**CITY OF HAMILTON**

**CITY MANAGER’S OFFICE**

**Audit Services**

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<th>Report to:</th>
<th>Chair and Members Audit and Administration Committee</th>
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<tr>
<td>Submitted by:</td>
<td>Ann Pekaruk Director, Audit Services City Manager's Office</td>
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<tr>
<td>Date:</td>
<td>September 21, 2009</td>
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<td>Prepared by:</td>
<td>Ann Pekaruk 905-546-2424 x4469</td>
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**SUBJECT:** Audit Report 2009-06 - Hamilton Emergency Services - Fire Prevention Division (CM09019) (City Wide)

**RECOMMENDATION:**

(a) That Report CM09019 respecting Audit Report 2009-06, Hamilton Emergency Services – Fire Prevention Division, be received; and

(b) That the management action plans as detailed in Appendix “A” of Report CM09019 be approved and the General Manager of Emergency Services direct the appropriate staff to have the plans implemented.

Ann Pekaruk
Director, Audit Services
City Manager's Office

**EXECUTIVE SUMMARY:**

The 2009 Internal Audit work plan approved by Council included an audit of the Fire Prevention Division and the various activities carried out such as fire safety inspections, Ontario Fire Code enforcement, open air burning response and permits and false alarm response fees.

The results of the audit are presented in a formal audit report containing observations, recommendations and management responses attached as Appendix “A” of Report CM09019.
BACKGROUND:
The Fire Prevention Division’s programs are guided by relevant provincial legislation – the Fire Protection and Prevention Act (FPPA). The Ontario Fire Code (OFC), which has specific requirements for compliance, is established under Part IV of the Act.

The Division is also guided by corporate policies (Municipal By-laws related to fees for fire prevention, fire routes, open air burning and fireworks) and the Department’s and Division’s own procedures.

Inspections are carried out as a result of complaints or at the request of property owners. There were almost 9,000 inspection calls in 2008.

The Division collects revenue from fees approved annually by Council. In 2008, over $325,000 was received of which false alarm fees, fire inspection fees and inspections for business licences accounted for most of the sum.

The audit fieldwork was completed in June, 2009. The results of this audit are attached as Appendix “A” of Report CM09019.

The Audit and Administration Committee receives and approves final audit and review reports as part of its responsibilities for the oversight of governance and control.

ANALYSIS/RATIONALE:
The processes employed by the Fire Prevention Division for safety inspections and code enforcement were assessed for effectiveness and strength of administrative and management controls. Revenue activity was reviewed to ensure fees owed to the Division had been charged (where appropriate), remitted and processed through accounting records.

There were eight (8) recommendations to strengthen controls, improve recordkeeping and safeguard cash funds included in the Report and the Addendum. They are:

- Addressing the timeliness of billing property owners and tenants for fire false alarms and open air burn responses.
- Reconciling the billings and fees collected to the amounts recorded as revenue in the accounting records.
- Restrictively endorsing cheques as they are received in the satellite offices.
- Using the full functionality of the Fire Data Management System (FDM) to greatly enhance the efficiency of the current, largely manual methods.
- Ensuring consistency, completeness and accuracy of documentation and other supporting information.

Management has already implemented or has agreed to implement all the recommendations.
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Alternatives for Consideration:
Not applicable.

Financial/Staffing/Legal Implications:
None.

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

Relevant Consultation:
The attached report includes management action plans which reflect the responses of management responsible for various activities in the Fire Prevention Division of Hamilton Emergency Services.

City Strategic Commitment:
By evaluating the "Triple Bottom Line", (community, environment, economic implications) we can make choices that create value across all three bottom lines, moving us closer to our vision for a sustainable community, and Provincial interests.

Community Well-Being is enhanced. ☑ Yes ☐ No
Some of the specific activities of this Division, such as code enforcement and business licence inspections, enhance community well-being.

Environmental Well-Being is enhanced. ☑ Yes ☐ No
Some of the specific activities of this Division, such as open air burn responses, address potential environmental issues.

Economic Well-Being is enhanced. ☑ Yes ☐ No
City Council's strategic commitment to "Best Practices - Best Value" under "A City That Spends Wisely and Invests Strategically" is addressed through audits and reviews and their subsequent follow up to ensure controls are in place to protect the assets of the City and promote efficient, effective and economic services and programs.

Does the option you are recommending create value across all three bottom lines? ☑ Yes ☐ No

Do the options you are recommending make Hamilton a City of choice for high performance public servants? ☐ Yes ☑ No

Ap:dt
Attachment – Appendix “A”
## CITY OF HAMILTON
### INTERNAL AUDIT REPORT 2009-06
#### HAMILTON EMERGENCY SERVICES – FIRE PREVENTION DIVISION

