

A photograph of firefighters on a ladder bucket spraying water on a large fire with thick black smoke. The scene is dramatic, with bright orange flames and thick black smoke rising from a brick building. Two firefighters are visible on the bucket, one holding a hose that sprays a powerful stream of water onto the fire. The background is filled with more smoke and fire.

*City of Detroit*  
**OFFICE OF THE AUDITOR GENERAL**

**Audit of the Detroit Fire Department**  
**February 2018**



# City of Detroit

OFFICE OF THE AUDITOR GENERAL

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Mark W. Lockridge  
AUDITOR GENERAL

## MEMORANDUM

**DATE:** February 9, 2018

**TO:** Honorable City Council  
Honorable Mayor Mike Duggan

**FROM:** Mark W. Lockridge, CPA   
Auditor General

**RE:** Audit of the Detroit Fire Department

**CC:** Eric Jones, Fire Commissioner  
John Hill, Chief Financial Officer  
Steven Morris, Agency CFO  
Stephanie Washington, Esq., City Council Liaison

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Attached for your review is our report on the Audit of the Detroit Fire Department. This report contains our audit purpose, scope, objectives, methodology and conclusions; background; our audit findings and recommendations; and the responses from the Detroit Fire Department and the Office of the Chief Financial Officer.

Responsibility for the installation and maintenance of a system of internal control that minimizes errors and provides reasonable safeguards rests entirely with the Detroit Fire Department. Responsibility for monitoring the implementation of recommendations is set forth in Section 7.5-105(4) of the City Charter which states in part:

Recommendations that are not put into effect by the department shall be reviewed by the Finance Director<sup>1</sup> who shall advise the Auditor General and the City Council of the action being taken with respect to the recommendations.

Copies of all of the Office of the Auditor General reports can be found on our website at [www.detroitmi.gov/How-Do-I/View City of Detroit Reports/Auditors General-Audits](http://www.detroitmi.gov/How-Do-I/View-City-of-Detroit-Reports/Auditors-General-Audits).

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<sup>1</sup> The 2012 City Charter does not reflect that the position and responsibilities of the "Finance Director" were replaced with the creation of the Office of the Chief Financial Officer and its positions in 2013.

# Audit of the Detroit Fire Department

February 2018

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## **AUDIT PURPOSE, SCOPE, OBJECTIVES, METHODOLOGY AND CONCLUSIONS**

### **AUDIT PURPOSE**

The audit of the Detroit Fire Department was performed in accordance with the Office of the Auditor General's charter mandate as noted in Section 7.5-105(1) which states:

*Make audits of the financial transactions, performance and operations of City agencies based on an annual risk-based audit plan prepared by the Auditor General, or as otherwise directed by City Council and report findings and recommendations to City Council and the Mayor.*

### **AUDIT SCOPE**

The scope of this audit was to conduct a performance audit of the Detroit Fire Department including an independent review and assessment of the effectiveness and efficiency of the operations' internal control procedures for transactions and its compliance with applicable Finance Directives, policies, plans, procedures, laws and regulations regarding financial transactions for July 1, 2015 through June 30, 2017.

Our audit was conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States, except for the completion of an external peer review of the Office of the Auditor General within the last three years.

### **AUDIT OBJECTIVES**

The audit objectives were:

- To determine the efficiency and effectiveness of the department's core operations.
- To evaluate the adequacy of the department's internal controls over the major financial reporting processes, specifically, cash receipts, disbursements, capital assets, and revenues noting any control weaknesses.
- To determine whether the department is complying with applicable Finance Directives, policies, plans, procedures, laws, and regulations.
- To determine the status of each audit finding and issue of non-compliance in the prior audit report.

### **AUDIT METHODOLOGY**

To accomplish the audit objectives, our audit work included:

- Reviewing the prior audit report and working papers, City Charter, Municipal Manual, Oracle Cloud reports, the department's budget reports and organization charts.
- Gathering policies and procedures of core operations and similar data.
- Conducting an audit-planning meeting to determine the scope and audit objectives, and to determine the financial transactions and/or areas to audit.

- Developing questions regarding the department's transactions, controls, functions, records, and personnel.
- Identifying risks relative to financial transactions and mitigating controls with department personnel.
- Interviewing department personnel, reviewing documentation, and making observations to aid in developing audit programs.

## **CONCLUSIONS**

The auditors' determined that DFD did not:

- Provide necessary information for billing of fire incidents per the contract with the 3<sup>rd</sup> party biller.
- Provide Aircraft Rescue and Firefighting Services in compliance with the Memorandum of Understanding with the Coleman A. Young International Airport Department.
- Implement proper controls over medical and general supplies.
- Institute proper controls over fuel cards.
- Manage accounting and financial processes after January 2016.
- Monitor Private Providers Emergency Response companies for compliance with contract terms

Not all of the issues cited in this report are under the control of the Detroit Fire Department (DFD). The auditors determined that the Office of the Chief Financial Officer through its various divisions did not:

- Establish adequate internal controls over financial processes.
- Properly reconcile the DFD Pre-Paid Credit Card.
- Properly manage Emergency Medical Services and Fire Marshal revenues and accounts receivable.
- Comply with the City's Capital Asset policy.
- Reconcile the DFD bank account timely.

## BACKGROUND

The mission of the Detroit Fire Department is to provide protection of life and property through the efficient use of emergency, fire and rescue response resources. It does this by enforcing all laws, ordinances, and regulations relating to fire prevention, providing pre-hospital emergency medical service, and maintaining a high state of readiness through shared planning, training, and sustained coordination with other agencies.

The Fire Department has a total of 1,204 employees (as of 2/01/17) assigned to eight divisions:

- Executive Administration
- Apparatus
- Communications
- Community Relations
- Emergency Medical Services (EMS)
- Fire Fighting Operations
- Fire Marshal
- Training

DFD maintains and operates 39 facilities throughout the city of Detroit. Fire Suppression units include 26 Engine companies, 14 Ladder companies, 6 Tactical Mobile Squads, a Fireboat, and a Hazardous Material Response Unit.

The Fire Department is implementing Firehouse a new software program. Firehouse is a records management system, handles all of the national fire incident reporting. Firehouse will handle inventory, staff records, staff scheduling, fire hydrant reports, equipment checks, fire inspections, buildings occupants and will help with keeping track of the Insurance Service Office requirements. In addition, Firehouse has an analytics module.

DFD's goals are to

- Develop internal fiscal control measures consistent with City policy that address prior audit findings.
- Improve Emergency Medical Services response times to critical cardiac-related incidents by having all fire suppression personnel trained and certified as Medical First Responders with a plan to properly equip apparatus to respond to medical calls.
- Improve revenue collections and identify new revenue streams by utilizing a private vendor for assessment and collections Department wide.
- Digitize organizational processes and develop performance metrics for all division heads.
- Improve employee development through continuous training and educational opportunities.
- Operate within the Department budget as appropriated.

Edsel Jenkins was the Executive Fire Commissioner until September 2015. Mr. Eric Jones was appointed Executive Fire Commissioner of the Detroit Fire Department in October 2015.

The following table shows the budgeted expenditures and revenues for the Detroit Fire Department for fiscal years 2015-2016 and 2016-2017.

	<u>Fiscal Year 2016</u>	<u>Fiscal Year 2017</u>
Total Revenues	\$ 29,026,793	\$ 24,697,633
Total Expenditures	<u>142,525,305</u>	<u>124,737,085</u>
<b>NET TAX COST</b>	<b>\$ 113,498,512</b>	<b>\$ 100,039,452</b>

The Detroit Fire Department has 32 available Medic Units, 34 Fire Engines in service and 16 Ladder Trucks in service.



Platform Ladder Truck



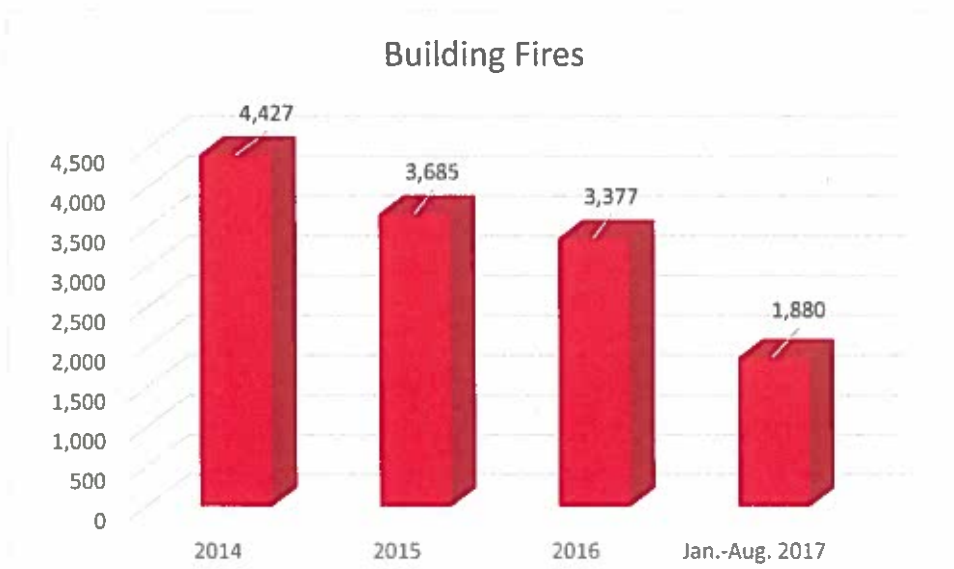
AEV Ambulances





DFD responded to 23,558 total fire runs in 2014, 22,213 in 2015 and 21,833 in 2016. The fire runs have been decreasing over the years.

The chart below shows the total structure fires for the last three calendar years and January through August 2017.



