

April 18, 2006

**Internal Audit Report 2006-10
2005 Community Right to Know
Anchorage Fire Department**

Introduction. In December 1984, a toxic chemical release from a Union Carbide chemical plant in Bhopal, India, caused the death initially of approximately 3,000 people living around the facility. In response, Congress passed the Superfund Amendments and Reauthorization Act of 1986 which established the public's right to know what chemicals are used, stored and released in their community. Title III of the act mandates the Community Right to Know Act (CRTK), administered locally by the CRTK Program Administrator (Program Administrator) in the Anchorage Fire Department's (AFD) Fire Prevention Division.

Anchorage Municipal Code (AMC) Chapter 16.110, Hazardous Materials, provides the guidelines for the CRTK Program (Program). Individuals are required to submit an inventory list to the Program Administrator by March 1 of each year documenting the type and amount of each hazardous material, hazardous chemical, or hazardous waste at a facility. In addition, the site layout and floor plan of each facility showing the usual and ordinary location of each hazardous material, hazardous chemical, and hazardous waste is also required. This information should be entered into the Computer-Aided Management of Emergency Operations (CAMEO) database by the Program Administrator. Fees are charged based upon the total daily maximum amount of hazardous material, hazardous chemical, or hazardous waste handled at the facility on any one calendar day. The Program Administrator should prepare and submit a bill for each facility based upon the reported amount and type of hazardous materials, hazardous chemicals, and/or hazardous wastes. Placards are required to be posted on facilities that have hazardous materials, hazardous chemicals, or hazardous wastes to give adequate warning to the public and to emergency response personnel.

Objective and Scope. The objective of this audit was to determine the adequacy of procedures used to manage the Program and bill for services. Specifically, we reviewed CRTK reports, invoices, site plans, and historical records and conducted visits to local businesses and agencies to ascertain the status of the required placarding, floor plans, and hazardous materials. We also performed follow-up on the findings in Internal Audit Report 1997-08 dated March 27, 1997.

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 months of November and December 2005. The audit was requested by the Administration.

Overall Evaluation. The CRTK files and records were in an unauditable condition and procedures used to manage the Program and bill for services were unsatisfactory. Specifically, we found that there was a lack of supervisory and management oversight over the Program. The Program was not actively administered and the CAMEO data base had not been actively maintained. The process to bill businesses for the Program was haphazard and inadequate. Facility files were incomplete, not organized, and some CRTK files did not have site/floor plans on file. In addition, AMC requirements for placards and Certificates of Compliance were not followed, and CRTK fees collected were not always used for Program operations. Finally, we found that AMC 16.110 does not contain procedures or requirements for administering the Program.

FINDINGS AND RECOMMENDATIONS

1. Management of the Program Could be Strengthened.

- a. Finding.** There was a lack of supervisory and management oversight of the Program. The Program Administrator stated that the only training or direction she had received was from the prior Program Administrator. There also was no evidence that files, reports or related work products had been reviewed by supervisory or

management personnel. According to the Deputy Fire Marshall, she was not responsible for the supervision of the Program. However, the Municipal Position Description for the Deputy Fire Marshall included supervising the Program Administrator. We also were told that the current Program Administrator had been assigned other additional duties, such as being responsible for the purchase of AFD uniforms and being the back-up for the Fire Prevention Office Administrative Assistant. The July 2000 Fire Department Review performed by TriData for the Fire Prevention Division concluded that “There was a lack of direction, lack of standard operating procedures, lack of inspection checklists, lack of supervisory review of work products” It appears that many of these same conditions still exist.

- b. **Recommendation.** The Fire Chief should conduct a management review of the Fire Prevention Office to determine how management and supervision can be strengthened over the Program.

- c. **Management Comments.** Management stated, “Background: The Fire Prevention Division has devoted its limited resources and inspection efforts to areas statistically proven to be the most hazardous for death, injury and fire occurrence. These primary areas are residential occupancies with programs, such as CRTK, given secondary priority.

Concur with Audit Report.

“Corrective Action: CRTK Program procedures and policies have been reviewed to address all deficiencies. The Fire Marshal has assumed direct management oversight of the program. Additionally, clear administrative procedures have been added to the Fire Prevention Handbook in order to institutionalize procedures and practices, which include: a systematic review of the semi-annual internal program audit for compliance, biennial program revenue and analysis, monthly billing and account status, and up-to-date, detailed filing techniques.

