process of using the FDM database to produce invoices forces the prevention units to maintain a cash-based accounting of revenue. Based on Fire's current process, the Department of Finance's Revenue Division is only aware of those inspection fees that have been collected. All records of uncollected inspection fees are kept within the prevention units and as analysis in the next section shows, uncollected inspection fees do not appear to be pursued by the units effectively.

Additionally, the staff processing payments maintain reports outside of the FDM database and also use inefficient means to collect delinquent accounts. As a result of using outside records, the system is rife with control weaknesses and differing accounts of revenue. For example, when we tried to reconcile amounts collected for inspections and permits in FY 2010/11, we found multiple sources of information with differing totals, to include: the FDM database, internal unit MS Excel spreadsheets, the Fire Department's Annual Report and the City's general ledger.

The Revenue Division and Fire Department have worked together in the past to transfer the billing and collection responsibilities from the Fire Department to the Revenue Division. There are many advantages to having the Revenue Division handle the billing and collection of inspection fees while still maintaining the scheduling and performance of inspections within the Fire Department. Currently, there is no cost to the Fire Department for moving its billing to Revenue[16]. According to the Revenue Division's Administrative Officer, when the division creates the invoices in the billing system, it is able to track payments received through the City's cashiering system and eCAPS. She further stated that the division already has a full staff of collectors who monitor all past due invoices and send final demand letters and make collection calls. Additionally, the division sends quarterly statements to customers as a reminder of past due accounts.

According to an Administrative Officer within the Revenue Division, the Fire Department has contacted the Revenue Division regarding the billing and collection of the annual fire permits, false alarm fee, and code compliance fees. The Administrative Officer stated that the electronic billing process is in place and could be utilized by the Fire Department for the creation of their invoices. She further stated that the Revenue Division can accept data files from the Fire Department and bill for inspections. The final invoice output would be reviewed with the Fire Department and the Revenue Division would also train Fire Department staff on how to view billing and payment information in eCAPS.

Having the Revenue Division take over Fire's billing and collection processes could be of great benefit to the Fire Department. The Revenue Division already has the systems, processes and internal controls in place to successfully bill, collect and monitor the Fire Department's inspection and permit revenue. Additionally, such a transfer may allow some Fire employees to focus on other tasks.

RECOMMENDATIONS

We recommend that the Fire Department:

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

The Fire Department's Prevention Division Does Not Consistently Apply Late Fees or Effectively Collect Unpaid Inspection Fees

According to the Fire Department, while no State funds are made available to locals to defray the costs of inspections, California Health and Safety Code states that local jurisdictions may charge and collect a fee for the inspection of a structure. However, the Fire Department has not taken advantage of some of these opportunities. In the current budget situation, the Department should be exploring all avenues to receive all of the revenue it is due.

[16] According to the Administrative Officer it is possible that this may change with upcoming budget reviews.

Legal Right To Charge and Collect for Inspections

Sacramento City Code states that the Fire Department shall charge and collect fees at the time an application for a permit is made. The City Code further states that the application fee shall not be refunded upon failure of an applicant to receive a permit or clearance or upon any revocation or suspension of a permit or clearance. However, the Fire Department has no application process for most permits types. Instead, the Fire Department units responsible for performing inspections maintain a database of inspection candidates and contact those entities individually that require most permit types.

Currently, there is no mechanism for a new business or entity in the area to directly apply to be inspected for most permit types. Without an application process, the Fire Department is foregoing an opportunity to collect for some of their inspection costs up front. Additionally, without such an application process, enforcement is left solely to Fire Department staff. As discussed earlier in this finding and in greater detail within Finding 3, our testing of the Department's FDM database found it to be incomplete.

Without an application process, the Fire Department units that perform inspections are charging fees following the completion of an inspection. Given the current practice, the FPIU charges fees after inspections are "satisfactory", rather than in advance of an inspection. An inspection may be satisfactory during the first visit by a Fire Prevention Officer, or it could be weeks, months, or in some cases years after multiple follow-up visits by Fire Prevention Officer, before all of the necessary changes are made to result in a satisfactory inspection. As stated above, according to City Code, the FPIU should be charging inspection fees prior to even performing inspections. FPIU's current practice of only billing for an inspection once it is satisfactorily completed could result in payments being remitted much later than they could be under City Code. Exhibit 20 below details the number of days between inspection, invoicing and payment receipt that we found for inspections performed in FY 2010/11.

