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Fire Inspections Audit

September 27, 2019



**City of Fort Worth
Department of Internal Audit**

200 Texas Street
Fort Worth, Texas 76102

Audit Staff

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The Fire Inspections Audit was conducted as part of the Department of Internal Audit's Fiscal Year 2019 Annual Audit Plan.

Audit Objectives

The objectives of this audit were to evaluate the City's fire inspections process, and determine whether fire inspections were conducted in accordance with applicable policies and regulations.

Audit Scope

Our audit included a review of fire inspections conducted and due for inspection in CY2017 and CY2018. Activity beyond this period was reviewed as deemed necessary.

Opportunities for Improvement

Revised process that results in increased collections

Commercial properties inspected as required

Accurate billing of fire inspection fees

Executive Summary

As a part of our FY2019 Annual Audit Plan, the Department of Internal Audit conducted an audit of commercial fire inspections for CY2017 and CY2018. As of July 17, 2019, billed but unpaid commercial fire inspection fees totaled \$121,690.00. The unpaid fees included billings for 2,020 accounts, 579 of which had more than one past due invoice.

Internal Audit performed audit testing to determine whether annual commercial fire inspections were completed as required by the City Fire Code. Our audit tests focused on commercial properties that had a Certificate of Occupancy or were appraised by the Tarrant Appraisal District. Based on our audit results, a majority (105 of 161, or 65%) of the properties included in our sample were current on annual fire inspections. However, 12 (8%) properties had no record of a fire inspection, and 44 properties (27%) were overdue for an inspection. Properties with no record of a fire inspection or that were overdue should have been billed a total of \$2,665.00.

Fire inspection billings were accurate for most commercial accounts. However, our audit results identified seven (7) commercial buildings with missing or incorrect square footage in the Fort Worth Fire Department's fire inspection software (Firehouse). Two of the seven customers were incorrectly invoiced a total of \$100.00, resulting in a total under-billing of \$110.00.

These findings are discussed in further detail within the [Detailed Audit Findings](#) section of this report.

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Background

The Fort Worth Fire Code requires that fire inspection fees be charged no more than once per calendar year for a fire inspection of all occupancies requiring a Certificate of Inspection. Building owners are responsible for paying inspection fees before a Certificate of Inspection is issued.

The FWFD is responsible for inspecting over 18,500 commercial buildings each year. Two divisions within the Fort Worth Fire Department (FWFD) are responsible for performing annual fire inspections. Those two divisions are the Bureau of Fire Prevention (BFP) and Fire Operations.

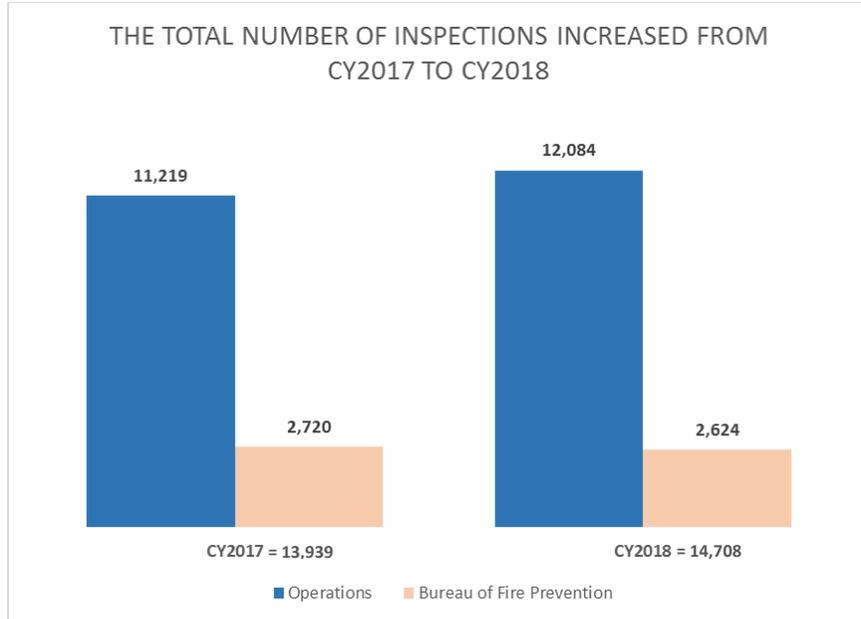
- BFP is responsible for inspecting approximately 2,500 commercial buildings that meet the following criteria:
 - buildings with four or more stories;
 - buildings with 200,000 or more square feet;
 - hospitals, daycares, schools, nursing homes and apartments;
 - places of assembly with over 200 occupants; and,
 - buildings that store hazardous materials.
- Fire Operations is responsible for inspecting approximately 16,000 commercial buildings assigned to 43 fire stations across the city. Fire Operations is responsible for all other commercial fire inspections that are outside of the BFP's commercial building criteria.

