

OFFICE OF THE CITY CONTROLLER



**HOUSTON FIRE DEPARTMENT
FY2012 AUDIT FOLLOW-UP PROCEDURES**

Ronald C. Green, City Controller

David A. Schroeder, City Auditor



OFFICE OF THE CITY CONTROLLER
CITY OF HOUSTON
TEXAS

RONALD C. GREEN

February 10, 2012

The Honorable Annise D. Parker, Mayor

**SUBJECT: REPORT #2012-07
HOUSTON FIRE DEPARTMENT (HFD) – FY2012 AUDIT FOLLOW-UP PROCEDURES**

Dear Mayor Parker:

The Office of the City Controller's Audit Division has completed its follow-up procedures related to the FY2011 remediation efforts performed by management. As part of providing independent and objective assurance services related to efficient and effective performance, compliance, and safeguarding of assets, we perform follow-up procedures to ensure that corrective actions are taken related to issues reported from previous audits.¹

During FY2011, the Audit Division (Division) changed the Audit Follow-Up Process to utilize a risk-based approach, which contains two primary components:

- Management Status/Self-Reporting
- Fieldwork Testing/Verification

Based on the procedures performed, we obtained sufficient and appropriate evidence to render our conclusions related to HFD as follows:

- There were a total of eight (8) findings contained in the two (2) reports issued during the scope period. Our testwork determined that six (6) had been "Closed" (remediated) with the remaining two (2) having been identified as "Ongoing" or open.
- Of the eight findings, the process HFD has in place to remediate, five were deemed adequate, yielding an overall assessment of **Adequate**.

Although the process was found to be adequate, the documentation normally associated with computer system improvements/changes was not available for review. Further the process could be improved by having an individual within the department track and document the progress of all audit/compliance issues and the related remediation efforts.

We appreciate the cooperation and professionalism extended to the Audit Division during the course of the project by personnel from HFD.

Respectfully submitted,

Ronald C. Green
City Controller

cc: City Council Members
Chris Brown, Chief Deputy City Controller, Office of the City Controller
Waynette Chan, Chief of Staff, Mayor's Office
Terry Garrison, Chief, Houston Fire Department
David Schroeder, City Auditor, Office of the City Controller

¹ IIA Standard 2500 - requires a process that "...auditors evaluate the adequacy, effectiveness, and timeliness of actions taken by management on reported observations and recommendations...."

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BACKGROUND

The Office of the City Controller's Audit Division has completed its follow-up procedures related to the FY2011 remediation efforts performed by management. As part of providing independent and objective assurance services related to efficient and effective performance, compliance, and safeguarding of assets, we also perform follow-up procedures to ensure that corrective actions are taken related to issues reported from previous audits.¹

During FY 2011, the Audit Division (Division) changed the Audit Follow-Up Process to utilize a risk-based approach, which contains two primary components:

- Management Status/Self-Reporting
- Fieldwork Testing/Verification

MANAGEMENT STATUS/SELF REPORTING:

During the 3rd quarter of the fiscal year, the current list of findings is reviewed and ranked according to three levels of risk (high, medium, and low). They are organized and identified by department and sent for management's self-reported status as to progress of remediation based on their responses in the Audit Report. This information is then assessed by the audit team considering (1) responsiveness to the original issue and (2) resolution of issue identified.

FIELDWORK/TESTING VERIFICATION PHASE:

During the first quarter of the subsequent fiscal year, the information obtained through the management status phase is used as a basis to select departments for follow-up testing. Using the results of weighted risk-ranked findings, while also ensuring complete review of all City Departments, 4-5 are then selected for follow-up. All findings for those departments are then tested for status (Ongoing, Closed, or Disagreed) and assessment of remediation process (Adequate or Inadequate), with consideration of the accuracy of management's self-reported status.

AUDIT SCOPE AND OBJECTIVES

We identified **all** findings issued in **all** reports through the Office of the City Controller **since FY2009** (this includes reports issued by outside professional services firms as well as those performed and issued exclusively by Audit Division professional staff).