### **Office of the Chief Financial Officer**

Emergency Manager Order no. 41 dated March 28, 2013 ordered in part that the Chief Financial Officer establish a centralized financial management organizational structure, to be called the Office of the Chief Financial Officer (OCFO). The OCFO is a centralized financial management operation which consolidates all finance related functions with the City. The OCFO oversees, controls and directs all finance personnel within all City departments, divisions, and agencies. The OCFO includes the following divisions: Executive Office of the Office of Chief Financial Officer, Office of Budget,

Office of Assessor, Officer of Chief Development Officer, Office of Contracting & Procurement, Office of Controller, Office of Departmental Financial Services, Office of Financial Planning & Analysis, Office of Grants Management, and Office of Treasury. The Office of Departmental Financial Services is a financial partner to City agencies.

Areas of focus include budget administration, program analysis/evaluation, finance and accounting, internal controls, financial systems, strategic planning, and performance metrics. Finally, Steven Morris is the current ODFS Agency CFO assigned to the Fire Department and responsible for the ODFS staff assigned to the Fire Department. Every city department has an ODFS Agency CFO assigned to assist it in various financial transactions.

### **FIRE MARSHAL**

The role of the Fire Marshal Division is to enforce all laws and ordinances governing fire prevention, installation and testing of protection and notification systems, public fire safety education and fire scene investigation, resulting in comprehensive activities that enhance the quality of life and property for the citizens of Detroit.

The Fire Marshal Division in conjunction with the Firefighting Operations Division responds to hazardous material (Hazmat) incidents. Hazardous materials are any substance or material in a quantity that could pose a reasonable risk to health, environment or property. Hazmat risk the Detroit Fire Department (DFD) may respond to are either from accidental or incidental releases of hazardous materials due to facility incidents and transportation accidents which include substances such as toxic chemicals, fuels, nuclear waste and/or products and other radiological and biological or chemical agents.

### **THE REGIONAL TRAINING CENTER**

Emergency Medical Services (EMS) and Firefighters have historically been trained at different locations. The EMS and Firefighting academies were combined at the new Regional Training Center (RTC) at the former Davis Aerospace High School and has been renamed the Walter P. Harris Training Facility.

Over the last three calendar years, the following Academies have graduated from the RTC:

<b>EMS</b>			<b>FIRE</b>		
<b>Academy Class</b>	<b>Graduation Date</b>	<b>Graduates</b>	<b>Academy Class of</b>	<b>Graduation Date</b>	<b>Graduates</b>
#61	10/3/15	26	April 2014	9/26/14	64
#62	1/23/15	31	Nov. 2014	4/2/15	87
#63	6/26/15	31	Jan. 2017	6/9/17	47
#64	1/13/17	6			
#65	1/13/17	13			
#66	6/9/17	11			

## **FIREFIGHTERS**

The basic training requirements to become a Firefighter are that a Fire Cadet is obligated to complete the State of Michigan Firefighter Training Program certified by the Michigan Firefighter's Training Council. In addition, the DFD requires:



- **Self-Contained Breathing Apparatus (SCBA) Challenge** – Fire Cadets must complete the challenge that meets physical requirements under MIOSHA part 74 and National Fire Protection Association 1500 Standard on Fire Department Occupational Safety and Health Program.
- **Written Comprehensive Exams** – Fire Cadets must maintain a 70% average throughout the training period.
- **Combined Operations** – Fire Cadets must successfully complete real-world firefighting applications.

- **Physical Training Standards** – Fire Cadets must show progress in the four physical fitness tests conducted throughout training.

## **EMERGENCY MEDICAL SERVICES (EMS)**

Individuals who enter the EMS Academy (cadets) are already licensed by the State of Michigan. They must have either an Emergency Medical Technician (EMT) basic license or a paramedic license to apply for a position with the City. The EMS cadets at the Academy have varying skill sets; some have not worked in the field and some were paid on call firefighters. The EMS cadets are tested on their medical competencies. There is a refresher course of current license protocols (based on their EMT level). The Academy provides instruction on rules, regulations and the equipment used in Detroit including computers, run sheet documents, as well as the various types of training that is completed online through Fire Rescue One.



The RTC provides training programs for EMS paramedics, technicians, City employees, students and Detroit residents in cardiopulmonary resuscitation techniques. The RTC develops partnerships within the community for the promotion of community health and safety.

Beginning in 2015, Firefighters received additional training to become Medical First Responders. As of June 30, 2017, approximately 629 firefighters have been trained.

## STATUS OF PRIOR AUDIT FINDINGS

The prior audit of the Detroit Fire Department issued March 2011 by the Office of the Auditor General included the following audit findings:

### **Prior Audit Findings (PAF)**

#### **Audit of the Fire Department Revenues Accounts Receivable and Cash Receipts July 2008 – March 2011**

1. The Emergency Medical Services Division (EMS) Did Not Effectively Manage Revenues and Accounts Receivable. *This finding has not been resolved and is discussed in finding #4 on page 27.*
2. The Fire Marshal Division Did Not Effectively Manage Revenues and Accounts Receivable. *This finding has not been resolved and is discussed in finding #3 on page 24.*
3. The Fire Marshal Division Did Not Adequately Conduct and Bill for Special Inspections. *This finding has been resolved.*
4. Controls Over Cash Receipts Are Inadequate. *This finding has not been resolved and is discussed in finding #3 on page 24 and finding #4 on page 27.*
5. The Various Financial Functions of the Fire Department Are Not Centralized Resulting in Inefficient Operations and a Lack of Uniformity. *This audit finding has been resolved.*

**NOTE:** Prior Audit Findings 1, 2, 4 and 5 above deal with financial processes which are now the responsibility of the Office of the Chief Financial Officer (OCFO). Note that PAF #5 was resolved by the OCFO.

## AUDIT FINDING AND RECOMMENDATIONS

### **1. The Fire Marshal Division Did Not Provide Incident Information to the Contractor to Bill Responsible Parties**

Three different software systems are used to document and bill for incidents: 1) Firehouse, 2) Mobile Eyes and 3) Recovery Hub (proprietary software from Fire Recovery USA). Firehouse is a records management system. It handles all of the national fire incident reporting. Mobile Eyes is a fire inspection software program that will be replaced by the Firehouse Inspection module when it is implemented.

In June 2015, the City of Detroit contracted with a vendor to file claims on behalf of the DFD, except for claims of the Emergency Medical Services Division. DFD claims include:

- Motor Vehicle Accidents
- Motor Vehicle Fires
- Structure Fires
- Marine and Water Incidents
- Other Services for which the City has the authority to bill and direct the vendor to do so its behalf.
- Hazardous Materials Incidents
- Special Rescue Services
- Fire Investigations
- False alarms

Per the contract the vendor will provide billing and customer support services including all software, hardware, costs and personnel for billing and collection of the above described Services. The contract amount is \$651,690. The term of this contract is from June 2015 through June 2018 unless extended by an Amendment to the Contract on an annual basis for a maximum of three additional years.

The auditors reviewed the Fire Marshal Division's process related to billings to be sent to the Contractor for collections on behalf of the City. During the period of July 1, 2015 – June 6, 2017, there were 5,662 incidents in the Contractor's proprietary software as of June 6, 2017. DFD staff needs to review the incidents, and if billable, they should be completed and approved for the Contractor to invoice the responsible party.

The auditors selected 105 Hazmat incidents for review with the following results:

<b>No.</b>	<b>105 Incidents in Sample Section</b>	<b>Status</b>
(37)	Occurred at residences	Not billable
(10)	Had no name for the responsible party listed	Not billable
(7)	Were duplicate entries.	Not billable
(1)	Occurred at a fire station.	Not billable
<b>50</b>	<b>Incidents left for auditor testing</b>	<b>Billable</b>

- Fifty incidents had a responsible party listed and could be billed. However upon further review of the invoices, the auditors determined that:
  - Twenty-six of 50 incidents or 52% did not have an invoice in Mobile Eyes and were not currently billable due to a lack of information as follows:
    - The inspection reports filled out by the Fire Marshal inspectors did not always include all pertinent information to allow for invoicing of hazmat incidents.
    - The DFD did not include the cost of equipment used by the Hazmat Response Unit at hazmat incident scenes in billings.
    - Information in the inspection and incident reports were not accurately manually inputted into the invoices created in Mobile Eyes.
  - Twenty-four of 50 incidents or 48% had invoices created for them in the Mobile Eyes software:
    - Two invoices were for another city of Detroit department.
    - Seventeen invoices totaling \$164,917.00 were not provided to the Contractor for billing.
    - Five invoices were sent to the Contractor for billing.
    - Four of the five invoices were billed at a higher rate than the City Ordinance.
    - Two of the five invoices (40%) provided to the Contractor were not sent within 45 days of the date of the incident.

The Contractor provided the auditors with two additional invoices that had been billed but were not included in the DFD Mobile Eyes software.

According to the contract between the Contractor and the City of Detroit:

The Contractor will provide billing and customer support services including personnel for billing and collection of the emergency incidents to file a viable claim to the responsible party, including access to police reports. Said data shall be in a format as prescribed by the Contractor and will have sufficient detail for billing; the city of Detroit will provide the data in detail necessary via use of a proprietary software program developed by the Contractor to connect the City's Records Management Software (RMS) to the Contractor's proprietary software.

- The Fire Department will enter normal run information into their RMS system for incidents with party names and description of services rendered.
- Runs will be harvested from the RMS system and placed into the Drafts Section of the proprietary software.
- DFD will review Drafts Section and submit *runs they wish to have processed* to the Contractor once all detail is complete.

Article VI (Uniform Procedure for Accounts Receivable) of the Detroit Municipal Code requires:

- Departments use diligent effort for a period not to exceed thirty days from date of issuance to effect collection of accounts receivable (Section 18-6-3).
- After thirty days, unpaid accounts become the responsibility of the City Treasurer's office (Section 18-6-3).

Failing to bill and collect for services rendered reduces revenues from parties receiving the service and transfers the costs to Detroit taxpayers. In particular, the cost of Hazmat cleanups should be borne by the party responsible for creating the hazardous situation.

According to a DFD staff member there were multiple reasons why invoices were not submitted to the Contractor for billing:

- Some invoices lacked a responsible party or the proper information;
- They don't bill other City departments for DFD response; and
- 6-8 invoices were not submitted (if valid) to the Contractor due to a recommendation from the Law Department.

The auditors determined that DFD personnel did not put proper and complete information into the reports used to collect data for the Contractor to bill for incidents. In addition, the Fire Marshal's Office did not adequately review and monitor the invoices created and mailed by the Contractor for compliance to the fee schedule included in their contract.

## **Recommendations**

We recommend that the DFD personnel:

- Train staff to properly collect and enter information into the proprietary software as required per the contract to provide the contractor the information required for billings.
- Forward all billable incidents to the Contractor to bill the responsible party.
- Include the equipment cost of items used by the Hazmat Response Unit in all Hazmat billings.
- Provide invoices to the Contractor for billing within 30 days of a billable incident.
- Review finalized invoices provided by the Contractor for accuracy.



## **2. DFD Did Not Provide Aircraft Rescue and Firefighting Services (ARFF Services) to the Airport**

The city of Detroit Coleman A. Young International Airport Department (Airport) and the DFD entered into a Memorandum of Understanding (MOU) for the DFD to use space at 10200 Erwin, located on Airport property, for the current fire training academy beginning in June 2014. DFD agreed to provide ARFF Services at the Airport at least twelve hours per day.

The auditors visited the fire station at the Airport. The auditors determined that:

- The fire station has not been used in over a year and needs renovations for firefighters to reoccupy the location.
- The firefighting apparatus (equipment) at the fire station may not work properly. There are two Oshkosh E-20 crash units at the Airport which technically belong to the City Airport and were purchased with Federal Aviation Administration funding. One of the two units is not operational. The other unit is started every two days by a Fire Engine crew however, a DFD staff person stated it may not be operational.



The rig is a 2002 Oshkosh that has a 1,500-gallon water tank, 150-gallon AFFF foam tank and can pump 1,500-gallons per minute.

It is designed to rapidly accelerate to respond to airfield incidents, and on arrival, deploy high volume foam streams through its turrets to rapidly knock down fires resulting from an aircraft mishap. The unit can be operated by one person if needed, however, two are normally carried--the second person deploying a hand line for mop-up or performing rescues as needed.

It differs from a conventional fire engine because it is all-wheel drive, has much higher ground clearance, meets FAA accelerations standards, and carries more water and foam concentrate to allow it to rapidly knock down flammable liquid fires. It uses turrets on the roof and front bumper to deliver its means of

extinguishment rather than hand lines used in conventional firefighting. It is actually too large to legally run on Michigan highways.

At this point, Engine 20 is in service, but not manned. The crew of nearby Engine 46 perform inspections every two days and make sure that the rig starts and is ready to respond.

- DFD did not provide the required services in compliance with the MOU due to the condition of the fire station and equipment.

The Memorandum of Understanding for 10200 Erwin reads as follows:

The DFD agreed to the following with respect to the Building:

The Fire Department in exchange for use of the Premises, agrees to provide to the Airport Department specialized aircraft rescue and firefighting services ("ARFF Services") at the Airport for at least twelve hours per day.

The DFD shall base the ARFF Services out of the fire station at the Airport.

The city of Detroit Airport does not have ARFF Services in the fire station on the Airport grounds. In the event of a fire emergency, firefighters would have to respond from the closest fire station.

According to a DFD staff member, the City Airport is being reviewed for alternative uses and since the DFD was short staffed, they were unable to provide the services required under the MOU.

### **Recommendation**

We recommend the DFD comply with the MOU and provide the ARFF Services required per the agreement.

### **3. Inadequate Controls Over EMS Inventory on EMS Vehicles**

The auditors tested the inventory documents for the EMS Division and noted the following:

- The DFD EMS Division requires that each shift count the supplies on the rigs before beginning their shifts. The crews use a checklist to record the count of supplies. The auditors tested the day and night shift for eight units for January 2017. Eighty-eight percent of the days tested were not in compliance with the EMS policy.
- The auditors reviewed 50 checklist for appropriate signatures with the following results:
  - Six of 50 forms or 12% were not signed by the employee completing the form.
  - Forty-nine of 50 forms or 98% were not signed by the EMS staff person that forwarded the form.
- The auditors reviewed 20 EMSD Supply Distribution Forms and noted:
  - Thirteen of the forms or 65% did not have a received by signature.
  - Eighteen forms or 90% did not have an issued by signature.

The DFD Medical Equipment/Supply Inspection Memo requires:

- All vehicles will be inventoried at the beginning of each shift, or as soon as time permits.
- All equipment checklists will be signed by the crew assigned to the unit and forwarded to the sector supervisor daily.

EMS personnel not reviewing and verifying that critical life-saving supplies are available during their shift and filing out the EMS checklist, may open the city of Detroit to lawsuits because of the lack of evidence showing the EMS unit was inspected and cleared for duty.

Division personnel stated the following:

- There are no repercussions if the checklist is not signed unless the EMS unit is involved in an incident.
- Both EMS employees assigned to an EMS unit are responsible for all of the inventory items, and no one is individually responsible for specific items.

### **Recommendation**

We recommend the DFD emphasize the need for signing the checklists prior to reporting for duty to protect the City in case of an incident.

#### **4. Inadequate Controls Over General Supplies Inventory**

The auditors reviewed the general Firefighting inventory and noted the following conditions:

- There are two employees from the General Services Department (GSD) responsible for firefighting inventory under the direction of a DFD employee. There are no segregation of duties. Both GSD employees can order, receive, and distribute inventory and are responsible for maintaining the inventory records.
- There are no written policies/procedures or internal controls for general supplies.
- There was no inventory records of items on the shelves. The GSD clerks assigned to the firefighting inventory only maintain records of fire gear and large items like foam.
- There was no periodic inventory counts performed on general supplies or documentation by the GSD clerks.

The State of Michigan Department of Treasury Accounting Procedures Manual for Local Units of Government in Michigan requires Internal Control activities:

- Ensure duties must be segregated among different people to reduce the risk of errors or misappropriation. An individual is not to have responsibility for more than one of the three transaction components: authorization, custody and recordkeeping.
- Ensure that policies and operating procedures in every department are written down and communicated to employees.
- Ensure that inventories are secured physically, counted periodically and compared with control records.

The lack of:

- Segregation of duties in the inventory system leaves the department vulnerable to waste, fraud and abuse of inventory items.
- Written procedures contribute to the lack of uniformity over the receipt, distribution and recording of inventory transactions.

Division personnel stated the following:

- Inventory policies and procedures were passed along verbally to the GSD Clerks.
- The DFD is in the process of implementing a new computer system, Firehouse, which will have an inventory module which should address some of the auditors' concerns.

## Recommendations

We recommend the DFD:

- Design alternate procedures to segregate the duties of the GSD clerks.
- Implement a perpetual inventory system to account for items on hand at any given time.
- Develop and communicate in writing inventory standard operating procedures to the GSD clerks and staff.

**5. Controls Over Fuel Cards Are Inadequate**

The DFD fuel usage for the prior three fiscal years is listed below:

<b>Fiscal Years</b>	<b>Gallons</b>	<b>Amount</b>
2014-2015	337,911	\$846,770
2015-2016	305,725	\$506,151
2016-2017	391,295	\$654,489

The DFD has 962 fuel cards according to their fuel card report. The auditors reviewed DFD's internal controls over the fuel cards with the following results:

- Two hundred six or 27% of the fuel cards assigned to employees are no longer on active payroll.
- The DFD did not have policies and procedures in place to control fuel usage and fuel cards.
- The General Services Department (GSD) Monthly Department Fuel Usage Reports were not reviewed by the Fire management.
- No one validated the DFD Master Fuel Card Holder List (Master List) from GSD to the DFD's own record.
- Fifty-two or 5% of the DFD employees have multiple fuel cards, including lost or misplaced cards.
  - One employee was assigned four fuel cards.
  - Four employees were assigned three fuel cards.
  - Forty-seven employees were assigned two fuel cards.

The GSD's Fuel System Policies and Procedures require that every department:

- For security purposes and accountability, the using department administration will define the criteria and identify those department employees who will be authorized to fuel city vehicles. This definition should be included in the user department's policies and procedures for Real Efficient Vehicle System (REVS).
- Fleet Coordinators (FC) are the departmental person responsible for validating the REVS fuel employee card roster, the roster of names valid in REVS at that time will be listed. The FC is to review and validate the listing and request names to be deleted as noted on the sheet.
- The Department FC is responsible for immediately reporting the lost or stolen employee fuel card to the System Manager.
- The Department FC or driver must immediately notify the System Manager when an employee is dismissed, laid-off, retired or otherwise unauthorized to fuel city vehicles.

- Monthly Department Fuel Usage Reports are available to all department Directors and Deputy Directors upon request.

Failure to maintain proper management controls can result in fuel cards being susceptible to risk or misuse, theft, and other losses that can go undetected.

According to a DFD staff member there is no set schedule to review fuel cards. The staff member stated that the department does not have any written policy to control fuel cards and usage. The auditors determined that no one at DFD was reviewing fuel cards or fuel usage.

## **Recommendations**

We recommend that the Fire Department comply with the City's Fuel System Policies by:

- Creating a fuel card users policy for the department for REVS.
- Immediately deactivating lost or stolen fuel cards.
- Notifying the System Manager when an employee is dismissed, laid-off, retired or otherwise unauthorized to fuel city vehicles.

## NOTEWORTHY ACCOMPLISHMENTS

### Insurance Service Office (ISO)

The Detroit Fire Department (DFD) is working toward improving the City's Insurance Service Office (ISO) score and is preparing for a review by the ISO. The ISO collects and evaluates information from communities in the United States on their structure fire suppression capabilities. The data is analyzed using the Fire Suppression Rating Schedule (FSRS<sup>tm</sup>) and then a Public Protection Classification (PPC<sup>tm</sup>) number is assigned to the community. The surveys are conducted whenever it appears that there is a possibility of a classification change. As such, the PPC program provides important, up-to-date information about the protection services throughout the country.

