



MIAMIBEACH

BUDGET AND PERFORMANCE IMPROVEMENT
Internal Audit Division

INTERNAL AUDIT REPORT

TO: Jorge M. Gonzalez, City Manager
VIA: Kathie G. Brooks, Budget and Performance Improvement Director
FROM: James J. Sutter, Internal Auditor

DATE: January 15, 2009
AUDIT: Fire Off-Duty Fees Audit
PERIOD: October 1, 2006 – July 31, 2008

This report is the result of a regularly scheduled audit of the off-duty details coordinated and staffed in response to special events by the Fire Department's Special Events Coordinator, and the corresponding fees billed and collected by the City's Finance Department.

INTRODUCTION

Promoters desiring to stage special events within Miami Beach's boundaries are to apply in advance for a permit with the Tourism & Cultural Development Department. Among other steps, this process involves the completion and submittal of various forms (application, site plans, etc.) and the payment of associated fees. Meetings are regularly held with the Fire Department's Special Events Coordinator to determine if any pending events need to be staffed with off-duty personnel. If so, the Special Events Coordinator serves as the liaison with the off-duty business establishments and/or event managers, and is responsible for organizing and staffing the engagement, as well as preparing and submitting work schedules to the Finance Department for billing.

Sections of the Fire Department's Standard Operating Guideline (S.O.G.) detail the parameters of off-duty work from eligibility to selection to assignment to staffing to responsibilities to compensation to administrative fees. S.O.G. Section 7.1 lists the pay rates for off-duty employees which starts at \$30 per hour and increases based on the services performed and whether the work occurred on a City recognized holiday. Each off-duty detail has a four hour minimum regardless of the event's actual duration. Off-duty employees were paid directly by the vendor until the pay period ending 04/29/07 when it began to be processed through the City's payroll system. Either way, the vendor is to pay first in full before the employees are to receive their monies as shown by the International Association of Fire Fighters current union contract section 6.12 which states that "*The parties recognize and agree that the performance of these off-duty jobs or details do not constitute employment by the City of Miami Beach and that payment for these services will be made by, and is the responsibility of, the other employer.*"

The Special Events Coordinator enters all off-duty hours worked in TeleStaff, which is a staffing and overtime scheduling management and notification software purchased through the passage of Resolution No. 2005-26031. TeleStaff has certain safeguards built in to alert the enterer as to the existence of scheduling conflicts (i.e. off duty scheduled during working hours or during a sick day, etc.). From there, the Special Events Coordinator's entries are reviewed by Fire Department Administration. If not approved, then the Special Events Coordinator must answer any raised questions; provide documentation supporting the off-duty hours reported, etc. Once approved the data is uploaded to Eden, it is then paid to the employees through the City's payroll system.

The Special Events Coordinator notifies eligible Fire Department personnel of available off-duty

We are committed to providing excellent public service and safety to all who live, work, and play in our vibrant, tropical, historic community.

Internal Audit Report
 Fire Off-Duty Fees Audit
 January 15, 2009

details typically by e-mail. Interested responsive employees are then ranked with the most senior employee with the least number of hours worked and/or accrued to be awarded the engagement. Off-duty details of less than four hours in duration are not charged to the individual working the detail for assignment purposes and are therefore excluded from this analysis in the Special Events Coordinator's manually maintained Excel spreadsheets.

A majority of the fire off-duty work originates from events held at the Miami Beach Convention Center and The Fillmore. Much of the remaining work arises from details using pyrotechnics/fireworks or those that require medical care be present (running races, obstacle courses, etc.).

The City receives a \$6.50 per hour per person administrative surcharge fee for all off-duty details. Additional monies may be charged for the rental of specialized equipment (fire trucks, SUVs, Gators, etc.) ranging from \$5 to \$75 per hour, as well as a \$50 pyrotechnics/fireworks permit fee where applicable.

