

**CITY OF BUFFALO
DEPARTMENT OF AUDIT AND CONTROL**

**AUDIT REPORT ON THE INTERNAL
CONTROLS OVER REVENUE AT THE
BUREAU OF FIRE PREVENTION**

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SEPTEMBER 2015

Preface

In accordance with the goals set forth in the Annual Audit Plan, we conducted an audit of the internal controls over revenue at the Bureau of Fire Prevention. The audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

The City of Buffalo Bureau of Fire Prevention (the Bureau) is part of the Buffalo Fire Department and issues special event permits for propane and tent use. The Bureau also inspects foster homes for compliance with the Fire Code of New York State and the Fire Ordinances of the City of Buffalo and provides fire reports requested by insurance companies or residents. The Bureau receives revenue for each of these services.

Audit Objective

The objective of the audit is to document and evaluate the internal controls of the Bureau of Fire Prevention over revenue.

To achieve the objective, the following procedures were performed:

- Interviewing of staff regarding the revenue process and the documentation of the revenue cycle.
- Testing of transactions to determine if the revenue process performs as documented.
- Evaluation of the process to determine the strengths and weakness of the internal controls of the revenue cycle.

Description of the Bureau of Fire Prevention Revenue Cycle

Tent and Propane Permits - Chapter 266-3 of the City Charter

The Bureau of Fire Prevention collects fees for issuing liquefied petroleum gas (propane) permits and tent permits. Fees are \$25 per tent and \$25 per propane tank if paid prior to the event, and \$50 if paid on the day of the event.

Individuals, vendors and event organizers go to the Bureau office and fill out the desired permit application(s) or mail application(s) with payment to the Bureau office. Payment is made by either cash or check. A receipt is issued from the pre-numbered receipt book. The original is given to the customer and the duplicate is retained in the receipt book. The receipt notes the date of the transaction, dollar amount, address for permit, type of permit, cash or check, check number if applicable, and is signed by the Bureau personnel who completed the transaction. All payments are placed into an envelope and the transaction amount and customer name are written on the envelope. The envelope is stored in an unlocked desk drawer. The applicable permit(s)

are filled out by Bureau personnel. The permits are pre-signed and printed copies are stored in an unlocked drawer accessible by all Bureau personnel. The blank, pre-signed permit template is stored on a network drive that can be accessed by all Bureau personnel. Bureau personnel hand write the permit number, issue date, vendor name, location of tents/propane tanks, event name and dates the permit is valid. The permits are not pre-numbered. The original permit is given to the customer and a copy is retained by the Bureau. Each transaction is entered into the ledger book. The ledger book lists each transaction by transaction number, vendor name, date, receipt number from receipt book, amount and notes if cash or check was received as payment.

A small portion of all permit fees are collected the day of an event. Most vendors pay for their permits prior to the event. The event vendor list is checked against permits purchased prior to the event so the Bureau knows which vendors to collect permit fees from the day of the event. Bureau personnel bring the receipt book and permit to the event and collect the fee from the vendors which did not pre-pay. The transaction is recorded in the same manner as a walk-in payment.

Foster Home Inspections

Foster home inspections are performed for a \$25 fee. The fee is collected on-site at the time of the inspection. An inspection may take multiple visits if the home is not in compliance with the Fire Code of New York State and Fire Ordinances of the City of Buffalo. Once a foster home inspection is completed, the Bureau sends a letter to the Foster Care Agency stating that the home is in compliance. The letters are stored on the computer of the individual responsible for performing the inspection. There is no shared database or network drive for foster home inspection issuance letters. The letters of inspection are not pre-numbered.

Fire Reports

Fire reports are requested by both insurance companies and by individuals. Fire report requests are processed by three divisions including the Bureau, Fire Headquarters and Fire Investigation.

Requests for fire reports are received at the Bureau office within City Hall via walk-in customers and mail. The Bureau checks the EMBERS program for the address requested to see if the fire report is available. EMBERS is a Fire Department program that contains basic fire reports. The Bureau does not prepare fire reports, as that is done by Fire Investigation. Insurance companies are charged \$20 for a fire report, while individuals are not charged. Fire report revenue is not recorded in the Bureau receipt book or ledger book.

