



# Office of the City Controller

## HOUSTON FIRE DEPARTMENT

### Follow-Up Audit



**Chris Brown**  
City Controller

**Report # 2021-06**

**Courtney Smith**  
City Auditor



**OFFICE OF THE CITY CONTROLLER  
CITY OF HOUSTON  
TEXAS**

**CHRIS B. BROWN**

May 25, 2021

The Honorable Sylvester Turner, Mayor

**SUBJECT: Report #2021-06  
Houston Fire Department (HFD) –Follow-Up Audit Process Report**

Mayor Turner:

The Office of the City Controller’s Audit Division has completed follow-up procedures on remediation efforts performed by the management of HFD, as they relate to Audit Report #2009-17, titled, “*Vehicle Allowance Program Audit*,” and Audit Report #2010-08, titled, “*Long-Term Contractor Relationships Performance Audit*.” As part of providing independent and objective assurance services related to efficient and effective performance, compliance, and safeguarding of assets, we performed follow-up procedures to ensure that corrective actions are taken related to issues reported from previous audits.<sup>1</sup>

The Audit Division follow-up audit process uses a risk-based approach, which contains two primary components:

- Management Status Updates and
- Audit Testing/Verification.

Based on the procedures performed above, we believe that we have obtained sufficient and appropriate evidence to adequately support the conclusions provided below as required by professional auditing standards.<sup>2</sup>

- There was a total of four (4) findings issued under Audit Reports **2009-17 and 2010-08** that were the responsibility of HFD; One (1) finding was previously remediated in Audit Report 2012-07, leaving three (3) open. Two (2) findings were remediated and closed based on actions taken by management to address each. One (1) finding will remain open until management identifies and implements processes to mitigate the risk. See Exhibit 1 for the detailed remediation assessment.

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<sup>1</sup> IIA Standard 2500 Implementation Guidance – stresses the importance of having a process that “... captures the relevant observations, agreed corrective action and current status.”

GAGAS 1.21, 6.11, 7.13, 8.30, and 9.08

<sup>2</sup> See Exhibit 1 for the Detailed Remediation Assessment





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CHRIS B. BROWN

- In reviewing the department's remediation processes associated with the three (3) findings, we concluded the overall assessment to be **Adequate**.

We would like to thank the Houston Fire Department for their proactive approach to risk management and cooperation during the follow-up audit process.

Respectfully submitted,

Chris B. Brown  
City Controller

xc: City Council Members

Samuel Peña, Chief, HFD

Rodney West, Exec. Assistant Chief, HFD

Michelle McLeod, Exec. Assistant Chief, HFD

Marvalette Hunter, Chief of Staff, Mayor's Office

Shannan Nobles, Chief Deputy City Controller

Courtney Smith, City Auditor, Office of the City Controller

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## Background

The Office of the City Controller's Audit Division (The Division) has completed its follow-up procedures related to remediation efforts performed by management of the Houston Fire Department (HFD). The findings were related to Audit Report #2009-17, titled, "*Vehicle Allowance Program Audit*," and Audit Report #2010-08, titled, "*Long-Term Contractor Relationships Performance Audit*." As part of providing independent and objective assurance services related to efficient and effective performance, compliance, and safeguarding of assets, we performed follow-up audit procedures to ensure that corrective actions are taken related to issues reported from previous audits<sup>1</sup>.

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## Audit Scope and Objectives

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

1. The status of each open item; and
2. The adequacy of the department's remediation process in place to resolve its universe of open findings.

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## Procedures Performed

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

- Obtained, reviewed and assessed management's status updates to open findings;
- Determined the findings for which management's status updates indicated remediation;
- Determined and requested the documentation necessary to support the findings status reported by management; and
- Reviewed supporting documentation and other evidence provided for sufficiency and appropriateness.

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<sup>1</sup> IIA Standard 2500 Implementation Guidance - stresses the importance of having a process that "...captures the relevant observations, agreed corrective action, and current status."

GAGAS 1.21, 6.11, 7.13, 8.30,, and 9.08.

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## Conclusions

Based on the procedures performed, we believe that we have obtained sufficient and appropriate evidence to adequately support the conclusions provided below as required by professional auditing standards:

### CONCLUSION 1 - (AUDIT OBJECTIVE 1)

There was a total of four (4) findings issued under Audit Reports 2009-17 and 2010-08 that were the responsibility of HFD; One (1) finding was previously remediated in Audit Report 2012-07, leaving three (3) open. Two (2) findings were remediated and closed based on actions taken by management to address each. One (1) finding will remain open until management identifies and implements processes to mitigate the risk. See Exhibit 1, for the Detailed Remediation Assessment.

### CONCLUSION 2 - (AUDIT OBJECTIVE 2)

In reviewing the department's remediation efforts associated with the three findings, we concluded the overall assessment to be **Adequate**.

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## Follow-up Approach

The Division's follow-up audit process utilizes a risk-based approach, which contains two primary components:

- Management Status Updates
- Audit Testing/Verification

### MANAGEMENT STATUS UPDATES:

Our continuous follow-up audit process includes sending requests for status updates related to management's progress toward the remediation of open findings. Management provides status updates through an online portal that alerts the Division when received. This information is then assessed by the follow-up auditor, who considers (1) responsiveness to the original issue and (2) remediation of the issue.

## FIELDWORK/TESTING VERIFICATION:

A status update which indicates that a finding has been remediated is tested/verified by the follow-up auditor prior to being closed.