ISO's PPC program evaluates communities according to a uniform set of criteria, incorporating nationally recognized standards developed by the National Fire Protection Association and the American Water Works Association. A community's PPC depends on:

- Needed Fire Flows, which are representative building locations used to determine the theoretical amount of water necessary for fire suppression purposes.
- Emergency Communications, including emergency reporting, telecommunications, and dispatching systems.
- Fire Department, including equipment, staffing, training, geographic distribution of fire companies, operational considerations, and community risk reduction.
- Water Supply, including inspection and flow testing of hydrants, alternative water supply operations, and a careful evaluation of the amount of available water compared with the amount needed to suppress fires up to 3,500 rpm.<sup>2</sup>

The DFD expects to have their next ISO review in the near future. The rating from the ISO review directly impacts residential and business property insurance rates.



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<sup>2</sup> Insurance Services Office, Inc. "Public Protection Classification Summary Report-Detroit, MI," November 27, 2013.



### Regional Training Center

The Regional Training Center's (RTC) goal is to become a "world class" training facility. The RTC has obtained and incorporated into their program state of the art training equipment, created an Apprenticeship program in conjunction with the Detroit Public Schools, teaching CPR classes to the community and providing a presence in the community.

### Training Equipment

The DFD purchased and are using the following new equipment:

**FAAC, Inc. Fire/EMS Driver Training Simulator** is a simulation tool used to train students how to operate EMS and Fire trucks. The simulator assist staff in training students in the following subjects:



- Vehicle operations knowledge
- Safe movement
- Student knowledge of rules and regulations
- Diagnosis and corrective action
- Proper radio/intercom communication

This training helps instructors instill in students the appropriate driving and judgment skills needed on the road. The simulator training can develop judgment and decision making skills; improve driving skills while under pressure, and boost student confidence to drive these vehicles.

**FAAC, Inc. MILO Response Simulator** is a simulation training tool for EMS related incidents. The simulator assist staff in training students in six key areas:

- Practice in Simulated Environment
- Engagement in Immersive Training
- Develop Competencies
- Responsive Interaction
- Effective Debriefing
- Elevated Knowledge Retention



The MILO simulator gives trainers the capability to develop student's soft-skills and prepare them for unanticipated situations that can occur in the field in a safe constructive environment.

**BullEx® Digital Attack Fire System** allows the RTC to conduct firefighter training anywhere at any time. This system gives the RTC the ability to turn any location into a burn room. The Digital Attack Fire System allows firefighters to train in countless locations and situations to diversify training and ensure trainees are prepared to handle any real fire situation. The system can be used in hands-on training to:

- Create basic or intense fire scenarios where live fire isn't possible.
- Train on firefighting fundamentals.
- Introduce new firefighters to fire and smoke conditions in a safe environment.



**BullEx® Smoke Generator 4000** can produce high quality smoke for continuous training. The Smoke Generator creates the most realistic fire training scenarios by generating the thickest, densest smoke to recreate the actual experiences a firefighter will face. This training tool uses smart controls to continuously produce the best smoke possible for firefighter training. The system can be used for:

- **Ventilation Training** - Continuous high-density smoke, equal in quantity to smoke produced by a structure fire.
- **Search & Rescue Training** - Create a variety of smoke settings from low to zero visibility to find victims during search and rescue or thermal imaging drills.
- **Large Area Search Training** - Saturate a training environment with high density smoke in the time it takes firefighters to put on their gear.
- **Mask Confidence Training** - Train firefighters in zero visibility conditions to test their awareness and confidence of PPE gear.
- **FAST/RIT Combat Training** - Train firefighters to locate and retrieve downed firefighters in a realistic scenario involving smoke.

**BulEx® GasTrainer** is a comprehensive and realistic gas monitoring and response training system. With this GasTrainer, firefighters can train to confidently make critical decisions responding to HazMat Immediately Dangerous to Life or Health (IDLH) emergencies through high-impact hands-on training. Designed to replicate a four-gas meter, the system simulates and detects gas clouds and leaks that can be set in realistic scenarios where firefighters are most likely to respond. By detecting, displaying levels and alarming in real time, the system challenges trainees to interpret and react to a potential gas leak.

### **Apprenticeship Program**

DFD created an apprenticeship program to expose young adults to career opportunities within the DFD. The program, if successful, would expand the pool of potential candidates to fill available jobs within the DFD. In September 2015, the program was formally announced by Mayor Mike Duggan, former DPS Emergency Manager Darnell Earley and former Detroit Fire Commissioner Edsel Jenkins. The DFD partnered with Detroit Public Schools to offer a two-year pilot program for students to train and become certified firefighters. Students must be at least 17 years of age and have a recent physical examination providing medical clearance for participation.

The program is currently offered to Junior and Senior Cody High School students. Students in the program attend classes three days a week at Cody High School and two days a week at the Regional Training Center. All of the resources for the program are provided by DPS through various grants. The Executive Director of DPS helps provide resources for the program. The equipment purchased by DPS is used exclusively for DPS students.

The DFD's Apprenticeship Program has not only provided an opportunity for students to become future firefighters, but it has given the DFD a chance to highlight some of the positive experiences within their Department, the DPS District, and the city of Detroit. Commissioner Eric Jones is working on extending the apprenticeship program to all DPS high school students.

In a short period of time, the Fire Apprenticeship program has been locally and nationally recognized. The program was:



- Featured on NBC Nightly News in 2015.
- Showcased at DPS Community
- District's Career and Technical Education (CTE) program on April 24, 2017.
- Recognized at the 2017 Career and Technical Education Showcase in the North and West Corridors at Michigan's Capitol Building in Lansing on April 27, 2017.

**Community CPR Classes**

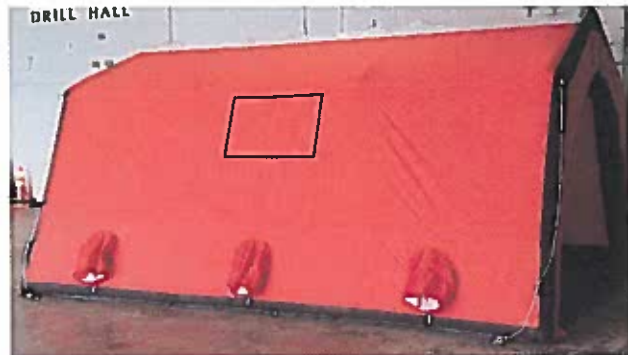
The RTC provides American Heart Association CPR classes to the community at a nominal fee. The following classes are available to the public:

- Healthcare Provider \$48.25
- Heartsaver (CPR/AED) 28.25
- Heartsaver (CPR/AED/FA) 45.50
- Heartsaver (FA) \$50.00
- HeartCode 20.00
- CPR Card 3.00

The RTC also provides support for events throughout the City. They have mobile trailers that include an expandable tent. It is a Multi Casualty Trailer.



Multi Casualty Trailer (MCT)



Tent from the Casualty Trailer

Examples of events where you would find the MCT would include Youth Day and the Michigan Grand Prix.



2017 Grand Prix



Detroit EMS at the 2017 World Youth Day



*We would like to thank the Detroit Fire Department employees for their hard work and dedication to their jobs.*

We appreciate the cooperation and assistance that we received from the employees of the Detroit Fire Department in performing our audit.





December 5, 2017

Mark W. Lockridge, CPA  
Auditor General  
Office of the Auditor General  
City of Detroit  
2 Woodward Avenue, Suite 216  
Detroit, MI 48226

Re: City of Detroit Fire Department Audit Report

Dear Mr. Lockridge,

The Detroit Fire Department has received the Audit Report from your office. Overall, the audit process was seamless and pleasant, due in part to your courteous staff and manager Vivian Slaughter. My staff was also enthusiastic about the process, arranging scheduling, providing access to systems and office space both at the Detroit Public Safety Headquarters and the Training Academy. There has been a considerable shift in the operations and management of the Department since October 2015 that coincided with the beginning of the Audit. The members of my administrative team were encouraged and proud to discover that many of the issues identified in the Audit either preceded this Administration or were already being proactively addressed. This letter will highlight some of the exciting changes at the Fire Department.

First, the Department has successfully retained management of its grants and utilized those resources to benefit field personnel. In the midst of the centralization of the financial controls, the Department applied for and secured millions of dollars in grant awards that have had a tangible effect on all employees at DFD, including the following:

1. 2013 and 2014 Fire Prevention grants totaling over \$700,000 included equipment purchases for Fire Inspections, Community relations, and Fire investigation.
2. 2015 Fire operation grant for \$700,000 to purchase 14 new cascade systems (used to fill air tanks for fire fighters) that will be installed and completed by the end of 2017.
3. 2014 FEMA grant for \$1.1 million to install a four story Burn Tower for simulated exercises at the Training Academy by February of 2018.



4. 2016 miscellaneous grant awards \$4.3 million in funding for:
  - a. \$1.1 million for Diesel Extraction systems to exhaust toxic fumes from fire stations.
  - b. \$700,000 in funding for 15 lead EKG monitors to be used for advanced life support treatment.
  - c. \$300,000 in funding for Rapid Intervention (RIT) equipment.
  - d. \$2.2 million in funding for new radios for field personnel.

Next, the Department has completed extensive technological updates at its Regional Training Center to ensure new recruits have a training experience that will prepare them for real world scenarios and working conditions. The following equipment has been installed at the Academy:

1. Driver Training Simulator
2. MILO Medical Response Simulator
3. Pump Operator Training Simulator
4. Interactive classroom whiteboards
5. Digital Fire Extinguishing System
6. LED portable extinguishing system
7. Hazardous Material monitoring training system
8. 2 mass casualty incident trailers
9. 2 Blue Med deployable medical shelters
10. Fire Safety Training Trailer
11. 1 Engine and 2 Ladder Trucks for training purposes

Additional equipment on order includes a Burn Tower for live fire burns in a teaching environment, Self-Contained Breathing Apparatus (SCBA) Training Trailer to be delivered by December 15, 2017 and an Urban, Search and Rescue Trailer.

The success of any Department can be partly attributed to its policies and directives. The two largest divisions of the Fire Department, EMS, and Fire have implemented policies that have been aimed at providing exemplary and efficient services as opposed to punitive actions against those employees in need of discipline. Since the Fire Fighting Division is now providing medical services for the first time in the Department's history, it was necessary to update and prepare new policies to reflect this achievement. The policies intimate this Administration's goal to train and provide clear direction. Some of those policies include:



- Overtime Policy
- Crew Relief Policy
- Bloodborne/Airborne Pathogens Policy
- Probationary Technician Certification and MFR Mentoring Policy
- Paramedic Promotion Third Rides
- Scene Safety
- Equipment Checklist Completion
- Proper Communications Etiquette
- Narcan Exchange
- Attendance Control
- Emergency Operations Plan

Lastly, my Administration has packaged its equipment investments, training initiatives and policies into an overall goal of lowering insurance rates for the residents of the City of Detroit. Every division within the Department is working towards lowering the rating bestowed by the Insurance Services Office. More commonly known as ISO, the City is rated on its ability to provide fire protection services by evaluating location and timing of incident response, placement and availability of water hydrants and 911/Communications training and deployment models. This project requires a joint effort with the Detroit Water and Sewage Department and the Police Department's 911 management team. There is a weekly meeting held to discuss and outline team and individual Divisional goals. The Department is intent on shoring up all aspects of the scoring process prior to inviting the ISO team in to review and rate the Department.

In closing, the life-saving services the Department provides to the citizens of the City of Detroit has vastly improved. The Department is consistently performing at the national average for Fire and EMS. Best response times are as follows: Building fires, 5 minutes and 58 seconds, EMS, 7 minutes and 58 seconds, and Medical First Responder, 7 minutes and 33 seconds. In fact, the Department has met or exceeded the national average for EMS response times numerous days in 2017.

Thank you for the opportunity to provide feedback. Enclosed please find the Department's response to the Audit findings. I look forward to speaking with your office should you need any additional information or clarification.

Sincerely,

Eric Jones  
Executive Fire Commissioner

cc: David Fornell, Deputy Fire Commissioner  
Sydney R. Zack, 2<sup>nd</sup> Deputy Fire Commissioner  
Charles Simms, 2<sup>nd</sup> Deputy Fire Commissioner



## Finding 1

### The Fire Marshal Division Failed to provide Incident Information to the Contractor to Bill Responsible parties

#### Department Response:

The FMD disputes that three systems are used for documentation and billing for incidents. Fire House is the Department's records management system. Fire House captures 911 response incident information. Mobile Eyes is used to document inspection and permit related activity that is used to invoice outside of Fire Recovery. Fire Recovery only uses Fire House to collect information for invoicing.

The Fire Marshal Division ("FMD") provided incident information to the Contractor to Bill Responsible parties but there was a lack in the scope of work with Fire Recovery USA. This is being addressed in the pending RFP for services. Specifically, the RFP requests--provide all billing and Invoicing for the Fire Department, not including Emergency Medical Services. This is key to increasing revenue because Fire Recovery has only been billing a portion of incidents that the DFD provides service for.

The FMD submitted to Fire Recovery USA the proper set of fees to be used for all invoicing. At a later date, FMD submitted documentation to assist Fire Recovery USA with the process for capturing personnel hours. Along with this documentation was a set of fees that were not designed to be used for invoicing; however, Fire Recovery USA improperly used those rates. This has since been corrected. FMD has notified Fire Recovery of the error and those fees have been removed. Two additional steps have been taken to alleviate this concern: (1) To ensure proper cost recovery fees DFD loaded a template into the 'Mobile-Eyes', and (2) the FMD has submitted fee resolution to City Council for the cost recovery ordinance to generate one schedule of billing rates that will also exclude billing for residential fire response.

In September 2016 a new records management system, 'FireHouse' was implemented. That software captures fire incident information more adequately than the previous platform referred to as '24/7.' Fire Recovery USA did not have access to FireHouse fire reporting until April 19, 2017. This accounts for the delay in Fire Recovery USA being able to view fire report/HAZMAT information for billing.

Since early 2016, the FMD has been conducting Quality Control reviews for fire reports, which are inclusive of fire/incident types ensuring all appropriate incidents should be billed as well as the assignment of correct billing rates. This information is reviewed and vetted at a weekly data meeting inclusive of review of FMD reports. The FMD has also conducted training with field personnel during summer 2016 to increase FF compliance and proficiency with writing fire incident reports.

## Finding 2

### DFD failed to provide Aircraft Rescue and Firefighting Services (ARFF Services) to the Airport

#### Department Response:

The DFD denies that it has failed to provide ARFF services to the Airport. The department has a primary apparatus at Engine 20 quarters. This engine is equipped with 1500 gallons of water and 200 gallons of foam AFFF (Aqueous Film-Forming Foam). Engine 20 is currently operational and able to flow water and foam.

The Department has additional response procedures listed below:

- 3- Engine Companies with 500 gallons of water and 25 gallons of AFFF foam capability. One Ladder Company, one Squad and one Battalion Chief to provide additional rescue resources.
- DFD operates four fire stations located within three minutes of travel time to Detroit City Airport. The following are the locations and names of the current responding companies: Engine 46 located at 10101 Knodell, Engine 50, Ladder 23, Chief 9, located at 12981 Houston Whittier, Engine 60 located at 19701 Hoover and Squad 6 located at 10700 Shoemaker.
- The Department has another engine located on the airport property that is ready to respond with trained personnel from 7 am to 6 pm. This engine is located at the current Regional Training Center and has 500 gallons of water and 25 gallons of foam.

The Department's level of readiness was examined during a large disaster training drill in June of 2016. The Department had to respond with the current response policy for the Airport itself. This consisted of a Full Scale/Live Burn Commercial Plane Exercise, that was followed up with a table top discussion for the City of Detroit Emergency Responders (Fire, Ems & Police), and coordinating agencies. Coordinating agencies include Detroit Fire/ EMS, Detroit Police, Detroit Homeland Security & Emergency Management, Detroit Emergency Communications. Coleman A. Young International Airport, Region 2 South Healthcare Coalition, Detroit Receiving Hospital, Harper University Hospital, Sinai-Grace Hospital, Children's Hospital of Michigan, St. John Hospital, Detroit Health Department Office of Public Health Emergency Preparedness (DHDOPHEP).

### **Finding 3**

#### **Inadequate Controls over EMS inventory on EMS Vehicles**

##### **Department Response:**

The Department has policies and directives in place addressing the completion of the equipment checklists. To ensure compliance, the following changes have been implemented: (1) revised directive sent to all EMS Division personnel refreshing them on expectations for completion, (2) the Shift Supervisor will upload daily checklists at the end of each shift, (3) a Smartsheet will be used to monitor daily compliance (4) each checklist will also be forwarded and maintained for recordkeeping purposes in EMS Supply, which information is archived for the State of Michigan, and (5) random internal audits will be conducted by EMS Administration, by Shift, to check for compliance. The office of the Superintendent will address compliance issues.

### **Finding 4**

#### **Inadequate controls over general supply inventory**

##### **Department Response:**

Since 2016 the Department has standardized the equipment across all fire apparatus units to include tools and equipment that have been properly inventoried for control purposes. There is signed documentation related to this distribution of equipment. In terms of individual gear assigned to field personnel, the stock room distributed 1,000 sets of bunker gear and coats to all of EMS and fire fighting divisions.

The Department addresses the specific concerns within the stock room as follows:

The duties of the two GSD employees have been segregated. The Head Storekeeper is the senior and supervising clerk. The Head Storekeeper is responsible for overall supervision, conducting and keeping records of product inventory and ordering all supplies. The Storekeeper is responsible for issuing equipment, keeping signed records of all equipment issued and recording inventory under the supervision of the Head Storekeeper.

There has been a physical inventory in place for over six months and records are being kept in Excel format to ease their integration into the Firehouse software when it is fully on-line. Written procedures, previously generated by GSD, are in the process of being updated to accommodate the changes made to the stock room and inventory management at DFD.

#### **Finding 5**

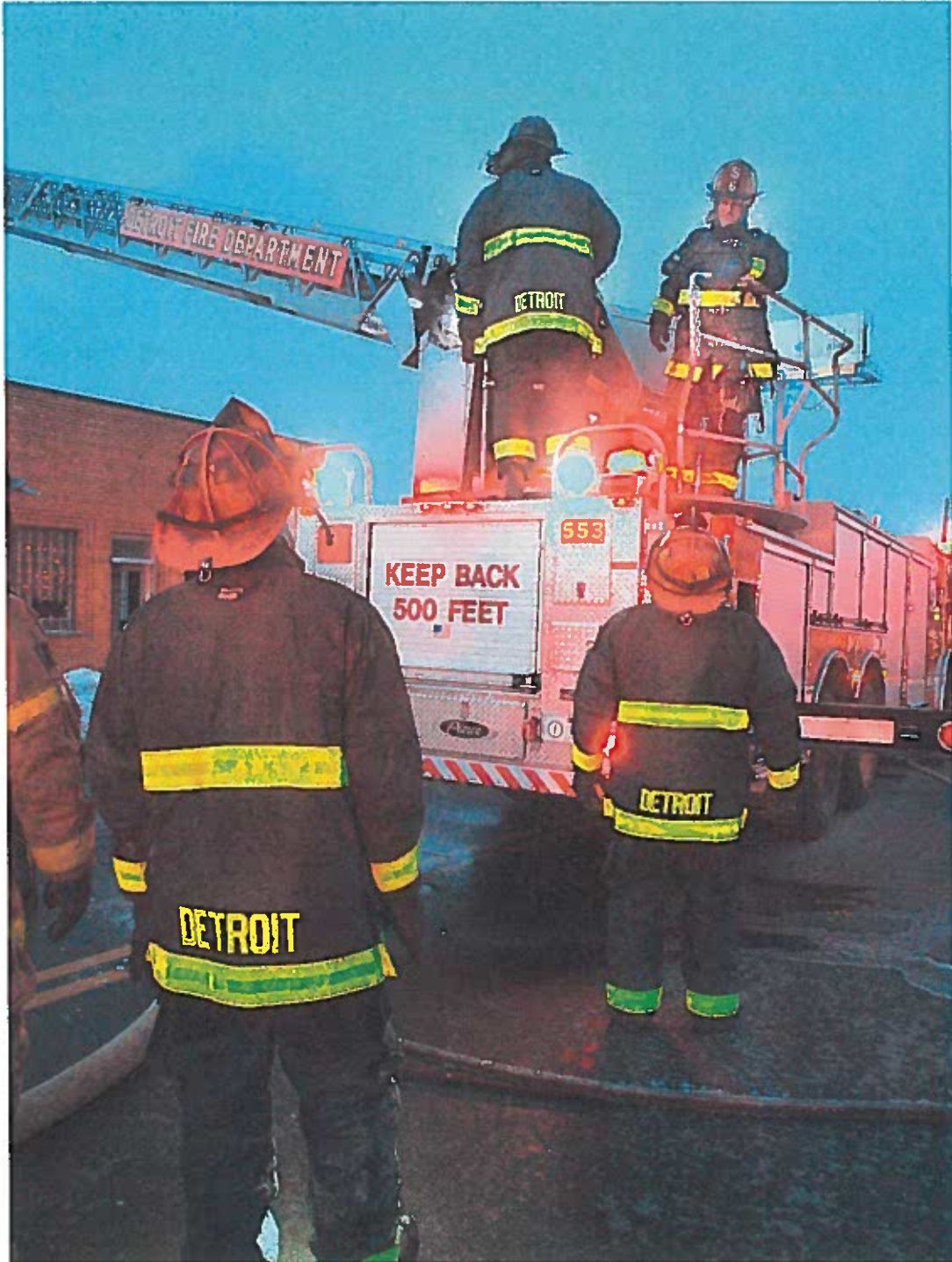
##### **Controls over fuel cards are inadequate**

##### **Department Response:**

Currently, there is a fire fighting division employee assigned to request and deactivate fuel cards. The current process mandates that employees send an email to the designated employee to request a fuel card. A Fuel Card Request form is submitted to General Services Division ("GSD"), who then issues the fuel card. Upon completion of the request, the fuel card will be picked up from DFD and distributed to the employee. If an employee retires or is terminated the fuel card is collected by the DFD and returned back to GSD. GSD deactivates the fuel card.

Since the audit investigation the Department has worked collaboratively with GSD to remove inactive employees. Currently, there are only 619 active employees on the GSD report. The Department has formalized a policy that mandates a quarterly reconciliation with GSD to have inactive or unauthorized employees removed. The Division Heads will monitor the Monthly Department Fuel Usage Reports for any discrepancies.

# FINDINGS RELATED TO THE OFFICE OF THE CHIEF FINANCIAL OFFICER



## **1. OCFO Did Not Establish Adequate Internal Controls Over Financial Processes**

During the audit of the DFD, the auditors noted weaknesses in control of financial processes managed by the ODFS division of the OCFO.

- OCFO Did Not reconcile receivables:
  - EMS – funds received from the vendor to the bank and bank deposit from the vendor to Oracle.
  - Fire Marshal – funds received to invoices in Mobile Eyes software and the Mobile Eyes software to Oracle.
  - Training Center – funds received to classes offered, funds received to the bank deposit and the bank deposit to Oracle.
- OCFO Did Not create written policies:
  - To review and approve the payments received from the vendor for EMS revenue.
  - To monitor contract compliance.
  - To monitor contractor performance.
- **Fire Marshal's Office**
  - There are four OCFO clerks in the Fire Marshal's Office that have access to the system to create an invoice, receive a payment, apply a payment to an account, view the audit log history, and adjust and/or void transactions.
  - The Clerk IV also receives the paperwork processed by the other three Clerks, prepares the bank deposit and creates the daily paperwork for the journal entry.
  - There were no written approvals, authorizations, verifications, or reconciliations of the daily paperwork created by the Clerk IV for daily revenues collected and deposited into the bank.
  - Although there is a transaction detail report created by the software system used by the Clerks, the report is not printed out and used for verification of revenue by someone independent of the revenue collection process.
  - There were no random audits of the Fire Marshal's Office performed and documented during the audit period.
- Capital assets were not properly accounted for in Oracle.

The State of Michigan Department of Treasury Accounting Procedures Manual for Local Units of Government in Michigan requires Internal Control activities ensure that:

- Records are reviewed and reconciled routinely by someone other than the preparer to verify that transactions are properly processed;
- Policies and operating procedures in every department are written down and communicated to employees.
- Systems to assess the quality of performance over time are monitored.

- Duties are segregated among different people to reduce the risk of errors or misappropriation. An individual should not have responsibility for more than one of the three transaction components: authorization, custody and recordkeeping.
- Equipment, inventories and other property are secured physically, counted periodically and compared with control records.

Inadequate internal controls may have the following consequences:

- Failing to reconcile revenue can allow for the misappropriation of revenue, fraudulent transactions, theft or abuse to go undetected.
- Impeding OCFO from ensuring that it has control over daily accounting procedures and financial transactions.
- Failing to have written policies and procedures allows for processes not to be followed and standardized.
- May lead to many undesirable consequences including bad decisions, and perpetual errors in the accounting records.

According to an OCFO staff member, they have been working under the old DFD directives concerning revenue collection. They are in the process of drafting and finalizing standard operating procedures for revenue collection. OCFO stated also that the DFD is responsible for contractor performance and with the assistance of the Office of Contracting and Procurement (OCP) is responsible for monitoring contractor compliance.

The auditors determined that OCFO has not instituted proper policies and procedures to address internal controls issues found in financial processes.

## **Recommendations**

We recommend that the OCFO create and/or implement appropriate internal controls to ensure that:

- Revenue is reconciled on a regular basis.
- Policies and procedures are created, written and communicated to employees.
- Segregate the duties for financial transactions.
- Ensure all capital assets are properly tagged and entered into Oracle.

**2. The Actual Amount of the DFD Pre-Paid Credit Card Funds Did Not Agree with the Authorized Amount**

The City created a Pre-Paid Credit Card (PCARD) Program to streamline the purchasing and accounts payable process by reducing the paperwork generated for small dollar transactions, eliminating the need for purchase orders and to facilitate quick payment to vendors.

A PCARD is a credit card that is issued to authorized employees for the purpose of making purchases on routine supply and service items. The DFD was assigned one PCARD with a limit of \$3,000 until June 2016.

The auditors reviewed fourteen PCARD reconciliations for the period May 2015 through June 2016 with the following results:

- The PCARD was over its limit by \$3,125.40.

<b>Amount</b>	<b>Explanation</b>
\$1,238.25	Reimbursement request never submitted.
74.16	Reimbursement request created but there was no proof provided that it was ever submitted.
1,500.00	Advance Pre-fund from Finance.
62.70	Receipt for a purchase not submitted for reimbursement.
250.29	Balance on card per the statement in excess of card limit of \$3,000.
<b>\$3,125.40</b>	<b>TOTAL</b>
<b>NOTE: No written request was made to increase the PCARD limit.</b>	

- Thirteen of 14 or 93% of reconciliations reviewed were not completed timely. The reconciliations were between one to eleven months late.

In July 2016, the PCARD program changed and DFD was issued two PCARDS with a \$1,500 limit on each card. The new PCARDS have not been used since they were issued in July 2016.

The PCARD manual requires that:

- To increase a PCARD account a letter must be submitted to the Treasurer. This letter must indicate the amount of the increase and a brief explanation as to the reason for the request.
- The PCARD Reconciler is required to:
  - Prepare the monthly credit card reconciliation.
  - Have the reconciliation signed by the department director.

- Submit credit card reconciliation to Finance – Treasury Division ATTN: Pre-Paid Credit Card Program Administrator (PCA) on a monthly basis by the 10<sup>th</sup> of the following month in order for the PCARD to be replenished.
- Include a copy of all receipts in the reconciliation packet to the PCA.
- Include a copy of the PCARD Transaction Log.
- Include a copy of the monthly credit card statement.

The purpose of financial reconciliations are to ensure the reliability of reported financial information on an ongoing basis. A reconciliation process improves the accuracy of the financial reporting function. When PCARD account financial overages and shortages are not reported monthly and not corrected, accurate financial reporting is compromised.

According to the PCARD reconciliation for the month of May 2016 and approved on February 7, 2017 by the Department Director it reads in the comments section:

*“Check Request PC022014 \$1,238 and PC122014 \$74.16 were never submitted for reimbursement. I will submit them to Accounts Payable. Once reimbursed I will apply them to outstanding advance of \$62.70 and \$1,500 this will leave a remaining balance of \$250.29 this balance will be offset \$250.29 overpayment in current balance of \$3,250.29 once applied Fire Dept. will be at their original balance of \$3,000.”*

The PCARD Administrator stated: It looks like the check request was never processed.

- The reason why DFD received \$3,000 on their new PCARDs was because their account was over \$3,000 so it was reduced to be \$3,000.
- The \$3,000 on the new PCARD should have been reduced if the outstanding items had not been resolved.

