



CITY OF ATLANTA

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AUDIT COMMITTEE
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Amanda Beck, PhD
Donald T. Penovi, CPA
Dargan Burns, III

TO: Honorable Mayor and Members of the City Council

FROM: Danielle Hampton, Audit Committee Chair *Danielle Hampton*

Amanda Noble, City Auditor *Amanda Noble*

DATE: October 6, 2022

SUBJECT: 22.13 Atlanta Fire Rescue Department Financial Transaction Review

Reason for the Audit:

The Fire Chief requested an audit of the department's financial transactions between February 2018 through February 2021 to assess compliance with city policies.

Audit Objectives:

We sought to address the following question:

- Are Fire's Business Affairs' financial controls sufficient to ensure compliance with city policies?

Summary of Findings:

The department does not reconcile revenue and does not segregate incompatible duties associated with invoicing, payment collection, and recordkeeping, which increases the risk of undetected fraud and theft. Our reconciliation of payments recorded as received in January 2022 to payments submitted to the Office of Revenue identified \$6,397 unaccounted for and other errors. The department is recording special event revenues to a trust fund expense account rather than a revenue account. Staff told us that the department does not have written policies and procedures. Fire should develop written procedures and improve controls for payment collection. Written procedures, along with effective enforcement, could improve the consistency and enforcement of stated practices, such as authorizing

purchases on internal request purchase forms and processing collected payments at least weekly.

Staff also said employees do not fill in for other employees when one takes leave. In their absence, business continuity and effective operations may be affected. Having written policies and procedures establishes internal controls and mitigates the risk that knowledge is limited to a few personnel.

We recommend that the Fire Chief develop written policies and procedures for handling financial transactions. The policies and procedures should include the following:

- an organizational chart to clarify roles and responsibilities
- all processes and procedures practiced in the department and units
- primary objectives with a summary of greatest risks for each objective
- safeguards to prevent and detect risks
- authority level for signatures and approvals
- segregation of duties
- oversight and monitoring procedures
- detailed flowcharts of processes

We also recommend that the Fire Chief:

- direct customers to pay for fire inspections, special events, and plan reviews through the Office of Revenue's cashiers to separate invoicing and collection
- separate the permitting and invoicing functions for special events in the interim so that no single individual may issue a permit and create an invoice
- work with the system administrator to correct the Accela *Fire Fees Paid by Date* report

Background

Business Affairs is a centralized business unit within the Atlanta Fire Rescue Department (see [Exhibit 1](#)). The unit was called Fiscal and Administrative Affairs, but the name was changed to Business Affairs in the City of Atlanta Proposed Budget for Fiscal Year 2023. The unit manages accounts payable, accounts receivable, and procurement-related financial transactions. The unit handles general fund financial transactions and enterprise fund transactions for fire stations located at the airport. The program management officer manages a team of nine members: six who process general fund transactions, and three who process enterprise fund transactions at the airport.

The Business Affairs unit collects fees for the issuance of fire reports, fire plan reviews, and fire inspection permits for the Office of Technical Services. It also collects payments on behalf of the Office of Support Services, for special events held in the city that require the presence of Fire emergency medical personnel (see [Exhibit 2](#)). To process inspection revenue, an inspector calculates the fees for the inspection in Accela, and the accounting technician creates and mails out invoices, collects payments, and records payments in Accela (the city's permitting, licensing, code enforcement, and service request management software). After Business Affairs, or the Offices of Support Services or Technical Services receive payments for inspections (including those for liquor licenses and other licenses),

special events, or plan reviews, the senior accounting technician submits the payments with Daily Report forms to the Office of Revenue.

The senior accounting technician also processes invoices for payment, coordinates all travel and registration expenses, and prepares disbursement forms for direct payments (see [Exhibit 3](#)). Both the program management officer and the chief sign off on disbursement forms for direct payments and employee reimbursements. For purchasing, fire stations make requests by sending IPR (internal purchase request) forms to Business Affairs through email, which the financial analyst accesses and reviews to ensure that funds are available in the specified account. If the request is in order, the financial analyst routes the form to the program management officer through DocuSign for approval. After the program management officer approves the internal purchase request form, DocuSign alerts the management analyst, who then creates a requisition for the purchase in Oracle.

The enterprise fund team has a business manager and two management analysts. One management analyst processes revenue collected for annual fire inspections, special events, and hot works (welding). Another management analyst creates requisitions and processes employee reimbursements and direct payments, similar to general fund processes, but internal purchase request forms require up to six levels of approval at the airport; the approvals include Department of Aviation staff to ensure the appropriate use of airport funds.

Invoicing and Payment Collection Are Not Reconciled and Incompatible Duties Are Not Segregated

We recommend that Business Affairs transfer payment collection duties to the Office of Revenue to segregate incompatible duties associated with invoicing and receiving payments and that the department work with system administrators to correct the *Accela Fire Fees Paid by Date* report to facilitate revenue reconciliation.