The information received through management status updates is used as a basis for follow-up testing. Additional supporting information is gathered by the follow-up auditor, if it is needed to provide sufficient and appropriate evidence to achieve our objectives. Once the testing/verification of a department's findings has been completed, the department's remediation process is then assessed (Adequate or Inadequate). A rating of **Adequate** indicates the department has processes in place to sufficiently monitor and address issues identified. The department demonstrates this by having either remediated (if the finding is Closed) or is exhibiting progress in the remediation efforts (if the status is Ongoing). An **Inadequate** rating is assessed when the status of the findings is not as reported by management and/or the issues have not been addressed as stated in a status update.

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## Audit Standards

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 Professional Practice of Internal Auditing as promulgated by The Institute of Internal Auditors. Those standards require that we plan and perform the audit 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 provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## Acknowledgement

We would like to thank the Houston Fire Department for their proactive approach to risk management and cooperation during the follow-up audit process.

City of Houston  
Office of the City Controller - Audit Division  
Project: 2021-05: FY2021 Follow-Up HFD  
Houston Fire Department - FY2021 Follow-Up Procedures

Exhibit 1 - Detailed Remediation Assessment, FY2021 Audit Follow-Up Procedures

Audit Report Number	Original Audit Finding Title	Original Audit Finding	Management's Status Update	Conclusion	
				Ongoing/Closed	Remediation Process
2009-17	Compliance with Motor Vehicle Requirements	Discussion with Department management revealed that Motor Vehicle Records (MVRs) have not been obtained annually.	<p>Updated Response 1/28/2021:</p> <p>The Safety Advisor assigned to the Houston Fire Department (HFD) completes MVRs annually for all HFD employees who drive for City business. Any violations are reported to the HFD's Professional Standards Office. This process has been in place since 2016.</p> <p>Management Response 10/15/2008:</p> <p>The Houston Fire Department agrees with the recommendation and will comply with the requirements of AP 2-2 during FY 2009. The Department will order MVRs from the Texas Department of Public Safety for all Department employees who drive on City business. The Department will review all MVRs received and if necessary appropriate action will be taken. The MVRs will be maintained in the Department's Human Resources Division to support compliance with AP 2-2.</p>	<b>Ongoing</b> - This finding will remain open. Fleet Management provided the Audit Division a list of 17 HFD employees, who were authorized to drive on City business during fiscal year 2020. Of those, nine (9) actually drove on City business, with 22% (2 of 9) without a MVR on file with HR. The City's Administrative Policy 2-2 requires each department to annually obtain from HR the current Motor Vehicle Record of each employee, who drives on City business. Management's remediation procedures were not adequate to close this finding.	<b>Inadequate</b>
2010-08	Closeout Policies and Procedures	In discussions with HFD, it was determined that HFD did not have a documented process for closeout procedures for contracts which had expired or were no longer valid. Based on these discussions, without the proper closeout policies and procedures in place, HFD may be at risk of new purchase orders being issued or additional payments being made, if there are unspent funds remaining on the contract.	<p>Updated Response 3/24/2021 :</p> <p>The contract close-out policy and procedures were developed and are in use since March of 2019.</p> <p>Management Response 11/30/2009:</p> <p>The City of Houston does not have a formal closeout procedure for closing out contracts that have expired or otherwise invalid. The real issue was to have a procedure in place that would alleviate money allocated to a contract being left encumbered to a contract that is no longer valid. This would put that allocation back in the Department's general fund. Houston Fire F/A requires that all users review encumbered funds and open purchase orders. Those that are not required are closed out thus releasing those allocated funds back to the general fund for that Division. While there is not a definitive policy stating this function, it is encouraged and at the end of the budget year required for all cost centers to perform this review. As an additional step, HFD Procurement will initiate a check-off list of procedures or items to be completed to ensure the proper close out of a contract.</p>	<b>Closed</b> - This finding was closed by the Audit Division, after obtaining and reviewing a copy of the policy and procedures, that were implemented by HFD in March of 2019 to manage its contracts. Management's remediation procedures were adequate to close this finding.	<b>Adequate</b>
2010-08	Invoice Documentation	Out of a total of 32 invoices or (\$358,099), MFR (Mir Fox & Rodriguez, P.C., Certified Public Accounting Firm contracted to perform the audit) judgmentally selected ten of these invoices. We then performed a review to ensure the documents were billed according to the scope and objectives of the contract and properly approved for payment. The contractor did not submit invoices with the details of the work performed for the hours billed. Due to the nature of the contract, the information was deemed confidential and sensitive.	<p>Updated Response 3/24/2021:</p> <p>We (HFD) have had a fulltime psychologist on staff since 2012. As such, this issue is no longer relevant.</p> <p>Management's Response 11/30/2009:</p> <p>The contractor provided invoices with only a broad explanation of the actual hours. The lack of details was due, in part, to the confidentiality of the individuals that must be maintained. As a result HFD Procurement will meet with the parties to confer the proper documentation required. A written explanation or plan will be given to each of the responsible parties, with copies going to HFD Accounts Payable. Additionally, an addendum will be added to the contract document that specifies the protocol, in detail, for invoicing. This invoicing includes number of hours per week and type of service performed. HIPPA rules prohibit identification of personnel receiving the services.</p>	<b>Closed</b> - This finding was closed by the Audit Division, because the Houston Fire Department no longer uses an outside contractor for professional, medical services. Since 2012, HFD employs a psychologist to perform the services, which were previously provided by a contractor. Management's remediation procedures were adequate to close this finding.	<b>Adequate</b>



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Audit reports are available at:

<http://www.houstontx.gov/controller/audit/auditreports.html>