<table>
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<tr>
<th>#</th>
<th>OBSERVATIONS OF EXISTING SYSTEM</th>
<th>RECOMMENDATION FOR STRENGTHENING SYSTEM</th>
<th>MANAGEMENT ACTION PLAN</th>
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<tr>
<td>1.</td>
<td><strong>Timeliness of Billings</strong>&lt;br&gt;The Fire Prevention Division invoices registered property owners or tenants for fire false alarm and open air burn responses. The Division tracks these occurrences and forwards billable amounts to the City's Accounts Receivable Division for invoicing. During the testing of these billings, instances where the billings were dated several months subsequent to the original date of the required Fire Department response were noted.&lt;br&gt;&lt;br&gt;These response billings are also used as an educational opportunity for the Fire Prevention Division to highlight to owners that unnecessary responses by the Fire Department are not an appropriate use of its resources. Delays in billing for these incidents on a timely basis will not achieve the desired effect of changing property owner behaviour.</td>
<td>That invoices to property owners and tenants as a result of fire false alarm or open air burn responses be issued within one month of the occurrence date.</td>
<td>Agreed. The Fire Prevention Division will review and amend the process of forwarding billable false alarm and open air burning responses to Hamilton Emergency Services (HES) Finance and Administration (F&amp;A) staff on a bi-weekly frequency using the Fire Data Management System (FDM). HES F&amp;A will ensure that billing details thus received are processed and forwarded to Accounts Receivable within one (1) week. The targeted implementation date is December 31, 2009.</td>
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<td>2.</td>
<td><strong>Reconciliation of Revenues</strong>&lt;br&gt;Revenue is collected for false alarm and open air burn responses, sale of permits, re-inspection fees and licence application and inspection fees. Some revenues are collected by other City departments on behalf of the Fire Prevention Division (i.e. permits sold at the Municipal Service Centres, license applications processed by Planning and Economic Development). All amounts that are billed are also tracked internally by the Fire Prevention Division.&lt;br&gt;&lt;br&gt;However, there is no reconciliation performed to determine if amounts forwarded for billing or collected for fees have been recorded in the Fire Prevention Division’s revenue accounts.&lt;br&gt;&lt;br&gt;During Internal Audit’s review of transactions, it was noted that re-inspection billings for August 2008 had not been invoiced due to the electronic invoice register not having been posted. False alarm response invoices for November and December of 2008 were billed at incorrect rates. An attempt to verify that fire inspection fees collected from licence applicants by Planning and Economic Development had been journalled into the Fire Prevention Division’s accounts resulted in only 2 out of the 5 transactions being traceable to the revenue accounts. The resulting loss of revenue for these omissions was not significant but it highlights the need for a secondary review and reconciliation of revenue accounts.</td>
<td>That Fire Prevention billings and fees collected be reconciled to the amounts recorded as revenue on a regular basis.</td>
<td>Agreed. Additional controls have already been implemented to reconcile amounts forwarded from Fire Prevention for billing and fees credited to revenue accounts.&lt;br&gt;The process for fire inspection fees collected by Planning and Economic Development (P&amp;ED) and fees collected at the Municipal Service Centres will be reviewed and the procedures to reconcile amounts deposited to Fire Prevention documented.&lt;br&gt;The Licensing Section of P&amp;ED has been restructured and all processes are being reviewed. Revised procedures will be documented by December 31, 2009.</td>
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### Observations of Existing System

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<th>Recommendation for Strengthening System</th>
<th>Management Action Plan</th>
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<td>3.</td>
<td><strong>Cheque Endorsement</strong>&lt;br&gt;Thirty four per cent (34%) of all Fire Prevention revenue is collected directly by the Division, by cash or cheque, with the majority of payments made by cheque. However, cheques are not restrictively endorsed until they are delivered to the City cashier for deposit once a month. Cheques not restrictively endorsed at the time of receipt are more susceptible to loss or misappropriation.</td>
<td>That all cheques be restrictively endorsed as received at each satellite office.</td>
<td>Agreed. Endorsement stamps have been obtained. Procedures regarding the endorsement process will be drafted for issue to staff with an implementation date of July 6, 2009.</td>
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<td>4.</td>
<td><strong>Documentation</strong>&lt;br&gt;Each municipal address that has had regular and repeated interaction with the Fire Prevention Division has a corresponding hard copy property file which is maintained by file number at the appropriate Fire Prevention office. The file contains all documentary support for the individual property address and the interaction with the Fire Prevention Division (e.g. inspections, complaints, reports, notes). A random sampling of property files (20 for each office for a total of 60 files) showed some instances where pertinent, hard copy documentation was missing. Two files could not be found at all. &lt;br&gt;The Division carries out regular reviews of active files for quality control. &lt;br&gt;The hard copy file provides documentary evidence of work carried out in support of the fire prevention strategies of the division.</td>
<td>That the Fire Prevention Division expand its current file review process to also include regular random reviews of closed or non active files.</td>
<td>Agreed. As of July 1, 2009, the Chief Fire Prevention Officer will commence monthly random reviews of closed/non-active files selected from intake documents.</td>
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The following items were noted during the course of the audit. Although they do not present internal control deficiencies, they are indicated in this Addendum so management is aware of the issues and can address them as necessary.

**Information Tracking**

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

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

*It is recommended:*

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

**Management Response:**

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

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

**Management Response:**

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

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

**Management Response:**

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

**Fire Data Management System**

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

*It is recommended:*

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

**Management Response:**

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

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