Exhibit 20: Days between Inspection, Invoice and Payment Receipt for Inspections Performed in FY 2010/11[17]

Period	Average Number of Days	Shortest Number of Days	Longest Number of Days
Between Inspection and Invoice	25	0	401
Between Inspection and Payment Receipt	82	8	238

Source: Auditor Analysis of FDM database records

The Oakland, San Jose and San Francisco Fire Departments all have applications for operational permits available on-line. For example, in San Francisco, the permit application contains a line for the permit description, specific information for certain types of permits the business tax registration number, and surcharge notice on returned checks.

[17] Data was normalized by removing negative number of day results (errors or non-payment) and self-certifications, which are not entered in a manner that allows for these statistics to be determined.

There are several potential consequences of not having an application process for operational permits required by code:

- Businesses in Sacramento do not have a formal mechanism to request an inspection for a particular permit
- Fire Prevention staff interpret information from multiple sources and upon visiting a business, attempt to identify those activities requiring a permit
- The Fire Department has no way to require payment along with an application
- There is no record of a rejected application.

By not charging before an inspection, the City foregoes an opportunity to collect revenues up front and puts at risk its ability to collect costs for inspections performed.

RECOMMENDATIONS

We recommend that the Fire Department:

12. **Consider instituting an inspection application process and charging for inspections before they occur.**

Late Fees/Delinquent Accounts

According to the Fire Department's current process for fire prevention inspections, an entity is invoiced following the performance of an inspection by a Fire Prevention Officer. In March of 2009 the City Council established a late fee of $84 as a new fee to be charged when payment of permit, plan or inspection fees are in excess of 15 days past due. Payment for invoices is expected within 30 days of the invoice date and therefore, a late fee could be applied at 46 days beyond the original invoice date. There currently is no other penalty for non-payment of permit, plan or inspection fees.

Our examination of payments for inspections performed in FY 2010/11 according to the FDM database found that late fees were not consistently applied. By not applying late fees as it is authorized to, the Fire Department is not using all of the tools available to collect revenue it is due and may be losing some revenue to non-payment.

We analyzed invoice data[18] within the FDM database for inspections performed within FY 2010/11 as of March 12, 2012. The results of our analysis of those past due invoices without late fees are summarized in Exhibit 21.

[18] Performing analysis of the application of late fees to all applicable invoices for inspections performed in FY 2010/11 within the FDM database was complicated by the different manners in which various employees enter late fee data into the FDM database. We excluded certain types of inspection invoices that are not entered in a manner that allows for the analysis of late fees or appear to be entered in error, such as those for self-certification inspections, blank records or illogical records. Self-certifications are entered into the FDM database following payment or application of late fee. There is no way to calculate the number of days between initial invoice and payment from the data within the FDM database. We also excluded any record whose invoice date and payment date were illogical. For example, if the payment date was prior to the invoice date.

Exhibit 21: Analysis of Invoices without Late Fees for Inspections Performed in FY 2010-11 as of March 12, 2012

	Quantity	Late Fee	Potential Lost Revenue
Delinquent Invoices that were eventually paid	237	$84	$19,908
Delinquent Invoices that remain unpaid as of March 12, 2012	104	$84	$8,736
Total Delinquent Invoices to which late fees could have been applied	**341**	**$84**	**$28,644**

Source: Auditor Analysis of FDM database records

Of those invoices without late fees in the FDM database for inspections performed in FY 2010/11 as of March 12, 2012 that we were able to analyze, we found that the Fire Department could have assessed $19,908 of late fees for those invoices that paid later than 45 days following the invoice date. The Fire Department could have assessed an additional $8,736 in late fees on invoices that were more than 45 days past due and remained unpaid as of March 12, 2012. As we had to exclude some invoices, the total $28,644 in late fees the Department could have assessed is conservative.

By not consistently applying its late fees, the Fire Department is treating entities receiving inspections differently and missing out on potential revenue. While it is important that the Fire Department uniformly apply the tools available to encourage timely payment, it is not clear if this flat rate $84 late fee is the best choice. Invoices for inspections can range from $120 to over $2,000, making a flat rate late fee of $84 a much larger percentage of smaller invoice amounts than larger ones. Other City departments' late fees are more proportional to the amount past due. For example, the Revenue Division may charge a penalty of 10 percent of certain outstanding tax balances and accrue an additional .5 percent interest on these unpaid balances each month of delinquency.

