

INTERNAL AUDIT REPORT

2018-01

Plan Review and Inspection Fees
Revenue Distribution

Fire Prevention Division
Anchorage Fire Department

February 22, 2018

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Municipality of Anchorage

Ethan Berkowitz, Mayor

Internal Audit Department

February 22, 2018

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2018-01, Plan Review and Inspection Fees Revenue Distribution, Fire Prevention Division, Anchorage Fire Department**. A brief summary of the report is presented below.

In accordance with the 2017 Audit Plan, we have completed an audit of Plan Review and Inspection Fees Revenue Distribution for the Fire Prevention Division. The objective of this audit was to determine whether the Building Safety Division allocated revenue correctly to the Anchorage Fire Department for fire plan reviews and associated inspections. To accomplish our objective, we tested 48 commercial building permits from 2016 to August 2017 related to fire plan reviews and fire inspections and the supporting payment documentation.

Our audit revealed that the Anchorage Fire Department did not receive all of the revenue associated with fire inspections. Specifically, Building Safety Division staff did not allocate to the Anchorage Fire Department prepaid revenue collected for fire inspections. In addition, Fire Inspectors did not always submit timesheets with their inspection reports and Building Safety Division staff did not always accurately allocate fire inspection fees to the Anchorage Fire Service Area. Finally, Building Safety Division staff did not have complete or readily available information for some permits involving fire plan reviews and associated inspections.

There were four findings in connection with this audit. Management was responsive to the findings and recommendations.

Michael Chadwick, CIA, CICA
Director, Internal Audit



Municipality of Anchorage

Ethan Berkowitz, Mayor

Internal Audit Department

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Introduction. The Anchorage Fire Department (AFD) provides fire prevention services through the Fire Prevention Division (Fire Prevention). Fire Prevention conducts fire plan reviews and fire inspections. Fire plan review and inspection fees are contained in Anchorage Municipal Code (AMC) Title 23, *Building Codes*, and are collected by the Building Safety Division (Building Safety) under the Development Services Department. Fire Prevention has 12 staff overseen by the Fire Marshall.

According to the Municipality of Anchorage's financial system (PeopleSoft), the total revenue generated by Fire Prevention Division in calendar year 2016 for plan reviews and associated inspections was \$626,174.

Objective and Scope. The objective of this audit was to determine whether the Building Safety Division allocated revenue correctly to AFD for fire plan reviews and associated inspections. Specifically, we tested 48 commercial building permits from 2016 to August 2017 related to fire plan reviews and fire inspections and the supporting payment documentation.

We conducted this performance audit in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review. 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 audit was performed during the period of September through December 2017. The audit was requested by the Administration.

Overall Evaluation. The Anchorage Fire Department did not receive all of the revenue associated with fire inspections. Specifically, Building Safety staff did not allocate to AFD prepaid revenue collected for fire inspections. In addition, Fire Inspectors did not always submit timesheets with their inspection reports and Building Safety staff did not always accurately allocate fire inspection fees to the Anchorage Fire Service Area (Fire fund). Finally, Building Safety staff did not have complete or readily available information for some permits involving fire plan reviews and associated inspections.

1. **Fire Inspection Fees Not Allocated Properly for Prepaid Inspections.**

- a. **Finding.** Building Safety staff did not allocate to AFD prepaid revenue collected for fire inspections. Instead, all revenues collected for prepaid inspections, when the building permit application was purchased, were credited to the Anchorage Building Safety Service Area (Building Safety fund). However, our review found that some of the prepaid inspections were used for fire inspections, but the prepaid revenues were not distributed to the Fire fund. For example, 19 of 48 commercial permits we reviewed had fire inspections, but these inspections were credited to the Building Safety fund as prepaid inspections. Although AMC does not specifically direct Building Safety staff to allocate these prepaid fire inspections fees to AFD, the work was performed by Fire Prevention staff. Therefore, these prepaid inspection fees belong to AFD. While outside the scope of our audit, we observed a similar condition for other types of non-fire related inspections.
- b. **Recommendation.** The Development Services Director should ensure that revenues for inspections are properly recorded to the proper funds.
- c. **Management Comments.** Management concurred and stated, “Development Services will work with the administration to ensure revenues for inspection are recorded to the proper funds. Prior to changing the building permit fee system to a ‘by inspection’

methodology Fire fees were transferred by Intergovernmental Charges (IGC's). There are current discussions about returning to that model that will culminate after April 2018. In the interim we will determine the most accurate manual method to ensure funds are accurately credited. This may be accomplished by amending the manual 'key' process and separating out Fire inspections, requiring a journal entry with documented inspections performed from the Anchorage Fire Department (AFD), billing through SAP or other means. Regardless of the end method Building Safety staff will be trained on the selected method to reduce the potential of errors."

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

2. **Fire Inspectors Did Not Always Submit Timesheets.**

- a. **Finding.** Fire Inspectors did not always submit timesheets with their inspection reports. Specifically, our review found 15 of 48 (31%) permits we tested were missing fire timesheets. As a result, due to the lack of a timesheet, Building Safety staff charged only the minimum permit fee of \$75 for a half-hour of work per AMC 23.10. According to Fire Prevention staff, timesheets were not always submitted because the inspections usually took less than a half hour. However, our review of available fire timesheets found that some fire inspections took 40 to 90 minutes to perform.
- b. **Recommendation.** The Fire Marshall should ensure that timesheets are submitted with fire inspection reports so that inspections fees are accurately charged.
- c. **Management Comments.** Management concurred and stated, "To remedy not always submitting timesheets with their inspection reports, which may affect revenue from permitting, each Fire Inspector has been contacted, re-educated on the procedure and

they have been supplied with numerous time sheets to be easily available with the inspection forms. They have been instructed to turn in the time sheets at the same time as the inspection forms and we now have an electronic reminder for the time sheet submission.”

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

3. **Fire Inspections Fees Not Always Allocated Correctly.**

- a. **Finding.** Building Safety staff did not always accurately allocate fire inspection fees to the Fire fund. As a result, Fire Prevention did not receive the revenue to which they were entitled. Specifically, our testing identified seven fire inspections totaling \$900 that were allocated incorrectly because they were coded by the cashier to the Building Safety fund. In addition, we identified ten other fire inspections totaling \$1,500 that were not included in our sample and incorrectly credited to the Building Safety fund due to incorrect coding. While outside the scope of our audit, we observed a similar condition for other types of non-fire related inspections where incorrect account codes were used.
- b. **Recommendation.** The Development Services Director should ensure that permit staff accurately allocate inspection fees, so that Fire Prevention receives its revenue.
- c. **Management Comments.** Management concurred and stated, “The Permit Management Supervisor has conducted staff training and emphasis on accurately allocating inspection fees so the inspection fees are accurately charged and allocated. Additionally, the results are being checked twice daily, at the end of the day and before the morning report (money from the previous day) is closed.”

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

4. **Permit Record Keeping Needs Improvement.**

- a. **Finding.** Building Safety staff did not have complete or readily available information for some permits involving fire plan reviews and associated inspections. As a result, we were unable to test all the permits we had selected. For example, we could not perform a complete audit for seven permits because payment documentation was destroyed. According to Building Safety management, the permit payment supporting documentation for January, February, and March 2016 was destroyed by mistake. In addition, Building Safety staff was unable to locate three permit files during the audit.
- b. **Recommendation.** The Development Services Director should evaluate controls over storing, retrieving, and disposing of permit records.
- c. **Management Comments.** Management concurred and stated, “To address the three permit files that were unable to be located, by March 16, 2018 remedial training will be provided to all employees with access to permit files emphasizing continuous receipt and control of permit files.

“The missing documentation was a one-time error by the Permit Management Supervisor who misread document dates and destroyed the records. The Development Services Department adheres to the Records Retention Schedule.”

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

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Discussion With Responsible Officials. The results of this audit were discussed with appropriate Municipal officials on January 11 and January 16, 2018.

Audit Staff:
Dechen Dechen, CFE