Status: Completed February 20, 2006.”

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

2. **Program Not Actively Administered.**

- a. **Finding.** The Program was not actively administered. We found no evidence of any action taken to identify other businesses and individuals who may possess hazardous materials. According to the Program Administrator, the practice was to annually send to each location in the CAMEO data base a package consisting of a blank inventory form and description of the Program. However, follow-up action was generally not taken to contact those individuals that did not respond. **This same condition was reported in our 1997 audit of the Program.** Management responded to that report by stating, “Because of a lack of adequate manpower, it was not possible to follow-up on all those that did not return filing for the year. As of January 1, 1997, an Inspector has been reassigned to assist in the enforcement of the CRTK program which should eliminate a large portion of the non-filing and lack of follow-up.” Currently, there is only one person assigned to the Program with several other additional duties.

In addition, we were told that some facilities with reportable hazardous materials were no longer part of the Program because they did not have sufficient quantities of hazardous materials that required reporting. However, we visited several facilities that had opted out of the Program and found they did have hazardous materials that should have been reported. For example, in 2001 AFD told management at one facility that they were no longer required to submit reports based on documentation provided by the facility and reviewed by AFD. However, when we visited the facility, we found large quantities of hazardous material on the premises.

- b. **Recommendation.** The Fire Marshall should implement a program to identify businesses and individuals who may possess hazardous materials and are not in the current data base. In addition, procedures should be implemented to monitor the response to the annual mailing. Non-responders should be contacted to determine the reason for the lack of response and to obtain current information.

- c. **Management Comments.** Management stated, “Background: The CRTK program is designed to inform all citizens, with additional information provided to Fire and EMS emergency response personnel. With the exception of a single clerical position all other CRTK PCN’s have been eliminated during budget review of previous Municipal administrations even though the law directs CRTK generated funds to be directed back to the program. The remaining position is responsible for billing/filing and administrative functions only. Subsequently, after personnel reductions, no specific CRTK focused inspections occurred.

Partial concurrence with Audit Report.

“Corrective Action: CRTK Program procedures and policies have been reviewed to address all noted deficiencies. CRTK information (placarding/certificates of compliance, etc.) has been entered into the handheld inspection notebooks for code enforcement Fire Inspectors as of February 2006. AFD has assigned 56-hour personnel to conduct a windshield survey of all known CRTK properties, inspecting for compliant placarding. Additionally, the Fire Chief plans to assign six 56-hour personnel to the Fire Prevention division to, among other things, complete CRTK inspections of existing facilities, as well as identification of new CRTK facilities.

“In addition to the windshield surveys mentioned above, the Hazardous Materials team will verify placarding on all facilities in existence as of March 15, 2006. CRTK inspection information can then be integrated into the current QAP (Quick Action Plan) data gathering currently in progress,

“Procedures for inspecting and billing of facilities and businesses who fail to ‘report’ have been added to the Fire Prevention Handbook. These include: notification via registered mail, onsite inspection(s) with associated fees and penalties, and notification to the EPA (which evokes federal fees, fines and penalties). Facilities who fail to respond will be processed in accordance with existing MOA code abatement procedures.

Status: Proposed in-service date for 56-hour personnel: May 2006.”

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

3. **CAMEO Data Base Not Actively Maintained.**

- a. **Finding.** The CAMEO data base had not been actively maintained. Proper maintenance of the CAMEO database is important because it provides information regarding reportable hazardous substances found throughout Anchorage. In addition, address information contained in CAMEO is used to mail out CRTK packets which, when returned, are used for CRTK billing purposes.

In our 1997 audit we identified 758 locations in the CAMEO data base related to various businesses. However, as of December 2005, the CAMEO data base had only 463 entries, despite the economic growth that has occurred in Anchorage since 1997. These 463 entries represented only 215 unique business addresses because some businesses were entered in the database multiple times. For example, one business contained 90 different entries for the same address while another similar business had only one entry. Each of these entries may or may not have contained valid data regarding the reportable facility. In addition, it was impossible to determine if the data found in CAMEO was correct since information contained in the CRTK files was unauditable. For example, one large business with two store locations in

Anchorage had an Anchorage address for one store and an out-of-state address for the other store. We also found site plans/floor maps had not been consistently entered into CAMEO and other CAMEO functions simply did not operate properly. Finally, CAMEO's "Resources" section contained data for only 6 entities that could provide assistance in case of an emergency. Entities such as Fort Richardson, Elmendorf, the National Guard, and the Anchorage Fire Department were not identified as resources that could assist during an emergency.