If the City Council approved a similar late payment penalty structure for the Fire Department's inspection invoices, delinquent accounts may make more timely payment.

RECOMMENDATIONS

We recommend that the Fire Department:

13. **Apply its current late fees consistently and in accordance with Resolution 2009-178.**
14. **Consider augmenting the current late fee structure, with additional penalties for extended non-payment.**

<u>Collection Effectiveness</u>

Regardless of the effectiveness of the Fire Department's late fee structure, a certain number of invoices will remain unpaid and require collection efforts. The Fire Department's current modes for collecting outstanding inspection fees are disjointed and inefficient. For example, within the FPIU, the Typist Clerk

II maintains a hard copy pile of property files with unpaid invoices on her desk. She pursues payment by mailing additional invoices or contacting the entity by phone whenever she is able. Recently, she began keeping an MS Excel spreadsheet listing these files by invoice number. Her hard copy pile and MS Excel spreadsheet are maintained outside of the FDM database.

To determine if the Fire Department's collection efforts are effective, we analyzed the records for inspections performed in FY 2010/11 according to the FDM database. While we found that the FDM database may not be a complete source of information, it is the only central record of paid and unpaid inspection invoices available.

With these limitations in mind, we analyzed information in the FDM database to determine how much of the amount invoiced for inspections performed in FY 2010/11 had been collected by March 12, 2012. We then compared one category of uncollected invoice amounts with the internal records maintained outside of the FDM database. Our analysis of the FDM database's records for inspections performed in FY 2010/11 is summarized in Exhibit 22 below.

Exhibit 22: Analysis of Payment Collection Information for Invoices for Inspections Performed in FY 2010/11 as of March 12, 2012 according to the FDM database.

	Amount	Percentage
Invoiced Amount Collected	$754,180.27	89%
Invoiced Amount Uncollected	**$96,815.50**	**11%**
Total Amount Invoiced	$850,995.77	100%

Uncollected Invoice Amounts by Category[19] for Inspections Performed in FY 2010/11 as of March 12, 2012 according to the FDM database

Category	Amount	Percentage
Fire Code Enforcement	$24,116.00	25%
Fire False Alarms	$15,912.00	16%
Fire Prevention	**$56,052.50**	**58%**
Self Certification[20]	$735.00	1%
Total	**$96,815.50**	**100%**

FDM database Record of Unpaid Fire Prevention Invoices for Inspections Performed in FY 2010/11 as of March 12, 2012 Comparison to Internal Spreadsheet Used for Actual Collection

Information Source	Amount
FDM database	$56,052.50
FPIU Internal Spreadsheet	$50,635.00
Difference	**$5,417.50 or about 10%**

Source: Auditor analysis based on FDM

As shown in the Exhibit 22 above, according to the FDM database $96,815.50 in invoices for inspections performed in FY 2010/11 remained uncollected as of March 12, 2012. Of that amount, $56,052.50 was

[19] This field is titled "Station Name" within the FDM database.

[20] Because of the way self-certification invoice information is currently entered, unpaid invoices are generally not recorded in the FDM database. This results in a drastically lower amount of unpaid invoices in the FDM database for self-certification invoices than may actually exist. In turn, this may affect the percentages of total uncollected amounts.

related to inspections performed by the FPIU unit. However, according to the FPIU's internal collection spreadsheet $50,635.00 remained uncollected. The difference between the FDM database and the FPIU's internal spreadsheet was $5,417.50 or about 10 percent. As FPIU staff is currently pursuing only those invoices on its internal spreadsheet for collection, the difference between the spreadsheet and the FDM database is not currently being pursued.

As discussed in an earlier section, some of the issues covered within this section could be resolved by the Department of Finance's Revenue Division taking over the billing and collection process for fire prevention inspections and permits. However, if the Fire Prevention Division does not move these processes over to the Department of Finance, it must improve its collections effectiveness by maintaining accurate records of delinquent accounts, actively pursuing unpaid accounts and using its legal authority to enforce compliance with its inspection and permit process.