MUNIS Entry and Deposit

Every Friday an envelope containing cash and checks received by the Bureau is delivered to Fire Headquarters and given to the Superintendent of Fire Records. The individual transactions are written on the outside of the envelope but they are not totaled. There is no signature required by

the person accepting the funds at Fire Headquarters. No transaction detail or record of total amount delivered to Fire Headquarters is maintained by the Bureau. The Superintendent of Fire Records enters the transactions into MUNIS (the City of Buffalo's financial accounting software) to create a batch deposit report. Checks are restrictively endorsed at the time of deposit preparation. There is no standard frequency for making deposits, which occur approximately once per month. Batch deposits are made up of multiple weekly envelopes delivered by the Bureau. Checks are entered into MUNIS with the vendor name and check number, while cash is entered as a lump sum with no transaction detail. Batch deposits also include revenue from fire reports processed at Fire Headquarters and Fire Investigation and other Fire Department revenue. A copy of the batch deposit report is retained by the Superintendent of Fire Records and another copy is brought to Treasury. A Fire Department Stock Clerk brings the cash, checks and a copy of the batch deposit report to Treasury for deposit.

Audit Findings - Internal Controls

- 1. Permits are not pre-numbered** - This could allow for permits to be issued without record of a payment.
- 2. Completeness of Revenue cannot be Determined** - The most significant deficiency with the Bureau revenue process is the inability to verify the completeness of revenue, due to a lack of supporting documentation maintained by the Bureau as well as differences between Bureau records and MUNIS. There is no record of amounts delivered by the Bureau to the Superintendent of Fire Records. There is no record of total number of tent permits, propane permits, foster home inspections or fire reports issued. As the system currently operates, it cannot be determined if all revenue received at the Bureau is recorded, if all revenue received at the Bureau is delivered to the Superintendent of Fire Records and if all revenue delivered to the Superintendent of Fire Records is deposited with Treasury.
- 3. Transactions not Recorded Timely** - Funds are stored at the Bureau until the end of each week and then delivered to Fire Headquarters. Funds are stored at Fire Headquarters until deposited with Treasury. There is no standard frequency of recording transactions on MUNIS or making deposits. Deposits are made once per month on average. Checks are not immediately restrictively endorsed, this occurs at the time of deposit.
- 4. No Management Review** - There is no reconciliation performed between the Bureau ledger book and MUNIS deposit records. There is no supervisory review of batch deposits or transactions recorded at the Bureau.
- 5. Fire Reports are Issued Inconsistently** - Fire report requests are handled at three different locations, the Bureau of Fire Prevention within City Hall, Fire Headquarters on Court Street

and Fire Investigation on Elmwood Avenue. It is inefficient to have three different locations handle requests. It also causes checks received in the mail to be held for long periods of time at the Bureau or Fire Headquarters if the fire report is not available.

6. **Fees not Listed in City Charter** - The fees charged by the Bureau for tent permits, propane permits, foster home inspections and fire reports are not listed in the City Charter chapter 175.
7. **No Information on City Website** - There is no information available on the City website pertaining to propane permits, tent permits, foster home inspections or fire reports. Applications and forms cannot be obtained on line and there is no instructions regarding payment.

Audit Findings – Transactions

1. **Differences between Bureau Ledger Book and MUNIS Records** - MUNIS records contain receipts that are not recorded in the Bureau of Fire Prevention Ledger and Receipt Books. Revenue received from Fire Reports is not recorded in Ledger and Receipt Books. Fire Report revenue received at Fire Headquarters and Fire Investigation are entered into MUNIS but not received or recorded at the Bureau. MUNIS does not contain the Bureau internal transaction number, receipt number or permit number. Vendor name recorded in the ledger book, receipt book and MUNIS were inconsistent. The entry in MUNIS uses the name listed on the check and the ledger and receipt books use the name on the application.
2. **Document Retention is Inconsistent** - Supporting documentation could not be located for 15 of 39 transactions. Of the 15 transactions that did not have supporting documentation, 7 were foster home inspections, 5 were propane permits and 3 were tent permits. Two transactions only had a permit application and not a copy of the permit issued as supporting documentation. Foster home letters of inspections, which are required by the New York State Foster Care Agency, are saved on the individual computer of the Bureau personnel performing the inspection. They are not available on a shared network drive and require research to obtain.

Recommendations to Improve Internal Controls over Revenue at the Bureau of Fire Prevention

The most effective internal control for the Bureau of Fire Prevention would be to move all payment processing to the Division of Treasury. We suggest this be implemented immediately.

If this is not possible, the following recommendations will enhance the internal controls of the Bureau of Fire Prevention revenue processing:

- 1. Use Pre-Numbered Documents** - The use of separate tent and propane permits should be eliminated. One permit including both tent and propane information should be adopted. Bureau of Fire Prevention should obtain permit stock that is pre-numbered.

Foster home inspection letters and fire reports should be pre-numbered or sequentially numbered for tracking purposes.

- 2. Eliminate Receipt Book** - The use of the receipt book can be eliminated and the permit, foster home inspection request and fire report request can be used as supporting documentation for transactions as well as a receipt for customers.
- 3. Record Transactions Electronically** - The ledger book should be eliminated and converted to an electronic spreadsheet containing fields for permit number, transaction date, vendor name, event name, event date etc. Each weekly envelope of cash and checks delivered to the Superintendent of Fire Records should be accompanied by the corresponding transaction detail from the spreadsheet to ensure MUNIS records match.
- 4. Perform Review and Reconciliation of Revenue** - After input into MUNIS and deposit with Treasury, the Superintendent of Fire Records should bring the batch deposit report to the Bureau. The Bureau should verify the batch deposit report agrees to the Bureau's records for funds delivered to Fire Headquarters. This reconciliation should be performed after each deposit.
- 5. Establish Written Policies and Procedures** - Documented policies, procedures and a fee schedule should be established. It should define what revenue the Bureau of Fire Prevention is responsible for, which revenue accounts contain Bureau of Fire Prevention Revenue, what information is to be provided to the Superintendent of Fire Records, what information is entered into MUNIS, a document retention policy and how all permits, foster home inspections and fire reports are tracked. There should be no instances where Bureau of Fire Prevention records do not agree with MUNIS. All permit copies, applications and batch deposit detail should be filed by batch within the Bureau office. Supporting documentation should be retained for each transaction. For tent and propane permits, the permit application and a copy of the permit should be retained. A policy should be adopted to retain supporting documentation for all foster home inspection letters and fire reports on a shared network drive. A documented process for handling fire report requests should be developed, and reports should be handled at one location. Fee rates for these services should be filed with the Common Council and should be listed in the City Charter.

- 6. Improve Safeguards over Assets** - Cash and checks should be stored in a secure location at all times. Checks should be restrictively endorsed immediately. Access to cash and checks should be limited to necessary personnel.

- 7. Add Bureau Information to the City Website** - The City website should contain information and payment instructions related to tent permits, propane permits, foster home inspections and fire reports. Applications and other forms should be available on the website.



CITY OF BUFFALO
BUFFALO FIRE DEPARTMENT



BYRON W. BROWN
MAYOR

GARNELL W. WHITFIELD, JR.
COMMISSIONER

KEVIN D. PETERSON
DEPUTY COMMISSIONER

December 2, 2015

Mark J. F. Schroeder, Comptroller
City Hall, Room 1225
62 Niagara Square
Buffalo, New York 14202

Re: Audit Report-Bureau of Fire Prevention

Dear Sir:

I am in receipt of the audit report performed by your office regarding the internal controls over revenue at the Bureau of Fire Prevention, dated September 2015.

As per the recommendations of your office please be advised that the Bureau of Fire Prevention and the Fire Investigation Unit are currently undergoing an organizational analysis through which many of the concerns mentioned in your report will be addressed. This analysis includes but is not limited to centralization of services, information sharing, record keeping, etc.

In the interim, I am immediately following your recommendation to consult with the Division of Treasury in an effort to move all payments to them.

Thank you for your assessment and recommendations regarding our operations. We will work diligently to achieve the efficiencies identified in your report.

Sincerely,

Garnell W. Whitfield, Jr.
Commissioner of Fire

GWW/bb