The following table lists the amount of revenues received and expenses paid for fire off-duty work performed during the audit period per the City's general ledger entries:

| | 10/01/06 – 09/30/07 * | 10/01/07 – 07/31/08 | Total |
|--------------------------------------|--------------------------|------------------------|-------------|
| Payments Received from Customers | \$57,462 | \$159,096 | \$216,558 |
| Administrative Fees Collected ** | N/A | \$14,197 | \$14,197 |
| Total Revenues Received | \$57,462 | \$173,293 | \$230,755 |
| Salaries and Wages Paid to Employees | (\$67,224) | (\$176,997) | (\$244,221) |
| Total Expenses Paid | (\$67,224) | (\$176,997) | (\$244,221) |
| Net Difference | (\$9,762) | (\$3,704) | (\$13,466) |

* Fire Department employees were paid directly by the vendor until April 2007 when it began being paid through the City's payroll. In addition, the administrative fees collected were lumped together with the payments received from customers as a separate general ledger account numbered 156-8000-342910 was not created until the 2007/08 fiscal year.

** The amounts listed include those revenues collected from the \$6.50 administrative surcharge per off-duty detail hour worked, the \$50 pyrotechnic/fireworks permit fee and various amounts collected for rental equipment (rescue trucks, SUVs, fire trucks, etc.).

The Special Events Coordinator prepares a staffing roster at the event's commencement seeking payment for all the off-duty hours worked by Fire Department personnel. The invoice is sent to the Finance Department for review and entry into their Excel spreadsheets and the City's Eden System. Finally, the invoice is mailed to the vendor in an effort to obtain payment. If payment is not received, the Financial Analyst II will pursue collection through phone calls and mailings. However, the firefighters are typically paid by the City during the next payroll period regardless of collection.

The Financial Analyst II secures and maintains credit card information, which is properly safeguarded, for many of the off-duty detail vendors as a means to expedite payment for services rendered to the City. Once the Special Events Coordinator's invoice is received showing the final amounts owed then payment is to be secured either through the held credit card or by whatever means the vendor designates.

OVERALL OPINION

Although having much less volume than the Police Department, the Fire Department's off-duty still needs to be adequately staffed by firefighters, accurately billed, sufficiently collected and properly paid to employees. Desired traits to help achieve these goals include the implementation and following of sound internal controls, especially segregation of duties and supervisory oversight.

Firefighters who worked off-duty details were paid directly by the vendors until April 2007 when the Internal Revenue Service required the City to pay the applicable employees through payroll. As a result, the Finance Department had to quickly devise an efficient and effective process with adequate internal controls built in to ensure that the Fire Department employees were paid correctly. This process continues to be amended as deficiencies are noted but overall it needs improvement.

Currently, the fire off-duty process is operating primarily on the efforts of two City employees with little supervisory oversight. The two main compensating controls are the belief that the vendor reviews the received invoices and only pays for services rendered and that the employee scrutinizes his paycheck to ensure that he was paid timely and correctly which may or may not be occurring.

Internal Audit reviewed all of April 2007, January 2008 and June 2008 fire off-duty transactions and found that 92.42% or 61/66 were processed correctly. However, the process needs to be improved.

A summary of our findings that are in need of corrective action are as follows:

- Missing and duplicated job numbers in the Financial Analyst II's billing/collection spreadsheet made it difficult to confirm that all off-duty staffed events had been billed and to reconcile a \$17,900.12 difference between wages paid and monies collected to date during the audit period.
- Off-duty firefighters typically did not comply with Standard Operating Guideline Section 6.1 by notifying Fire Dispatch upon arrival and departure from an assigned off-duty detail thereby preventing Internal Audit from confirming the hours actually worked.
- Two discrepancies (2/191 or 1.05%) were found in comparing employees' invoiced off-duty hours with those actually paid resulting in a net underpayment of \$30.
- Incorrect vendor billings and an SMG Event Manager's poor communication resulted in the City not being properly compensated by a net total of \$1,659.38 for four different events.
- Seven of the ten off-duty events tested found that the customers' monies were either paid after the event was held (an average of 57.6 days later) or were not collected as of 08/27/08 differing from the Fire Department's Standard Operating Guidelines.
- In our test environment, TeleStaff System internal controls did not flag or block off-duty payments to employees who were working concurrently on-duty, of ineligible rank, or those out on injury service connected, vacation and military leave. Additionally, the Special Events Coordinator was granted the ability to override blocked entries thereby circumventing designated TeleStaff System internal controls.
- Off-duty job assignments were not always distributed in accordance to the Fire Department's Standard Operating Guidelines.
- Supervisory oversight is not sufficient to prevent employees from being paid differently than the amounts billed and/or collected from the special event vendor.
- The Fireworks/Pyro Application Form required higher than need insurance coverage per the City's Risk Manager but its terms were not enforced.