Fire inspections are important, and fire inspectors are required to complete them as time allows. When a fire alarm sounds, firefighters must respond immediately, regardless of the weather or time of day. Between fire alarms, firefighters clean and maintain equipment, maintain exterior appearances at fire stations, and perform other duties. Firefighters/inspectors must also meet educational requirements dictated by state law.

The FWFD's 2018 Annual Report indicates that the FWFD answered 118,812 calls. In addition to responding to life threatening emergencies, the Firehouse software indicates that the FWFD completed approximately 14,708 fire inspections in CY2018.

The FWFD uses Firehouse software to schedule and assign fire inspections, and for accounting functions such as invoicing property owners for inspection fees and collecting revenue. Fire Administration's Revenue Division is responsible for invoicing and collecting fire inspection fee revenue. The Revenue Division accepts checks, credit/debit cards and cash payments.

During FY2017 and FY2018, the City recorded fire inspection fee revenue of approximately \$507,285.00 and \$631,088.00, respectively.



Source: FWFD 2018 Annual Report



Objectives

The objectives of this audit were to evaluate the City's fire inspections process, and to determine whether fire inspections were conducted in accordance with applicable policies and regulations.

Scope

Our audit included a review of fire inspections conducted and due for inspection in CY2017 and CY2018. Any activity beyond this period was reviewed as deemed necessary.

Methodology

To achieve the audit objectives, the Department of Internal Audit performed the following:

- reviewed the City of Fort Worth Fire Code and the 2015 International Fire Code;
- reviewed BFP Standard Operating Procedures for completing commercial inspections;
- interviewed BFP staff who are responsible for coordinating the commercial fire inspections process;
- interviewed Revenue Division staff, within Fire Administration, to obtain an understanding of the fire inspections invoicing process;
- verified timely fire inspections by reviewing a sample of commercial properties appraised by the Tarrant Appraisal District;
- verified timely fire inspections by reviewing a sample of commercial properties with a Certificate of Occupancy;
- verified inspectors' certifications;
- analyzed the extent of open invoices for completed fire inspections;
- verified that customers were accurately invoiced;
- reconciled Firehouse's record of payments to deposits in PeopleSoft; and,
- evaluated internal controls related to fire inspections.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, 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.



Audit Results

Uncollected Receivables

We identified approximately \$121,690.00 in uncollected inspection fees for 2,020 commercial accounts. We determined that 579 accounts had more than one past due invoice.

Lack of or Overdue Fire Inspections

We identified 56 commercial accounts that either did not have a record of a fire inspection within the Firehouse software, or the fire inspection was overdue.

Businesses Billed Incorrect Fire Inspection Fee

Audit test results indicated that building square footage (required for fire inspection billing) was sometimes either missing or incorrectly noted in Firehouse. As a result, customers were sometimes invoiced at the wrong amounts.

Other

In addition to these findings, the Department of Internal Audit identified one fire inspector who conducted fire inspections but was not certified with the Texas Commission of Fire Protection (TCFP) as required by state law. It should be noted that TCFP would reportedly issue the certificate upon their receipt of the City's payment. This exception was not considered significant enough to include as a detailed audit finding. However, we deemed it necessary to communicate to management.