RECOMMENDATIONS

We recommend the Fire Department:

15. **Develop a process to document and track delinquent accounts in FDM**

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

A complete database system containing property, business, inspection and permit information enables fire inspectors to effectively do their work and allows management to efficiently assign resources and track results. The Fire Department uses multiple database systems to record information. However, we found that some of the data within its main system is unreliable. Additionally, the Department is not using its database system to its fullest potential.

We found that:

- 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, the Fire Department is relying on incomplete information for its Fire Prevention program, which negatively impacts the Fire Department's ability to operate effectively. In order to improve its program, the Fire Department needs to address issues related to how it maintains its inspection data and ensure its information is accurate and complete. Doing this will improve the Fire Department's ability to utilize information to better inform its inspection practices. Failure to address the issues identified may unnecessarily increase the risk of fire and could potentially contribute towards preventable loss of property or life.

The Fire Prevention Database System Lacks Completeness and Accuracy

The Fire Prevention Division requires a consistent, accurate and stable database system to effectively manage its inspection needs. This database system should include all properties and businesses that the Fire Prevention Division is responsible for inspecting. Additionally, each property should be assigned one of the State Fire Marshall's approximately thirty occupancy codes and any applicable operational permits. The property's occupancy code and operational permit types are critical in determining the types and frequency of fire inspections the property is required to receive. Without this information, it is difficult for the division to appropriately perform its duties.

To assess the Fire Department's current level of completeness, we tested 20 addresses that we expected to be included in the FDM database. The addresses we selected were drawn from multiple sources external to the FDM database. Specifically, we drew samples from the County Assessor's database, County database of facilities with hazardous materials, the City's CDD Accela system and the City's Revenue Division BizLink system. The Sacramento County Assessor is responsible for locating taxable property in the County and strives to be a source of accurate and timely property information for local government. The County's Hazardous Materials Business Plan Program maintains a Master Hazardous Materials Facility List of businesses within the County which may contain a hazardous material, defined as anything that has potential to cause significant harm to human health or the environment.

While we selected addresses from the two County[21] sources mentioned above, we also selected addresses from databases within the City: Accela[22] and BizLink[23]. Fire Prevention Division management

[21] Addresses selected from County data included only those within the City Fire Department's jurisdiction.

[22] The City maintains building permit information in Accela.

named both as sources of information from which they gather data to enter into the FDM database. As shown in Exhibit 23, the database contained only 11 of the 20 addresses tested. While this sample may not be large enough to estimate how many addresses are missing from FDM, the result of our testing raised questions regarding the databases' completeness.

Exhibit 23: The FDM Database Completeness Test Results by Location

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	**20**	**11**	**55.0%**

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

As our completeness test results suggest, the Fire Department may not have an adequate process for capturing businesses it must inspect. Based on our testing of these sample items, the City's process for gathering business information in county contract areas may be ineffective.

Without complete address information, the Fire Department is not able to ensure it identifies and inspects all required properties. This can have consequences, as demonstrated on August 10, 2011 when 16 of the City's 22 fire engines responded to a fire at a recycling facility north of downtown. Fire suppression personnel arrived to find multiple large piles of burning recycled wood, and a burning rubbish pile approximately 300 feet long. One truck reported using more than 400,000 gallons of water. Emergency Medical Services transported five people for heat exhaustion or possible carbon monoxide poisoning. Numerous nearby streets were closed.

The fire started at a recycling company in a pile of tires, wood and other debris and spread to a neighboring recycling facility to the north, where most damage occurred. The recycling company where the fire started had stored debris up to its property line, a practice a fire prevention officer would not have allowed. The officer would have required the business to clear debris within ten feet of its property line to provide a fire break, as required by California Fire Code.

However, the FDM database did not contain any record of a fire prevention officer having inspected this recycling facility. In fact, the business was not listed in the database as of the date of the fire. If the Fire Department had a complete database and had inspected this recycling facility, the fire might have been prevented or caused less damage.

[23] The Revenue Division of the Department of Finance uses BizLink to record businesses that have paid an operations tax.

RECOMMENDATIONS

We recommend that the Fire Department's Fire Prevention Unit:

16. **Develop a control to test the FDM database for accuracy and completeness on a regular basis.**

The Fire Department's Database System Could Be Maintained More Efficiently

The need for efficient deployment of resources is most clear during difficult economic times. During our review of the Fire Prevention Division, we noticed that the Fire Department was using costly resources to perform manual data entry that could be automated. The Fire Department is not currently optimizing the automation capabilities of its main database system (FDM) for inspection and permit data. Automating data entry into this database system could allow for a more efficient use of the Fire Department's resources.