Internal Audit Report
Fire Off-Duty Fees Audit
January 15, 2009

- Currently, the same data must be entered several times as the computer systems used are not linked thereby increasing the possibility of input errors as well as being inefficient.
- The continuous changing of the Special Events Coordinator every year or two could negatively affect the continuity and production of the off-duty work.

PURPOSE

The purpose of this audit was to determine the effectiveness of, and extent of compliance with, the Fire Department's Standard Operating Guidelines, particularly as it relates to off-duty administrative fees; to verify the accuracy of invoices issued to establishments utilizing fire off-duty services; and to confirm that amounts billed were received in the correct amount and recorded to the proper accounts on the City's financial records.

SCOPE

1. Confirm that updated and complete Standard Operating Guidelines exist that are widely known and closely followed.
2. Confirm that the firefighters and the City receive the correct amount of revenues for the off-duty services provided.
3. Confirm that tested off-duty monies are received in full by the Finance Department before work begins and the firefighters are paid.
4. Confirm that firefighters are not being paid for hours worked both on-duty and off-duty concurrently.
5. Confirm that tested firefighters off-duty engagements are timely paid through the City's payroll system.
6. Confirm that proper documentation and internal controls are present.
7. Confirm that all tested entries into the City's Financial System were correct.

FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

1. Finding – *Missing Job Numbers and Revenues*
The Fire Department's Special Events Coordinator and a Finance Department employed Financial Analyst II developed a process to assign sequential job numbers for each detail staffed during the past fiscal year. Although the Financial Analyst II does sort his billing/collection information by this job number, he does not presently review the corresponding listing to determine if any are missing.

These job numbers can be reviewed to ensure that the Financial Analyst II received all invoices from the Special Events Coordinator upon which to bill the vendor. Internal Audit's testing found that at least thirty-six different job numbers did not appear on the Financial Analyst II's billing/collection spreadsheets and seven job numbers were duplicated. These facts are most likely a contributing factor to the \$17,900.12 difference between the wages paid to fire off-duty personnel and the monies collected for this fiscal year through 08/04/08. This \$17,900.12 difference is also shown in the introduction section's table for the 2007/08 fiscal year by \$14,197 administrative fees collected plus the \$3,704 net difference (allow for rounding).

Internal Audit notified the Financial Analyst II of his listing's shortcomings. As a result, he is presently investigating the differences to ensure that all details worked and paid to off-duty personnel were actually billed and collected.

Recommendation(s)

The Special Events Coordinator should continue to assign a sequential job number each time an off-duty detail is worked and the corresponding invoice is prepared. Similarly, the Financial Analyst II should continue to log the appropriate information into his master spreadsheet and bill the customer. He should periodically review this list sorted by job number to help ensure that all job numbers are accounted for and all invoices are billed and collected with any differences investigated immediately. Finally, timing difference between the wages paid and the monies collected will occur in the present format but they should be minimal and identifiable during periodic reconciliations by the Financial Analyst II's supervisor.

Management's Response

Beginning immediately the Financial Analyst II will have "read only" access to the Special Events Coordinator's Excel files that contain the listing of all sequential job numbers. Any jobs that have been cancelled after a job number has been issued will be labeled "Canceled" next to the job number and not deleted from the spreadsheet. By having "read only" access to the Special Events Coordinator's files, the Financial Analyst II can cut and paste any of the information from those files and include them in his master file of all jobs numbers and avoid having data input errors. Also, every pay period the Financial Analyst II will reconcile those jobs that were paid to assure that those firefighters are getting paid the correct amount. If there are any discrepancies, it will be investigated immediately preferably before the payroll is run.

