

AUDIT COMMITTEE - (JUNE 19, 2007)

INTERNAL AUDIT REPORT OF THE FIRE DEPARTMENT

Recommendation

The City Auditor recommends :

That the Internal Audit Report of the Fire Department be received.

Economic Impact

Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The implementation of corrective actions in the audit report will have a positive impact on the operation; some impact will be economic and measurable while others may not be measurable. Other benefits will be improvement in risk management, control and governance. Internal Audit adds value to all areas of City activity which are audited.

Communications Plan

Not Applicable

Purpose

To present to the Audit Committee, the Internal Audit Report of the Fire Department.

Background - Analysis and Options

The audit was part of the Internal Audit Plan for 2006.

The internal audit report is provided as an attachment. The report explains the definition and objective of internal auditing as well as the scope of internal audit work. The report includes the observations of the auditor, the implications, the auditor's recommendations, the commissioner's response for corrective actions and the auditor's response to the corrective actions.

Relationship to Vaughan Vision 2007

This report is consistent with the priorities previously set by Council and the necessary resources have been allocated and approved.

Regional Implications

Not applicable

Conclusion

1. The fire chief and deputy chiefs of the department/operation audited, have responded favourably to all observations and recommendations in the Internal Audit Report.
2. When all corrective actions are implemented, internal controls will be improved, the quality of performance in carrying out assigned responsibilities will be enhanced, the department/operation will operate more effectively and efficiently and the Internal Audit department will have added value to the organization and assisted members of the organization in the effective discharge of their responsibilities.

Attachments

1. Internal Audit Report of the Fire Department.

Report prepared by:

Michael Tupchong, CA, CIA, CPA, CFE
City Auditor

Respectfully submitted,

Michael Tupchong, CA, CIA, CPA, CFE
City Auditor

May 01, 2007

Michael DeAngelis
City Manager
City Of Vaughan
2141 Major Mackenzie Drive
Vaughan, Ontario
Canada L6A 1T1

Dear Michael DeAngelis,

Re: Internal Audit of FIRE DEPARTMENT

I have completed the internal audit of FIRE DEPARTMENT as of January 18, 2007. This audit was conducted in accordance with the 2006 Audit plan.


A follow-up letter will be sent to the auditee, 30 days from the date of issue of this Internal Audit Report, requesting the status of Corrective Actions as noted in this report. Subsequent follow-up letters will be sent until all Corrective Actions have been satisfactorily implemented.

I would like to thank Fire Chief Greg Senay and Deputy Chiefs Glenn Duncan and Larry Bentley and their staff for accommodating and providing me with unrestricted access to all staff and information during the audit.

I have exercised independence, objectivity and due professional care in accordance with the Standards for the Professional Practice of Internal Auditing.

The Internal Audit Department is committed to adding value, providing continuous improvement recommendations and professional service to the whole organization.

Sincerely,



Michael Tupchong CA, CIA, CPA, CFE
City Auditor

cc: G. Senay G. Duncan L. Bentley C. Harris

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DEFINITION, OBJECTIVE AND SCOPE

1. **Definition:** Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.
2. The **objective** of Internal Auditing is to assist members of the organization in the effective discharge of their responsibilities. To this end, Internal Auditing furnishes them with analyses, recommendations, counsel, and information concerning the activities reviewed. The internal audit objective includes promoting effective control at reasonable cost. In the end, Internal Audit is focussed on continuous improvement of the organization.
3. The **scope** of Internal Auditing encompasses the examination and evaluation of the adequacy and effectiveness of the organization's system of control and the quality of performance in carrying out assigned responsibilities. The Internal Auditors are concerned with any phase of City activity. The scope of Internal Auditing includes:
 - Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
 - Reviewing the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations, which could have a significant impact on operations and reports, and should determine whether the organization is in compliance.
 - Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
 - Appraising the economy and efficiency with which resources are employed.
 - Reviewing operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
 - Reviewing the identification of risk exposures and use of effective strategies to control them.
 - Reviewing specific operations at the request of the Audit Committee or City Manager, as appropriate.

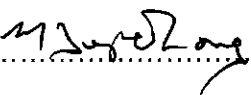
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FOLLOW-UP ON CORRECTIVE ACTIONS

1. It is extremely important that all Corrective Actions as stated in this Internal Audit Report are implemented as soon as possible.
2. The Internal Audit Department will perform regular follow-ups, the first being 30 days after the date of the issue of the report, followed by subsequent 30 days until all Corrective Actions have been satisfactorily implemented. Follow-up audits may be done to verify the reported implementation.
3. The Corrective Actions will ensure that the deficiencies as raised by the Auditor will be addressed. After all Corrective Actions have been implemented, there will be improvement in the effectiveness of risk management, control, and governance processes. The department will operate more efficiently and effectively. Members of the organization will also have discharged their responsibilities.
4. At the discretion of the fire chief, this report may be distributed to the appropriate staff members under their jurisdiction. Deficient items which could be common across the organization should be globally addressed. Further consideration should be given to revise/update current policies and procedures, as deemed necessary.