The department's lack of revenue reconciliation could lead to undetected fraud and loss. Business Affairs employees told us that they do not reconcile revenues received with invoices. Staff sums transactions and fills out the Daily Report form without reviewing Accela or other transactions to ensure that all payments are included and accurately recorded. Lack of reconciliation provides opportunities for fraud and allows errors to be undetected. The department recorded \$35,149 in Accela for payments received in January 2022 and submitted \$39,253 to the Department of Finance Office of Revenue on Daily Report forms for fire inspections. Of the 53 checks submitted to Revenue in January 2022 for fire inspections:

- 3 (totaling \$1,456) were received and recorded in Accela prior to January 2022
- 3 (totaling \$2,814) did not match any inspection records in Accela
- 1 (\$477) was not recorded as paid in Accela

We found no payments corresponding to three invoices recorded in Accela as paid in January 2022, amounting to \$1,097.

The department recorded receipt of 35 checks in January 2022 for fire inspections related to liquor licenses and other Police permit applications totaling \$9,550. Business Affairs submitted 21 checks to the Office of Revenue for these inspections, totaling \$5,040.

- 18 checks totaling \$5,300 were logged as received in January 2022 but not submitted to Revenue
- 4 checks submitted to Revenue totaling \$790 were not included in the log of payments received

Further, the Accela report to show paid invoices is inaccurate. Staff provided us a report—*Fire Fees Paid by Date*—to identify invoices paid in January 2022. The report erroneously showed over \$95,000 in payments collected because it pulls aggregated invoice and payment totals by Record ID instead of pulling the invoice and payment for each invoice (see [Exhibit 4](#)). We also identified errors in the liquor license payment database; the full amount of a check was entered multiple times when one check covered multiple inspections. These errors would make it difficult for Business Affairs to reconcile payments.

We recommend that the Fire Chief work with the system administrator to correct the Accela report to accurately reflect invoiced amounts and amounts paid.

One staff person invoices customers and receives and records payments for permits for inspections, and one staff person performs these same duties for special events. Dividing responsibilities is an important control to ensure that no one person controls all key aspects of a transaction. One Fire employee, the special events manager, performs all duties related to Fire special event permits through the Office of Support Services. Fire must approve and charge event organizers for special events that include cooking, tents, or EMS (Emergency Medical Services) presence during events.

As shown in [Exhibit 5](#), the customer submits the application for a special event to the Mayor's Office, and the Mayor's Office forwards the application to the Fire special events manager. The special events manager sends a notice of approval or rejection to the customer. If approved, the special events manager sends an invoice for the amount due; if rejected, the special events manager sends the customer the reason that the application was rejected. The customer sends the payment and invoice to the special events manager, who stamps the invoice and records the check or money order number on it. The special events manager then records the information about the payment in a local database and sends the payment to Business Affairs for processing.

Similarly, the accounting technician in Business Affairs sends customers invoices for inspections, receives payments from customers, and marks invoices as paid in Accela. The accounting technician then hands the checks and money orders to the senior accounting technician, who records the total on a Daily Report form and submits the form and payments to the Office of Revenue. Having another employee reconcile payments with the Accela *Fire Fees Paid by Date* report would make this process less risky, but the inaccuracy of the report makes reconciliation difficult.

For the enterprise fund, Fire staff working at the airport follows similar processes for invoicing, collecting payments, and indicating that customers have paid annual fire inspection and special events invoices, but one staff member collects payments for annual inspections, special events, and hot works (welding). This staff member also deposits payments into the bank before submitting a copy of the checks and deposit slip to Aviation Finance with the

Permit and Inspection Monthly Data Sheet, which includes the business name, date received, permit/fee type, invoice/permit number, check/money order date, payment type, and check/money order amount.

We recommended in 2017 that the Atlanta Fire Rescue Department separate the permitting and invoicing functions so that no single individual may issue a permit and adjust an invoice, but the department had not started implementing this recommendation as of 2022. Failure to segregate incompatible duties could result in undetected fraud or loss.

Fire needs controls to safeguard collected revenue. Business Affairs fills out and submits a Daily Report form (see [Exhibit 6](#)) and checks and money orders that it receives as payment for inspections, special events, and plan reviews to the Office of Revenue.

We requested the Daily Report forms (see [Exhibit 7](#)) for January 2022 to determine whether we could reconcile the invoices, payments, and Daily Report form, and Fire provided nine forms, eight of which were dated January 31, 2022, and one that was dated January 26, 2022. Business Affairs received some payments as early as July 12, 2021, so the department did not follow its stated practice of submitting Daily Report forms and payments to the Office of Revenue weekly.

Fire employees told us that they store checks and money orders in a safe and submit them with the Daily Report forms to the Office of Revenue weekly. Securing undeposited payments and depositing cash timely are important controls for mitigating the risk of undetected fraud and theft. Although Fire secures received payments until they are deposited, it does not make timely deposits of checks and money orders. Written policies and procedures could help ensure timely deposits.

We recommend that the Fire Chief direct customers to pay for fire inspections, special events, and plan reviews through the Office of Revenue. Specifically, Fire should develop procedures for creating receivables in Oracle and customers making payments to the Office of Revenue cashiers with their invoice. We further recommend that the Fire Chief separate the permitting and invoicing functions in the interim so that no single individual may issue a permit and create an invoice.