In order to populate its current data system, the Fire Department relied on a 'data dump' from its earlier database system to FDM. To update its database, the Fire Department relies on mostly manual processes to maintain data on approximately 222,000 addresses.

The Fire Department also receives information from external sources that is also manually entered into its database. For example, Fire Department personnel receive an electronic file of new business license data from the Revenue Division's BizLink system on a weekly basis. Fire Department personnel print the file and use it as a reference to manually update information in FDM. Similarly, when a record changes in CDD's Accela system related to an inspection, Fire Department personnel in one unit read the information in the Accela system and transfers the information onto a paper form. This paper form is then sent by interoffice mail to another Fire Department unit where a Senior Fire Prevention Officer manually enters the information into FDM. These manual processes are inefficient and increase the risk for data inaccuracy and incompleteness due to human errors.

If a person misinterprets a piece of data or inadvertently transposes a number, the FDM database will contain inaccuracies. Over time, persistent errors may cause the FDM database to be an unreliable source of information with limited value. According to the Assistant Chief, officers use the criteria of "what's easiest to input" instead of "what's the most accurate information" to determine how to update the system. The Assistant Chief acknowledged that over the years this practice has corrupted the accuracy and completeness of the data, but still believes the existing data is reasonably reliable.

One of the areas that may yield the most benefit from automation is the maintenance and upkeep of FDM's business and address information. Currently inspectors spend a significant amount of time manually inputting a variety of data, including new business information, verifying addresses, and updating occupancy codes. According to an FDM Software representative, the FDM database can import geographic information from other databases using the company's geographical information system analyst (GISA) software.

The Fire Department originally purchased eight GISA software licenses from FDM Software when it procured the FDM database through a 2005 contract. The cost of these licenses was $24,517. The Fire Department has spent $63,308 on the maintenance and support of these eight licenses from 2008 through 2011.

However, the Fire Department does not appear to be fully utilizing several of its FDM GISA licenses. Additionally, the Fire Department is not using the software to directly import address information. The Fire Department occasionally makes maps for internal use by management with the software, but does not use the system to update information.

By not automating the import of some permit and inspection related data, the Fire Department is not using the GISA licenses it continues to pay for to their fullest capability. Additionally, by continuing to rely on manual data entry, the Fire Department may not be allocating its resources efficiently. By reconsidering how it meets its information technology needs, the Fire Department could focus less of its resources on manual data entry and more on performing inspection duties.

By working with experienced database personnel in the City's Information Technology (IT) Department, the Fire Department could eliminate some of the manual entries now performed by its inspectors, allowing them to concentrate on performing inspections. In addition, the automation of data entry from reliable sources could produce a more accurate and useful database. Working with IT may reduce redundant data input and human error; standardize data import and changes; and enable reporting on performance. Furthermore, by using Geographic Information Systems (GIS), the Fire Department could use maps to plan prevention inspections and finally reduce the time and human involvement in data and information system maintenance.

RECOMMENDATIONS:

We recommend the Fire Department:

17. **Work with the City's IT Department to determine how best to improve the completeness and accuracy of the FDM data.**
18. **Determine how to streamline the maintenance of inspection and permit related data within its FDM database;**
19. **Use the GISA licenses it has procured to automate the importation of inspection and permit related data; and**
20. **Discontinue the maintenance of GISA licenses it is not using.**

The Fire Prevention Division Does Not Adequately Track the Entities that Participate in its Self-Certification Program within its Database System

The Fire Prevention Division's mission is to improve the lives of City residents by preventing fires and reducing the impact of fires that occur. Of the entities that Fire Prevention has the authority to inspect, nearly half are multi-family residential properties, like apartments and motels. Multi-family residential properties are typically apartment buildings with 3 or more units of housing at one property address. According to California Health and Safety Code, inspections of multi-family residential properties must be completed annually.

To manage these inspections, the division has divided multi-family residences into two categories: those that may self-certify and those that require a Fire Prevention Officer to perform an inspection. Currently, those multi-family residential properties with 17 or greater units must be inspected by a Fire Prevention Officer in order to receive a permit. All owners of multi-family residential properties with 3 to 16 units may receive a permit by self-certifying that their property is in compliance with State laws and regulations for fire prevention and preparedness. However, our review of the multi-family self-

certification data found that about 40 percent of the multi-family properties expected to self certify had not completed the certification process.