Overall Evaluation

High	Medium	Low
Uncollected receivables		
Overdue or no record of fire inspections		
	Customers billed incorrect inspection fees	



Detailed Audit Findings

1. The process for collecting fire inspection fees is ineffective.

Based on our audit results, fire inspection receivables (totaling approximately \$121,690.00) for 2,020 accounts were past due as of July 17, 2019.

Commercial Fire Inspection Invoices						
Aging of Receivables						
as of July 17, 2019						
Days Past Due						
Over 30	Over 60	Over 90	Over 120	Over 180	Over 365	Total
\$8,425.00	\$4,025.00	\$1,790.00	\$10,380.00	\$44,735.00	\$52,335.00	\$121,690.00

Source: Firehouse data

According to the Government Finance Officers Association (GFOA), effort should be made to ensure that receivables are collected in a timely fashion. GFOA further states that a policy should be established to write-off account receivables, and should include timeframes, dollar thresholds and decision-making authority.

Although the Fire Administration’s Revenue Division does not have a formal standard operating policy for collecting inspection fees, receivables not collected in two years are written off. In addition, non-paying customers are not issued a Certificate of Inspection.

Section 106.2.4 of the City Fire Code states that fire inspection fees shall be paid prior to the issuance of a Certificate of Inspection. The Code further states that any person, business owner or manager who fails to pay the required inspection fees within a 45-day period from the statement date shall be guilty of a misdemeanor and may be issued a citation. During interviews, Fire staff indicated that citations are not written because building inspections (intended to reduce the risk of fire and ensure safety) take precedence over collecting inspection fees.

Recommendation 1A: *The Fire Chief, in conjunction with the Chief Technology Officer and the Chief Financial Officer, should consider the feasibility of interfacing fire inspection billing information to the system that is used by the Financial Management Services Department to bill customers.*

Auditee’s Response: Concur. Fire is moving towards implementation of a new system that will have an interface tied to PeopleSoft A/R.

Target Implementation Date: IT Solutions and Fire are currently working towards release of an RFP in the October/November 2019 timeframe, so it is expected that the new system will go live in late 2020 including the PeopleSoft A/R interface.

Responsibility: Mark Rauscher, Assistant Fire Director

Applicable Assistant City Manager: Valerie Washington



Recommendation 1B: *The Fire Chief, in conjunction with the City Attorney, should consider the feasibility of additional delinquent account notifications (e.g., collection letter from City Attorney, on City Attorney letterhead) and/or procuring the services of a third party collection agency.*

Auditee's Response: Concur. The City Attorney's Office has offered to provide the letterhead discussed in the 9/17 meeting. Depending on how well this improves collections, it might be beneficial to procure an outside collection agency to assist in the future.

Target Implementation Date: New letterhead from the City Attorney's Office will be utilized starting in October 2019.

Responsibility: Mark Rauscher, Assistant Fire Director

Applicable Assistant City Manager: Valerie Washington

2. Some properties either did not have record of a fire inspection or the annual inspection was overdue.

Audit testing was conducted to determine whether annual fire inspections were completed as required by the City's Fire Code. Of the 161 commercial properties tested that had a Certificate of Occupancy or were appraised by the Tarrant Appraisal District, twelve (approximately 8%) had no record of a fire inspection and 44 (27%) were overdue for an annual inspection.

FWFD staff expressed concerns regarding their ability to complete assigned inspections by the end of the calendar year, due to new residential housing and commercial businesses accommodating population growth. According to the U.S. Census Bureau, 2019 population estimates show Fort Worth moved from being the 15th to the 13th largest city in the United States, with an increase of 19,552 residents. The FWFD indicated that the increase in population made it difficult to complete annual fire inspections in a timely manner.

The FWFD's Standard Operating Procedures require that commercial building inspections be conducted once per calendar year. Reportedly, eight of the properties that did not have a record of fire inspection or were overdue for an inspection were either vacant or had a change in building use and did not have a current Certificate of Occupancy.