Fire recorded special events revenues into a trust fund expense account rather than a revenue account. The department collects special event fees for cooking, tents, and EMS monitors; however, it has been paying for special event related expenses for EMS monitors from the general fund instead of using the revenue it collects for this purpose. Fire staff told us that the funds have been accumulating in this account since 2016, and the balance of the account as of March 2022 is over \$230,000.

Having separate expense and revenue accounts and reconciling these accounts is an important accounting control. Fire employees told us that they plan to meet with Finance to correct the accounting error. We made a recommendation in the *Citywide Cash Handling* report to correct this accounting error.

Purchases Appeared to Comply with City Policy Over Period Reviewed

Business Affairs could improve adherence to its stated practice for the authorization of internal purchase request forms but appeared to comply with Accounts Payable policy for direct payments and employee reimbursements and with Procurement requisition approval procedures for purchases between \$20,000 and \$100,000.

The department did not consistently use internal purchase request forms for purchases. Fire uses an internal purchase request form to track requests and authorizations for most purchases (see [Exhibit 8](#)), excluding annual purchase orders for goods, such as uniforms. According to staff, the program management officer should sign off on all internal purchase requests. All Fire staff, including those working at the airport, use internal purchase request forms, although the business manager approves these requests rather than the program management officer.

Fire provided us with 21 of 26 randomly sampled internal purchase requests. Of the 21 internal purchase requests that we received, 10 were signed by the program management officer. Fire should ensure that forms are signed, consistent with its stated practices.

The unit told us they use the form to track purchases including ensuring funds are available and quotes have been obtained (see [Exhibit 9](#)). Developing written policies could reinforce the control of securing proper authorization before making purchases, preventing undetected loss of supplies and equipment.

We also reviewed a random sample of transactions conducted between February 2018 and February 2021 to assess compliance with city policy, including:

- 11 of 227 employee reimbursements (\$1,719 of \$40,584)
- 5 of 93 direct payments (\$7,416 of \$547,406)
- 6 of 143 purchases between \$20,000 and \$100,000 (\$263,322 of \$6,434,291).

We found no instances of noncompliance with Accounts Payable or Procurement policies. The department reimbursed employees for allowable expenses and made direct payments, consistent with Accounts Payable policy. In our sample, the employee reimbursements were for background checks, fingerprinting, travel, and training; and the direct payments were for utility bills from Comcast of Georgia and Cherry Street Energy LLC. According to Accounts Payable Policy, utility bills are allowable expense. Also, the department had the required approvals for the relevant purchases between \$20,000 and \$100,000 that we sampled, as required by Procurement procedures. Requisitions for the purchase of goods and services between \$20,000 and \$100,000 require two levels of approval, the business manager and program management officer.

Scope and Methodology:

We conducted this audit in accordance with generally accepted government standards. The scope of our audit was February 2018 through February 2021. Our audit methods included:

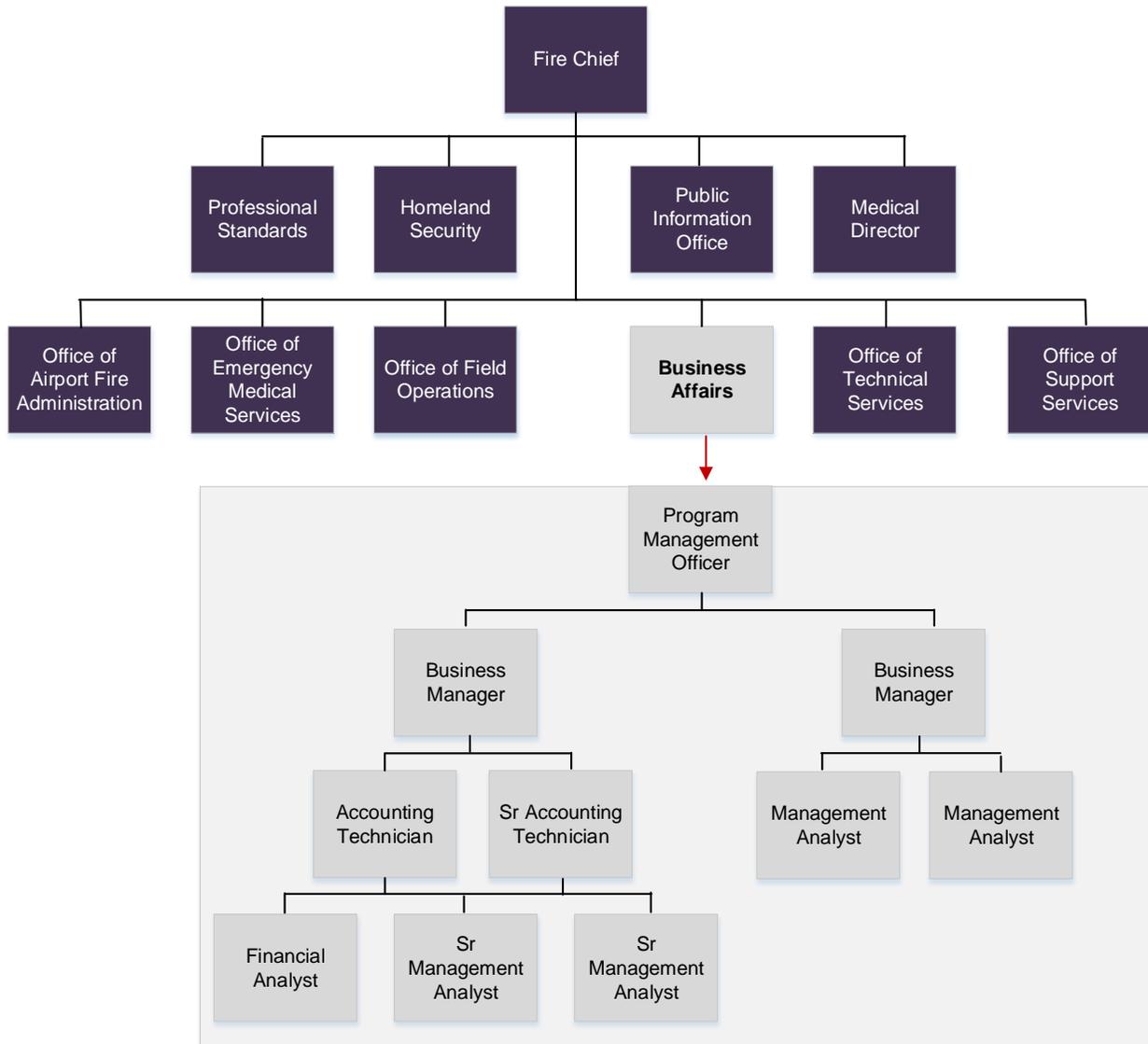
- interviewing Fire staff to understand financial transaction processes