In FY 2010/11, there were 2,580[24] entities categorized as multi-family residential properties within the FDM database. According to a Senior Fire Prevention Officer[25], about 1,871 of those entities are categorized as multi-family residential properties with 3-16 units and may therefore, self-certify. Assuming that all of these entities are mailed self-certification forms as they should be, we next calculated the percentage of return. As shown in Exhibit 24, according to the FDM database only 1,123 or 60 percent of these properties returned a self-certification form in FY 2010/11. The remaining 748 or 40 percent of these properties are not recorded as having returned a self-certification form or the related payment as of March 2012.

Exhibit 24: Recorded Number of Returned Self-Certification Forms from those Multi-Family Residential Properties that Could Self-Certify in FY 2010/11[26]

Source: FDM database and Senior Fire Prevention Officer

Once the form is completed, it is to be mailed to the Fire Prevention Division with a self-certification payment of $43 for properties with 3 to 8 units or $46 for properties with 9 to 16 units. If the self-certification form and payment are not received within three months of the prior year's permit expiration date, a one-time reminder letter will be mailed to the property owner. Fire also assesses a late fee of $84 for self-certifications submitted 30 days after permits expire. Following this mailing, no further action is taken by the Fire Prevention Department to ensure the property is in compliance with State law.

Those apartment owners who do not send in their self-certification form and payment face no penalties. They are not pursued for collection of outstanding fees due and Fire Prevention Officers are not sent to the location to ensure that it is in compliance with State law.

[24] This number only reflects entities designated as "_R2" multi-family residential properties.

[25] This Senior Fire Prevention Officer retired during the course of this audit.

[26] As discussed in the scope and methodology section of this report, the database system may not contain complete information. For this reason, it is possible that the self-certification rates are different than noted above.

To further complicate this process, the employee responsible for managing the administration of self-certification inspections maintains her own spreadsheets outside of the FDM database. This dual record-keeping may lead to inaccuracies within the FDM database and further hinder the division's ability to ensure compliance with State law.

In addition to being a possible threat to public safety, the lack of self-certification for 748 properties in FY 2010/11 also represents a loss of revenue to the City. Given an average fee of $44.50 per property, these 748 properties that were not self-certified in FY 2010/11 represent a potential revenue loss of at least $33,000 plus any associated late fees.

According to a Senior Fire Prevention Officer[27], the division, "chose to have [multi-family residential properties with 16 or fewer units] self-certify due to the character and quantity of buildings needing the state mandated inspection." The Officer described many obstacles that led the division to allow these types of buildings to self-certify, including an insufficient number of Fire Prevention Officers and clerical staff necessary to arrange and conduct all of these inspections on an annual basis, as well as difficulty gaining access to these smaller apartment complexes. The Officer also stated that, "a self certification seems appropriate since these occupancies contain no intricate fire alarm or fire sprinkler systems that need scheduled maintenance or certifications of proper operation."

While allowing these property owners to self-certify may be in the best interest of the division, we do not believe it furthers the division's fire prevention and preparedness mission. In fact, according to the National Fire Protection Association, residential fires in 2010 accounted for 85 percent of fire deaths in the United States, and 80 percent of structure fires. The Association further states that fires in buildings without sprinkler systems are more likely to result in death and property damage than buildings with sprinklers. It would appear that multi-family residential properties without sprinkler systems may be in greater need of in-person fire prevention inspections by trained personnel.

Based on the higher risk of death and damage due to fire in multi-family residential structures without sprinkler systems, we would expect management to prioritize these properties for inspection. However, management relies on owners of apartment buildings with between 3 and 16 units to self-certify compliance.

Due to the higher risk of fire damage associated with multi-family residential properties without sprinkler systems and the lack of compliance with the current self-certification program, the Fire Department may want to reconsider which property types it allows to self-certify. For example, large apartment complexes with greater than 16 units will generally have sprinkler systems. The California Code of Regulations requires owners or occupants of buildings with sprinkler systems to have licensed contractors[28] periodically inspect, test and maintain those systems. The Fire Department is not required to inspect sprinkler systems. Finally, large apartment complexes tend to have managers on-site who may be better able to complete a self-certification inspection on an annual basis. For these reasons, the Fire Department should reevaluate its current self-certification program and make changes as necessary to improve its effectiveness.