2. Finding – *Off-Duty Time Worked is not Documented as to Starting and Ending Times*
Section 6.1 of the Fire Department's Standard Operating Guidelines or S.O.G. states that "*Detail personnel shall notify Fire Dispatch upon arrival and departure from an assigned off-duty detail.*" Inquiries found that Fire Department employees typically do not notify Fire Dispatch, sign in, clock in, etc. indicating their arrival and departure times. Instead, the presumed compensating control is that the event promoters would not pay the invoice unless they confirmed that all the billed employees actually worked. Therefore, Internal Audit was unable to test to determine the accuracy of the hours listed on the sampled January and June 2008 invoices.

Recommendation(s)

Fire Department employees working off-duty details should notify Fire Dispatch of their arrival and departure in compliance with the S.O.G. Otherwise, the possibility exists that future disagreements could occur with the customer over the number of hours actually worked by firefighters. If a different approach is preferred (sign in, notify the Event Manager, etc.) to document arrival and departure times, then the S.O.G. should be amended to reflect this.

Management's Response

SOG 406.01, *Off Duty Employment Policy*, states that all personnel must contact Fire Dispatch upon arrival and departure from the detail. The Fire Department will emphasize this requirement by e-mail to all personnel. In addition, a procedure will be set up to require

Internal Audit Report
Fire Off-Duty Fees Audit
January 15, 2009

each person to go into any City computer (*preferably a fire station since personnel will have access at any time*) and log on to a specific location and register arrival and departure from the detail. This practice would require Information Technology's involvement and union agreement. A printout from dispatch can be required (*may be available to the Fire Marshal or designee directly through New World application*) of the weekly off-duty detail calls to dispatch and take disciplinary action against any individuals who did not call in as per procedures.

3. Finding – Off-Duty Time Discrepancies

Ninety-six Fire Department employees worked 191 off-duty details for 48 events in January and June 2008 thereby receiving a total of \$42,198.50 in compensation. The other tested month of April 2007 was excluded because it was subsequently found that those Fire Department employees working off-duty during this time were paid directly by the vendor. The City transitioned shortly thereafter to having all fire off-duty paid through payroll.

A comparison of the corresponding fire off-duty invoices provided by the Fire Department's Special Events Coordinator with the actual payments to employees through the City's payroll found the following two inaccuracies (2/191 or 1.05%):

- Employee identification number 16565 apparently worked 5 hours on 01/26/08 but was paid for 8 hours resulting in a \$90 overpayment.
- Employee identification number 18360 apparently worked 4 hours on 01/17/08 but was not paid resulting in a \$120 underpayment.

The Special Events Coordinator researched the matter but could not determine if the two firefighters were paid correctly or if a pay adjustment is needed. Since the amounts billed the event promoters for these two events were paid in full, the billed hours should represent those actually worked. Therefore, it was concluded that a payroll adjustment should be performed.

Recommendation(s)

The Special Events Coordinator should make the necessary corrections so that the aforementioned two employees' amount of pay agrees with the hours billed. Off-duty employees should be required to better document their arrival and departure times in the future to help prevent any similar differences from occurring.

Management's Response

The above pay discrepancies have already been corrected. Please see the management response to Finding No. 2 to improve documentation.

4. Finding – Incorrect Billing

The Special Events Coordinator prepares the invoice based on the off-duty hours worked and entered into the TeleStaff System. Then the invoice is sent to the Finance Department's Financial Analyst II for review and entry into his manually maintained Excel spreadsheets before being mailed to the customer in an effort to obtain payment.

Internal Audit's review of the sixty-six invoices' hourly rates paid to employees found that Sparktacular was inadvertently over billed by \$120 for off-duty work performed at the U.S. Mayors Conference Fireworks Display held on 06/23/08 (1.52%). This occurred due to

Internal Audit Report
Fire Off-Duty Fees Audit
January 15, 2009

employee identification number 16845 being incorrectly billed out at the holiday pay rate or double time when they should not have been (\$60 per hour rather than \$30 per hour). Nevertheless, this tested Fire Department employee was properly paid at the correct \$30 hourly rate in the TeleStaff System.

