
ERD Fire Prevention Cash Audit
Public Safety and Education
February 10, 2003

ERD Fire Prevention Cash Audit

Introduction

Cash Handling Reviews determine whether cash resources are handled in a manner consistent with established City requirements and safeguarded against loss. They also assess the adequacy and effectiveness of internal controls within the cash handling location. Cash Handling Reviews consist of an objective review and evaluation of the cash (including credit cards, cheques) handling practices and procedures relating to receiving, transporting, storing, depositing and safeguarding City Money.

The City Auditor selected a number of cash handling projects for review in 2002. Projects were selected based on a number of criteria including estimated revenue; volume of transactions processed; cash handling risk; date of previous audit, if any, undertaken in the area; management request and history of problems and control weaknesses identified.

Background

In 2002, ERD Public Safety Management contacted the Office of the City Auditor (OCA) and requested that a cash audit be performed in the Public Safety and Education section (recently changed name to Fire Prevention Branch).

Fire Prevention is the second largest Branch in Fire Rescue Services, next to Operations. The staffing consists of 45 uniformed members, a Fire Protection Engineer and 4 clerical staff. The primary functions of the Branch are Fire Investigation, Fire Prevention and Public Education. All fires causing property damage, injury and/or death must be investigated as to origin and cause. The Fire Investigation group consists of 13 members and an accelerant detection dog. The Fire Prevention Group, consisting of 32 members, is involved in the 3 “E’s” of Fire Prevention, Enforcement, Engineering and Education. As a result of recent organizational changes the Fire Investigation Group has been moved back to operations and the Branch has been renamed “The Fire Prevention Branch.”

This section uses manual cash collection system to collect approximately \$75K annually for such items as file searches and for permit applications for dangerous goods and fireworks and pyrotechnics devices.

Methodology and Scope

1. The OCA met with ERD Fire Prevention and financial representatives to discuss overall process.
2. Assessed the current operating procedures for file searches and for permit applications for dangerous goods and fireworks and pyrotechnics devices.

3. Conducted sample testing to determine whether the processes are providing reliable and adequate information for accountability.
4. Reviewed financial information and receipts.
5. Provided observations to Management and held discussions with Cash Consultant responsible for ERD cash procedures.

Observations and Conclusions

This review identified a number of Opportunities for Improvement (OFI) that were presented to Management.

Some of the OFI's presented during this cash audit focussed on strengthening internal controls, tracking processes and receipting accountability of file search requests and permit revenues.

In addition, opportunities for operational improvements were presented to Management. These OFI's addressed the following items:

◆ **Cancelled requests**

There was no written documentation on file from the customer that the earlier request submitted was to be cancelled. In most cases, the documentation had a hand written note by staff indicating cancellation by customer. In addition, when customers cancel the work requested after the Fire Inspector has already completed the work, ERD does not charge the customers for the work completed or charge a cancellation fee. This process is not cost effective and leads to lost revenue opportunities. There is no formal cancellation policy/procedure in the Fire Prevention section.

Recommendation:

That a cancellation procedure be established and consideration be given to adopting a cancellation fee or charge for work (file searches, site inspections, etc) completed by Fire Inspectors. Also, any cancellation procedure established should be referenced in Bylaw 10802.

◆ **Permit processes**

Fire Inspectors issue some permits (dangerous goods) through POSSE (automatic permit system) so that fees and permits are recorded, tracked and printed. However, fireworks and pyrotechnic device permits remain as hand written pre-printed forms at the customers' site. A copy is provided to the applicant, a copy is left in the permit book and the third copy is to be returned to the office. In discussion with staff and in observing this process there were several concerns raised:

- office copies are often not returned in a timely manner;
- permits are not sequentially numbered;
- there is no reference on the permit that the fee has been applied or paid;
- receipt numbers are not recorded; and

- it is not readily possible to determine the number of permits issued for a specific permit type.

Recommendation:

Discussions with staff and review of the process indicate that the POSSE system could resolve most of the inefficiencies stated above. The OCA recommends that all fire prevention related permits be produced through POSSE. This type of system would provide for a stronger permit distribution system and improve internal controls thus allowing for unique job numbers for each permit, application fees would be tracked and applied accurately, and data extraction on various types of permits (statistics) can be requested at any time.

◆ ERD Fees and Charges Bylaw No. 10802

Most charges applied were in accordance with those quoted in the Bylaw, however, charges relating to searches on multi-building complexes with one address/occupant or multi-building and multi-tenant addresses were charged a rate that did not appear in the Bylaw (\$10.00). In addition, an alternate rate of \$100.00 per hour minimum was quoted on a separate document as the rate to use when a review of file records turns out to be complex and time consuming, this rate was also not quoted in the Bylaw.

Recommendation:

Ensure that rate charges associated with permits are approved by the respective parties, used consistently, and identified in the Bylaw 10802.

Management accepts all opportunities for improvement and was very proactive in making the suggested changes to internal controls throughout this review. In addition, management will be providing the OCA with progress updates as they move forward. In 2003 the Fire Prevention Branch will be adopting a mechanized system to enhance the operating processes, and a cash consultant will assist in developing the cash procedures associated with this system, and the recommendations from this audit.

We would like to acknowledge the cooperation and support received from all individuals associated with the Fire Prevention and Training Branch that were contacted during this review.