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[27] This Senior Fire Prevention Officer retired during the course of this audit.

[28] The obligations to inspect, test, and maintain are imposed upon the owner or occupant, not the fire department. The inspection, testing, and maintenance must be done by a license state contractor, a qualified California State Fire Marshall, or a qualified owner's representative.

RECOMMENDATIONS

We recommend that the Fire Department:

21. **Evaluate which properties to allow to self-certify and work towards improving compliance.**
22. **Track all self-certification entities in the FDM database rather than only entering those entities that submit self-certification forms and payments.**

Attachment 2

SACRAMENTO FIRE DEPARTMENT

RAY S. JONES
FIRE CHIEF

CITY OF SACRAMENTO
CALIFORNIA

5770 FREEPORT BLVD
SUITE 200
SACRAMENTO, CA
95822

PH 916-808-1300
FAX 916-808-1629

MEMORANDUM

DATE: August 7, 2012

TO: City of Sacramento Mayor and City Council

FROM: Ray S. Jones, Fire Chief

SUBJECT: Sacramento Fire Department's Response to Audit Report

We would like to recognize the over-arching service implications of the suggestions recommended in the report by the City Auditor. They will improve our processes moving forward. The Fire Department takes the Auditor's report very seriously, and we wish to provide a timely preliminary response. The report was prepared with depth and thoughtfulness, and we will do our best to implement as many of these recommendations as we can.

We were pleased when some of the Auditor's suggestions matched procedural changes that are already in process. Those confirm that we are moving in the right direction. Where corrections to data in the report were needed, we contacted the Auditor's office right away. For many of the other good ideas mentioned in the report, we will initiate or continue to take steps to implement these recommendations. This will be a transparent improvement process, and we look forward to the increased efficiency we will realize once we streamline the way our business is done.

Our response includes timelines, challenges and other information we hope you find useful in putting the report into a context.

We thank the City Auditor and staff for their hard work and dedication. We pledge to continue to work with their office in the spirit of collaboration and best practices. We are ready for these improvements, enthusiastic about the process and eager to actualize our full potential for the residents of the city of Sacramento.

	Recommendation	Status	Response	Best Practices
	Finding 1: The Fire Department Needs to Formalize its Processes In Order To Improve It Fire Prevention Program			
1	Establish a process that better identifies activities that require a permit per California Code, City Code or City Resolution and develop a plan on how the inspection needs will be met.	In Progress Time to complete (TTC) - 12 months	Develop Standard Operating Guidelines (SOG's) to establish written protocal for determining what occupancies need to be inspected in our jurisdiction, and allocate staffing resources to meet that goal.	Management reviews SOG's annually. Updates occur as needed.
2	Develop a process to ensure operational permits, and other permits jointly issued by the Fire Department with other City bodies, are signed by the fire code official or his delegate.	In Progress TTC - 12 months	Modify permits to incorporate fire code offical or designee signature	Update as necessary.
3	Formalize how inspections should be documented by its Fire Prevention Officers.	In Progress TTC- 12 Months	Develop SOG's to establish written protocal for documentation.	Management ensures employees are adhereing to written protocols by performing periodic reviews.
4	Work with the City Clerk to evaluate their records, establish consistent records requirements and establish controls to ensure compliance with California regulations and the City's retention schedule.	In Progress TTC - 12 months	Work with city clerks office to develop SOG's that adhere to City Retention Standards.	Management ensures employees are adhereing to retention policies by performing periodic reviews.
5	Explore making changes to the Accela system to better track the issuance and approval of construction permits required by the California Fire Code.	In Progress TTC - 12 months	Modify Accela Progam to track construction permits.	Program change to allow tracking of all code required construction permits.Modify/update as needed.
6	Work with the Chief Building Official to update the City's procedure to identify required fire construction permits when considering building permits.	In Progress TTC - 12 months	Develop SOG's to help Building Department staff identify required fire construction permits.	Provide guidelines to CDD staff to clarify when projects need to be routed to fire for review. Modifications as needed.
7	Establish Fire Prevention inspection and permitting policies and procedures.	In Progress TTC - 12 months	Develop SOG's for fire inspection/ permiting policies and procedures.	Standard inspection and permititting policies and procedures create consistant billing and inspection practices.