- b. **Recommendation.** The Fire Marshall should ensure that the CAMEO data base is maintained in a current and complete manner.

- c. **Management Comments.** Management stated, "Background: CAMEO is the 'Computer Aided Management of Emergency Operations'. The CAMEO database is proprietary owned by the EPA. CAMEO is an emergency response spill and plume modeling tool and not a billing program. Alterations and changes cannot be made by local entities. The CAMEO program functions strictly as a hazardous materials database. It is solely designed to assist emergency responders during an incident. AFD has limited ability to 'actively maintain' this database. While CAMEO is free to the MOA there are major issues when importing data.

Partial concurrence with Audit Report.

Corrective Action: All CRTK files have been entered into the CRTK Facility Inventory File. The CRTK Inventory file will be used to verify account information and facility affirm inventory for billing purposes.

Status: March 2006 - Chris Burgess with EPA is actively assisting AFD with CAMEO functions."

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation. However, it is not clear whether the AFD intends to replace the CAMEO data base with the CRTK Facility Inventory File or continue using the CAMEO data base in addition to the CRTK Facility Inventory File.

4. **CRTK Billing Process Needs Significant Improvement.**

- a. **Finding.** The process to bill businesses for the Program was haphazard and inadequate, which may have resulted in lost revenue. In 2005, despite economic growth in Anchorage, only 183 locations were billed for the 2004 reportable year. However, in our 1997 audit we identified 532 locations that were billed for the 1996 reportable year. Although billing problems were identified in our 1997 audit report and a recommendation was made, the billing process has deteriorated. CRTK fees are based on the amount of hazardous materials handled by businesses as annually reported to Fire Prevention. Instead of relying exclusively on the CRTK reports to bill businesses, as required by AMC, the Program Administrator sometimes “auto billed” businesses even though a CRTK report had not been submitted. However, this was not consistent. According to the Program Administrator, she just knew that these “auto bills” should be sent out. For example, we found one company was billed for fees in 1999 and “auto billed” in 2004, but was not billed in 2000, 2001, 2002, and 2003. In other cases, businesses were not billed because the CRTK packet was never returned so a fee could be assessed. Moreover, billing appeared haphazard with some businesses being billed while other similar businesses were not billed. For example, some hotels were billed, but others were not billed. Finally, we were unable to reconcile the number of businesses that reported a hazardous material to the number of businesses that paid.
- b. **Recommendation.** The Fire Marshall should require all businesses with reportable hazardous materials to be billed annually with the correct fees based on the current

amounts of hazardous materials handled during the year. In addition, the Fire Marshall should ensure that all businesses submit the required CRTK reports annually so that proper fees can be assessed and billed.

- c. **Management Comments.** Management stated, “Background: CRTK billing has been a manual process since its inception. AFD has now transitioned the billing portion from all manual to an electronic format (identical to fire inspection billings).

Concur with Audit Report.

“Corrective Action: Bills are electronically processed and generated by AFD’s third party billing agency (Medical Support Services) with a checks-and-balances procedure, detailed in Item 1 above, in place to ensure all systems are functioning.

Status: Completed February 2006.”

- d. **Evaluation of Management Comments.** Management comments were generally responsive to the audit finding and recommendation. Using a third party billing agency to bill CRTK fees will most likely improve the collection rate. However, we found that the generation of data to compute the proper amount to be billed was not reliable and required improvement. Management comments did not fully address what action will be taken to provide accurate and reliable information to the third party billing agency for billing purposes.

5. **Facility Files Incomplete.**

- a. **Finding.** The files maintained for each facility reporting hazardous substances were incomplete, not organized, and not in a condition to be audited. Many of the facility files lacked pertinent information such as the current hazardous chemical inventories and floor plans. For example, one facility was billed annually for the last five years

and the file only contained three billing documents. There was no documentation reflecting the types of chemicals used in the business. Furthermore, we found some facilities that were considered inactive, because they no longer had reportable hazardous substances, filed with active facilities. The files contained no documentation to readily identify if the facilities were active or inactive, thus magnifying the effect that the files were in an unauditible condition.