- analyzing Daily Report forms and supporting documentation, Oracle account analysis reports, and Accela invoices and receipts for January 2022
- analyzing Accela's *Fire Fees by Date* report to determine whether we could reconcile invoice amounts in the report to payments and Accela receipts
- analyzing Oracle's Paid Invoices with PO report and internal purchase request forms for transactions that occurred between February 2018 and February 2021
- selecting a random sample of 56 purchase order transactions, 11 employee reimbursements, 5 direct payments, and 6 purchases between \$20,000 and \$100,000 from a total population 6,657 invoices recorded to Oracle's Paid Invoices with PO report for February 2018 through February 2021
- reviewing Accounts Payable and Procurement policies

Generally accepted government auditing standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The Audit Committee has reviewed this report and is releasing it in accordance with Article 2, Chapter 6 of the City Charter. We sent an initial draft report to management on September 16, 2022, and received their response on September 28, 2022. We appreciate the courtesy and cooperation of city staff throughout the audit. The team for this project was Rebecca Robinson and Erwin Coleman.

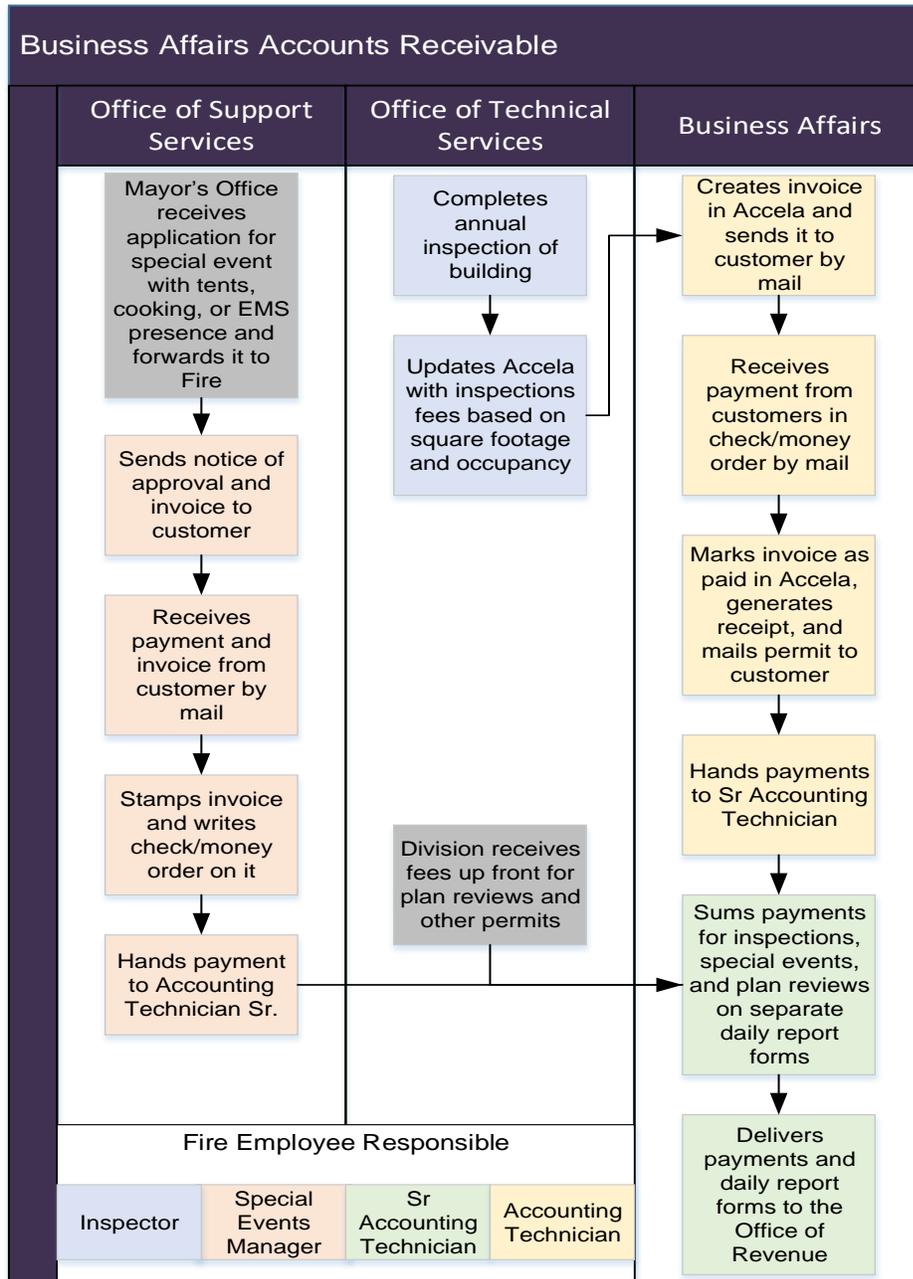
Exhibit 1: Business Affairs Is a Centralized Unit Under the Fire Chief