Recommendation 2: *The Fire Chief should determine whether the annual fire inspection requirement for all commercial buildings is feasible. If no longer feasible, the Fire Chief should consider requesting a change to the City Fire Code. If feasible, the Fire Chief should require that annual inspections be conducted as required.*

Auditee's Response: Concur. Fire has decided to revise the City Fire Code to change the fire inspection requirement to a bi-annual schedule except for those occupancies requiring annual inspections such as nursing homes, schools, high-rises, hazardous facilities, apartments, high-occupancy facilities based on square footage, medical facilities, etc. The fee schedule will also need to be changed accordingly. Fire will continue to complete inspections on those facilities that require annual inspections.

Target Implementation Date: January 1, 2020

Responsibility: Raymond Hill, Assistant Fire Chief



Applicable Assistant City Manager: Valerie Washington

3. Some businesses were invoiced incorrectly.

Businesses are billed based on a square footage range. The Department of Internal Audit identified seven (7) commercial buildings with missing or incorrect square footage in the Firehouse software. Five of the seven businesses were billed correctly. Two of the seven businesses were invoiced for the wrong amount.

- The square footage for five businesses was either missing or incorrect. However, the square footage billed was within the parameters of the correct square footage billing range.
- Two businesses were billed a total of \$100.00. However, the invoices should have totaled \$210.00.

Authorized Fire Inspection Fees
(based on building square footage)

Number of Sq ft of floor area in bldg or business	Base Fee
<5,000	\$40.00
5,001 - 10,000	\$45.00
10,001 - 25,000	\$55.00
25,001 - 50,000	\$70.00
50,001 - 75,000	\$105.00
75,001 - 100,000	\$140.00
>100,000	\$140.00 + \$20.00 for each additional 50,000 sq.ft or portion thereof

Source: CFW Fire Code

Authorized Fees Versus Amounts Billed

Property	Number of Sq. Ft. Noted in Firehouse	Number of Sq. Ft. per Fire Documents	Base Fee Billed	Authorized Base Fee	Variance
#1	not specified	1,200	\$40.00	\$40.00	\$0.00
#2	10	1,400	40.00	40.00	0.00
#3	not specified	1,830	40.00	40.00	0.00
#4	not specified	4,200	40.00	40.00	0.00
#5	1	2,950	40.00	40.00	0.00
#6	81,000	81,000	45.00	140.00	(95.00)
#7	40,475	40,475	55.00	70.00	(15.00)
			\$300.00	\$410.00	(\$110.00)

Source: Firehouse data

The City Fire Code stipulates that fire inspection fees be based on square footage of the commercial building. Inaccurate billings reportedly resulted because the building square footage was not properly



updated on the FWFD's commercial fire inspection form. As a result, the proper square footage was not entered in Firehouse.

Recommendation 3A: *The Fire Chief should require Fire Administration personnel to obtain the square footage of a commercial building by using information from the Tarrant Appraisal District website, Certificate of Occupancy or other sources.*

Auditee's Response: Concur. Fire personnel completing inspections will begin using a software solution known as "First Due Size Up" to ensure more accurate building square footages. First Due pulls building data from the Tarrant Appraisal District.

Target Implementation Date: January 1, 2020

Responsibility: Raymond Hill, Assistant Fire Chief

Applicable Assistant City Manager: Valerie Washington

Recommendation 3B: *The Fire Chief should request support of the Information Technology Solutions Department to create data entry edits in Firehouse (or any fire management replacement software) to make the building square footage a mandatory data entry field.*

Auditee's Response: Concur. With Firehouse going away soon and implementation of a new Commercial Inspections platform, Fire will require that there be a mandatory data entry field for square footage.

Target Implementation Date: The new Commercial Inspection platform will be going out for RFP in the October/November timeframe, so implementation is expected in late 2020.

Responsibility: Mark Rauscher, Assistant Fire Director

Applicable Assistant City Manager: Valerie Washington



Acknowledgements

The Department of Internal Audit would like to thank the Fire Department for their cooperation and assistance provided during this audit.