End of Field Work: January 18, 2007

Auditor(s): Michael Tupchong.....**Signature:** 

Approved: 

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Fire Prevention Inspections

Observations

1. It was observed that as of year-to-date November 6, 2006, there were approximately 2,405 requested fire inspections. Approximately 476 of these, between January 2006 and current date, were not yet closed. A test review of some unclosed files, revealed that these files were all work-in-progress. Initial inspections had been done, some multiple times but the inspectors were waiting for the clients to get back to them upon completion of the deficiencies.
2. For 2005, there were approximately 2,670 requested inspections. Approximately 214 were not closed on the report. On a test of 17 samples, 5 (29.4%) were found to be closed. These were however not marked "closed" on the report. Therefore based on the sample test, approximately 63 of the 214 could be "closed". These would have to be verified.

Implications:

1. The summary list of inspections is not up-to-date.
2. The number of unclosed cases could present a potential liability issue for the City.
3. Additional staff may be required to catch up with the backlog and growing list of requested inspections.

Recommendations:

1. It is recommended that the department do more follow-up work to address the "old" open files in order to close them as soon as possible.
2. Consideration should be given to acquiring more help to address the increasing demands for fire inspections in the rapidly growing City.
3. The summary list of inspections should be kept up to date and managed more accurately by the fire clerk.
4. The summary list of outstanding inspections should be reviewed on a frequent basis by senior management.

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Corrective Actions (Fire Chief Greg Senay Response)

We have implemented the Case Tracking System as of January 1, 2007. This will enable us to monitor more closely each inspection. This will also be reviewed monthly by the Chief Fire Prevention Officer.

Auditor's Response to Corrective Action:

The implementation of the new software will provide more control over each inspection.

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Fire Inspection Tools

Observations

For any fire inspection, the fire prevention inspector has to bring a number of standard blank forms for example:

- 1) Fire Safety Inspection Report (in duplicate)
- 2) Inspection Notes
- 3) Emergency Contact Numbers
- 4) Written Records of Tests and Corrective Measures for Fire Prevention Systems
- 5) Letter of Commitment
- 6) Fire Safety Inspection Form (Private Home Day Care)
- 7) Standard Fire Safety Plan Review Checklist

1. The appropriate forms have to handwritten at the inspection site and a copy may be given to the client. Back at the office, certain information has to be inputted from the manual forms into the computer.
2. There are two digital cameras that are shared between the 9 inspectors to take pictures of violations of the Fire Code. If one needed a camera to gather evidence, then a second trip would be required. In the last 6 months, inspectors have been issued with cell phones which have been very useful.

Implications:

1. Inspectors may not be provided with adequate tools to be more effective and efficient in their duties.
2. There is duplication of administration work to enter handwritten information into the computer back at the office.

Recommendations:

1. Inspectors should have digital cameras. This will greatly enhance their gathering of fieldwork evidence to support the examples which contravene the Fire Code. "A picture is 1000 words" and is one of the best forms of evidence.
2. Consideration should be given to granting each inspector with portable computers. The inspector could then pull up the template standard form s(he) requires from the computer and type in the information. A printout of the form could be done and given to the client for his signature and record. The information could then be saved in the hard drive and transferred to the City

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database. This would save duplication of handwriting the forms and then re-entering them into the computer. The inspectors should then have additional time to do more inspections.

Corrective Actions (Fire Chief Greg Senay Response)

1. We will increase the number of digital cameras for use by the fire prevention department.
2. We are also looking at the CAD system which has a Fire Prevention Module. Once implemented, this will improve the way we are currently operating.

Auditor's Response to Corrective Action:

More cameras will provide better tools for the fire prevention officers.
The implementation of the Fire Prevention Module should improve current procedures.

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Station Supplies, First Aid Supplies and Protective Gear Supplies

Observations

1. Station 72 (Corner of Keele and Rutherford Roads) is the main storage area for Station Supplies (cleaning and polishing materials and supplies) and First Aid Supplies. It also receives requisitions for Protective Gear which is kept at the JOC (Joint Operation Centre).
2. For 2005, the Fire Operations department incurred approximately \$28,000 for janitorial supplies, \$156,000 for materials and supplies, \$86,000 for medical and breathing materials and supplies and \$275,000 for Protective Gear. All inventory is expensed as purchased.
3. Any fire station can request supplies by filling in a "Station Supplies" list and faxing it to station 72. This form is signed by the requestor but not by a supervisor.
4. For First Aid Supplies, the station must fill out a "First Aid Supplies Stock Form" and fax it to station 72. This form is signed by the requisitioner but not by a supervisor.
5. For Protective Gear, the station has to fill out a "Protective Gear Requisition" form, before the gear is pulled from the storage location at the JOC by an employee of station 72. In a number of instances, this form is not signed by a supervisor.
6. The stores area where the Station Supplies are kept, was open and not locked and the First Aid Supplies area was also not locked.
7. There is another form "Medical Supplies Appropriated From 72 Stock" which is to be appropriately filled out by the person removing items from stock. This form is often not signed.
8. Inventory is delivered to the stations or they may pick up inventory from station 72.
9. No annual physical count of inventory is done.
10. Inventory is not maintained on record. No analysis is done as to the usage by each station.