Source: Developed by auditors based on the FY22 City of Atlanta Adopted Budget (p. 349)

[Click here to go back to background](#)

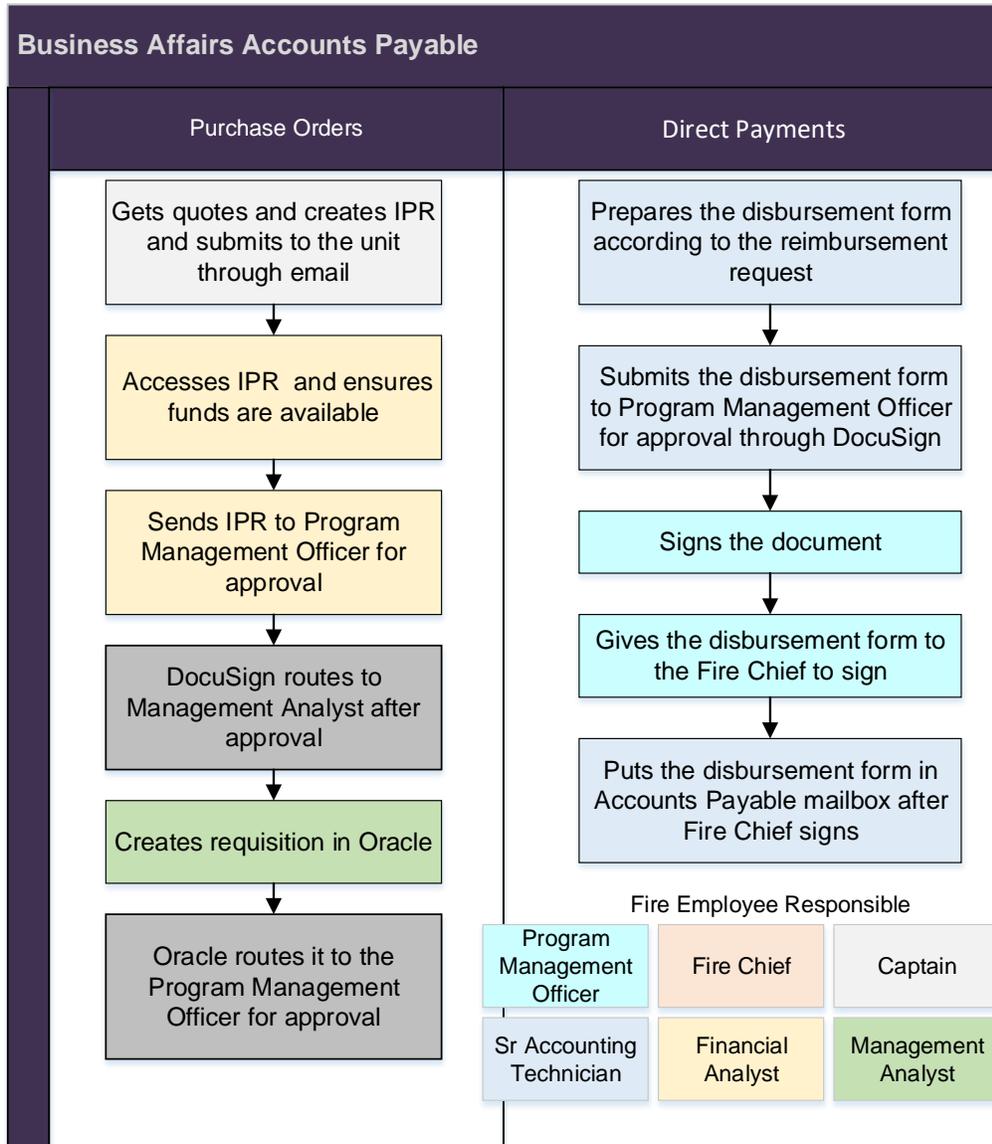
Exhibit 2: Business Affairs Processes Revenue Collected by the Offices of Technical Services and Support Services