8	Communicate minimum compliance expectations to business owners via a standard document	In Progress TTC - 12 months	Develop standard inspection information checklists to help prepare for fire inspections.	Provide inspection information documents to the public to help contractors/business owners prepare for fire inspections.
	Finding 2: The Fire Department's Revenue Collection Process Does Not Adhere to City Code, Lacks Internal Controls, and May Result in Lost Revenue			
9	Establish and implement cash handling procedures that incorporate best practices and are in line with the upcoming citywide Cash Handling Policy.	In Progress TTC - 12 months	Transfer to revenue	Revenue handles in accordance with City Cash Handling Policy.
10	Establish and enforce a procedure that clearly dictates how the inspection and permit fees approved by the City Council are to be applied and detail under what circumstances exceptions to the Council approved fees are allowed.	In Progress TTC - 12 months	Develop SOG's to outline how occupancy and operational permits are issued and conditions for waiving permit fee. Develop and propose a new fee schedule and system to align with SOG's.	Management reviews SOG's annually. Updates occur as needed. New fee schedule proposed as needed.
11	Pursue finalizing the move of its invoice and collection process to the Revenue Division.	In Progress TTC - 12 months	Transfer to Revenue. Management to follow up to ensure changeover occurs.	Revenue handles invoicing and collection of fees.
12	Consider instituting an inspection application process and charging for inspections before they occur.	In Progress TTC - 12 months	Develop and implement an application process. Determine if fee collection can be charged during application process. Coordinate with revenue to incorporate into business license application. Management will create SOG's.	Management ensures policy adherance and required inspections are occuring.
13	Apply its current late fees consistently and in accordance with Resolution 2009-178.	In Progress TTC - 12 Months	Transfer to Revenue	Revenue administers late fees in accordance with current resolutions.

14	Consider augmenting the current late fee structure, with additional penalties for extended non-payment.	In Progress TTC - 12 months	Transfer to Revenue. Add additional late fee schedule to next fee resolution.	All late fees applied per adopted fee schedule.
15	Develop a process to document and track delinquent accounts in FDM	In Progress TTC - 12 months	Work with PSIT and Revenue establish written protocals and procedures.	Managment ensures that policies and procedures are being followed and information is accurately being tracked and reported.
	Finding 3: The Fire Data Management System Lacks Accuracy, is Not Managed Efficiently, and is Not Being Used to its Fullest Potential			
16	Develop a control to test the FDM Database for accuracy and completeness on a regular basis.	In Progress TTC - 12 months	Work with PSIT to establish written protocals and procedures and build reports.	Management reviews reports monthly and makes adjustments as needed through PSIT.
17	Work with the City's IT Department to determine how best to improve the completeness and accuracy of the FDM data.	On Going	Work with City IT and PSIT to establish written protocals and procedures.	Managment ensures that policies and procedures are being followed and information is accurately being tracked and reported.
18	Determine how to streamline the maintenance of inspection and permit related data within its FDM Database.	In Progress TTC - 12 months	Work with PSIT to establish written protocals and procedures.	Managment ensures that policies and procedures are being followed and information is accurately being tracked and reported.
19	Use the GISA licenses IT has procured to automate the importation of inspection and permit related data.	In Progress TTC - 12 months	Coordinate with City IT, PSIT, and Revenue to determine current needs.	Management works with City IT and PSIT to ensure resources are being utilized.
20	Discontinue the maintenance of GISA licenses it is not using	In Progress TTC - 12 months	Coordinate with City IT, PSIT, and Revenue to determine current needs.	Management works with City IT and PSIT to ensure used resources and obtained resources are equivalent.
21	Evaluate which properties to allow to self-certify and work towards improving compliance.	In Progress TTC - 12 months	Review and evaluate if other occupancies can be moved into the self-certification program. Develop polices and procedures for implementation and compliance.	Review and update as needed, but atleast annually.

22	Track all self-certification entities in the FDM Database rather than only entering those entities that submit self-certification forms and payments.	On Going	Enter current self-certifications (complete and incomplete) into FDM and maintain all records in FDM. Add new properties as needed. Establish SOG's.	Review and update as needed, but atleast annually.