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Implications

1. For requisition of materials and supplies, authorization by a supervisor is not consistently applied.
2. Control over inventory needs improvement.

Recommendations

It is recommended that:-

1. All forms used for requisitioning Station Supplies, First Aid Supplies and Protective Gear, should be signed and dated by the requisitioner and a supervisor.
2. The stores areas where the inventory are kept should be under lock and key and under the custodianship of specified personnel.
3. The form "Medical Supplies Appropriated From 72 Stock" should also show "Name" and "Signature" of the person withdrawing the inventory.
4. Station Supplies, First Aid Supplies and Protective Gear should be maintained on the computer. Each station's requisition/withdrawal should be entered on the computer. Reports for analysis can then be printed for each station. These reports should be reviewed by the analyst.
5. At least annually, physical counts of inventory should be taken. The computer figures should then be adjusted to reflect the physical count at or near the end of a 12 month period. The inventory count could be done at the least busy time of the year for the fire crew.
6. The ideal situation: Consideration should be given to having one site, for example, at the JOC to store all inventory. These could be under the control of one inventory clerk who need not be a fireman. All inventory would be computerized. All inventory receipts and withdrawals would go through the inventory clerk and be entered into the computer. The clerk could make deliveries at certain hours of the day and be at the store for most of the day for pick-ups and other administrative duties.

Corrective Action(s) (Fire Chief Greg Senay Response)

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1. We will improve internal controls by ensuring approval signatures are required on all requisitions. However, up to now, we have not experienced any significant “shrinkages”.
2. Inventory will be counted on an annual basis and a list will be created.
3. We will also look at the possibility of hiring an inventory control person to control all the inventory. At that time, the inventory would be computerized.

Auditor’s Response to Corrective Action(s)

The approval signatures and the annual inventory count will improve internal control.

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Office Supplies

Observations

It was observed that a laptop computer with accessories was purchased for a total of \$2,426.38 (includes Taxes). The FPO (Field Purchase Order) showed the correct account number to be charged, namely, 100178.7211.01 (computer hardware and software). However the correct amount of \$2298.68 (cost plus PST) was charged to "office supplies" account 100178.7200 in error instead of to 100178.7211.01. GST for \$127.70 was charged to the correct account.

Implications:

There was incorrect posting to the wrong general ledger account.

Recommendations:

It is recommended that a journal entry be done to rectify the incorrect posting and transfer \$2298.68 to account 100178.7211.01 from account 100178.7200.

Corrective Actions: (Fire Chief Greg Senay Response)

The journal entry will be done to rectify the incorrect posting.

Auditor's Response to Corrective Action:

The error will be corrected.

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GST on Invoices:

Observations:

1. The Fire Mechanical Department provides repair services to fire trucks of other municipalities, for example, King Township, Richmond Hill and so on.
2. It was observed that some invoices to municipalities show one total amount and does not separately show the GST portion. (Invoice 10799, 10846)

Implications:

Some invoices may not show the GST portion separately; only the total charge.

Recommendations:

Invoices should show the amount before the GST, the GST portion and the total.

Corrective Actions (Fire Chief Greg Senay Response)

We will ensure that GST is shown on all invoices.

Auditor's Response to Corrective Actions:

The recommendation will be implemented.

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Mechanical Inventory

Observations

1. The Chief Mechanical Officer has estimated that the "spare parts inventory" on hand is worth approximately \$35,000 to \$45,000. The "inventory" is stored in two separate areas, one downstairs and one upstairs.
2. It was observed that there was no "inventory list" of items as of any date, as no annual inventory count is done.
3. Spare parts are expensed as and when purchases are made.
4. There is no system of inventory maintenance, whether manually or on computer.

Implications

Inventory control can be improved.

Recommendations

It is recommended that :

1. Inventory should be counted at least annually or inventory could be counted on a cycle basis so that the whole inventory is counted within one year.
2. Inventory should be entered and maintained in the computer to show:
 - Description
 - Location
 - Date purchased
 - Supplier
 - Cost
 - Quantity Purchased
 - Quantity used
 - Date used
 - Balance on hand
 - Count Date
3. Consideration should be given to installing a "Enterprise Asset Management" module of Peoplesoft which has been installed in the Fleet Department and used for approximately 3 years. The bar code system could be used for spare parts. Items received or withdrawn could be scanned which would update the inventory real time and provide the balance on hand immediately.

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Corrective Actions (Fire Chief Greg Senay Response)

1. Our Chief Mechanical Officer has met with the Fleet department twice already and will have more exploratory meetings with them regarding the "Enterprise Asset Management module".
2. We will perform an annual inventory count and we will complete a list of handwritten inventory.

Auditor's Response to Corrective Actions:

The annual counting of inventory and the record of inventory at a particular date, will provide better control over inventory.

