

City of Detroit

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## OFFICE OF THE AUDITOR GENERAL



**Audit of the Fire Department  
July 2008 – June 2011**




**City of Detroit**  
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AUDITOR GENERAL

**MEMORANDUM**

**DATE:** July 25, 2012

**TO:** Honorable City Council

**FROM:** Mark Lockridge, CPA   
Deputy Auditor General

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

**CC:** Mayor Dave Bing  
Donald Austin, Fire Commissioner  
Jack Martin, Chief Financial Officer  
Cheryl Johnson, Group Executive/Finance Director

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Attached for your review is our report on the Audit of the Fire Department Disbursements. This report contains our audit purpose, scope, objectives, methodology and conclusions; background; our audit findings and recommendations. We have not yet received a written response to our audit findings from the Fire Department therefore they are not included in this report.

Responsibility for the installation and maintenance of a system of internal control that minimizes errors and provides reasonable safeguards rests entirely with the Fire Department and the Finance 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 agency shall be reviewed by the Finance Director who shall advise the Auditor General and the City Council of the action being taken with respect to the recommendations.

We would like to thank the employees of the Fire Department for their cooperation and assistance extended to us during this audit.

Copies of all of the Office of the Auditor General reports can be found on our website at [www.detroitmi.gov/CityCouncil/LegislativeAgencies/AuditorGeneral/tabid/2517/default.aspx](http://www.detroitmi.gov/CityCouncil/LegislativeAgencies/AuditorGeneral/tabid/2517/default.aspx)

# Audit of the Fire Department Disbursements

July 2008 – June 2011

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

### **AUDIT PURPOSE**

The Audit of the Fire Department Disbursements was performed in accordance with the Office of the Auditor General's (OAG) charter mandate to audit the financial transactions of City agencies, and report our findings and recommendations to the City Council and the Mayor.

### **AUDIT SCOPE**

The scope of the audit was limited to disbursement transactions of the Fire Department for the period July 1, 2008 through June 30, 2011. Our agency will issue a separate audit report on the Fire Department's capital assets, including inventory, following this report.

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:

- Evaluate the adequacy of the Department's internal controls over disbursements, and determine any control weaknesses.
- Determine whether the Department is in compliance with Finance Directives, ordinances, policies, and procedures related to disbursements.
- Determine the status of prior audit findings pertaining to disbursements.

### **AUDIT METHODOLOGY**

To accomplish the audit objectives, our audit work included:

- Reviewing the prior audit report;
- Reviewing City Charter, City ordinances, year-end closing procedures, Detroit Resources Management System (DRMS) reports, and the Department's budget reports;
- Reviewing relevant Finance Directives;
- Comparing budgeted expenditures to actual expenditures as reported in DRMS;
- Developing questions regarding the Department's processing of financial transactions, internal controls, functions, records, and personnel;
- Interviewing staff to obtain details of financial transaction processing and answers to internal control and other questions;
- Identifying financial transaction risks and mitigating controls;
- Documenting and testing control processes;

- Examination of samples of transactions that we considered satisfactory to achieve our objectives; and
- Performing other general procedures deemed necessary.

## **CONCLUSIONS**

We conclude:

- The Fire Department has several internal control weaknesses related to disbursements.
- The Fire Department is not fully compliant with Finance Directives, ordinances, policies, and procedures related to disbursements.
- The prior audit finding related to disbursements has not been resolved and is repeated in this report.

## BACKGROUND

The mission of the Fire Department is to protect life and property through efficient use of emergency, fire and rescue response resources. One of the Department's goals related to disbursements is to reduce department expenses by streamlining operational processes and redundancies thus ensuring cost savings to the City of Detroit.

Donald Austin was appointed Fire Commissioner in May, 2011, and is working on developing a finance division within the Fire Department to resolve the ongoing fiscal management problems and plans to take a focused approach to implement necessary changes, including implementing audit recommendations from the Office of the Auditor General.

About 95% of the Fire Department disbursements were for personnel expense, totaling \$195.6 million. For the fiscal year 2010-2011, total salary expense was \$97.4 million, which was approximate 48% of the Fire Department's total expenses. Employee benefit expense was \$98.2 million, which was approximate 48% of the Fire Department's total expenses. Operating expenses, primarily, professional services, operational supplies, repairs and maintenance, telecommunications and utilities totaled \$7.1 million, which was approximate 4% of the Fire Department's total expenses.

Out of the \$7.1 million in operating expense, \$2.8 million (approximate 39%) was for professional services in fiscal year 2010-2011. Two major professional services vendors that provide services for the Fire Department are: AccuMed Billing, Inc. and DMCAre Express, Inc. AccuMed Billing, Inc. signed a contract with the City to provide medical billing and collection services in July 2000. Ten amendments over 11 years were made to the contract, resulting in a total contract price of \$17.2 million. DMCAre Express, Inc. signed a contract in December 2008 with the City to provide standby ambulance coverage at Detroit casinos. The contract has been renewed twice, resulting in a total contract price of \$2.7 million.

In fiscal year 2010-2011, communication expenses, totaling \$0.4 million (approximate 6%) of total operating expenses, were primarily for office phone service; pager service for HAZMAT and alert system; pay phone service; cell phones and back-up cell phones for emergency use.

In fiscal year 2010-2011, the Fire Department incurred \$1.1 million in utility expense or approximate 15% of total operating expenses; \$0.5 million in operational supplies expense or approximate 7% of total operating expenses; and \$0.7 million in repairs and maintenance (excluding vehicle cost) expenses or approximate 9% of total operating expenses.

The budget for the Fire Department does not include repair and maintenance costs for vehicles. Repairs and maintenance of the Fire Department's vehicles is the responsibility of the General Services Department.

The following table shows personnel expense, operating expense, and total expenses of the Fire Department for each fiscal year ended June 30, 2009 through June 30, 2011:

Actual	Fiscal Years Ended June 30		
	2009	2010	2011
Personnel Expense	\$161,981,971	\$169,904,227	\$195,558,893
Operating and Other Expenses	<u>\$ 10,401,919</u>	<u>\$ 8,116,952</u>	<u>\$ 7,175,812</u>
Total Expenses	<u>\$172,383,889</u>	<u>\$178,021,179</u>	<u>\$202,734,705</u>

The following table shows budget amounts for personnel cost, operating cost, and total costs (appropriations) for the Fire Department for each fiscal year ended June 30, 2009 through June 30, 2011:

Budget	Fiscal Years Ended June 30		
	2009	2010	2011
Personnel Cost	\$174,914,136	\$173,368,986	\$166,831,110
Operating and Other Costs	<u>\$ 12,336,164</u>	<u>\$ 12,250,379</u>	<u>\$ 8,270,633</u>
Total Costs	<u>\$187,250,300</u>	<u>\$185,619,365</u>	<u>\$175,101,743</u>

## STATUS OF PRIOR AUDIT FINDINGS

The prior audit report on the Fire Department for the two years ended June 30, 2008 by the Office of the Auditor General included one finding pertaining to the Fire Department's disbursements:

Records Were Inadequate to Determine If Mileage Reimbursement Payments Were Made in Compliance with the Union Contract

*This finding is unresolved and is discussed in Finding 4 on page 13 of this report.*

The prior audit report also includes a finding on the Finance Department in regard to its imprest cash records:

The Finance Department's Imprest Cash Records Were Not Accurate

*This finding as it relates to the Fire Department is no longer applicable. The Finance Department had a former Fire Department employee as the custodian of the imprest cash account on its Imprest Cash Fund Detail report. The Fire Department no longer uses an imprest cash fund. The Fire Department now uses a Pre-paid Credit Card (PCARD) instead of an imprest cash fund. The Fire Department PCARD holder signed a PCARD Agreement, which is on file in the Finance Department.*



## AUDIT FINDINGS AND RECOMMENDATIONS

### **1. Internal Control Deficiencies and Lack of Cash Management over Disbursements Process**

Our audit of the Fire Department's disbursements revealed the following deficiencies in internal control and cash management:

- No one in the Emergency Medical Services (EMS) Division reviews and signs invoices from AccuMed Billing for medical billing and collection services. The invoice amount is approximate \$120,360 per month based on a fixed fee per transport run basis. The EMS Division management does not have a record of actual transport runs and does not monitor and verify total transport runs on the vendor's invoices.
- The Fire Department does not, in most cases, obtain the names, Social Security Numbers, and insurers of homeless persons transported to a hospital, if applicable, to bill their insurers for ambulance service.
- The Fire Department demonstrated poor cash management. The Research and Development Division (R&D) approved and submitted check requests to pay Pacific Telemanagement Services (PTS) late fees of 10% of delinquent (over thirty days old) payments related to pay phone service. Eight monthly invoices examined show the City paid a total late fee of \$5,007, a monthly average of \$626. The total invoice amount for eight months was \$26,850; therefore, the actual late fee was 19% of the invoiced amount. The City also paid an invoice processing fee of \$3 per month to PTS. The Office of the Auditor randomly selected and examined a check request approved by the R&D Division to pay \$21,635 to PTS for five delinquent payments, which included late and invoice processing fees totaling \$5,135. Before the check request was sent to the Finance Department Accounts Payable Section for payment, the OAG called and requested PTS waive the fees. PTS agreed to honor the request. The Fire Department prepared another check request for the reduced total of \$16,500 and submitted it to the Finance Department Accounts Payable Section on December 1, 2011. The request, by the OAG, saved the City \$5,135.
- The Fire Department ordered 72 cell phones and direct connect service from NEXTEL in October 2004. The monthly service fee for 72 direct connect cell phones was approximate \$880. The cell phones were stored in the Fire Department Headquarters and most of boxes containing the cell phones were never opened. Based on this finding, the service has been cancelled by the new Fire Department Administration after an evaluation of the Fire Department's service needs.
- No segregation of duties in the purchasing process for the EMS and Apparatus Divisions. The EMS Division medical supply coordinator selects vendors, orders EMS supplies, receives goods and delivers medical supplies to the EMS stations. The Apparatus Division senior clerk orders general supplies for the Fire Department, receives goods, and distributes supplies to users.

Finance Directive 104 requires that each department shall have the responsibility for monitoring contracts. Follow-up and careful inspection are required to make sure that all contractual terms and provisions are met. Billing recipients for all services rendered is a good business practice. Finance Directive 63 requires that City departments pay attention to their appropriation balances and contract encumbrances to ensure that sufficient funds are available to pay outstanding bills, and process documents in a timely manner to avoid delays in paying vendors.

*The Accounting Procedure Manual For Local Units of Government in Michigan* requires duties be segregated among different people to reduce the risk of errors or misappropriation. No one person should have control over all aspects of financial transactions. An individual is not to have responsibility for more than one of the three transaction components: authorization, custody, and recordkeeping.

Without adequate controls over the invoice review process, the Fire Department is vulnerable to overcharges, fraud, waste, and other abuses. Failure to properly segregate duties pertaining to disbursements could lead to misappropriation of City funds and property.

According to the Fire Department staff:

- The EMS Division does not have access to the vendor database for Detroit EMS billings and lacks staff and expertise, which are also reasons for the internal control deficiencies.
- Deficient internal control is the reason for not processing invoices timely and paying late fees.
- The cell phones were part of an emergency back-up plan.
- Staff shortage is the cause for incompatible duties.

### **Recommendations**

We recommend that the Fire Department:

- Fully comply with Finance Directives.
- Adequately segregate duties over disbursements.

## **2. Inadequate Controls over Professional Services Contract Bidding Process**

The Office of the Auditor General (OAG) selected two of four professional services vendors that were awarded contracts. The OAG examined files related to the contracts to determine if the City's Purchasing Ordinance was complied with related to competitive bidding. The examination revealed:

- AccuMed Billing, Inc. was awarded a three-year contract with a maximum amount of approximate \$1.5 million in July 2000. However, the contract had been amended ten times in eleven years, resulting in a maximum increased amount of \$17.2 million. In 2009, the Fire Department began, but did not complete, the process of obtaining proposals to provide billing and collection services that were being rendered by AccuMed Billing, Inc. There was no evidence in the files that proposals were reviewed and ranked by a professional selection committee.
- DMCAre Express, Inc. was awarded a one-year contract to provide standby ambulance service for Detroit casinos with an option to extend the contract for five additional one-year periods. The file for this contract lacked an original Request for Proposal and documentation that a selection committee was formed and evaluated and ranked or scored received proposals.
- The EMS Division could not locate the complete set of professional services contract files for both contractors.

The Purchasing Ordinance stipulates:

The members of the selection committee convened with respect to a particular engagement for professional services shall rank or score the responses submitted to a request for proposal, qualification, information, or quotation according to the evaluation criteria stated in the request. The subject contract(s) shall be offered to the highest ranked or scored respondent(s).