In addition, mathematical mistakes were found in two of the sampled sixty-six invoices or 3.03%. As a result, Spectacor Management Group (SMG) was under billed by \$219 for the Miami Beach Shoe Market held from 06/29/08 to 07/01/08 and \$803 for the America's Security/Fire Expo event held from 07/27/08 to 07/31/08. These under billings resulted from the Special Events Coordinator's Excel spreadsheet formulas' ranges not including all the listed employees. The Special Events Coordinator was notified of the errors and agreed to take better precautions in the future to prevent similar errors from reoccurring.

Finally, the \$757.38 costs incurred by the South Florida Boat Show for having fire off-duty personnel present on 06/10/08 were borne by SMG and ultimately by the City. Inquiries revealed that the Event Manager erred by not alerting the Special Events Coordinator as to staffing needs for this date so these costs were not passed on to the vendor.

Recommendation(s)

Sparktacular should be notified of the billing errors so that future invoices could be adjusted accordingly. The Fire Marshall or her designee should review all off-duty invoices prior to mailing to confirm the hourly rates, mathematical accuracy, etc. Once approved, the invoices should be mailed to the vendor for payment with a copy forwarded to the Finance Department. Also, there should be better communication between the Convention Center's Event Manager and the Special Events Coordinator so that all fire off-duty costs incurred are paid by the vendor. The City should deduct the \$757.38 from the incentive fee currently owed to SMG.

Management's Response

Finance Department:

The Financial Analyst II reconciles any differences to collect/refund any unpaid/overpaid amounts. Every pay period the Financial Analyst II will communicate with the Fire Off-Duty Special Events Coordinator to reconcile any difference between the amounts collected and the wages paid.

Fire Department:

The billing errors to Sparktacular, Inc. will be corrected. It would be very difficult for the Fire Marshal to review every invoice before it is sent to the customers. However, a Question/Answer procedure will be created to select invoices at random on a monthly basis to check for accuracy.

5. Finding – *Late Vendor Payments*

S.O.G. Section 7.2 of the Off-Duty Employment Policy states "*Off-Duty Employers are required to pay for off-duty fire-rescue services, in advance, at the City of Miami Beach Cashier's Office. Off-Duty fire personnel will not be paid directly by the off-duty employer. All off-duty wages will be paid to the employee through the City's payroll system.*" Internal Audit's testing of ten selected April 2007, January 2008 and June 2008 events (15.15% tested) found that three were paid in advance, five were paid late ranging from 16 to 121 days after the event started for an average of 57.6 days and two were not paid as of

08/27/08 (one was held on 01/28/08 and the other on 06/08/08).

The Financial Analyst II also provided the Accounts Receivable Customer Open Items Report dated 08/26/08 showing an adjusted total of \$4,265.88 in outstanding unpaid fire off-duty fees (the report's total of \$7,996.13 was reduced for any amounts owed by Spectacor Management Group (\$2,244.75) which the City will reimburse and for any amounts owed by Live Nation (\$1,234.75) and TVM Productions (\$250.75) which have deposits on file with the City).

Despite these late payments and outstanding balances, testing showed that off-duty fire employees were compensated timely in either that pay period worked or the next. Furthermore, the Financial Analyst II estimates that he spends approximately 15% of his time in collection efforts for both police and fire off-duty delinquent payments. Despite these outlays of City time, it was learned that that the City is not charging late fees to help recover any of these associated costs.

Recommendation(s)

The City should more closely follow Section 7.2 and collect off-duty monies in advance. Although it may create additional work if the actual hours worked differ from those initially paid for (refunds or supplemental invoices may have to be issued), the City's risk exposure is lessened as a majority of the monies owed have been received up front prior to the event's start. If there is a need for not collecting fees in advance these should be clearly documented in the policy along with an approval process for exceptions. If management decides that receiving the vendor's credit card information in advance and then processing the amount owed against it at the event's conclusion is preferred, then it should be done timely as soon as the Special Events Coordinator's invoice is received to help protect against expired credit cards, those that exceed their spending limit, etc, if appropriate, the City should consider charging late fees to help offset any costs incurred.