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Using software in the Mechanical department

Observations:

It was observed that many tasks performed in the mechanical department are done manually e.g.,

- Tracking cost of parts for a retail job
- Tracking work orders showing parts and labour
- Inventory and management of spare parts
- Keeping track of service requirements for the Fire department's fleet

The Fleet department of the City has been using the Module "Enterprise Asset Management" of Peoplesoft for a number of years. This software could benefit the department in reducing the manual work and managing the department more efficiently.

Implications:

The mechanical department could benefit from using the Module "Enterprise Asset Management" of Peoplesoft to manage its activities.

Recommendations:

It is recommended that the mechanical department should consider obtaining a copy of the "Enterprise Asset Management" module of Peoplesoft through a licencing agreement with the software company, install it and use it to manage the activities of the department. This will improve the efficiency and effectiveness of inventory control, managing work orders, accounts payable and service scheduling of the fire department's fleet.

Corrective Actions (Fire Chief Greg Senay Response)

Our Chief Mechanical Officer has met with the Fleet department twice already and will have more exploratory meetings with them regarding the "Enterprise Asset Management module". We will assess the workload required to implement this software with the staffing levels that we have.

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Auditor's Response to Corrective Actions:

The implementation of the software and the input of information will require a lot of work. However the benefits derived once it is operating will be immense. A follow up will be done to track this progress.

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Sign Off on Work to be Done and Waiver of Liability Clause

Observations:

The mechanical department repairs fire trucks for other municipalities and created approximately \$ 112,000 in revenue for 2005 and \$ 71,000 (Oct 23, 2006 YTD) in revenue for 2006 after deducting cost of parts, not labour.

It was observed that:

1. The work order for repairs to be done is not pre-signed by the customer as evidence that the repair work was approved
2. There is no Waiver of Liability Clause on the work order.

Implications

1. Without pre-signing the work to be done, the customer may challenge the work that was done and may refuse to pay, although this is unlikely due to the close relationship the department has with its customers.
2. By the customer not signing the Waiver of Liability clause, the City may be placed at a liability risk.

Recommendations:

1. It is recommended that the customer should pre-sign all work orders agreeing to the work to be done, before any work is undertaken.
2. There should also be a Waiver of Liability clause printed on an official work order which is pre-numbered. The clause should be signed by the customer.

Corrective Actions (Fire Chief Greg Senay Response)

We will implement the recommendations.

Auditor's Response to Corrective Actions:

The implementation of the recommendations will reduce the risk to the City.

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Mechanical Department- Mark-up on Cost

Observations:

1. The department purchases spare parts for a retail job and may also outsource work to a sub-contractor.
2. The mark-up on cost fluctuates from under 10% to over 40%. For example, the following calculated mark-up was observed:

• Towing (outsource)	6.7%
• VFRS Parts	40
• Halton Inspection Aerial (outsource)	13.3
• Freightliner ABS	24.4
• Fortgary Brake Parts	30
• VFRS Cast Brake Shoes	40
• VFRS Hardware	119.8
• Krown Rust (outsource)	9
3. The mark-up % is based on the discretion of the Chief Mechanical Officer and may vary depending on the customer.

Implications:

1. The mark-up % could be challenged as not being consistent for each customer or for spare part.
2. A certain customer could be given a preferential mark-up %.

Recommendations:

It is recommended that a written policy should be developed stating the mark-up % for each category of spare part and outsourcing, so that a consistent mark-up % is used for all customers.

Corrective Actions (Fire Chief Greg Senay Response)

We will develop a written policy which will be followed.

Auditor's Response to Corrective Actions:

The written policy will standardize how the mark-up is calculated for parts.

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Retail Invoices**Observations:**

1. When posting the sales invoice (for mechanical work) to the General Ledger, the invoice total is split between (1) recovery of the cost of inventory parts, (2) recovery of outsourcing cost/ retail parts and (3) the revenue. There is an expense account (100179.7330) for spare parts stored as "inventory". There is another expense account (1000.1110.40) for outsourcing/retail parts purchased specifically for a retail job. The recovery of the cost of inventory parts and the recovery of outsourcing/retail parts cost are charged to these two accounts to offset the expense portion. The "profit" is charged to a revenue account. Direct labour costs are to be deducted from the "profit" to determine the true profit.
2. On a review of 3 random invoices charged to customers for mechanical work done to their fire trucks, all 3 had errors as follows:

Incorrect dollar amounts were credited to the two expense accounts, resulting also in incorrect amounts being charged to the revenue account.

Posted:

<u>Invoice #</u>	<u>Outsourcing/retail parts A/c 1000.1110.40</u>	<u>Inventory spare parts A/c 100179.7330</u>	<u>Revenue A/c 100177.3618</u>	<u>Total</u>
10846	(1447.21)	(495.00)	(2980.21)	(4922.42)
10334	(2377.42)	(1072.02)	(2988.35)	(6437.70)
10799	(936.00)	(2920.85)	(5350.96)	(9207.81)

Should Be Posted

10846	(2448.09)	(495.00)	(1979.33)	(4922.42)
10334	(2711.42)	(797.02)	(2929.35)	(6437.79)
10799	(936.00)	(4607.36)	(3664.45)	(9207.81)

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Implications:

Errors are being made on allocating cost of parts to the appropriate general ledger accounts.

Recommendations:

It is recommended that the Mechanical department should total how much should be posted to account 100.179.7330 (inventory spare parts) and account 1000.1110.40 (outsource/retail parts) and provide the information to the Finance department as it may be confusing for the Finance clerk to decipher the list of parts/outsource costs provided to them.

Corrective Actions (Fire Chief Greg Senay Response)

We will meet with the Accounting department to rectify this problem.

Auditor's Response to Corrective Actions:

The corrective action will resolve the problem.

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Issuance of receipts for money received

Observations

1. The main office of the Fire department received approximately \$22,000 mainly in cheques, from clients for fire prevention inspection for the 9 months ending September 30, 2006.
2. The office clerk as a rule issues pre-numbered receipts to customers for their payments.
3. It was observed that one receipt was made out for \$1,855.00 cash and taken to the central cashier with the money. This total was a result of many months of cash collection going back to 2005. The copies of individual receipts issued for all this cash was not readily available.

Implications

1. The process of issuance of receipts for money received may not have been followed at all times, hence the receipt for the deposit of \$1855.00
2. .

Recommendations

It is recommended that the fire department clerk should take the cash with the receipts to the Central Cashier more frequently. A new receipt should not be made out for the total cumulative cash to be deposited. This would duplicate the receipts which have already been issued when the cash was received from each customer.

Corrective Actions (Fire Chief Greg Senay Response)

The problem is the distance of the Central Cashier from the Fire Department. We will talk to the Finance department whether it would be feasible to have a "sub-cashier" at the Budget department. The fire clerk would take the cash with the receipts to the "sub-cashier" who would then stamp the receipts with a "paid" stamp, keep the white and yellow copies and return the goldenrod copies to the fire clerk. The "sub-cashier" would then take the cash and the white and yellow receipts to the Central Cashier at the Civic Centre. The Budget department currently replenishes our Petty Cash on a regular basis.

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Auditor's Response to Corrective Actions:

The proposal by the fire department would be satisfactory in addressing the cash deposit process of the fire department.

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Outstanding fees for Fire Inspection

Observations

Fire inspection work was done for an LCBO application. The client paid the fee of \$176.55 (18 May 2006) for the inspection by cheque. The cheque "bounced" and the Finance department received notice of this from the financial institution on June 7, 2006. A copy of the "bounced" cheque was sent to the Fire department to collect the funds. This was discovered at the date of the audit (November 2006) and it was learnt that the replacement cheque was not asked for.

Implications

The inspection fee of \$176.55 remains outstanding. This fee is not contingent on whether the client obtained the LCBO licence or not but is for services rendered.

Recommendations

It is recommended that as the Fire Inspector is familiar with the client, he should ask for a replacement cheque of \$176.55 for the inspection services rendered. If he is not successful, then the Finance department should forward this account to the Collection Agency.

Corrective Actions (Fire Chief Greg Senay Response)

It should be the Finance department which should collect a replacement cheque for the "bounced" cheque and not the fire department. However, we will attempt to recover a new cheque from the applicant. Failing this, we will forward this back to Finance to hand over the account to the Collection Agency.

Auditor's Response to Corrective Actions:

The recovery of a new cheque will replace the "bounced" cheque.

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Summary Receipt

Observations

1. A number of requests for fire inspection come from lawyers who submit cheques as payment.
2. Receipts are issued for these cheque payments received. The cheques are entered onto a "Weekly Cash Receipt Summary" by the fire department office clerk. The "Weekly Cash Receipt Summary" with the cheques and receipts (White and Yellow) are then sent to the Finance department secretary. The goldenrod copy of receipts are kept by the clerk. The Finance department secretary re-enters the cheque information onto another Summary Receipt (which is numbered and controlled in Finance), makes a photocopy and takes the two copies with the cheques to the central cashier for deposit. The central cashier stamps both copies of the Summary and retains one copy. The Finance secretary then makes 3 copies and retains her copy. She will then forward two copies to two Finance clerks and forwards one copy to the fire department. The receipts (white and yellow) are kept in an envelope by the Finance department secretary.

Implications

There is duplication of work in the re-entry of cheques.

Recommendations

1. It is recommended that a numerically controlled (by Finance) Summary Receipt should be used by the Fire department to enter details of cheques.
2. A photocopy of the completed Summary Receipt should be made and kept by the fire clerk until the stamped copy is received from the Finance secretary.
3. The numerically controlled Summary Receipt with the cheques and individual receipts(white and yellow copies) should then be sent to the Finance department secretary, who will then make a photocopy of the Summary Receipt and take the cheques with the two duplicate Summary Receipts to the Central Cashier for deposit. Once the Summary Receipts have been stamped paid by the central cashier, the Finance department secretary should then send a photocopy to the Fire department office clerk for her records.

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Corrective Actions (Fire Chief Greg Senay Response)

We agree to do the recommendations.

Auditor's Response to Corrective Actions:

This will reduce duplication of work by the Finance Clerk.

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Gas Receipts

Observations

1. Gas credit cards are used by a number of fire stations and certain management staff.
2. A review of gasoline receipts revealed that
 - 1) More than 50% are not signed by a supervisor.
 - 2) Some do not reveal the Fire Station number.
 - 3) Some do not state the kilometre reading of the truck being filled.
3. The gas receipts are checked to the gasoline company's statement for accuracy by the Fire department secretary for Petro-Canada only. For Shell and Esso, two Finance clerks are responsible for checking gas receipts to statements..

Implications

Consistent information on the gas receipts are not always given by the user.

Recommendations

All gas receipts should show:

- 1) Signature of the Fire Station supervisor
- 2) Fire Station number
- 3) The kilometre reading of the Fire Truck/vehicle being refuelled.

Corrective Actions (Fire Chief Greg Senay Response)

We will prepare standard operating procedures as recommended, to be used by all personnel.

Auditor's Response to Corrective Actions:

The standard operating procedures will provide guidelines for all stations to follow.

INTERNAL AUDIT REPORT
FIRE DEPARTMENT

Fire Operations- Diesel/Gas

Observations

On a review of diesel/gas expenses, it was observed that:

- 1) For Esso, there is no evidence on the statement that gas receipts are checked to it. This task is under the responsibility of CL in Finance.
- 2) For Shell, gas receipts on hand are checked to the statement. However, there are a number of missing receipts. In two tests, 15/36 (42%) receipts were missing in test 1 and in test 2, 22/33 (66%) receipts were missing. In both tests , the City was also charged late payment fees of 27.11% (\$53.43 and \$34.95). This task is under the responsibility of clerk MQ in Finance.
- 3) For Petro-Canada, the receipts are under the responsibility of the Fire clerk DR. These receipts are checked to the statement. All receipts were present in the test.
- 4) Gas receipts for Esso and Shell are received by the Fire Clerk from the various stations and are forwarded directly to the Finance department clerks.

Implications

Control over gas receipts can be improved.

Recommendations

It is recommended that:

1. All fuel receipts (Esso, Shell and Petro-Canada) should be under the responsibility of the Fire clerk who should then check the receipts to the statements which should be sent from Finance to the Fire department for approval. The Finance clerks do not have contact with the fire stations to follow up on missing receipts. Any missing receipts should be investigated by the Fire clerk.
2. Fire stations should be responsible to send all receipts to the Fire clerk daily.
3. Fuel receipts should be signed and approved by the station supervisor, the kilometre reading of the truck should be shown as well as the fire station number.
4. Late payment fees should be avoided as the interest rates are high at 27.11%.

INTERNAL AUDIT REPORT
FIRE DEPARTMENT

Corrective Actions (Fire Chief Greg Senay Response)

We agree to follow the recommendations.

Auditor's Response To Corrective Actions

This will provide better control over gas receipts.

INTERNAL AUDIT REPORT
FIRE DEPARTMENT

Store Credit Cards

Observations

1. The department uses a number of store credit cards e.g., Canadian Tire, Blacks, Home Depot, Rona, Staples.
2. The cards are controlled by the Fire Clerk. When a card is borrowed, the date is filled in and the card receiver signs out the card. When the card is returned, the card returner signs in the card. There is however no return date entered. Receipts are presented to the Fire clerk who forwards them to the Finance department. The receipts are not signed by the purchaser and a supervisor to show their approvals.

Implications

Store receipts do not have signed approvals.

Recommendations

1. It is recommended that the sheet for sign out and sign in for store credit cards, should include an additional column "Date In" when the card is returned.
2. Store receipts should be signed by the purchaser and the supervisor to authorize the purchase.

Corrective Actions

The recommendations will be followed.

Auditors Response to Corrective Actions

The corrective actions will provide better control over store credit card usage.

INTERNAL AUDIT REPORT
FIRE DEPARTMENT

Charging for fire service

Observations

1. When Fire and Rescue personnel respond to a motor vehicle accident the “at fault” driver is charged for the service call. The charges vary depending on the number of trucks at the scene, the amount of time at the scene, the quantity and type of material used
2. The Fire department has to obtain all the details, assess who is at fault, prepare the paperwork and send the paperwork to the Finance department to invoice the insurance company of the “at fault” driver.
3. It was observed that a large percentage of invoices to insurance companies of drivers considered “at fault”, are re-directed to other insurance companies or drivers because:-
 - The insurance company has concluded that their client was not at fault
 - The insurance company is no longer providing coverage to the driver
 - Incorrect information (insurance policy) is provided to the insurance company

The correspondence to insurance companies and the re-direction of the new invoice and the cancellation (credit memos) of the old invoice takes time and creates much administrative work.

Implications

An incorrect determination of the “at fault” driver, creates additional administrative work and loss of time in re-directing the new invoice and cancelling the old invoice.

