



COMMISSIONERS COURT
COMMUNICATION

REFERENCE NUMBER CO#131444

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DATE: 10/29/2019

SUBJECT: **RECEIVE AND FILE THE AUDITOR'S REPORT FOR THE REVIEW OF FINANCIAL CONTROLS OVER THE FIRE MARSHAL'S OFFICE**

COMMISSIONERS COURT ACTION REQUESTED:

It is requested that the Commissioners Court receive and file the Auditor's Report for the Review of Financial Controls over the Fire Marshal's Office.

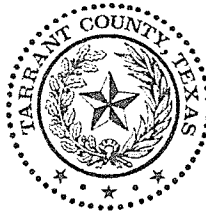
BACKGROUND:

In accordance with Local Government Code, the Auditor's Office reviewed financial and system controls established by the Tarrant County Fire Marshal's Office during the period August 1, 2018 through May 31, 2019. The objective of the review was to determine whether controls were adequate to reasonably ensure that fees assessed and collected and subsequent expenditures complied with Tarrant County Fire Code adopted by Commissioners Court.

FISCAL IMPACT:

There is no direct fiscal impact associated with this item.

SUBMITTED BY:	Auditor's Office	PREPARED BY: APPROVED BY:	S. Renee Tidwell
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October 3, 2019

Mr. Randy Renois, Tarrant County Fire Marshal
The Honorable District Judges
The Honorable Commissioners Court
Tarrant County, Texas

Re: Auditor's Report – Review of Financial Controls over the Fire Marshal's Office

SUMMARY

In accordance with Local Government Code, we reviewed financial and system controls established by the Tarrant County Fire Marshal's Office during the period August 1, 2018 through May 31, 2019. The objective of the review was to determine whether controls were adequate to reasonably ensure that fees assessed and collected and subsequent expenditures complied with Tarrant County Fire Code adopted by Commissioners Court. Currently, the Fire Marshal's Office manually creates and prints permits and records the fees collected in an Excel spreadsheet. Due to this manual process, our review was limited in scope and we offer no assurance that all funds collected were accurately recorded and deposited with the Auditor's Office.

Based on our testing, expenditures were properly approved and complied with relevant statutes and County policy. However, we observed that documented policies and procedures were not formalized for administration of the Tarrant County Fire Code and the Permit Fee Schedule. We communicated less significant matters to staff during our review. Attached is management's written response.

Until last year, Tarrant County did not have a fire code. On June 5, 2018, the Commissioners Court approved and adopted a Tarrant County Fire Code and the Tarrant County Fire Code Permit Fee Schedule. Both were effective on August 1, 2018. During the period August 1, 2018 through May 31, 2019, fees totaling approximately \$105,000 were recorded in the special purpose fund and approximately \$2,200 was disbursed.

Although the Fire Marshal uses a cloud-based software called *Emergency Reporting*, the Fire Marshal stated that they do not fully utilize the functionality of the software. The observations described in this report may be resolved if the software is fully utilized and reconciliation procedures are implemented. The Fire Marshal stated that he will consult with the vendor and request additional training regarding the financial functionality of the software.

OBSERVATION AND RECOMMENDATIONS

Documented policies and procedures were not formalized for administration of the Tarrant County Fire Code and the Permit Fee Schedule.

Background

Documented policies and procedures are an essential part of any organization to provide a guide for day-to-day operations. They ensure compliance with laws and regulations, give guidance for decision-making, and streamline internal processes. Well-written policies and procedures allow employees to clearly understand their roles and responsibilities within redefined limits.

Lack of segregation of duties occurs when a few employees are required to perform incompatible tasks. No one individual should control all aspects of a transaction. In situations where it is impossible to separate duties due to the small number of employees, additional controls should be implemented. At the time of our review, the Tarrant County Fire Marshal was staffed with two deputies and an office manager.