Management's Response

It is the policy of the City to collect all monies for Police and Fire Off-Duty services from the customers before the services are performed. Approximately 95% of all Fire Off-Duty requests come from two customers: Global Spectrum (SMG prior to 10/1/08) and Live Nation. Live Nation has a \$5,000 deposit with the City to cover any jobs until we receive payment. Global Spectrum has agreed to pay the City within the same pay period in which the date of the service was completed. In this case the firefighter will not get paid until the City receives the funds. For all other Fire Off-Duty jobs, payment is required before the service is performed. The City is now sending to these customers, along with the invoice, a credit card authorization form to be sent (faxed) to the Financial Analyst II for faster payment.

If for any reason, the amount collected from the customer is greater than actual time worked, the difference will be applied to the customer's next job or a refund will be issued. If the amount collected is less than the actual time work, a supplemental invoice will be issued and payment is required immediately. No jobs should be scheduled to those customers if they owe the City any monies due to differences in invoice amounts and actual hours worked.

6. Finding – *TeleStaff System*

The Fire Department uses the TeleStaff System primarily for scheduling and paying its employees. Internal Audit met with the Special Events Coordinator on 09/08/08 to review its off-duty component and within a test environment verify whether certain controls are present to prevent scheduling errors. The following shortcomings were identified:

- a. In our test environment, off-duty details were able to be assigned to employees concurrently on duty, of ineligible rank, or those out on injury service connected, vacation and military leave.
- b. Assigned off-duty hours automatically default to 24 hours unless the Special Events Coordinator enters the starting and ending times thereby increasing the possibility of overpayment.
- c. The Special Events Coordinator was granted the ability to override any TeleStaff System flags or warnings by checking the "no roster impact" box, thereby circumventing designated TeleStaff System internal controls. For example, in our test environment he was able to assign an off-duty detail to a Clerk Typist out on Family Medical Leave that was initially blocked.

Recommendation(s)

No incidents of paying off duty pay to personnel on duty, out on injury leave, or pay for a 24 hour period were noted in our testing. However, improvements in input controls in the TeleStaff system should be explored. Fire Department management and TeleStaff System personnel should meet to discuss the implementation of stronger internal controls to prevent the entry of inadvertent, incorrect or unauthorized off-duty details. One recommended practice is to have a designated employee in the Fire Chief's Office be able to override the TeleStaff System rather than the Special Events Coordinator.

Management's Response

In the past, the payroll coordinator or administrative assistant entered the data in the Telestaff System. However, the duty was changed to the Special Events Coordinator in order to facilitate payment to the employee and avoid confusion. The Fire Department will explore with Telestaff the possibility of improving security controls to avoid assigning details to nonqualified personnel. The Fire Department will adjust the Special Events Coordinator's rights to override blocked entries but will allow him/her to continue to override warnings for vacation.

7. Finding – Job Assignment

The Fire Department's S.O.G. provides detailed terms as to how off-duty engagements are to be staffed. In summary, off-duty work is to be offered to the most senior Fire Department employee with the least amount of hours worked. All shifts in excess of four hours are included in the analysis of "hours worked" for this purpose, while any four hours or less are excluded from analysis.

Internal Audit found this area difficult to audit as the Special Events Coordinator's primary focus is in staffing the off-duty detail and not necessarily abiding by the S.O.G.. For example, testing found that employees sign up for shifts and then trade them; more popular events/shifts are occasionally given to those who help fill less desirable events' shifts; shifts of 4.5, 5.0 and 5.5 hours were noted to have been recorded as 4.0 hours; some employees will work practically any shift and are called upon short notice; etc.

In addition, the current practice of excluding 4.0 hour or less shifts from off-duty assignment analysis further complicates the process and requires additional Excel entries as the associated hours are entered, tracked in a separate Excel spreadsheet and then removed from each participating Fire Department employee.