- b. **Recommendation.** The Fire Marshall should ensure that the CRTK files are properly organized and maintained with the most current information about each facility.
- c. **Management Comments.** Management stated, “Background: CRTK files had been retained for longer than the required (per the EPA) 3-year retention period. CRTK files are maintained in hard copy.

Concur with Audit Report.

“Corrective Action: All 334 physical files have been reviewed. All outdated inactive files have been purged and sorted. All files have been audited to verify current reporting and billing information. This includes current site plans and storage amounts.

“Verification correspondence requesting updated info, including but not limited to site plans and storage quantities, has been generated for all required facility applicants with missing data. Updated information has been forthcoming on a daily basis. All files have been entered into the CRTK Facility Inventory database.

Completion Date: April 30, 2006.”

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

6. **Floor Plans Not Current.**

- a. **Finding.** Our review of some CRTK files for the year 2005 revealed that 27 of 106 businesses did not have site/floor plans on file and 51 contained pre-2005 plans dating as far back as 1996. Our visits to 5 of the 51 facilities revealed that floor plans did not match those on file at Fire Prevention. In case of an emergency, these floor plans are important so responders know where hazardous materials, hazardous chemicals, and/or hazardous wastes are located. AMC 16.110.130, Sections B, C and D, state that a person who handles hazardous materials, hazardous chemicals, and/or hazardous wastes shall submit a report including the “. . . site layout and floorplan of each facility showing the usual and ordinary location of each hazardous material, hazardous chemical and hazardous waste.” Furthermore, AMC 16.110.045 states that a person handling hazardous materials, hazardous chemicals, and/or hazardous wastes “. . . shall report each change to the most recently submitted site layout or floorplan showing the change in storage location for a hazardous material, hazardous chemical or hazardous waste to the municipal fire chief by telephone within 24 hours and in writing within 30 days after each such change.”
- b. **Recommendation.** The Fire Marshall should ensure that the CRTK files contain current site/floor plans for businesses with hazardous materials.
- c. **Management Comments.** Management stated, “**Background:** AMC 16.110.045 states that owners/handlers are responsible for providing updated information to the Fire Department and shall report each change in writing within 30 days after such change.

Partial concurrence with Audit Report.

“Corrective Action: All present reporting facilities are being updated, with current site plans and hazardous material information submittals arriving on a daily basis.

Completion Date: April 30, 2006 for existing facilities.”

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

7. **AMC Placard Requirements Not Followed.**

- a. **Finding.** AMC requirements for placards were not followed. AMC 16.110.050 requires a person who handles hazardous materials to post placards on the facility to give adequate warning to the public and emergency response personnel. However, AFD did not have a system in place to ensure placard information was sent to all individuals requiring the information and to ensure placards were actually posted on facilities as required. Our visits to 56 businesses that filed a CRTK report in 2005 revealed that eight had no visible placard posted. **This same condition was reported in our 1997 audit of the Program.**
- b. **Recommendation.** The Fire Marshall should strengthen procedures to ensure proper placards are posted on facilities containing hazardous materials as required by AMC 16.110.050. All individuals reporting hazardous materials should be notified of the placard requirements. In addition, on-site inspections should be conducted on a routine basis to ensure placards are posted as required.
- c. **Management Comments.** Management stated, “Background: NFPA 704 placards are required for all reporting facilities. Placards need to be verified by physical inspection. The CRTK program has one administrative position only.

Concur with Audit Report.

“Corrective Action: Existing Fire Inspectors will verify placards when required, during routine inspections throughout each Inspector’s assigned area. The NFPA 704 placard icon has been added to the handheld inspection notebook. In addition, the 56-hour fire personnel assigned to CRTK (see Item 2) will be actively checking all facility placards.

Completion Status: May 2006 for 56-hour personnel.

Other: Fire Inspector placard verification - completed February 2006.”