Recommendations

It is recommended that a police record of the accident should be obtained stating amongst other things which driver is at default. The invoice should then be sent to the driver “at fault” as determined by the police report. The fire department can then focus on fire and rescue and not spend time obtaining information which is duplicating what the police are doing. The firemen can then be available to respond to other immediate emergencies should they arise.

INTERNAL AUDIT REPORT
FIRE DEPARTMENT

Corrective Actions (Fire Chief Greg Senay Response)

We will work with the York Regional Police to obtain the police record of accidents to which the fire department responded to. We will then issue the invoice to the driver "at fault".

Auditor's Response To Corrective Actions

The implementation of corrective actions should reduce administrative work in follow-up and re-directing invoices.

INTERNAL AUDIT REPORT
FIRE DEPARTMENT

Recoverable Expense

Observations

1. The Fire department recovered expenses under group coverage insurance from Great West Life Assurance company for an employee who was on Long-term disability. The City continued to pay the wages of the employee and claimed from the insurance company.

2. The recoverable amount of \$6269.80 was posted to General ledger account 1001793618 (Miscellaneous Revenue); and other amounts of \$3164.35, \$2373.70, \$2755.49 were posted to account 1001793574 (Recoverable Expense)

Implications

There is inconsistency in the posting to the general ledger accounts.

Recommendations

It is recommended that the \$6269.80 should be transferred to general ledger account 1001793574 (Recoverable Expense) from account 1001793618 (Miscellaneous Revenue). The amount is a recoverable expense of wages paid to the staff member and not miscellaneous revenue.

Corrective Actions (Fire Chief Greg Senay Response)

A journal entry will be done to rectify the incorrect posting.

Auditor's Response To Corrective Actions

This will correct the posting.

INTERNAL AUDIT REPORT
FIRE DEPARTMENT

Reimbursement for Educational Courses

Observations

1. On a review of Training and Development, one of the requirements on the "Application for Continuing Education" is a "Transcript of Successful Completion of Courses (attach copy)".
2. It was observed that a \$2195.79 reimbursement to 1 employee for numerous courses (3), was authorized even though this requirement was not met.

Implications

Without a transcript of successful completion of courses, re-imburement is possible on failed courses.

Recommendations

It is recommended that re-imburement of education courses should only be authorized once there is proof of successful completion of the course. This way the re-imburement will only be done once per course, on its successful completion and not on failed courses.

Corrective Actions (Fire Chief Greg Senay Response)

In future, a transcript of successful completion of courses will be asked before any re-imburement is approved.

Auditor's Response To Corrective Actions

The transcript request will follow the requirements on the "Application for Continuing Education"

INTERNAL AUDIT REPORT
FIRE DEPARTMENT

Credit Memos to reverse an Accounts Receivable

Observations

1. When an Accounts Receivable/Debtor does not respond to the City's request for payment, the account is handed over to the D and A Collection Agency for collection. When the agency is unable to collect after approximately one year, it usually closes the file. The City will then issue a Credit Memo to cancel the Accounts Receivable and take the "hit". This has been the practice of the Finance department.
2. This happened for one account with a large balance owing of \$7,585.66. The Fire Chief and deputy Fire Chief were well aware of this case but were not informed that this case was being closed. Copies of Credit Memos are sent to the Fire department on a monthly basis by the Finance department.

Implications

Senior fire management are not informed of the closing of debts outstanding.

Recommendations

1. For all credit memos over \$1000 which is to write off an amount owing to the department, the Fire department clerk who receives the credit memos, should inform the Fire Chief and Deputy Chiefs of this fact.
2. Some consideration should be given to referring larger amounts to internal legal counsel for collection action before writing off the balance.

Corrective Actions (Fire Chief Greg Senay Response)

The recommendation will be followed.

Auditor's Response To Corrective Actions

The fire chiefs will now be notified of any write-offs over \$1000 and take appropriate action as required.

INTERNAL AUDIT REPORT
FIRE DEPARTMENT

Vehicle Activity Report

Observations

The fire department is charged for fuel usage of its fire trucks on a monthly basis. The charge originates from the Fleet department. The fire department does not receive a "Vehicle Activity Report" on a monthly basis to check the details of the charge. It accepts these charges on the assumption that they are correct.

Implications

Monthly fuel charges from the Fleet department are not verified.

Recommendations

The fire department should request a copy of the "Vehicle Activity Report" monthly from the Fleet department and verify the details to the monthly charge. The report should then be signed and dated by the clerk verifying the information.

Corrective Actions (Fire Chief Greg Senay Response)

We will follow the recommendation.

Auditor's Response To Corrective Actions

The implementation of the recommendation will verify monthly fuel charges from the Fleet Department.

INTERNAL AUDIT REPORT
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Fire Communication

Observations

1. The fire and rescue department uses an in-house built computer software system that was programmed by a communication's employee. It is a good workable system but it has limitations and is not as advanced and sophisticated as a CAD (computer assisted device) system which costs from \$500,000 up, depending on the level of requirements.
2. On a survey of surrounding municipalities(November 2006), it was learnt that there are many municipalities which have the CAD system. A number of municipalities are smaller than Vaughan with less fire stations and less call volumes. See table below:

<u>FIRE DEPT</u>	<u>CAD</u>	<u>#FIRE STATIONS</u>	<u>CALL VOLUME 2005</u>
• Barrie	Yes	24*	8332
• Brampton	Yes	11	16031
• Burlington/Oakville	Yes	14	13000
• Caledon	Yes	9	2233
• Essex	Yes	13	1477
• Halton Hills	Yes	2	777
• Hamilton	Yes	24*	25278
• Kingston	Yes	30	6000
• Kitchener	Yes	20	17000
• London	Yes	13	7980
• Markham	Yes	7	8200
• Milton	Yes	3*	1300
• Mississauga	Yes	20	25689
• Niagara Falls	Yes	6	5160
• North Bay	Yes	3	1601
• Richmond Hill No(2007)		15*	12000
• Toronto	Yes	81	130000
• Vaughan	No	9	10500
• Windsor	Yes	8	10527

* includes Volunteer Depts in Jurisdiction

INTERNAL AUDIT REPORT
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Implications

With the CAD system, dispatch and communication would be more advanced with quicker response times, more accurate location tracking, computerized records management and other benefits.

Recommendations

It is recommended that serious consideration be given to acquire the CAD system which has been tested and proven by many municipalities over the years. The CAD system has many advantages over the in-house built system. The main advantages are as follows:

- 1) Eliminates paper records. All information stored in the computer.
- 2) Mapping Interface built in (map pinpoints exact location on street, shows hydrants, barricades, out-of-service hydrants, and other information)
- 3) AVL (Automotive Vehicle Location)
- 4) MDT's (Mobile Display Terminals)
- 5) GPS Tracking System
- 6) Records Management System (benefits other fire divisions)
- 7) Shows landmarks and points-of-interest (Fortinos, Wonderland, Pizza Pizza and exact address)
- 8) 400 and 407 series highway response guides and access/egress ramps
- 9) 911 CAD drop (company name, phone number, address automatically fills the fields on the computer screen from a 911 call)
- 10) Shows call history for all calls e.g., fire alarms at a specific address

Corrective Actions (Fire Chief Greg Senay Response)

We agree that a CAD system is needed. A report to Committee and Council will be provided prior to summer recess. Subject to approval, we will plan for this in the 2008 budget.

Auditor's Response To Corrective Actions

If the budget is approved for 2008, then the department will get the CAD system.

INTERNAL AUDIT REPORT
FIRE DEPARTMENT

Consulting Services

Observations

1. The department used a consultant for planning, research and management services. The project started in the last quarter of 2004. The project ended in mid-2005 with a final report. The total project cost was approximately \$101,500 (GST included). The original RFP #04-134 was for a fixed amount of \$71,462.63 (GST included). The additional cost (\$30,037.37) was attributable to additional meetings, additional document review, data collection and the final draft.
2. On a test review of the consultant's invoices and supporting documentation which was approved by the former fire chief, evidenced by his signature, it was observed that there were no timesheets submitted to support the labour hours of the consultants charged on the invoices. Labour charges constituted most (over 80%) of the billings.

Implications

There were inadequate documentation (especially for labour charges) provided to support the charges.

Recommendations

It is recommended that in future, the department should request more detailed supporting documentation from consultants before approving their invoices.

Corrective Actions (Fire Chief Greg Senay Response)

We agree with the recommendation and will request more detailed supporting information in future.

Auditor's Response To Corrective Actions

This will address the issues raised.

INTERNAL AUDIT REPORT
FIRE DEPARTMENT

407 ETR**Observation**

Fire trucks which use the 407 are exempt from 407 charges, if they are registered with the 407 ETR before they go on the highway. The department incurred approximately \$1,105 in 407ETR charges for 2006 and \$687 for 2005. Charges were incurred before July 11, 2006 when the new fire trucks used the 407 on a few occasions. Notices to the 407 ETR informing them of new fire truck additions, were sent after this date in August 2006.

Implications

New fire trucks used the 407 before the 407ETR were informed of the new additions and hence the City was charged for the usage.

Recommendations

1. A list of all fire truck vehicles should be sent to 407ETR for them to check their records that all the vehicles on the list are on their database and are exempt from 407 charges.
2. In future the fire department should inform the 407ETR of new truck additions the moment the vehicle registration plate numbers are received. The City will then not be charged if the trucks use the 407.

Corrective Actions (Fire Chief Greg Senay Response)

We agree with and will follow the recommendations.

Auditor's Response To Corrective Actions

407 ETR charges should no longer be an expense to the department.

INTERNAL AUDIT REPORT
FIRE DEPARTMENT

Conclusion

1. The fire chief and deputy fire chiefs have responded favourably to all findings and recommendations in the Internal Audit Report.
2. When all corrective actions/recommendations are implemented, internal controls will be improved, the quality of performance in carrying out assigned responsibilities will be enhanced, the department will operate more effectively and efficiently and the Internal Audit department will have added value to the organization and assisted members of the organization in the effective discharge of their responsibilities.