A review was subsequently performed on five different off-duty engagements to determine if they were assigned correctly. It was found that four were assigned to employees that were not the most senior Fire Department employee with the least amount of hours worked. No documentation was presented by the Special Events Coordinator stating the applicable reasons for this variance.

For some of the hours worked and rates charged by a previous Special Events Coordinator in April 2007 invoices, it was found that he worked Julieta Venegas, Merrill Lynch Black Rock Investment Manager and two different dates for the Hello Florida Bonfire event. His hourly rates billed ranged from \$41 to \$30 to no charge and also twice only his administrative surcharge fees were waived as they were paid for the other participating employees. The reviewed files did not indicate the reasons for the different billing rates or the waiving of administrative surcharge fees which is not the norm.

Recommendation(s)

The Special Events Coordinator should more strictly follow the S.O.G.'s terms to avoid any perception that favoritism in assigning engagements was shown. Any staffing exceptions and any off-duty hours worked by the Special Events Coordinator should be documented and approved by his/her supervisor or designee. The removal of the 4.0 hour exclusion should also be considered to help simplify the record keeping process.

Management's Response

The 4-hour exclusion cannot be eliminated because it helps the Special Events Coordinator find personnel to work the small off-duty details. Sometimes the person assigned to the detail does not actually work the job for various reasons. He/she finds a replacement or exchanges a detail job. Documentation needs to be improved to state the reasons for the staffing change. The personnel assigned to the detail must send an email to the Special Events Coordinator documenting the reason for the change and name of person working the detail. The Special Events Coordinator will then send that e-mail to his/her Supervisor stating the circumstances for deviating from the normal procedures. Another discrepancy noted recently was the assignment to an individual who did not even respond to the request. The Special Events Coordinator must not award an off-duty detail to someone who did not respond to the request when there were qualified, interested personnel available. Any deviation from this policy must first be approved by the Supervisor.

8. Finding – *Supervisory Oversight*

Inquiries revealed that no one compares the amounts paid to fire off-duty employees to ensure that it equals the amounts billed and collected by the Finance Department. Therefore, the possibility exists that the invoice could show less or more hours worked by an employee than they were actually paid.

Additionally, the Special Events Coordinator's direct supervisor's primary oversight function is the receipt and review of reports showing the following information for each listed off-duty event held that month:

- the total number of details worked
- the total number of hours worked by off-duty personnel
- the total amount of administrative surcharge fees due the City

Although useful and important information, it is not comprehensive enough to indicate the

overpayment of monies by the Special Events Coordinator.

Recommendation(s)

The Special Events Coordinator's supervisor, the Fire Marshal, should more closely supervise the Special Events Coordinator's work through the requesting of more detailed reports, access to applicable files and e-mails, sample invoice reviews and payroll analyses, etc. A designated Finance Department employee should also periodically compare off-duty billings with the amounts paid to firefighters with any differences investigated immediately.

Management's Response

It is true that the Fire Marshal should be more involved in supervision but it has been very difficult to do so due to workload demand at the Fire Marshal level. The Special Events Coordinator is designed to be an independent, self-disciplined, self-directed position. However, the Fire Prevention Division will undergo a re-organization this month where more supervision will be provided. The Lieutenant will now supervise the Fire Fighter II Special Events Coordinator. This change will permit more involvement and oversight of the Special Events Coordinator's activities to address this Finding as well as Finding No. 7. In addition, the Lieutenant will be available to cover for the Special Events Coordinator in his/her absence and will have a direct review of the activities during that time.

9. Finding – Insurance Coverage

The Fire Department's Fireworks/Pyro Application Form is required to be completed for all events, public or private, featuring a fireworks display or pyrotechnics, The additional requirements that must be submitted include a detailed site plan, a materials list, a \$50 pyrotechnics permit fee and sufficient insurance coverage.

Closer review found that the form's stated requirements of \$3,000,000 commercial general liability and \$1,000,000 automobile insurance were not met in any tested events. Subsequent inquiries with the City's Risk Manager found that that he was unaware of this requirement and did not see the need for this amount of coverage. Instead, he believes that the acceptable commercial general liability limit should be \$1,000,000 which all the reviewed events satisfied and that he had previously approved.

Recommendation(s)

The Fireworks/Pyro Application Form's insurance should be amended to require a \$1,000,000 commercial general liability limit. Any subsequent insurance coverage changes should be approved in writing by the City's Risk Manager before being implemented.

Management's Response

The general liability coverage in the Fireworks application will be changed to \$1,000,000.

10. Finding – Data Input

Presently, the Special Events Coordinator enters all off-duty details worked at least three different times in TeleStaff and Excel. This practice is time consuming and makes the possibility of input errors much more likely. Similarly, the Financial Analyst II maintains his own records in Eden and Excel, independent of the Special Events Coordinator, with some of the same information entered.

Recommendation(s)

The Fire and Finance Departments should coordinate with the Information Technology Department to determine whether it is economically feasible and operationally possible to have TeleStaff process the desired off-duty information and produce the needed reports.

Management's Response

Finance Department:

We are in the process of dealing with representatives from TeleStaff to verify the possibility of entering in TeleStaff all jobs worked and holding payment to the Firefighter (or Police Officer) until payment is received from the customer. In addition, we are looking into the possibility of generating a report, with IT's assistance, that will alleviate the manual entry into TeleStaff, then into Eden and Excel of all off-duty detail work. In the meantime, we are giving the Financial Analyst II read only access to the Special Events Coordinators files so that he may copy those files into his own spreadsheet to avoid the possibility of data entry errors.

Fire Department:

The Fire Department will be going live with New World records management system in a couple of months and its capability to handle special events as recommended will be explored. Also, we will meet with Information Technology to explore a better application to serve both the Special Events Coordinator and the Financial Analyst II.

11. Finding – Reclassify Special Events Coordinator Position

The Fire Department assigns a sworn Fire Fighter II to the Special Events Coordinator typically every one to two years and the position is usually not desired. The frequent turnover by employees with different skill sets who don't necessarily want the position could lead to inferior work. Further complicating matters is the lack of close supervision identified previously in finding number 8. Fortunately, review of the sampled work during the audit period did not reveal any material inaccuracies or deficiencies but the employee selection process and their qualifications should be closely reviewed going forward.

Recommendation(s)

While having a Fire Fighter II hold this position is beneficial, much of the work is clerical and can be performed by a civilian employee. We feel that consideration be given to this option with sufficient oversight by sworn personnel. This person should have sufficient clerical and computer skills to be proficient.

Management's Response

The turnover of this position and the lack of experience and desire for this position does impact negatively to the productivity and quality of service. However, converting this position to a civilian position will require agreement from the International Association of Fire Fighters union. The addition of a part-time employee to aid the Special Events Coordinator in handling the clerical aspects of the job will be requested. During the 2007 calendar year, the Special Events Coordinator received overtime pay for over 200 hours, which mostly included tasks (data entry, phone calls, etc.) that can be done by the aforementioned part-time employee. This cost along with an increase in administrative fees will pay for the part-time position. Please note that during the fiscal year 2007-08, \$55,800 in administrative fees and permit fees were charged.

Internal Audit Report
Fire Off-Duty Fees Audit
January 15, 2009

EXIT CONFERENCE

An exit conference was held on December 9, 2008 in OBPI's conference room. Participants included Fire Division Chief Javier Otero, Fire Marshall Sonia Flores Machen, Special Events Coordinator Renato Sejas, Assistant Finance Director Georgina Echert, Expenditure/Treasury Manager Juan Rodriguez, Financial Analyst II Nathan Neal, Internal Auditor James Sutter and Senior Auditor Mark Coolidge. Management responses from the Fire and Finance Departments were received via e-mail and were included in the report. All parties were in agreement as to the contents of this report.

JJS:MC:mc

(Audit performed by Mark Coolidge, Senior Auditor)

F:\obpi\SAUD\INTERNAL AUDIT FILES\DOC07-08\REPORTS - FINAL\FIRE OFF-DUTY FEES.doc

cc: Eric Yuhr, Fire Chief
Sonia Flores Machen, Fire Marshall
Patricia Walker, Chief Financial Officer