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

8. **Certificates of Compliance Not Issued.**

- a. **Finding.** AMC requirements for Certificates of Compliance were not followed. AMC 16.110.90 requires individuals subject to the CRTK reporting requirements to annually obtain a Certificate of Compliance from the Fire Chief on an application form approved by the Fire Chief. Even though both of these forms were available at the AFD, we found that the Certificates were not used. When we asked the Program Administrator about the Certificate of Compliance, we were told they had never been sent because business owners did not request them. **This same condition was reported in our 1997 audit of the Program.**
- b. **Recommendation.** The Fire Marshall should implement procedures to ensure Certificates of Compliance are requested and issued as required by AMC 16.110.090.
- c. **Management Comments.** Management stated, “Background: Certificates of Compliance are to be issued once all fees are paid and building placards are in place. Certificates were not issued due to the lack of on-site inspections (see item 2).

Concur with Audit Report.

“Corrective Action: Electronic billings and payments will permit more timely and accessible account payment information. After fees have been paid, a Fire Inspector or AFD Captain will verify the NFPA placards are in place. The Certificates of compliance have been revised; are color coded to correspond with the reporting year, and will be issued once placarding has been verified.

Completion Date: June 30, 2006 for existing facilities.”

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

9. **Fees Collected From Program Not Always Used for the Program.**

- a. **Finding.** Fees collected from the Program were not always used for Program operation. AMC 16.110.100 requires that all fees and penalties collected in connection with the administration or enforcement of AMC Chapter 16.110 be dedicated to the Program authorized by the chapter. Our review and discussions with AFD personnel revealed that the revenue collected from the Program was accounted for, along with other programs, in Fire Prevention. **This same condition was reported in our 1997 audit of the Program.**
- b. **Recommendation.** Fees and penalties collected in connection with the administration or enforcement of AMC Chapter 16.110 should be dedicated to the Program.
- c. **Management Comments.** Management stated, “Background: CRTK revenues posted for budget year 2005 totaled approximately \$56,700. The 2005 budgeted cost

of the CRTK position was \$59,230. To the extent of the revenue amounts, the position expenditures were greater than collected fees.

Partial concurrence with Audit Report.

“Corrective Action: All Fees and penalties collected in connection with the administration and enforcement of AMC Chapter 16.110 will be dedicated to the CRTK Program. CRTK fees are collected through Medical Support Services.

Status: Completed February 2006.”

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

10. **AMC Does Not Contain Procedures for Administering Program.**

- a. **Finding.** The AMC does not contain policy and procedures for administering the Program. Instead, AMC 16.110 contains detailed procedures and actions required of individuals and businesses possessing hazardous materials, chemicals and wastes. Further, the Program, which is administered by the AFD, is included in AMC Title 16 pertaining to the Department of Health and Human Services. **This same condition was reported in our 1997 audit of the Program.** Management responded to that report by stating, “. . . Fire Department Policy and Procedures are being completed that address how the CRTK Program is to be administered. . . . This section will address procedures for processing the applications, billing, computer input, placarding, inspection and follow-up.” However, the current Fire Department Policy and Procedures still do not include detailed procedures on how to administer the Program.

- b. **Recommendation.** The Fire Chief should ensure that the responsibilities and procedures for the administration of the Program should be developed and implemented in either the AMC or Fire Department Policy and Procedures.

- c. **Management Comments.** Management stated, “Background: The CRTK program was designed to alert fire, EMS, law enforcement and citizens of potential hazardous materials releases, and/or the storage location of hazardous materials in the event of an emergency. The AMC places the reporting responsibility and emphasis solely upon the owners/handlers of each facility.

Partial concurrence with Audit Report.

“Corrective Action: Enforcement and procedures require additional resources to properly administer the CRTK program (see Item 2). SARA Title III was an unfunded mandate. CRTK billing procedures have been implemented. Billing is contracted to Medical Support Services. Enforcement procedures will be implemented with additional resources. CRTK procedures have been revised in the current CRTK section (Support Staff - 2.5) of the Fire Prevention Operational Handbook. In addition, application processes, file maintenance, data entry and placarding procedures have been included.

Completion Date: April 30, 2006.”

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

Internal Audit Report 2006-10
2005 Community Right to Know
Anchorage Fire Department
April 18, 2006

Discussion With Responsible Officials. The results of this audit were discussed with appropriate Municipal officials on February 13, 2006.

Audit Staff:
Mike Chadwick