## Recommendations

We recommend that:

- The PCARD Administrator perform an internal audit to resolve the \$3,125.40 overage.
- The PCARD Reconciler comply with the PCARD manual by:
  - Maintaining proper records.
  - Determining that an item cannot be returned, the City of Detroit must pay for the purchase and recoup the amount of the purchase from the Purchaser.
  - Being alert to indicators of fraud and report suspected fraud immediately.



### **3. OCFO Did Not Adequately Manage Fire Marshal Revenues and Accounts Receivable**

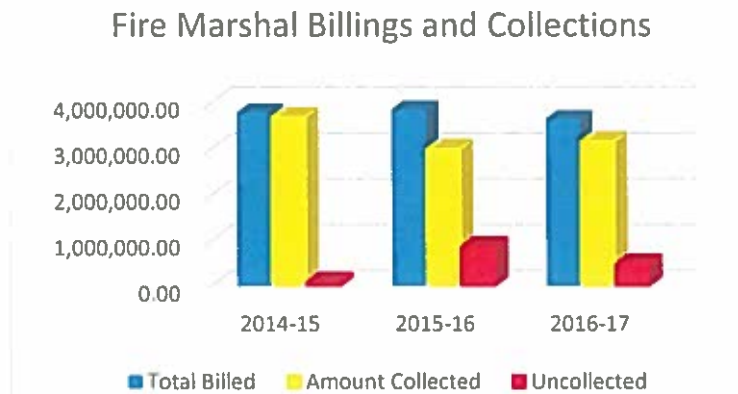
The auditors reviewed the Fire Marshal's revenues and determined that the OCFO division did not adequately manage the Fire Marshal's revenues and accounts receivables by:

- Sending out approximately 10,000 annual Fire Marshal permit invoices two months late.
- Mailing out approximately 900 duplicate invoices in January 2017.
- Not posting all of the Fire Marshal's revenues that are in the Mobile Eyes software into Oracle.
- Not performing a reconciliation of the Fire Marshal's revenues.
- Not utilizing Mobile Eyes reports to verify or reconcile revenue received by the Fire Marshal.
- Not reviewing voided transactions. The auditors noted the following information concerning voided transactions:

<b>Fiscal Year</b>	<b>Transactions</b>	<b>Total Amount of Voids</b>
2014-2015	2,147	\$502,004.61
2015-2016	2,082	448,910.00
2016-2017	384	145,279.00

- Not depositing revenue into the City's bank account and posting revenues in Oracle timely. Posting of revenues in Oracle was done one to eleven days after the City's requirement of 48 hours.
- Not pursuing collection action against delinquent accounts and failure to refer delinquent accounts to the City Treasurer for collection action.
- Write-off uncollectible accounts in accordance with Article VI (Uniform Procedure for Accounts Receivable) Section 18-6-6 of the Detroit Municipal Code.

The chart below shows the Fire Marshal Division's total uncollected billings for the past two fiscal years.



The Michigan Department of Treasury Accounting Procedures Manual for Local Units of Government in Michigan requires that Control Activities be present in an effective and efficient system of internal controls. Control activities are specific policies and procedures that ensure management directives are carried out. Such items include, approvals, authorizations, statutory duties, verification, reconciliations, and security of assets and segregation of duties.

An effective internal control system requires that procedures implemented ensure that there is adequate control over billings, collection of revenues, and reconciliation of receivables.

Finance Directive 20 – Cash Handling Procedures requires that all Departments institute procedures to insure that all cash and checks are deposited in the bank and recorded in Oracle within 48 hours after receipt.

Article VI (Uniform Procedure for Accounts Receivable) of the Detroit Municipal Code requires that:

- After a reasonable period of time and after all efforts have been exhausted by the City Treasurer to collect the accounts, the accounts are to be submitted to the Corporation Counsel (Law Department) for the necessary legal proceedings. (Section 18-6-4).
- Accounts, which are determined by the Corporation Counsel to be uncollectible, may be adjusted or cancelled upon the approval of the City Council. The department originating the account shall forward the accounts to City Council. (Section 18-6-6).

The failure to effectively manage revenues and accounts receivables reduces the amount of revenue available to the City to pay for DFD and other City operations. Public knowledge of the lack of collection efforts undermines the City's efforts to collect revenues.

According to an OCFO staff member, they are in the process of creating policies and procedures to resolve the audit concerns cited. The staff member also stated that they are working with the Treasury Division to issue an RFP to obtain a collection agency for delinquent billings.

The auditors determined that a lack of written Standard Operating Procedures for the cash receipts process led to the inadequate management of Fire Marshal revenues and accounts receivables.

## **Recommendations**

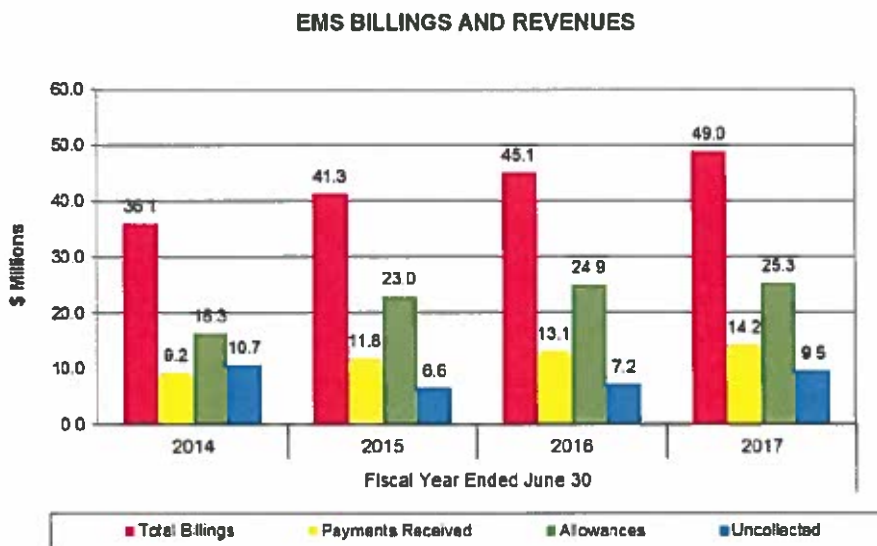
We recommend that OCFO:

- Create a process to ensure timely and accurate billing of Fire Marshal invoices.
- Develop appropriate internal controls to ensure that proper verification and reconciliation of revenues occur.
  - Record all accounts receivable in Oracle.
  - Reconcile receivables and collections to the City's financial records at least once a month.
- Comply with Finance Directive 20 – Cash Handling Procedures by depositing all revenues within 48 hours of receipt.
- Comply with Article VI (Uniform Procedure for Accounts Receivable) of the Detroit Municipal Code.

#### 4. OCFO Did Not Adequately Manage EMS Revenues and Accounts Receivable

City Council approved a revenue contract with a Company on August 1, 2012. The Company provides the billing and collection service plan, which includes, but is not limited to the EMS billing and collection services, lock-box operation, and public services operation. The plan also consists of information verification, insurance billing, private pay billing, follow-up billing, payment collection, payment reconciliation and closeout reports.

The chart below reflects the total EMS billings for the past four fiscal years, payments received, the contractually mandated allowances (the amounts disallowed by Medicare, Medicaid and Blue Cross Blue Shield under the terms of their contracts), and the amounts uncollected:



During the four fiscal year period, July 1, 2013 through June 30, 2017, a total of \$171.5 million was billed for EMS services. However, only \$48.2 million or 28% of the billings were collected. After subtracting the contractually mandated allowances, the uncollected balance was \$33.9 million or 20% of billings.

Our audit of DFD-OCFO processes related to EMS revenue and accounts receivable revealed the following instances of internal control deficiencies:

- Failure to record receivables in Oracle. Revenues are recorded only if invoices are paid.
- Failure to reconcile receivables and collections as recorded by the billing vendor with City financial records.
- Failure to pursue collection action against delinquent accounts and to refer delinquent accounts to the City Treasurer and the Law Department for collection action.

- Failure to write-off uncollectible accounts in accordance with Article VI (Uniform Procedure for Accounts Receivable) Section 18-6-6 of the Detroit Municipal Code or to process accounts related to the provision of medical services to indigent persons in accordance with Section 18-6-7.

An effective internal control system requires that all procedures be in place and implemented that ensure that there is adequate control over billings, collection of revenues and reconciliation of receivables.

Article VI (Uniform Procedure for Accounts Receivable) of the Detroit Municipal Code requires:

- Departments use diligent effort for a period not to exceed thirty days from date of issuance to effect collection of accounts receivable (Section 18-6-3).
- After thirty days, unpaid accounts become the responsibility of the City Treasurer's office (Section 18-6-3).
- After a reasonable period of time and after all efforts have been exhausted by the City Treasurer to collect the accounts, the accounts are to be submitted to the Corporation Counsel (Law Department) for the necessary legal proceedings (Section 18-6-4).
- Accounts, which are determined by the Corporation Counsel to be uncollectible, may be adjusted or cancelled upon the approval of the City Council. The department originating the account shall forward the accounts to City Council (Section 18-6-6).

Article VI specifies a special procedure for handling accounts for medical services to indigent persons. These accounts may be reclassified by the Department rendering the service as a public charge after collection procedures, as approved by the Finance Director, have been exhausted (section 18-6-7).

Failure to effectively manage EMS revenues and receivables reduces the amount of revenue available to the City to pay for EMS services. Public knowledge of the lack of collection efforts by the City encourages people who have the ability to pay for EMS services, and who may not be taxpayers of the City, to refuse to pay.

According to an OCFO staff member, they are in the process of creating policies and procedures to resolve the audit concerns cited. The staff member also stated that they are working with the Treasury Division to issue an RFP to obtain a collection agency for delinquent billings.

The auditors determined that a lack of written Standard Operating Procedures led to the inadequate management of EMS revenues and accounts receivables.

## Recommendations

We recommend the OCFO staff at the DFD:

- Record all accounts receivable in Oracle.
- Reconcile receivables and collections as recorded by the billing contractor to the City's financial records at least once a month.
- Establish a method for the billing contractor to accept credit card payments for EMS accounts.
- Comply with Article VI (Uniform Procedure for Accounts Receivable) of the Detroit Municipal Code.

**5. Private Provider Emergency Response Contractor Is Over Billing City Residents and Visitors**

DFD has an agreement with Private Providers of EMS to provide emergency and non-emergency ambulance services to the City on a prearranged and recurring basis within areas of the City as requested by the Superintendent of EMS or his/her designee on a daily basis, seven days a week during the following peak times: 11 a.m. to 11 p.m.



EMS RUNS		
	2015-16	2016-17
Detroit EMS	115,610	116,590
DFD MFR & Private Providers	10,612	25,945
<b>TOTAL</b>	<b>126,222</b>	<b>142,535</b>

The auditors reviewed the fees charged by the four Private Provider Emergency Response companies and determined that one Provider was charging more than the City allowed billing rate for Basic Life Saving and Advanced Life Saving II Emergency Service.

According to the Detroit Emergency Medical Services Private Provider Contingency Agreement, Section II. Fees and Billings: “The Fees charged by the Provider shall in no case be higher than the fees charged by the City.”

City residents and visitors may be overcharged \$100 for Advanced Life Saving II Emergency service and \$120 for Basic Life Saving Emergency service.

The auditors determined that the OCFO division does not monitor or verify the rates charged by Private Providers for EMS services.

**Recommendations**

We recommend the OCFO:

- Monitor Private Providers for compliance to the Contingency Agreement; and
- Ensure that all Private Providers comply with the billing requirements contained in the Contract.

## **6. OCFO Did Not Comply with the City's Capital Asset Policy**

The City uses the Oracle Cloud Capital Asset System to record all capital assets. The auditors selected 53 items, including radios, computers and tablets from the capital asset list in Oracle Cloud for testing with the following results:

- Thirteen desktop computers of the 53 (25%) items tested were not properly tagged with a City of Detroit (CoD) tag number.
- Thirty-seven of the 53 (70%) items were not listed in Oracle Cloud as DFD capital assets.

CFO Directive No. 2016-105-002 regarding Capital Assets requires:

Property acquired that does not meet the City's capitalization criteria, shall be immediately expensed in the accounting period acquired, except for:

Property with a useful life of more than one year and a total unit cost of \$1,000-\$4,999, these shall be tagged and recorded in the Capital Asset System as a controlled asset that is tracked, but shall not be capitalized or depreciated.

All capital assets shall be recorded in the City's Capital Asset System on a timely basis and in the appropriate accounting period in accordance with City guidelines.

Failure to comply with the Capital Asset Policy reduces the effectiveness of the policy and the concurrent controls it is designed to impose. Non-compliance also impairs the City's ability to properly record and track all assets in the financial records of the City and safeguard assets against fraud, theft or abuse.

According to a OCFO staff member, they are in the process of drafting and finalizing standard operating procedures that will ensure that all capital assets purchased are properly tagged and input into Oracle.

The auditors determined that OCFO had not visited all DFD locations to ensure that capital assets were appropriately tagged, inventoried and included in Oracle.

### **Recommendation**

We recommend OCFO comply with CFO Directive No. 2016-105-002, place all items into Oracle Cloud, and tag the assets as required.





CITY OF DETROIT  
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## ATTACHMENT B

2 Feb 2018

Mark Lockridge, Auditor General  
Office of the Auditor General  
2 Woodward Avenue  
Coleman A. Young Municipal Center, Room 216  
Detroit, Michigan 48226

Dear Mr. Lockridge:

The following represents the Office of Chief Financial Officer's (OCFO) response for the indicated findings and related recommendations in the audit of the Detroit Fire Department, as prepared by the Office of the Auditor General (AG). Our responses include the actions taken or to be taken regarding the recommendations.

### General Comments

The OCFO appreciates working with the AG after the audit was completed to ensure the findings are assigned appropriately to OCFO and roles and responsibilities between OCFO and the Department are better understood. Nonetheless, the OCFO notes that its senior leadership (including the Chief Financial Officer and the Deputy CFO- Director of Departmental Financial Services) was not informed of this audit nor invited to an entrance conference. These are customary audit practices that were not followed and the OCFO requests the AG include OCFO's senior leadership in entrance conferences moving forward.

Additionally, as noted in the AG's report, there was a prior finding that various financial functions of the Fire Department are not centralized resulting in inefficient operations and a lack of uniformity. The AG concluded that the finding was resolved as a result of the OCFO reorganization. This finding is illustrative of the challenges faced by the OCFO in creating a centralized financial management organization. Within 18 months, the OCFO, for example, has been able to work with the Fire Department to improve billings in Fire Marshal and EMS revenue, procurement and payment timing, budget development and monitoring, and grants management. The OCFO is the first to acknowledge that there is still much to be done; however, there has been significant progress made in the performance of the financial functions.

Finally, the OCFO is currently establishing new policies and procedures throughout all of OCFO. OCFO anticipates beginning to promulgate new policies in February 2018 with procedures to shortly follow.

### Finding Number 1. ODFS Did Not Establish Adequate Internal Controls Over Financial Processes

The AG states that OCFO failed to create written policies to monitor contract compliance and to monitor contractor performance. OCFO, through the Office of Contracting and Procurement (OCP), is not solely responsible for that function. In most cases, the Fire Department, with OCP's assistance as requested, is responsible for monitoring contract compliance to ensure contractor performance is adequate. While the AG makes a statement to this effect in the subsequent paragraph in the finding, the finding is still assigned to the OCFO.

ODFS has implemented internal procedures to perform daily reconciliation for Fire Marshal revenues. The segregation of duties issue as it pertains to the Fire Marshal revenue has been resolved.

Despite the lack of property inventory control by the Fire Department, ODFS has corrected the issue with capital assets and capital assets are properly tagged and entered into the financial management system. ODFS has developed internal procedures to ensure this happens.

The OCFO plans to begin promulgating new policies in February 2018 with new procedures to shortly follow.

Finding 2. The Actual Amount of the DFD Pre-Paid Credit Card Funds Did Not Agree with the Authorized Amount

ODFS is not responsible for administering, reconciling, or overseeing P-Cards. OCP will work with the Fire Department to ensure their compliance with the P-Card policies and procedures.

The P-Card account in question is closed and the issues were resolved.

Finding 3. OCFO Did Not Adequately Manage Fire Marshal Revenues and Accounts Receivable

The data for the Fire Marshal division is entered into Mobile Eyes by Fire Department personnel. This data is then used to create invoices. In the past, the Fire Marshal division used a 3<sup>rd</sup> party to mail invoices. The contract with the 3<sup>rd</sup> party expired and the Fire Department decided to mail out invoices using internal resources. This change in process resulted in a delay in invoices being mailed out.

Inaccurate or incomplete operational data in Mobile Eyes (which is the responsibility of the Fire Department) resulted in duplicate invoices being sent out. When issues were identified, ODFS corrected those issues.

Today, there is an interface from Mobile Eyes to the city's financial management system. The Office of the Treasury reviews the files, prints and mails out invoices. This has resulted in more timely mail out of invoices and has reduced data errors. The Fire Marshal's account receivables are recorded in the city's financial management system via the Accounts Receivables module.

The OCFO plans to begin promulgating new policies in February 2018 with new procedures to shortly follow. Furthermore, the OCFO will continue to partner with the Fire Department to improve billing and collection processes and results.

Finding 4. OCFO Did Not Adequately Manage EMS Revenues and Accounts Receivable

Aged EMS receivables are currently not in the city's financial management system. The Fire Department's contract with the 3<sup>rd</sup> party vendor (AccuMed) stipulates the vendor will provide a monthly aged receivable report for review and reconciliation. Currently, ODFS meets with AccuMed monthly to reconcile their aged receivable reports.

An amendment to the Point & Pay contract (the City's vendor for credit card processing) to add the Fire Department's EMS revenue has been signed by the City Council. OCFO is working with AccuMed to include this credit card information on their billing invoices.

The OCFO plans to begin promulgating new policies in February 2018 with new procedures to shortly follow. These will address integration of 3<sup>rd</sup> party vendors with the city's financial management system and will also incorporate applicable City Code.

Finding 5. Private Provider Emergency Response Contractor Is Over Billing City Residents and Visitors

The OCFO agrees that the contract with the private providers requires them to charge the current City EMS fees. However, the City's current EMS fees are not in line with guidance from the Centers for Medicare and Medicaid Services (CMS). OCFO will continue to work with the Fire Department to recommend a fee change to City Council based on a review by ODFS and the Fire Department. OCFO will review private provider fee schedules to ensure compliance with the contract.

Finding 6. OCFO Did Not Comply with the City's Capital Asset Policy

OCFO agrees that all capital assets should be recorded in the The financial management system. OCFO has worked with the Fire Department to ensure that capital assets are properly tagged and recorded.

Concluding Remarks

OCFO welcomes the opportunity to work with all departments to further define roles and responsibilities, in addition to the working with the AG to ensure there is a proper understanding of those roles and responsibilities.

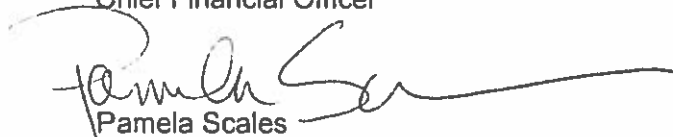
Citywide financial management functions have improved dramatically since the OCFO restructuring. For example, controls over financial transactions are stronger, timeliness of vendor payments has improved, the number of unauthorized purchases has decreased, revenues have grown, and the timeliness of producing the Comprehensive Annual Financial Report and Single Audit has improved, along with a decrease in the number of findings.

The OCFO looks forward to continuing to work with departments and other stakeholders to ensure this progress continues and that there are proper policies and procedures in place.

Best regards,



John W. Hill  
Chief Financial Officer



Pamela Scales  
Deputy CFO- Director of Departmental Financial Services