Source: Developed by auditors based on interviews with Fire staff

[Click here to go back to finding](#)

Exhibit 3: Business Affairs Processes Purchase Orders, Employee Reimbursements, and Direct Payments



Source: Developed by auditors based on interviews with Fire staff

[Click here to go back to finding](#)

Exhibit 4: Invoices in the Accela Report Are Different from Accela Records

Accela report	RECORD MODULE	DATE PAYMENT	RECORD ID	INVOICE ID	TOTAL INVOICED	TOTAL PAID
	Fire	1/4/2022	FIREINSP-201701325	1025688	\$2,059.00	\$2,059.00
	Fire	1/4/2022	FIREINSP-201701325	1106794	\$2,059.00	\$2,059.00
	Fire	1/4/2022	FIREINSP-201701325	1179326	\$2,059.00	\$2,059.00

Invoice amounts	Invoices		
	Invoice #	Amount	Paid in Full
	1025688	\$733.00	Y
	1106794	\$783.00	Y
1179326	\$543.00	Y	

Transactions										
Transaction Code	Transactions	Method	Receipt #	Not Applied	Amount	Status	Received	Trust Account ID	Cashier ID	Date
<input type="checkbox"/>	Payment	Check	789612	\$0.00	\$2,059.00	Paid			VMINCY	01/04/2022

The "Total Invoiced" amounts associated with the Invoice IDs in the Accela report is higher than the invoice number amounts in the Accela records entered by Fire staff, resulting in an inflated total Invoiced in the Accela report.

Source: Auditor's screenshots of the Accela *Fire Fees Paid by Date* report and Accela records

[Click here to go back to finding](#)

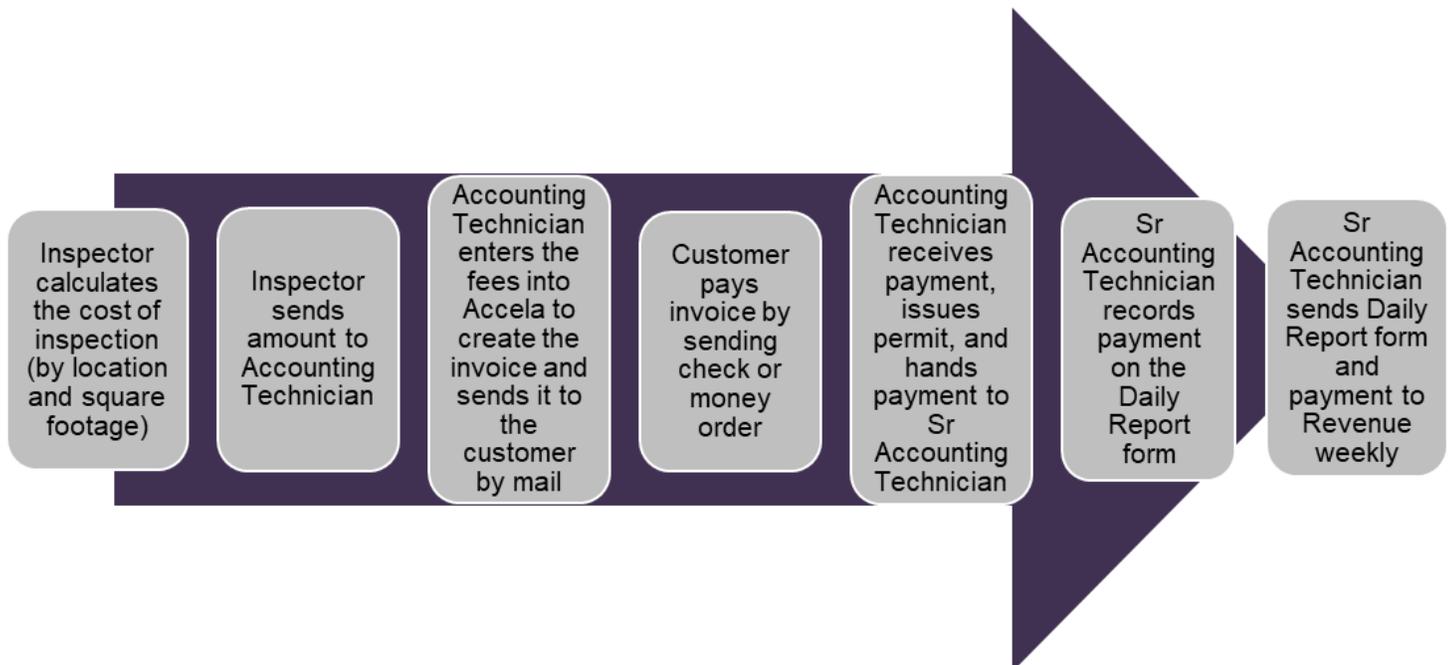
Exhibit 5: One Staff Member Invoices and Collects and Records Payments for Special Events



Source: Developed by auditors based on interviews with Fire staff

[Click here to go back to finding](#)

Exhibit 6: Fire Sums Collected Payments on Daily Report Forms



Source: Developed by auditors based on interviews with Fire staff

[Click here to go back to finding](#)

