

November 23, 2005

Internal Audit Report 2005-13
Billing Process
Anchorage Fire Department

Introduction. The Fire Prevention Division provides a full array of prevention services including plan review, code enforcement, permit issuance, and fire and arson investigation. Fees are charged for some of these services, such as plan review and code enforcement inspections. Plan review fees are contained in Anchorage Municipal Code (AMC) Title 23, Building Codes, and are collected by the Development Services Department. Code enforcement fees are contained in AMC Title 10, Business Licenses and Regulations, and are computed by Fire Prevention Division personnel and billed through the PeopleSoft Accounts Receivable System.

Objective and Scope. The objective of this audit was to determine whether the Anchorage Fire Department (AFD) properly and accurately billed for code enforcement, inspections, plan reviews, and false alarms. Specifically, we reviewed a random sample of fire inspections conducted during the period of January through June 2005, tested selected fire plan review fees and payments, and tested all false alarm records for 2004.

The audit was conducted in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review, and accordingly, included tests of accounting records and such other auditing procedures as we considered necessary in the circumstances. The audit was performed during the period of June through August 2005. The audit was requested by the Administration.

Overall Evaluation. Our review revealed that plan reviews and false alarms were properly billed. However, the Fire Prevention Division can improve the billing process for code enforcement and inspections. Specifically, we found that fees for fire inspections were not always correctly

calculated, Fire Inspection Notices did not always contain complete information for billing purposes, and incorrect mailing addresses have contributed to excessive write-offs of fire inspection fees. We also found that fire inspection fees were not billed timely and payments received by fire inspectors were not always deposited timely. Finally, supporting documentation was not always readily available, and the Fire Prevention Operation Manual had not been updated since December 1996.

FINDINGS AND RECOMMENDATIONS

1. Inspection Fees Incorrectly Calculated.

- a. Finding.** Fees for fire inspections were not always correctly assessed according to AMC 10.75.010, Fees for Inspection by Anchorage Fire Department. Our review of 81 Fire Inspection Notices revealed that fees for 21 inspections had not been calculated correctly. For example, for one re-inspection, the required fee (\$30) was waived for three code violations that had not been corrected. AMC 10.75.010.D.4 specifies that “ . . . a fee of \$10.00 shall be assessed for each common hazard violation noted in the original inspection.” In another case, the client was charged \$12.50 instead of \$25 for a half hour of reinspection time. According to AMC 10.75.010.D, “ . . . an inspection fee of \$50.00 per hour shall apply.”
- b. Recommendation.** The Fire Marshal should ensure that fire inspectors assess fees according to AMC 10.75.010, and discontinue waiving or reducing fees. In addition, the Fire Marshal should increase management review and approval of Fire Inspection Notices.
- c. Management Comments.** (See full-text comments in Attachment A.) Management concurred and stated, “AFD is transitioning to an automated inspection program w/hand-held inspection modules. All fees are automatically calculated. PC tablets are on location and programmed for deployment. Portable printers should arrive November 14th.”

“Application and hardware in beta test phase by November 18; full implementation for all inspectors including changes to AFD servers by January 1, 2006.”

- d. **Evaluation of Management Comments.** Management comments were partially responsive to the audit finding and recommendation. Once implemented, the Automated Inspection Program should calculate the appropriate fees, if it has been accurately programmed. However, management did not comment on the practice of waiving and discounting fees. The Fire Department does not have the authority to waive or discount fees that are prescribed by the AMC.

2. **Fire Inspection Notices Not Always Completed Properly.**

- a. **Finding.** Fire Inspection Notices did not contain complete information required for billing purposes. Our review of 81 Fire Inspection Notices revealed that 17 did not contain the time spent to perform the inspection. As a result, the accuracy of these fire inspection billings could not be verified.
- b. **Recommendation.** The Fire Marshal should ensure that Fire Inspection Notices are completed properly and contain the necessary information required for billing purposes.
- c. **Management Comments.** (See full-text comments in Attachment A.) Management partially concurred and stated, “Automated Inspection Modules automatically calculate fees including minor violation charges. Supervisory review for fees and inspection notices has been updated.”

“Date: Completed”

- d. **Evaluation of Management Comments.** Management comments were partially responsive to the audit finding and recommendation. Management did not comment

on the problem of incomplete information on the Fire Inspection Notices. Without complete information, the Automated Inspection Program will not be able to calculate the required fees. Supervisory review should be strengthened to ensure that Fire Inspectors enter all required information on the Fire Inspection Notices.