Based on the Process described above the four departments selected were:

- Convention and Entertainment Facilities Department (now a component unit as part of Houston One)

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- Houston Fire Department (HFD)
- Information Technology Department (ITD)
- Parks and Recreation Department (PARC)

This report provides the results of the Follow-up process as it relates to HFD and includes eight (8) individual findings issued via two (2) formal audit report(s) during the period July 1, 2008 through June 30, 2010.

The objectives of our Follow-Up Procedures were to determine:

1. Status of remediation for each open item and
2. A process is in place to resolve the department's universe of findings.

PROCEDURES PERFORMED

Audit procedures performed to meet the audit objectives and provide a basis for our conclusions were as follows:

- Obtained and reviewed the management's self-reporting of findings status;
- Determined and requested the documentation necessary to support the status reported by management;
- Performed Interviews with Management and relevant staff; and
- Reviewed supporting documentation and other evidence provided for sufficiency and appropriateness.

AUDIT METHODOLOGY

We conducted Follow-Up Procedures in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Government Accountability Office (GAO) and The International Standards for the Practice of Internal Auditing as promulgated by The Institute of Internal Auditors. Those standards require that we plan and perform our work to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained meets these standards to support our findings and conclusions based on our audit objectives.



CONCLUSIONS

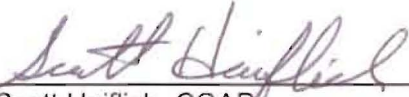
Based on the procedures performed above, we obtained sufficient and appropriate evidence to render our conclusions as follows:²

- There were a total of eight (8) findings contained in the two (2) reports issued during the scope period. Our testwork determined that six (6) had been "Closed" (remediated) with the remaining two (2) being identified as "Ongoing" or open (Objective 1).
- In reviewing the remediation process associated with the eight (8) findings previously reported, five (5) were deemed adequate, yielding an overall assessment of **Adequate** (Objective 2).

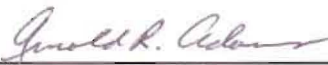
Although the process was found to be adequate, the documentation normally associated with computer system improvements/changes was not available for review. Further the process could be improved by having an individual within the department track and document the progress of all audit/compliance issues and the related remediation efforts.

ACKNOWLEDGEMENT AND SIGNATURES

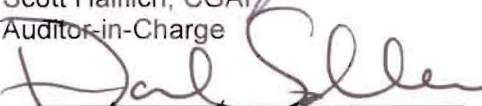
The Audit Team would like to thank HFD, specifically: Jack Williams, District Fire Chief; Patrick Plummer, Assistant Director; and Diane Alcalá, Administrative Manager for their efforts throughout the course of the engagement.



Scott Haiflich, CGAP
Auditor-in-Charge



Arnie Adams, CFE, CIA
Audit Manager



David Schroeder, CPA, CISA
City Auditor

² See Exhibit 1 for the Detailed Remediation Assessment – "FY2012 Audit Follow-Up Procedures Matrix"

Exhibit 1 - Detailed Remediation Assessment, 12-07 Audit Follow-Up Procedures

Report Number	Title	Finding	Management Status As of 9/30/2010	Conclusion	
				Ongoing/Closed	Remediation Process
2009-19	1. INADEQUATE COMPUTER DATA SYSTEM	Inspectors have not been provided the means to record building/occupancy inspections while working in the field. They must return to their offices to input inspection results into a Microsoft Access Database (homemade computer) database. In addition, this homemade computer database was developed within LSB by a chief inspector that happened to have certain knowledge of computer databases. LSB plans to replace the homemade database with the City Planning and Development Department's Integrated Land Management System (ILMS) which already has 1,200 users and is 14 years old. The ILMS is being modified to accommodate certain needs of LSB. Over the past several years LSB has approached their computer system needs on a piecemeal basis, and it is our understanding that the ILMS will not meet many of the management related needs of LSB.	Postings for additional development staff were cancelled by order of the Mayor and HR due to budget restrictions starting with FY10. □ □ Phase II functionality is substantially complete by the implementing vendor. HFD IT personnel have implemented a reporting system with a variety of reports as well as ad hoc reporting capabilities. Issues still exist with certain reports and the underlying data. This portion of the project is still considered partially implemented.	Closed Inspectors have been issued Tablets or HP computers to record inspection and permitting activity, while modifications (Phase I and II are completed) have been made to the ILMS System. The inspection and permitting activity is uploaded into the ILMS System and populates the applicable fields used for data recovery, analysis, and reporting. <i>Requested documentation to support the system changes identified was not provided (1); however, based on interviews it was reported that the system changes had been completed.</i>	Adequate
2009-19	2. CRITICAL LACK OF AN INTEGRATED COMPLETE MANAGEMENT REPORTING SYSTEM	Current reporting is predominantly manual and LSB does not have an integrated information system to facilitate management reporting.	Partial implementation of the Web Focus Business Intelligence system has been made. Remaining items include working with the vendor to fix and/or streamline database configuration.	Ongoing Modifications (Phase I and II are completed) have been made to the ILMS System. Activity reports are entered into the system by the supervisor and span 21 days. These are one of the information sources for the reporting system. The PWE permitting and plans review are other information sources for the reports. <i>Requested documentation to support the system changes identified was not provided (1); however, based on interviews it was reported that the system changes had been completed. Some requested reports were not provided due to system availability problems.</i>	Inadequate
2009-19	3. INCOMPLETE BUILDING/OCCUPANCY INSPECTION DATABASE	LSB has inadequate information to determine if LSB's occupancy inspection goals related to high rise buildings and hazardous material have been met. The listing of high rise buildings and hazardous materials occupancies in the homemade database is incomplete. In addition, certain buildings/occupancies subject to inspection that were listed in LSB's previous old databases were never transformed to the homemade database. As a result, there is a risk that certain high rises and hazardous materials in the City are not being subjected to LSB's inspections.	Partial Implementation has been made including activity and task tracking. Additional items include streamlining ILMS database tables to more easily track billing and permits information	Closed The ILMS system can now provide a complete list of buildings/structures contained within its data storage. The data can be requested in numerous ways to support the various sections within the Life Safety Bureau; i.e. High Rise, Special Events, Propane, HAZMAT, etc. <i>Requested documentation to support the system changes identified was not provided (1); however, the management reports were provided for review.</i>	Inadequate

Exhibit 1 - Detailed Remediation Assessment, 12-07 Audit Follow-Up Procedures

Report Number	Title	Finding	Management Status As of 9/30/2010	Conclusion		
				Ongoing/Closed	Remediation Process	
2009-19	4. INADEQUATE PERMIT FEES CHARGED	<p>LSB conducts numerous inspections related to the City's permits; however, the current fee structure does not cover all costs incurred by the City to conduct those inspections.</p> <p>The City's annual FY budget preparation guidance document indicates that Permit Fees are to be reviewed each year. The last review was conducted in 2002 with FY 2001 cost information.</p>	<p>City of Houston Ordinance 2008-947 updated all fees related to special fire permitting, fire marshal approvals and stand-by personnel. It is not the intent of the Life Safety Bureau to operate on a cost recovery basis. In 2008 a lengthy time motion study was undertaken to provide a more useful cost approximation related to inspection times. From that study, City Council raised and lowered the permit fees and a tiered permit structure was provided for certain permits at that time. □</p> <p>□ Recently, HFD in conjunction with City Finance, recommended that special fire permits be raised 20% to keep pace with classified salary increases. On 12.15.10, the Houston City Council adopted an ordinance to increase Fire Code fees to be effective 12.31.10.</p>	Closed	<p>The City of Houston's Code of Ordinances, Construction Code, and the Fire Code relating to service and permit fees was amended by Ordinance No. 2010-1016. This amendment increased most fees and called for an annual review and possible increase based upon the Producers Price Index (PPI). Finance has been tasked to review the PPI and communicate to the departments.</p>	Adequate
2009-17	5. COMPLIANCE WITH MOTOR VEHICLE RECORD REQUIREMENTS	<p>Discussion with Department management revealed that MVRs have not been obtained annually.</p>	<p>HFD contact Ms. Betsy Ramos in the Central HR Department regarding this matter. HR is working with IT to implement an SAP interface with the TXDPS system to access MVRs. Currently this process is in the testing stage and HFD has been advised that she will inform us of the progress over the next 30 days.</p>	Ongoing	<p>MVRs have not been requested since before the 2009 audit. HFD HR is to take the steps necessary to resolve the finding.</p>	Inadequate
2009-19	6. LACK OF A COMPREHENSIVE QUALITY CONTROL PROGRAM	<p>LSB does not have a quality control program to ensure that the quality of the building/occupancy inspections is consistent. In addition, the quality of the information in the homemade database is not adequate, because the data that is imported into the database is not verified.</p>	<p>These programs are to be fully implemented once Phase II of the ILMS is complete.</p>	Closed	<p>The basis for the Quality Control Program is the inspector's daily activity reported into the system. All information input into the system is rolled up into the Daily Activity Report which covers 21 days. Each supervisor reviews his team's activity. The report is also reviewed by the District Chief within the inspector's Chain-of-Command. Either of them can raise questions to the inspector, and do.</p> <p><i>An electronic verification of managerial review could be added as an enhancement to the current functionality.</i></p> <p>(1)</p>	Adequate

Exhibit 1 - Detailed Remediation Assessment, 12-07 Audit Follow-Up Procedures

Report Number	Title	Finding	Management Status As of 9/30/2010	Conclusion	
				Ongoing/Closed	Remediation Process
2009-19	7. LACK OF COMMUNICATION AND SPECIALITY EQUIPMENT	Many inspectors do not have basic equipment, such as cell phones, pagers, messaging equipment etc., to perform their jobs and/or communicate with their supervisors. In the case of Special Events coverage, radios are not available to facilitate the on duty inspector's constant direct communication with all emergency services. In addition, a City policy restricts multiple means of communication being issued to inspectors.	Items 1, 2, 3 and 4: <input type="checkbox"/> LSB classified inspection personnel received a cell phone and a radio to use in the performance of their job assignments. All Classified members utilize HFDs departmental form for updating radio and cell phone assignments, on a quarterly basis. Guidelines on use of two-way radios have been developed and are in place.	Closed The current bargaining agreement requires the Life Safety Bureau to provide cell phones to all inspectors. HFD has just signed a new contract with a cell phone provider and is issuing them now to all Department personnel. All inspectors are also issued tablet computers with printers so that inspection reports, permits, or citations can be printed and given to the responsible individual prior to the inspector departing the site. <i>It was noted that inventory documentation for some of the previously purchased communications equipment was requested and not provided (1)</i>	Adequate
2009-19	8. AN AGING FLEET	LSB has 84 vehicles, 68% of the fleet, which exceeds the City's Vehicle Replacement criteria. As of December 31, 2004 the 84 vehicles have in excess of 122,000 miles on average.	The LSB fleet of cars is up to date and in compliance; the oldest vehicle being a 2004 model. 100% of the LSB fleet complies with the City's policy. Records maintained by Fleet Service would more accurately determine compliance.	Closed There is no stated policy for light duty vehicle replacement. Current guidance is only a recommendation. No Follow - Up is necessary as the initial finding was an error. <i>A repair vs. replacement analysis could be conducted based on age, mileage and/or before undertaking major repairs. (1)</i>	N/A

(1) A separate memorandum will be prepared to address a finding and/or recommendation identified during testing for this issue.