Exhibit 8: Fire Uses an Internal Purchase Request for Internal Tracking

Request No: **DEPARTMENT OF MSO/FIRE INTERNAL PURCHASING REQUEST**

Accounting Division Use Only

<input type="checkbox"/> Standard P.O.	Standard PO #:	EMERGENCY AUTH. #:
<input type="checkbox"/> BPA Release	BPA #:	RELEASE #:
<input type="checkbox"/> Contract PO	PROC #:	REQ #:
<input type="checkbox"/> Change to Purchase	CONT #:	QUOTE #:
<input type="checkbox"/> Rush P.O.	DATE ISSUED:	
<input type="checkbox"/> Emergency Auth#	ISSUED BY:	Bid #
	Receipt #:	CPA #:

Date of request: 9/9/2020 Date Needed ASAP

Requesting Division: Tech Service

Division Contact: Captain ANDERSON Tele. Number (404) 546-1917

F.A.C. 1001 Acct. 5317003 Center 230205

Available Funds

Location of Use: ANNEX / ALL ENGINES

Suggested Vendor: Municipal Emergency Services Vendor #

Vendor Contact: Jeremy Adams Tele. No. 678-713-1370

Remit To Address: 6701 -C Northpark Blvd. City/State Charlotte NC 28216

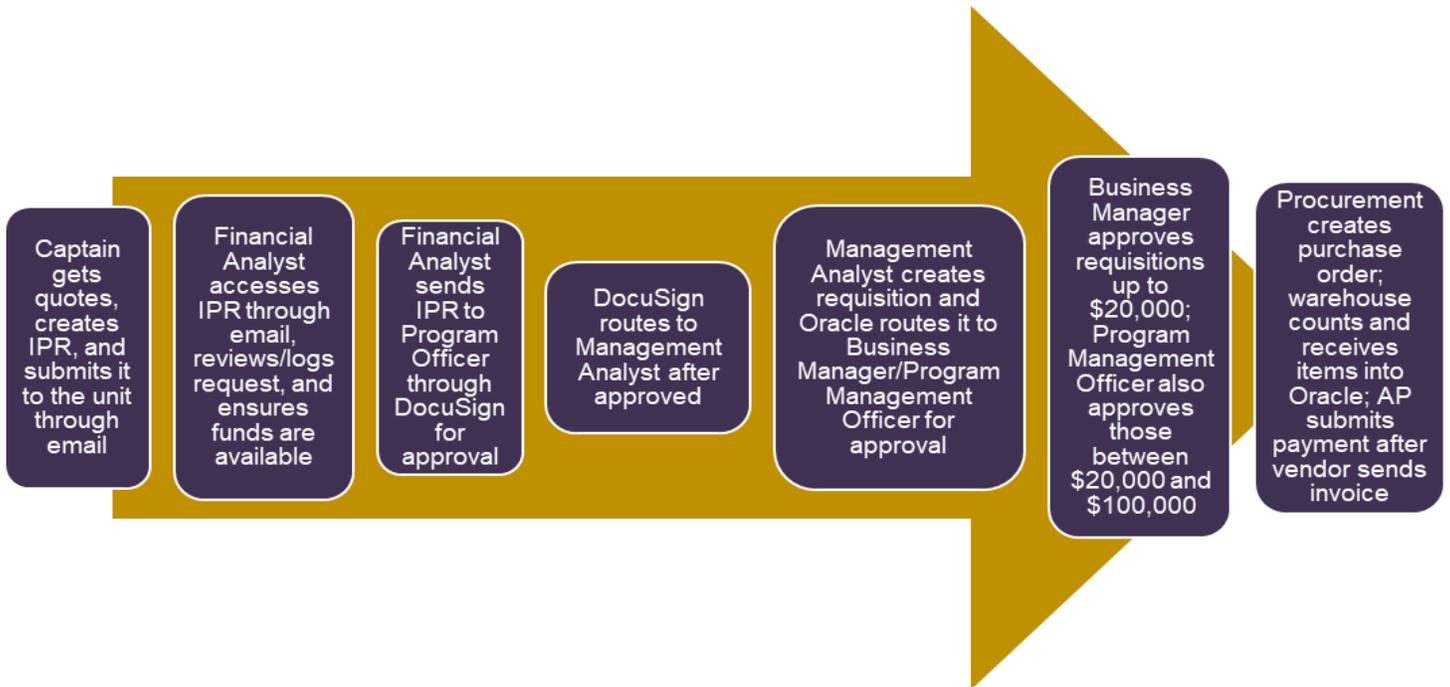
Line No.	Item/Description	Nigp Code	Qty	Page	Discount	Unit Price	Total Cost	Received By
1	3" Fire Hose						\$0.00	
2	DP30y-50-ARN		80			\$173.15	\$13,852.00	
3	1 3/4" Fire Hose						\$0.00	
4	DP18CCY-50		80			\$206.03	\$16,482.40	
5							\$0.00	
6							\$0.00	
7							\$0.00	
8							\$0.00	
9							\$0.00	
10							\$0.00	
11							\$0.00	
12							\$0.00	
13							\$0.00	
14							\$0.00	
15							\$0.00	
16							\$0.00	