3. Incorrect Mailing Addresses.

- a. Finding.** Incorrect mailing addresses have resulted in excessive write-offs of fire inspection fees. According to a Treasury Division report, 50 of 61 invoices returned by the Post Office for incorrect address for the second quarter of 2005 were for AFD billings. Another problem reported by Treasury Division personnel was that AFD personnel did not always research and correct the erroneous address when the invoice was returned by the Post Office. This has resulted in improper late fees as well as multiple mailings to the same wrong address. Incorrect mailing addresses contributed to a 24 percent (\$47,443) write-off of fire inspection revenue for the period July 2004 through June 2005. Treasury Division personnel have repeatedly reported this problem to the AFD and have written in their quarterly reports that, "Care should be taken to verify all customer information and correct any discrepancies upon notification of the error. . . . This continues to be an unresolved issue and has continued to be a substantial drain on the revenue of the AFD."
- b. Recommendation.** The Fire Marshall should ensure inspection billing addresses are verified on location and addresses on returned envelopes are corrected to keep write-offs to a minimum.
- c. Management Comments.** (See full-text comments in Attachment A.) Management partially concurred and stated, "AFD will continue to attempt to locate owners of record. Returned mail procedures have been updated into the Prevention Handbook. 'Returns' database has been added for tracking purposes. Inspection modules include CAMA data for onsite access.

“Date: Completed.”

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

4. **Fire Inspection Fees Not Billed Timely.**

- a. **Finding.** Fire inspection fees were not billed timely. For the period January 2005 through June 2005, the average number of days from inspection to billing was 34 days. In addition, we found ten fire inspections that had never been billed at the time of the audit. For example, one inspection performed on February 2, 2005, had not been billed. After further researching this unbilled inspection, we found two additional inspections performed on the same date at the same apartment complex that also had not been billed. The fees for these three inspections totaled \$600. According to the fire inspectors, fees were sometimes waived, especially when inspectors investigated a complaint that turned out to be unfounded. However, the Fire Department does not have authority to waive fees. According to Municipality of Anchorage Policy and Procedure (P&P) 24-21, *Customer Setup, Billing and Managing PeopleSoft Accounts Receivable*, “The starting point for successful collections is proper and timely invoicing. . . . Timely invoicing means that the customer shall receive the invoice no less than 15 calendar days after the date of service.” One reason for the delay may be the lack of a consistent schedule when Fire Inspection Notices are forwarded to the billing specialists for processing. The delay in billing may also contribute to the considerable write-offs for fire inspections each quarter.
- b. **Recommendation.** The Fire Marshall should ensure that required fees are billed to all property owners in a timely manner as required by P&P 24-21, or obtain written authorization to waive fees.

- c. **Management Comments.** (See full-text comments in Attachment A.) Management partially concurred and stated, “Time frames for inspection report processing has been added to the Prevention Handbook. Unfounded nuisance complaint procedures have been added to the Handbook. In addition, AFD will request written authorization for adjustments regarding billing/invoice time frames from date of service.

“Date: Completed.”

- d. **Evaluation of Management Comments.** Management comments were generally responsive to the audit finding and recommendation. Supervisory review should be strengthened to ensure that the Fire Prevention Handbook is followed and fees are billed in a timely manner.

5. **Payments Not Deposited Timely.**

- a. **Finding.** Payments received by fire inspectors on location were not always deposited timely. Three checks for after-hour inspections, in the amount of \$480 each, received between October 2004 and February 2005, were not deposited with Treasury until April 2005. In addition, a \$480 payment received in September 2004 was never deposited and is still missing. AFD staff was not able to provide any information concerning the disposition of this check. According to Fire Prevention staff, checks collected are kept in an envelope in a desk drawer and are then taken downtown to AFD administration for further processing. However, P&P 24-1, *Collecting, Securing, Depositing and Reporting Cash*, states, “. . . cash received . . . is immediately secured, accounted for, and deposited on a DAILY basis in accordance with Attachment A; . . . No exceptions from Attachment A are authorized unless written approval has been obtained in advance from the Chief Fiscal Officer and a copy is on file in Treasury. . . . If a cash register application is deemed to be

not feasible or not cost effective by the Chief Fiscal Officer, a locked cash box must be used.”

b. Recommendation. The Fire Marshall should ensure that all cash receipts are properly secured and deposited daily as required by P&P 24-1.

c. Management Comments. (See full-text comments in Attachment A.) Management concurred and stated, “All payments will be secured after processing. Payment procedures have been updated in the Prevention Handbook. A Receipts/Invoice database has been created. Payments will be secured in the DC of Fire Prevention’s office. A lockbox has been purchased to secure all payments.

“Date: Completed.”

d. Evaluation of Management Comments. Management comments were partially responsive to the audit finding and recommendation. While cash receipts will be properly secured, supervisory review should be strengthened to ensure that cash receipts are deposited daily as required by P&P 24-1.

6. Supporting Documents Not Readily Available.

a. Finding. Our review of client files and Fire Inspection Notices revealed that supporting documents for fire inspections were not always readily available. For example, Fire Prevention staff was not able to locate nineteen Fire Inspection Notices that should have been in the fire inspection files. According to Fire Prevention staff, the tracking and maintenance of files have been a continuing problem and some missing client files have never been found.

b. Recommendation. The Fire Marshall should implement appropriate controls and procedures to track and maintain fire inspection files.

- c. **Management Comments.** (See full-text comments in Attachment A.) Management concurred and stated, "Prevention transitioning to E-MBF. Procedures for Inspectors, regarding document and inspection processing has been updated in Handbook. Administrative Assistants have been designated as MBF File Custodians."

"Date: Completed. (E-MBF ongoing process. Commenced October, 2005. Minimum 6-8 months for complete transition. Estimated: April-June 2006)"

- d. **Evaluation of Management Comments.** Management comments were generally responsive to the audit finding and recommendation. Until the Automated Inspection Program and Electronic Master Building File are fully implemented, the Fire Marshall should ensure that the official fire inspection files are properly maintained.

7. **Fire Prevention Operations Manual Outdated.**

- a. **Finding.** The Fire Prevention Operations Manual is outdated. The last update for the operations manual was made in December 1996. However, since 1996, Fire Prevention has changed many of its operations. For example, in 2000, Fire Prevention started to charge fees for fire inspections and, since 2004, the inspection process has become increasingly automated. In addition, the manual does not address how fees should be applied. Some of the findings in this report could have been avoided if an updated manual had existed. In July 2000, the TriData management review of the AFD also noted that standard operating procedures were inadequate at Fire Prevention.
- b. **Recommendation.** The Fire Marshall should update the Fire Prevention Operations Manual to reflect current practices and procedures.

- c. **Management Comments.** (See full-text comments in Attachment A.) Management partially concurred and stated, “Fire Prevention Operational Handbook has been updated in its entirety. A ‘Fees, Fines and Charges’ section has been added.”

“Dated: Completed”

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

Discussion With Responsible Officials. The results of this audit were discussed with appropriate Municipal officials on October 11, 2005.

Audit Staff:
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Anchorage Fire Department
Response - Internal Audit Report
November 2005

Item 1: Inspection Fees Incorrectly Calculated:

Background: The Fire Prevention Division initially began charging for fire inspections in 2000. Inspectors therefore had to transition from inspection duties in code enforcement to billing collection duties. All fees have been processed manually in addition to the manual filing of related documents. The prevention division currently maintains a Master Building File (MBF) of more than 20,000 structures. Inspectors' primary focus has been fire and life safety inspections.

Concur with Audit Report.

Corrective Action: AFD is transitioning to an automated inspection program w/hand-held inspection modules. All fees are automatically calculated. PC tablets are on location and programmed for deployment. Portable printers should arrive November 14th.

Application and hardware in beta test phase by November 18; full implementation for all inspectors including changes to AFD servers by January 1, 2006.

Recommendation: If and when in the course of business, any MOA agency transitions into a "collection or payment" function; it would be extremely beneficial if Finance/Treasury provide/review and assist with collection policies, procedures and information; within the first six months of the collection operations.

Item 2: Fire Inspection Notices Not Completed Properly:

Audit reported that not all inspection reports contained the time spent to perform the inspection. Initial inspections are calculated by size (square footage) or number of dwelling units. Re-inspections, not initial inspections are based upon the hourly fee with additional penalties and remaining violation charges. Time is not required on all inspections for fee calculations. Fees for common violations and fees for times that were noted were incorrect.

Partial Concurrence with Audit Report.

Corrective Action: Automated Inspection Modules automatically calculate fees including minor violation charges. Supervisory review for fees and inspection notices has been updated. (See Attached - Pg 11 Section 4.1)

Date: Completed

ATTACHMENT A

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Item 3: Incorrect Mailing Addresses:

Background: Almost every problem invoice involves a Residential occupancy, primarily an apartment complex. Residential occupancies are the most difficult of all occupancies in which to locate the owner, manager or responsible party. Residential occupancies more often than not, don't have any of these parties on site at the time of the inspection. Numerous owners live out of state. Many properties are managed by friends or management companies. AFD is the only MOA agency that inspects the number of residential occupancies within the MOA on a routine basis.

Inspectors most certainly do attempt to obtain the correct mailing address and name of the responsible owners. Often this information must be obtained from tenants on location, and many don't know who owns their buildings, or where they pay their rent. AFD's only verification tool is the MOA CAMA database. This database is often months behind with current owner updates. Inspectors spend a significant amount of time attempting to track down property owners of Residential properties.

AFD has performed 18,003 inspections since January of 2000 through October of 2005. In 2005 alone there were 36,699 violations.

Treasury routes all of the returned billings back to AFD at their discretion. AFD most certainly attempts to correct these errors. The time required to correct a mailing address may be measured in weeks, and months, not day. It is significant to note that there are owners that live outside Alaska. There appears to be no standard or accountability on returns. AFD has no control over time of receipt for the returned billings. (They arrive via the MOA courier in a packet, or sometimes in a single envelope. There are times when merely single bills themselves, are routed to the Fire Prevention office).

Partial Concurrence with Audit Report.

Corrective Action: AFD will continue to attempt to locate owners of record. Returned mail procedures have been updated into the Prevention Handbook. "Returns" database has been added for tracking purposes. Inspection modules include CAMA data for onsite access.

Date: Completed.

Item 4: Fees Not Billed Timely:

Background: AFD procedures require forwarding inspection reports to finance for billing. For five years we have consistently followed these procedures. With the unique situation involving Residential occupancy inspections, and the difficulty in locating owners, 15 days is not a viable time frame. Currently many owners do not receive invoices within the time frame stated under P&P 24-21. There have been considerable delays in the past for billing purposes, even with the correct owner of record and the accurate billing address.

Inspectors do use discretion for unfounded complaints. AFD does not charge for unfounded nuisance complaints. Often individuals will attempt to use AFD as a "revenge" tool for lack of a better term. They will call in numerous complaints on the same building, multiple times. Often the complainant has been evicted and is actively involve in a tenant/landlord dispute. (See Attached – P.31 Item 6.0).

Partial Concurrence with Audit Report.

Corrective Action: Time frames for inspection report processing has been added to the Prevention Handbook. Unfounded nuisance complaint procedures have been added to the Handbook. In addition, AFD will request written authorization for adjustments regarding billing/invoice time frames from date of service.

Date: Completed.

Item 5: Payments Not Deposited Timely:

AFD forwards all payments to Finance. Checks are processed through AFD Administration. AFD staff IS pursuing the check that is missing. Payments are not held in the Prevention office for any length of time. They are delivered to Fire Admin as soon as possible the next working day.

Concur with Audit Report.

Corrective Action: All payments will be secured after processing. Payment procedures have been updated in the Prevention Handbook. A Receipts/Invoice database has been created. Payments will be secured in the DC of Fire Prevention's office. A lockbox has been purchased to secure all payments.

Date: Completed.

ATTACHMENT A

Recommendation: Onsite Audit/Billing staff position to monitor and process Inspection payments. With Inspection Modules, number of inspections and payments will increase in volume. Staff position will permit Inspectors to concentrate on required field inspections rather than fee collection.

Item 6: Supporting Documents not Available:

Background: AFD has a manual filing system for more than 20,000 Master Building Files. The entire RMS is manual. AFD is in process of upgrading our records. To date, approximately 1/5 of the MBFs have been scanned into the E-MBF (Electronic Master Building File). The hand-held inspection modules can download directly into the E-MBF. Inspectors do hold inspection reports for pending or active cases.

Concur with Audit Report.

Corrective Action: Prevention transitioning to E-MBF. Procedures for Inspectors, regarding document and inspection processing has been updated in Handbook. Administrative Assistants have been designated as MBF File Custodians. (See Attached

Date: Completed. (E-MBF ongoing process. Commenced October, 2005. Minimum 6-8 months for complete transition. Estimated: April-June 2006)

Item 7: Fire Prevention Operations Manual:

Background: Portions of the Manual had been updated prior to the Audit. The manual was also changed to "Operational Handbook". (See P&I 900-24 Fire Prevention). Productivity has increased dramatically (600%) since the Tri-Data Audit. Audit report stated the Inspection process has become "increasingly automated" since 2004. In November of 2005, the process will become automated.

Partial Concurrence with Audit Report.

Corrective Action: Fire Prevention Operational Handbook has been updated in its entirety. A "Fees, Fines and Charges" section has been added. (See Attached – Pp. 30-32).

Date: Completed