Purchasing Division Contract Administration Manual requires that the procurement documentation file contain source selection documentation, cost or pricing data, and a determination that the price is fair and reasonable.

In addition, Executive Order 2003-5 established uniform evaluation criteria (a point system) to be applied in the evaluation, bidding, and awarding of professional services contracts.

The City may incur bad publicity and loss of reputation if services, supplies, and equipment are not obtained in compliance with applicable laws and directives. The Fire Department may not achieve its goal of reducing costs. Procurement activities are subject to various forms of abuse, resulting from corrupt practices of government employees and/or actions by suppliers of goods and services, such as:

- Circumventing competitive bidding requirements,
- Using emergency procurement procedures in the absence of an emergency, and

- Using sole source when competition is available.

The Fire Department did not provide the Office of the Auditor General with a definitive cause(s) for noncompliance with Purchasing Ordinance regarding competitive bidding. In the Office of the Auditor General's opinion, the following are the causes for noncompliance:

- A lack of staff training,
- Personnel and administration changes,
- General lack of understanding of the correct use for professional services, and
- There are no definite and clear job responsibilities among the Finance Department, the Research and Development Division and the contracting division regarding file maintenance.

### **Recommendations**

We recommend the Fire Department:

- Implement the City's procurement ordinance, directives, and policies and take measures that will enhance the efficiency and effectiveness of the procurement function.
- Train staff to ensure compliance with Finance Directives and City Ordinances.
- Increase Purchasing Division's role in the planning process by ensuring that professional selection committees are operating according to policy and that a member of the Purchasing Division is included in each of the evaluation committees.

### **3. Inadequate Controls over Fuel Cards**

The Fire Department consumed 381,598 gallons of gasoline in fiscal year 2008-2009, 371,992 gallons in fiscal year 2009-2010 and 412,200 gallons in fiscal year 2010-2011. Fuel cost \$1,392,536 in fiscal year 2008-2009, \$812,028 in fiscal year 2009-2010 and \$1,113,787 in fiscal year 2010-2011.

The Office of the Auditor General's review of the Fire Department's internal controls over fuel cards revealed the following deficiencies:

- The Fire Department did not have policies and procedures in place to control fuel usage and fuel cards.
- The Fire Department did not notify or return fuel cards to the General Service Department (GSD) in a timely manner when employees were separated from service or were otherwise unauthorized to fuel vehicles. Moreover, instead of applying for a new fuel card, some of the Fire Department employees used fuel cards assigned to retired co-workers to obtain gas when they were promoted to the retirees' former positions.
- The Fire Department did not maintain a current fuel card roster. No one performs a comparison of the Fire Department's Master Fuel Card Holder List (Master List) per GSD to the Fire Department's own record. Some employees authorized to have fuel cards were not on the Master List. Some of the employees who were not authorized to fuel City vehicles were on the Master List.
  - As of November 28, 2011, the Master List showed 570 active fuel cards in the Fire Department. However, the list included thirteen deceased employees and 159 retired employees. The earliest year of employee's death or retirement on the list is 2005.
  - One Fire Fighting Division employee retired in 2005, and his fuel card was used 149 times from July 2008 to April 2010, costing approximately \$9,000 for 2,598 gallons of gasoline. Another Fire Fighting Division employee died in 2007, and his fuel card was used 13 times from July 2008 to August 2010, costing \$669 for 211 gallons of gasoline. The Fire Department does not know who is using the cards now.
  - According to the Emergency Medical Services (EMS) Division's Fuel Code Listing, there were 217 active fuel cards in the Division; however, only 53 were on the Master List. Out of the 53 EMS Division employees on the Master List, three employees retired and four were separated from employment. No one reconciled EMS Division Fuel Code Listing with the Master List.
  - Approximately 40 fuel cards that were not functioning properly were turned into the EMS Division for replacement. Those gas cards are now missing.
  - Out of 51 fuel card holders in the Fire Marshal Division, only ten were on the GSD Master List.

- The Fire Fighting Division did not have an up-to-date fuel card holder record. The number of employees with fuel cards not on the Master List is unknown.
- The Research and Development Division Chief possessed two fuel cards and one card was currently in use; however, her name was not on the Master List.
- The Fire Commissioner, the Deputy Fire Commissioner, the Second Fire Commissioner, the Communication Division Chief, and the Apparatus Division Chief all had fuel cards; however, their names were not on the Master List.
- One former executive secretary who has been on military leave since 2008 is still on the Master List.
- The GSD Monthly Department Fuel Usage Reports were not requested and reviewed by Fire Department management.

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

- For security purposes and accountability, user department administration defines criteria and identifies those department employees who will be authorized to fuel City vehicles. This definition should be included in the user department's policies and procedures manual.
- Department fleet coordinators or assigned person serves as the contact person between Detroit Real Efficiency Vehicle System (REVS) administration and the department drivers. If the user department is unable to assign a fleet coordinator, the responsibility falls on a supervisor, deputy director or director of the department.
- Fleet coordinator be the departmental person responsible for validating the REVS fuel employee card roster. Every 90 days, the GSD sends an Excel Spreadsheet of fuel cards assigned to employees in the department. The fleet coordinator is responsible for requesting the GSD deactivate gas cards of employees who are no longer authorized to use them.
- Fleet coordinator be responsible for immediately notifying the System Manager by e-mail and by returning employee fuel card to the System Manager when an employee is no longer authorized to fuel vehicles (employee is dismissed, laid off, retired, etc.).
- Fleet coordinator or drivers must immediately notify the System Manager when an employee is dismissed, laid off, retired or otherwise unauthorized to fuel City vehicles.
- Fleet coordinators collect and forward fuel cards of employees who are no longer authorized to use them to the System Manager.
- Fleet coordinators be responsible for notifying the System Manager by e-mail to request employee fuel cards for new employees who are authorized to get fuel by providing their first and last names and the last 4 digits of their Social Security Numbers.

- Monthly Department Fuel Usage Reports be available to all department directors and deputy directors upon request.

The lack of control over fuel cards may result in misuses of gasoline purchased by the City.

The Fire Department provided the following causes for the weaknesses in internal control relative to fuel cards:

- Changes in personnel and lack of staff in the Fire Department; and
- Cost to replace fuel cards. In the Office of the Auditor General's opinion, one cause for the deficiency in control over gas cards is the Fire Department's lack of control over issuing fuel cards to employees and repossessing them when employees are no longer authorized to use them.

**Recommendation**

We recommend that the Fire Department comply with the GSD's Fuel System Policies and Procedures.

#### **4. The Fire Marshal and Fire Fighting Divisions Do Not Effectively Monitor Mileage Reimbursements**

The Office of the Auditor General examined selected employees' mileage reimbursement records in the Fire Marshal and Fire Fighting Divisions and noted the following:

- Payments to Fire Marshal Division employees for mileage were late for six of the nine months examined. For mileage costs incurred from January through June 2010, payments were made in September and October 2010.
- One fire prevention inspector of the Fire Marshal Division was paid for mileage in excess of actual driven miles over a three-month period in 2010 and 2011, totaling \$132 (a 52% overage payment).
- One Fire Marshal Division inspector was reimbursed \$447 in January 2010, which is \$167 above the maximum amount allowed (\$280) for the auto insurance additional business use premium reimbursement for the year 2010.
- Payments for mileage to Fire Fighting Division employees were late two of six months relative to documents examined. Out of six payments for medical mileage reimbursement, one employee received \$120 more than entitled.

The contract with the Detroit Fire Fighter Association (DFFA) requires that, absent exigent circumstances beyond the City's control, reimbursements to members of the DFFA be paid within the following time limits:

- For employees of the Fire Fighting Division, by no later than 60 days after the date that the Mileage Record and Automobile Usage Report is submitted to payroll.
- For employees of the Fire Marshal Division, by no later than 45 days after the date that the Mileage Record and Automobile Usage Report is submitted to the Clerk of the Fire Marshal Division.
- No later than 90 days for Mileage Records and Automobile Usage Reports submitted in April, July and October.

The Fire Marshal Division's Policy Directive requires that the employee's immediate supervisor review the submitted documents for completeness and accuracy. Incomplete/inaccurate documents shall be returned to the employee by the supervisor with an explanation. Reimbursement requests shall not be submitted for approval, nor shall supervisors approve request amounts above the official City of Detroit reimbursement rate for the year.

According to City policy, the maximum payment for automobile insurance reimbursement was \$280 in 2010 per employee.

Failure to pay employee for mileage on time is a violation of the terms of the contract with the DFFA. It could impose a hardship on individual employees if payments are not timely.

Not disciplining employees who claim excessive mileage increases the risk of mileage reimbursement fraud.



According to the Fire Department staff:

- The payments were late due to system transition from manual to Fire Mileage Database for mileage reimbursement.
- The supervisor of the inspectors did not closely check actual mileage before authorizing reimbursements.
- The lack of disciplinary action was due to ongoing hearings at the Fire Trial Board.

### **Recommendations**

We recommend that:

- All mileage reimbursements be made in accordance with the terms contained in the contract with the DFFA.
- Mileage claims be closely monitored to guard against padding of mileage and fraudulent dates of vehicle uses.
- The Fire Department Administration obtain reimbursements from employees who were overpaid for mileage and take disciplinary action against employees who falsify their mileage.

## **5. Controls over Pre-Paid Credit Card Are Inadequate**

The Fire Department was issued a \$3,000 Pre-Paid Credit Card (PCARD), replacing an imprest cash fund for emergency purchases.

The Office of the Auditor General's review of the internal controls over the PCARD revealed the following deficiencies:

- The PCARD was in the possession of a contractor and was not immediately retrieved after the contractor was dismissed. A purchase log of products and services bought was not maintained. The original authorization letter for the PCARD was misplaced.
- Bank reconciliations for February, March, April, and May of 2010 were submitted to the Finance Department Treasury Division in July 2010 rather than by the tenth of the following month.
- An employee who purchased items over-the-counter did not sign the receipts.
- Two employees who signed a cardholder agreement either prepared or approved check requests to replenish the account.

The City's PCARD Policy and Procedures Manual requires that every department:

- Secure its card;
- Maintain a purchase log;
- Prepare monthly credit card reconciliations;
- Submit credit card reconciliations to the Finance Department Treasury Division on a monthly basis by the tenth of the following month; and
- Sign receipts obtained when buying over-the-counter.

According to *The Accounting Procedure Manual For Local Units of Government in Michigan*, a component of internal control is segregation of duties. An employee should not be a PCARD holder and prepared or approved check requests to replenish a PCARD account.

Failure to maintain proper accounting controls can result in PCARD funds being susceptible to misuse, theft, and other losses. Further, neglecting to maintain proper accounting records may lead to errors in the City's financial statements and to undetected misuses of the PCARD.

A representative of the Fire Department stated that personnel changes and minimal use of the PCARD resulted in the internal control deficiencies. A representative also said the reason receipts for over-the-counter PCARD purchases not being signed by the buyer is unknown due to the buyer's termination from the City. The representative in addition said the lack of staff and unfamiliarity with policies may be the cause for the preparer and approver of check requests to replenish the PCARD account being a PCARD holder.

## **Recommendations**

We recommend that the Fire Department:

- Comply with the City's PCARD Manual;
- Segregate the duties of a PCARD holder from the duties of preparing or approving check requests.

## AUDIT CONCERNS AND ISSUES

### **Not Monitoring and Reconciling Overtime Expenditures in the Fire Fighting Division Provided the Opportunity for Payroll Fraud**

The Fire Department does not receive a copy of the Payroll Personnel System (PPS) Payroll Register for each pay period from the Human Resources Department and no one reconciles overtime hours on the PPS Payroll Register to payroll records.

Occasionally, the battalion chiefs reviewed employees' pay checks and verified overtime amounts. One battalion chief found that one employee was paid overtime for days he did not work. The Human Resources Department investigated this matter and concluded that the employee received over \$40,000 over the course of three years in unearned overtime pay. The employee is paying \$100 per pay to reimburse the City. This case is still under investigation.

#### **Recommendation**

We recommend for each pay period that the Fire Department management review and reconcile the PPS Payroll Register to the payroll records.

### **Lack of a Cost Allocation System**

The Fire Department has 48 fire stations with 38 fire engines, 22 ladder trucks, 24 Medics, and 6 fire squads. However, there is only one cost center for all fire stations. Overtime, repair work and other traceable costs for one fire station could not be tracked in the City's financial system. The Fire Department needs a cost allocation system to compare costs among similar fire stations to determine which stations are operating more efficiently.

#### **Recommendation**

We recommend that the Fire Department request the Finance Department and the Budget Department to establish a cost center for each fire station.