Observation

Documented policies and procedures were not formalized for administration of the Tarrant County Fire Code and the Permit Fee Schedule. As a result, fees were not always assessed consistently and procedures were not standardized. Furthermore, errors and fraud may not be detected. Specifically, we observed the following:

1. Construction Permit fees are based on the estimated planned square footage of structure. One employee calculated the total fee by rounding down to the nearest 1,000, another employee rounded down to the nearest 100, and another employee did not round.
2. Site Plan fees were routinely waived with no supporting documentation.
3. Application forms did not always include the composition of fees collected. For example, \$500 was collected and the form indicated "Existing Structure Finish-Out/Renovation", but the fee was also for a site plan fee and a hazardous material storage fee.
4. Since permit numbers are manually assigned, a Certificate of Compliance was issued, but the permit number was left blank. Also, the same number was issued in April and May 2019 for two different types of permits for the same applicant.
5. The types of services listed on the Request for Inspection form did not align with the services described on the fee schedule. For example, the fee for Annual Inspections depends on the square footage of the structure - the larger the structure, the higher the inspection fee. Instead of itemizing structures by size, the form shows "Commercial." The form refers the applicant to a separate fee schedule for the correct amount to pay. The Fire Marshal's Office did not require any verifiable documentation supporting the size of the structure. Although the applicant signed the form, they didn't indicate the size of the structure on the form.

Furthermore, segregation of duties was not adequate between incompatible tasks. All four employees, including the Fire Marshal, issue permits and certificates of compliance, collect and record fees, use the same manual receipt book, and have access to the safe. One of the four employees typically prepares the deposit. Although some activities are recorded into the *Emergency Reporting* software application and various other manual spreadsheets and logs, there is no reconciliation of the activities and fees collected. All staff have access to the safe.

Recommendations

Prior to issuance of this report, the Tarrant County Fire Marshal provided a draft policy and procedures for the administration and enforcement of the Tarrant County Fire Code and the Permit Fee Schedule. We recommend that the Fire Marshal finalize formalize the policy and procedures and distribute to the staff. The Fire Marshal stated that he will consult with the *Emergency Reporting* software vendor and request additional training regarding the additional functionality of the software. Ideally, this functionality will assist with segregating incompatible duties and include the ability to:



1. Assign sequential permit numbers and certificate numbers so that permit numbers are not assigned in duplicate;
2. Enter the Fee Schedule into the software and automatically calculates and issue an invoice for all applicants.
3. Generate a monthly report that lists the pertinent information such as applicant name, project name, and address, invoiced amount, and receipt amount for independent review.

Ideally, incompatible duties such as the issuance of permits and certificates, the collection and recording of fees, and the preparation of the deposits should be performed by different individuals. If segregation of duties is not possible due to the small staff, a *daily* reconciliation of activities and an independent review should be performed to ensure that fees are accurately assessed, recorded, and deposited. Furthermore, access to the safe should be limited to two individuals. The functionality of the software may have the ability to segregate incompatible duties. Until these system controls are implemented, we recommend that the Fire Marshal ensure that incompatible duties are segregated or an independent review each application and the corresponding receipt to ensure accuracy and compliance with the Tarrant County Fire Code and the Permit Fee Schedule.

CLOSING REMARKS

We appreciate the cooperation of the Tarrant County Fire Marshal and his staff during our review. Please call me if you have any questions regarding the contents of this report.

Sincerely,



S. Rénée Tidwell, CPA
County Auditor

Attachment: Management's response

Audit Team: Kim Trussell, Audit Manager

Maki Ogata Brown, Senior Internal Auditor



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October 10, 2019

S. Renee Tidwell
Tarrant County Auditor

Kim Trussell, Audit Manager
Maki Ogata Brown, Senior Internal Auditor

Re: Auditors' Report – Review of Financial Controls over the Fire Marshal's Office

Dear Ms. Tidwell,

I received your report of the review of the financial and system controls of our newly adopted Fire Code Program. I would like to thank you for the thoroughness and professionalism of your audit team, Maki Brown and Kim Trussell.

As you are aware this is our first year of a new program and grateful for the opportunity they have given us to improve the administration and enforcement of our new Fire Code.

I agree with all of the observations and recommendations and wanted to inform you that our office has already put into place a set of formal Policies and Procedures to address the observations and recommendations presented to us in the audit report.

Also we have already scheduled department training to further utilize our Emergency Reporting software to address the recommendations for utilization and reconciliation procedures in administrating the fire code.

Once again I would like to say thank you to you and your audit team for their recommendations and help and I look forward to working with your office in the future.



Randy Renois
Fire Marshal