Request Approved By: <u>M/ ANDERSON</u>	Sub-total	\$30,334.40
Section Head	Freight	
Date: 9/9/2020	Handling	
Request Approved By:	Total	\$30,334.40
	Sub-total	

Source: Auditor's screenshot of Fire's internal purchase request form

[Click here to go back to finding](#)

Exhibit 9: Program Management Officer Approves Internal Purchase Requests



Source: Developed by auditors based on interviews with Fire staff

[Click here to go back to finding](#)



ANDRE DICKENS
MAYOR

CITY OF ATLANTA
FIRE RESCUE DEPARTMENT
226 PEACHTREE STREET SW
ATLANTA, GA 30303-3749
PHONE: 404-546-7000
ICHIEFS ID - ATLFDHQ

RODERICK M. SMITH
FIRE CHIEF

September 23, 2022

Amanda Noble, City Auditor
City Auditor's Office
68 Mitchell Street
Atlanta, Georgia 30303-0312

Re: Acknowledgement of Receipt of Audit Report 22.13 AFRD Financial Transaction Review

Dear Ms. Noble,

Please accept this response as acknowledgement of receipt of the official investigative audit report composed by the City Auditor's Office, to assess the Atlanta Fire Rescue Department's (AFRD) financial transactions and its compliance to city policies. We agree with the findings and will work to address these matters in a fiduciary manner. Also find below the intended corrective actions by AFRD to address the findings of this report.

- Development of written procedural policies and procedural guidelines for the handling of all financial transactions within AFRD. This manual will address all deficiencies as noted by the audit report.
- AFRD will immediately begin to separate the permitting and invoicing functions for special events to eliminate the cross-function and access for all members of AFRD scheduling and handling these events.
- The AFRD Fiscal Team will work to separate the invoicing and collections process by redirecting all pay transactions associated for work provided to the COA Office of Revenue. This includes Fire Inspections, Special Events, and Plans Review, etc.
- AFRD will work with AIM to resolve all "Accela Fire Fees Paid by Date Reports" concerns.

Please contact me if there are any additional questions or concerns.

Respectfully,

Roderick M. Smith
Fire Chief
Atlanta Fire Rescue Department

Report # 22.13	Report Title: Fire Financial Transaction Review	Date: October 2022
<p>Recommendation 1:</p> <p>We recommend that the Fire Chief develop written policies and procedures for handling financial transactions. The policies and procedures should include the following:</p> <ul style="list-style-type: none"> •an organizational chart to clarify roles and responsibilities •all processes and procedures practiced in the department and units •primary objectives with a summary of greatest risk for each objective •safeguards to prevent and detect risks •authority level for signatures and approvals •segregation of duties •oversight and monitoring procedures •detailed flowcharts of processes 	<p>Risk Category:</p> <p>Safeguard Assets</p>	<p>Response:</p> <p>Agree</p>
<p>Related Findings:</p> <ul style="list-style-type: none"> • The Business Affairs unit has no written policies and procedures. 		
<p>Proposed Action:</p> <p>Business Affairs will form a committee to address and write policies and procedures for the section. Meetings should take place weekly until completed.</p>		<p>Current Status:</p> <p>Started</p>
<p>Business Owner: Stacia Waters & Shi Pickett Hardin</p>		<p>Estimated Implementation Date:</p> <p>03/2023</p>
<p>Additional Comments: I will request additional time if needed</p>		

<p>Recommendation 2:</p> <p>We recommend that the Fire Chief direct customers to pay for fire inspections, special events, and plan reviews through the Office of Revenue’s cashiers to separate invoicing and collection.</p>	<p>Risk Category:</p> <p>Safeguard Assets</p>	<p>Response:</p> <p>Agree</p>
<p>Related Findings:</p> <ul style="list-style-type: none"> • The department does not reconcile revenue. 		

Proposed Action: The Project Management Officer will work with revenue on this recommendation.	Current Status: Not Started
Business Owner: Shi Pickett Hardin	Estimated Implementation Date: 7/2023
Additional Comments:	

Recommendation 3: We recommend that the Fire Chief separate the permitting and invoicing functions for special events in the interim (until customers begin paying through the Office of Revenue's cashiers) so that no single individual may issue a permit and create an invoice.	Risk Category: Safeguard Assets	Response: Agree
Related Findings: <ul style="list-style-type: none"> The department does not segregate incompatible duties associated with invoicing, payment collection, and recordkeeping. 		
Proposed Action: AFRD will request temporary help in this area to prevent any fraudulent activity.	Current Status: Not Started	
Business Owner: Shi Pickett Hardin	Estimated Implementation Date: 7/2023	
Additional Comments:		

Recommendation 4: We recommend that the Fire Chief work with the system administrator to correct the Accela Fire Fees Paid by Date report.	Risk Category: Revenue Collection & Cost Recovery	Response: Agree
Related Findings: <ul style="list-style-type: none"> The department does not reconcile revenue. 		
Proposed Action: AFRD will work with the system administrator to correct the Accela issue.	Current Status: Not Started	
Business Owner: Keilah Hailey & Shi Pickett Hardin	Estimated Implementation Date: 01/2023	

Additional Comments: