



CITY OF RENO
AUDIT REPORT

FIRE INSPECTION FEES AUDIT
JULY 2024

Table of Contents

| | |
|---|----|
| Background..... | 3 |
| Fire Prevention | 3 |
| Fire Inspection Program | 4 |
| Fire Plan Review Program..... | 4 |
| Fire Prevention Public Education | 5 |
| City of Reno Fire Prevention Bureau..... | 6 |
| Acknowledgement..... | 6 |
| Audit Objectives..... | 6 |
| Audit Results | 7 |
| Program Objectives Achievement | 7 |
| City of Reno Fire Inspection Program | 7 |
| Inspection Policy and Metrics | 8 |
| Permit Issuance..... | 9 |
| Fee Collections..... | 10 |
| Administrative Duties..... | 10 |
| Non-Profit Fire Inspection Fee Assessment..... | 10 |
| Non-Profit Workflow | 11 |
| Governmental Agencies Inspection Fee Assessment | 11 |
| Late Fees are Not Assessed..... | 12 |
| Credit Card Processing | 13 |
| Software..... | 14 |
| Invoice Processing | 14 |
| Duplication of Efforts..... | 14 |
| Expenditures | 15 |
| Invoice Authorization | 16 |
| Authorized Signature Verification | 16 |
| Records Retention | 16 |
| External Reporting..... | 17 |
| Additional Areas of Concern | 18 |
| Audit Objective, Scope, and Standards..... | 19 |
| 24-02 Fire Inspection Fees Audit – Management Responses | 20 |

Background

Fire Prevention

The Presidential Commission on Fire Prevention and Control in 1973 defined Fire Prevention services offered by municipalities as serving a dual purpose of preventing loss due to fire and investigating the causes of fire. Prevention services for the City of Reno include reviewing plans for compliance with current building codes related to fire prevention and safety, inspection of new and existing buildings for compliance and safety issues, enforcement of compliance with code provisions relating to fire and educating the public about preventing, mitigating and investigating loss due to fire. For the purposes of this audit, this report will focus on the compliance, inspection, enforcement and education components of Fire Prevention.

Fire prevention services dealing with review, compliance, inspection and enforcement are part of the City's code enforcement system. A code enforcement system is the process a city, county, or jurisdictional authority uses to manage or enforce compliance with legally adopted codes and ordinances. The code enforcement system for the City has components in multiple departments necessitating coordination and communication to ensure that the City meets its strategic goals.

The City has adopted the International Fire Code® (IFC)® into the Reno Municipal Code, "The International Fire Code® (IFC)® is a model code that regulates the minimum fire safety requirement for new and existing buildings, facilities, storage and processes. The IFC addresses fire prevention, fire protection, life safety and safe storage and use of hazardous materials in new and existing buildings, facilities and processes." Included in the adopted IFC are standards and minimum requirements for, "maintaining the life safety of building occupants, the protection of emergency responders, and to limit the damage to a building and its contents as the result of a fire, explosion or unauthorized hazardous material discharge."

The National Fire Protection Association (NFPA) is among several organizations that provide additional guidance and metrics for fire prevention.



Fire Inspection Program

Fire prevention inspections are systematic evaluations of buildings, facilities, or areas to identify and mitigate potential fire hazards and ensure compliance with fire safety regulations and codes. The purpose of fire prevention inspections is multifaceted and encompasses several key objectives aimed at reducing the risk of fires and promoting safety. Fire prevention inspections play a crucial role in safeguarding communities, reducing the incidence of fires, and promoting a culture of fire safety and preparedness.

After completing the inspections, the owner or responsible party is typically provided recommendations for addressing any identified deficiencies or hazards to improve fire safety and compliance with regulations. Depending on the severity of the issues found, inspectors may require corrective actions to be taken within a specified timeframe to mitigate risks and ensure the safety of occupants and property.

During an inspection, the fire prevention inspector will typically look for:

1. **Fire Hazards:** This includes identifying sources of ignition, such as faulty electrical wiring, heating systems, cooking equipment, or smoking areas. Inspectors also check for combustible materials or clutter that could fuel a fire.
2. **Fire Protection Systems:** Inspectors ensure that fire detection systems, such as smoke detectors, heat detectors, or fire alarms are in place and functioning correctly. They also check the condition and adequacy of fire suppression systems, such as fire sprinklers or fire extinguishers.
3. **Means of Egress:** Inspectors assess the accessibility and condition of exits, stairways, hallways, and other means of escape. They ensure that exit routes are clear, unobstructed and properly marked for easy evacuation.
4. **Electrical Safety:** Inspectors examine electrical systems and equipment to identify potential fire hazards, such as overloaded circuits, exposed wiring, or improper use of extension cords. They may also check for compliance with electrical codes and standards.
5. **Storage and Housekeeping:** Inspectors evaluate the storage of flammable materials, chemicals, or hazardous substances to prevent accidental ignition. They also assess general housekeeping practices to ensure that areas are kept clean and free of debris that could contribute to fire spread.
6. **Fire Safety Plans:** Inspectors review fire safety plans and procedures, including emergency evacuation plans, fire drills and employee training. They ensure that occupants are aware of fire hazards and know how to respond in case of a fire emergency.

Fire prevention inspections help the business community safeguard investments, maintain operational continuity, comply with regulations, protect people, and reduce costs. Investing in fire safety measures and participating in regular inspections, businesses can create safer environments for everyone while mitigating risks and ensuring business resilience. Inspection programs can provide business owners with reductions on insurance premiums by implementing effective fire prevention measures and undergoing regular inspections. By demonstrating compliance with fire safety standards and reducing the risk of fire-related losses, business may qualify for lower insurance premiums, leading to cost savings over time.

Fire Plan Review Program

Fire prevention building plan review is to ensure that buildings and structures are designed and constructed in a manner that minimizes the risk of fire and promotes the safety of occupants, property and the surrounding community. By conducting thorough plan reviews, fire prevention authorities aim to

identify and address potential fire hazards and deficiencies before construction begins, thereby enhancing overall fire safety and protecting lives and property.

Key specific aspects of fire prevention plan review may include:

1. **Code Compliance:** Reviewing building plans to ensure compliance with applicable fire codes, such as the International Fire Code (IFC) or National Fire Protection Association (NFPA) standards. This includes assessing requirements for fire-resistive construction, means of egress, fire alarm and detection systems, fire suppression systems, and other fire safety measures.
2. **Fire Protection Systems:** Evaluating the design and installation of fire protection systems, including fire sprinkler systems, fire alarm systems, smoke control systems, and fire-rated construction assemblies. This involves verifying that these systems are designed to provide adequate protection based on the building's occupancy classification, size, and other factors.
3. **Occupancy Classification:** Determining the appropriate occupancy classification for the building based on its use and occupancy characteristics. Different occupancy classifications have specific fire safety requirements, and the building plans must reflect these requirements accordingly.
4. **Means of Egress:** Ensuring that the building plans provide safe and efficient means of egress for occupants to exit the building in the event of a fire or other emergency. This includes reviewing the layout of exits, corridors, stairways, exit doors, and other components of the egress system.
5. **Fire Resistance Ratings:** Verifying that building materials and assemblies meet the required fire resistance ratings to prevent the spread of fire and limit its impact on the structure and occupants.
6. **Hazardous Materials:** Assessing plans for the storage, handling, and use of hazardous materials to mitigate the risk of fire and related hazards.

Fire Prevention Public Education

The National Commission on Fire Prevention and Control issued a report titled, *America Burning*, which identified the need for public education as part of an overall prevention strategy. The ultimate goal of any fire prevention public education program is to change the behavior of the public so that there are fewer dangerous situations involving fire and life safety. This will help minimize the impact of fire and save lives and property.

Key specific aspects of fire prevention public education programs may include:

1. **Reduce Fire Incidents:** Raising awareness about the common causes of fires, such as faulty wiring, cooking accidents, smoking, and other causes. Educating the public about these potential hazards and providing knowledge of safe practices to prevent fires, aimed to decrease the number of fire incidents.
2. **Save Lives:** Another crucial purpose is to save lives by educating people on how to react in the event of a fire. This includes teaching fire safety practices like creating and practicing fire escape plans, knowing how to properly use fire extinguishers, and understanding the importance of early detection through smoke alarms.
3. **Property Protection:** Fire prevention education programs also aim to minimize property damage caused by fires by teaching individuals and communities how to reduce risks and respond effectively.

4. Community Engagement: Fire education programs often involve community outreach and engagement activities, fostering collaboration between fire departments, schools, businesses and residents. This collaboration builds stronger, more resilient communities that are better equipped to prevent and respond to fires.

City of Reno Fire Prevention Bureau

The City of Reno Fire Prevention Bureau has a currently funded FTE count of 16. This number includes the Fire Marshal, two Fire Captain positions, 13 Inspector positions; one Water Supply Inspector position and an Intern position that serves in an administrative support role. Additionally, two of the current inspector positions also serve as Fire Investigators.

According to the City’s website, Reno’s Fire Prevention Bureau, “is dedicated to providing efficient, effective and equitable life safety and property protection to the citizens and visitors of Reno. We will do so actively, demonstrating ethical conduct, excellent customer service, and professional integrity in all areas of fire inspections, fire investigations, plans examinations and public education.”

The Reno City Council has adopted the 2018 International Fire Code and its amendments and referenced standards by ordinance. The City adopts the newest version of the International Fire Code every 6 years. The latest iteration is currently under review by the various jurisdictions in Northern Nevada and will be brought to Council for adoption when that review and update is completed.

Acknowledgement

Internal Audit would like to send our sincere thanks to Chief Cochran, Fire Marshal Beck and the entire Fire Prevention Bureau team for their hard work and dedication to the City and its residents. We appreciate the time, knowledge, and efforts to provide us with the information on the vital work that they do and allowing us to participate in all the various activities of the Bureau.

Audit Objectives

Audit objectives included:

- To assess the overall process, outcomes and fee suitability of the City’s Fire Inspection Program;
- To determine if internal processes are appropriately initiating and billing required inspections;
- To test if there is equity between for-profit and non-profit businesses and organizations in the inspection process;
- To assess if revenues from new building fire plan reviews, inspections, regular inspections and special event inspections are billed and collected appropriately; and
- To evaluate the risk of fraud, waste, and abuse relative to the audit objectives.

Audit Results

Audit examined source documents provided by the Fire Department and reports and documentation provided by the Finance and Business License Departments. Fieldwork included ride-along shadowing with five inspectors, interviews with current and former Fire Prevention Bureau employees, and examination of documents. Additional analysis was performed with data from the Fire Department regarding Inspector activities. Citywide policies and best practices were also considered during the fieldwork. The audit identified 13 separate findings and practices identified for improvement. In addition, we have identified five areas of note that, while not findings, may be considered for review and analysis by the impacted departments.

A finding is noted when audit testing identifies an area of noncompliance with documented policies or best practices. Simply put, findings identify areas of risk. Audit findings and recommendations are detailed below with the finding types classified as Program Objectives Achievement, Fee Collections, Software, and Expenditures.

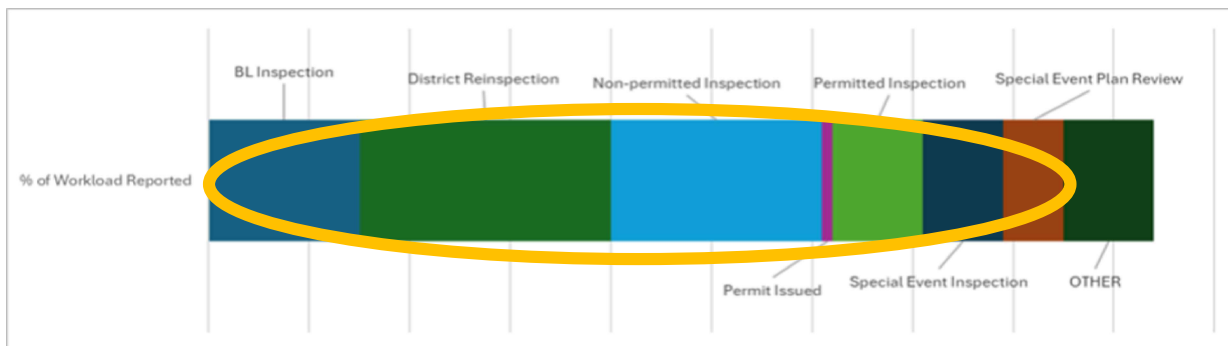
Program Objectives Achievement

City of Reno Fire Inspection Program

As detailed in the background section of this report, inspections encompass a physical inspection of the property, both the exterior and interior of the building, discussion with the owner or responsible party about the fire safety features present or lacking, and a determination if additional permits are required for the safe operations within the building. Depending on the size, level of hazard, or the type of occupancy and use of the building, inspections can take one hour to multiple days.

The process for the actual inspection involves the inspector reviewing the software Accela, which acts as a database, and is also the software that the fire department utilizes to track workflows and determine what inspections need to be prioritized. The inspector contacts each business to schedule the inspection, grouping multiple inspections that are in the same area for their workday. On the day of the inspection, the inspector manually fills out each individual inspection paper form for each business and determines if there are additional operational permits that need to be renewed; if there are, these are manually printed.

Figure 1: Inspector Workload



As shown in Figure 1, regular inspection and permitting work, which are fee-generating activities, comprise the bulk (71%) of the tasks Fire Inspectors do daily. Figure 1 does not include investigation activities as those tasks are performed by inspectors that are specifically trained to conduct fire investigations. Due to the dual nature of those investigators, they have a lower percentage of their time spent on fee-generating tasks. The City’s current level for hourly inspection is adequate to cover the per hour average cost of an inspector (see Appendix B).

Inspection Policy and Metrics

- 1. To evaluate the outcomes of the Fire Prevention Bureau, we conducted an analysis, examining the criteria for the required frequency of fire inspections for new buildings, existing buildings, and by hazard types within buildings. Conflicting information regarding frequency and the entire population set of buildings included:
 - Fire Prevention Bureau webpage, “All business properties within the City of Reno, except private dwellings, are inspected. Frequency of inspection for most commercial occupancies is annual with priority based on the associated fire hazards that a site may pose”
 - The FY 24-26 Operations Plan for the Fire Department includes the following table

Figure 2: FY24-26 Operations Plan Goals

| Strategic Goals | What do we want to achieve? (Outcomes) | FY23 Results | Funded Impacts | Desired Impacts |
|--|--|---------------|----------------|-----------------|
| Goal 01: Protect our community and its assets. | Complete all High-Hazard Occupancy Inspections (Permitted). | 40% Complete | 4,000/year | 90% |
| | Complete all Moderate-Hazard Occupancy Inspections (Non-permitted) | 52% completed | 4,000/year | 90% |

As noted in Figure 2, goals for completed inspection of High and Moderate Hazards are 90% of those populations. For each of these goals, the data reflects they have achieved 40% and 52% completion, respectively. It should be noted that the population of high-hazard occupancy and moderate-hazard occupancy buildings is not available in a data set for verification or to determine if the stated goal of 4,000 per year is reasonable.

The Fire Prevention Bureau has an average of 10 District Inspectors per year. Per the Fire Department’s organizational chart, District Inspectors are expected to complete 15 inspections per week. Based on this staffing level, the maximum number of inspections that can be expected to be conducted is 7,800 annually. The stated goal of 90% inspection completions is unachievable with the current inspections and their expectation of 15 inspections a week, especially when considering the prioritization of new construction and new business license inspection requirements.

Fire inspections are handled by the Fire Department and part of its underlying data sets are encompassed within the City's overall Building and Business Licensing environment. As such, the processes for fire inspections require coordination between Building and Development Services and Business Licensing. The current software utilized in this environment is Accela. Fire inspection information and inspection approvals are required for the Accela process to approve a new business license or for a change of use permit for a building. This is a "hard stop" within the software, meaning that the process cannot continue until this approval is provided. There is also a "hard stop" for new construction inspections that require fire inspection approval prior to a Certificate of Occupancy being issued for the new building. Data provided by the Business License Department indicates the average active business licenses in the City is 19,702. For existing businesses that are renewing a license, there is no "hard stop" for a fire inspection before renewal.

There is not a clear policy of the frequency of inspections required by fire hazard type nor is there a master listing of inspectable properties. This makes an analysis of the suitability of the current workload and fees collected by the Fire Prevention Bureau difficult to assess for appropriateness.

Without a clear policy of which properties should be inspected and when, the Fire Inspectors' time may not be prioritized to have the greatest impact of public safety.

IFC Section 107.2 states, "The fire code official is authorized to conduct such inspections as are deemed necessary to determine the extent of compliance with the provisions of this code and to approve reports of inspection by approved agencies or individuals."

Recommendation:

We recommend Management articulate an inspection policy with defined, reasonable metrics and determine the appropriate staffing level to achieve those desired outcomes.

- Permit Issuance
2. Per Fire Code Section 106.1 Fees, "a permit shall not be issued until the fees have been paid, nor shall an amendment to a permit be released until the additional fee, if any, has been paid." During fieldwork, the process for standard fire inspections included the inspector printing out the required operational permit prior to the on-site inspection. If the inspection yielded clean results, the permit was provided to the property owner after the inspection. The fee for the inspection service is later invoiced to the property owner. Payment of inspection fees was not

required prior to the permit issuance, which is noncompliant with the adopted Fire Code.

Recommendation:

We recommend permits not be issued until the fees have been paid, in compliance with the Fire Code.

Fee Collections

- Administrative Duties** 3. Citywide policy #405 *Training and Development* states, “It is the policy of the City of Reno to acquire and develop a skilled, highly trained, and empowered workforce in which each employee has a clear understanding of their role in relation to the goals and objectives of the assigned section, division, department, and the City as a public service organization.” The administrative and clerical functions for the Fire Prevention Bureau are conducted by a Fire Intern and not an administrative professional with a background or training in clerical, administrative, or accounting functions and procedures. This position is tasked with general office procedures, inspection report processing, payment reconciliation, scheduling, and supporting the Fire Prevention’s social media presence and community outreach.

During fieldwork and shadowing activities, we noted a large administrative burden associated with fire inspections. Additional administrative tasks performed by specially trained fire inspectors reduces their available time to perform fee-generating tasks such as inspections. There is an additional opportunity cost associated with inspectors’ time that could be dedicated to public education activities, rather than administrative tasks, further impacting productivity and revenues. Gaps in the Fire Department’s administrative duties were reported in the 2017 audit, *17-03 Cash Handling Part B – Cash Procedures & Testing*, with four exceptions noted that directly relate to the duties of this position.

Recommendation:

We recommend Management enhance the administrative functionality of the Fire Prevention Bureau to ensure the function has a dedicated, administrative professional to process fire inspectors’ administrative tasks, freeing them up to conduct more fee-generating inspections in the community.

- Non-Profit Fire Inspection Fee Assessment** 4. Non-profit businesses are not charged a fee for fire inspections that are conducted at their place of business. Cost recovery is not possible if organizations are not charged for services provided by the City of Reno

Fire Prevention inspectors. City of Reno Resolution #9152 dated May 24, 2023 *Resolution Adopting the Fiscal Year Budget Including Tax Levies, and Adopting the Fee Schedule for the City of Reno, Nevada, for the Fiscal Year 2023/24* states, “Whereas, the adjustments to fees and service charges shall be submitted in resolution form for consideration.” There is no written policy regarding the waiver of the assessment of fire inspection fees for non-profit organizations operating in the City.

Recommendation:

We recommend Management develop a formal policy for cost recovery for fire inspection services provided to non-profit organizations operating physical locations in the City.

- Non-Profit Workflow 5. Applications for new business licenses are entered into the software system Accela and new businesses require a clean fire inspection prior to opening to the public. Reno Municipal Code Section 4.04.007 exempts non-profit businesses and organizations from a required businesses license to operate in the City. Accela houses business information like a database, this database is the entire population used to determine which business locations are due for an inspection or re-inspection. Because non-profits are not required to apply for a business license, they are not entered into Accela and are not included in the population of buildings to inspect. Thus, the Fire Prevention Bureau is not aware of the activities of non-profit businesses and organizations operating physical locations in the City which may affect public safety at non-profits’ operating locations.

Recommendation:

We recommend a determination be made regarding if the non-profit businesses should be receiving regular fire inspections, similar to for-profit businesses, and how to include these organizations into the rotation of buildings to inspect for safety and fire code compliance.

- Governmental Agencies Inspection Fee Assessment 6. Other governmental agencies such as the federal government, the State of Nevada, Washoe County, and Washoe County School District operate facilities and buildings in the City that are subject to the Code. Generally, these facilities are inspected for compliance with the Code the same as any other facility operating in the City. For the federal government, this is generally done at the request of the General Services Administration or specific agency request. For the State of Nevada, state-owned facilities are inspected at the request of the State Fire Marshal as provided for under NRS 447. Washoe County facilities are not inspected unless

requested by the County. City Fire Inspectors do inspect Washoe County School facilities.

While the Fire Prevention Bureau provides the inspection services in the same manner as any other facility, it is current practice to *not* invoice for these services for governmental agencies. The common understanding in the Fire Prevention Bureau is that the City cannot bill other governmental agencies, even when the services are provided. By not charging the customer for the fire services provided, there is an increased burden on the City as the fee-generating services Fire Inspectors typically conduct in the community allow the bureau's operations to be financially self-supported.

Recommendation:

We recommend Management work with the City Attorney's Office to determine if fees may be assessed for fire inspection services provided to other governmental agencies.

Late Fees are Not Assessed

7. The primary role for Fire Prevention Bureau Inspectors is to provide the highest level of public safety through inspection and enforcement of the adopted Code. In addition, the Council has, as part of its 2020-2025 Strategic Goals, identified Fiscal Sustainability as a priority when delivering services.

Currently, the Fire Prevention Bureau does not charge a late fee for invoices. The fees charged for services are meant to offset the cost for providing that service. A fee assessed, but not collected, has an impact on the budget of the division expending resources to provide that service. Non-payment of assessed fees by certain businesses also creates an equity issue between those businesses that pay their invoice in a timely manner and those businesses that do not pay their invoice in a timely manner.

The City *does* charge late fees for other City service charges.

Figure 3: City Late Fees

| City of Reno Late Payment Fees (from CoR FY2023 Fee Schedule and RMC) | |
|--|--|
| Municipal Court Late Payment Fee | \$25 |
| Special Event Business License | min. \$100 |
| Special Activity Business License | min. \$100 |
| Parks & Recreation Late Registration | \$10-55 |
| Alarm Late Fee | \$27 |
| Delinquent Sewer Payment | 15% of unpaid amt/compounded quarterly |

Because the application of late fees are designed to motivate customers towards timely payment for services rendered, the effect of not applying a late fine for fire inspection services may be hindering the customer's motivation to pay their fees by the stated due date. In addition, charging late fees is a best practice in an effort to recover costs associated with the additional administrative burden of collection efforts.

Recommendation:

We recommend Management determine an appropriate late fee assessment for fire inspection services and include it in the next iteration of the Fee Schedule for implementation.

- Credit Card Processing 8. To pay for fire inspection invoices, customers have the option to call the Fire Prevention Bureau and relay their credit card information over the phone. The employee transcribes the information onto a credit card form and then takes it to the City Clerk's Office for processing at the end of the business day.

The Government Finance Officers Association (GFOA) states, "Credit card acceptance is subject to strong industry security requirements known as Payment Card Industry Data Security Standards (PCI DSS)," And also "Implementation and periodic review of internal controls that address control, confidentiality of data, integrity of data, and other information security issues as appropriate. Internal controls implementation and review should incorporate the current PCI Standards." PCI's Standards indicate organizations accepting payment cards are expected to protect cardholder data and to prevent their unauthorized use.

Specifically, PCI version 4.0 Requirement 9 includes, "Physical access to cardholder data or systems that store, process, or transmit cardholder data should be restricted so that unauthorized individuals cannot access or remove systems or hardcopies containing this data." Per observation of the process in place during fieldwork, customer credit card data is not appropriately secured, is not in compliance with industry standards, and increases the risk of misappropriation of customer credit card data.

This is an ongoing concern for Audit with initial reporting in the July 2017 Audit, 17-03 *Cash Handling Part B – Cash Procedures & Testing* regarding a lack of a PCI DSS Policy citywide. Multiple follow-ups resulted in the following response from the City Manager's Office in May 2019, "The budget request needed to complete this item was not approved as part of the FY20 budget process. No action can be taken on this until funding is received. DOIT will be instructed to resubmit request for FY21."

Recommendation:

We recommend Management coordinate with IT, Finance, and the City Clerk's Office to develop procedures to securely process customer credit card payment transactions for fire inspection invoices.

Software

- Invoice Processing** 9. After fire inspection reports are approved by the Fire Marshal, the report is provided to the Fire Intern for administrative processing which includes creating an invoice that is provided to the customer via email and postal mail and entering the invoice amounts into New World by customer. New World aging reports are reviewed by the intern weekly and after the 30 days expire, a courtesy notice is provided to the customer to comply within 15 days. For customers that do not pay that do have an active business license, the overdue fire fees are input into Accela for payment in the customer's account. However, payment for the service rendered is often not received until the customer renews their business license, nearly a year later, due to the difference in timing of the business license renewal fee and fire inspection fee application to the customer's Accela account.

The 45-plus-day delay in applying the fire inspection fee to the customer account reduces our ability to collect the fees in a timely manner. In addition, this practice is outside of documented policy #301, *Debt Collections and Write-offs*, section VII.B, "The Fire Department is responsible for ... 2. Submitting information to the Finance Department for invoices over 60 days past due for further collection."

Recommendation:

We recommend the invoicing process be adjusted in the following manner: eliminate the need to produce a separate invoice by applying the fire inspection fee directly to the customer's Accela account upon completion of the inspection (rather than waiting for it to be overdue) for timely payment. In addition, we recommend accounts with fees over 60 days past due be processed in accordance with documented policies, or the policy be updated to reflect the preferred practice.

- Duplication of Efforts** 10. The Fire Department utilizes Zoll RMS software as a uniform platform across all divisions of the department. This software has been utilized for many years, including when the Reno Fire Department was merged with the Truckee Meadows Fire Protection District. As an older software platform, it does not have integrations with other software platforms that are utilized specifically for the Fire Prevention Bureau, in particular the

Accela platform for inspection and permitting and the New World platform for invoice creation and payment processing. Because of this lack of integration, fire inspectors spend a considerable amount of time duplicating entries into the RMS software and then into Accela. The staff member currently tasked with producing and mailing inspection invoices must duplicate the invoice entry information into the New World system for payment processing. Best practices suggest system integration where possible and supports Council Strategic Plan Goal E: (4) *Develop a framework that identifies the software and technology needs of the City and establish a funding plan for these projects.*

It should be noted that the Fire Department recently purchased the ESO software platform which will replace Zoll RMS. During the audit fieldwork, the Fire Department was in final platform build out and beginning implementation to the various divisions. This implementation began in early March 2024. Preliminary review of the software platform and implementation appears to address some of the risks noted with the previous software system.

Recommendation:

We recommend, during the implementation of the new system, Management consider the duplication of efforts, implement software integration where possible, and reduce the administrative tasks on Fire Inspectors to increase their available time to perform inspections to ensure community compliance with the IFC and conduct fee-generating services to financially self-support the Bureau's operations.

Expenditures

Citywide policy #303, *Purchasing*, includes, "Responsibility for purchasing should be separate from payment authorization and, where possible, from the receipt of goods and services. Responsibilities for coding/data entry of invoices and approval of the entered data with invoice copies to be sent to Finance for payment should be separated. Providing for adequate segregation of duties help mitigate the risk of fraud, waste, and abuse in the purchasing process." One way to prove proper segregation of duties in the purchasing process is for a supervisory employee to sign each invoice prior to it being processed for payment. The Finance Department uses the record *City of Reno Authorized Signature Form* to document, for each employee, which accounts they are authorized to approve for payment.

Internal Audit selected a sample of 20 expenditures conducted during the audit scope and tested for compliance with documented policies and best practices.

- Invoice Authorization **11.** On three occasions, 15% of the sample set, the invoice was processed and paid without signatory approval. Without documented signatory approval, the risk for misappropriation of City funds increases and the appropriateness of the purchases cannot be determined.

Recommendation:

We recommend invoices be processed in accordance with documented policies.

- Authorized Signature Verification **12.** On 15 occasions, 75% of the sample set, the *Authorized Signature Form* was not available for independent audit testing. The policy in use for record retention indicates the minimum retention period for Accounts Payable files is “six fiscal years from the end of the fiscal year to which the records pertain.” The audit scope, July 1, 2020 – April 12, 2024 is within that retention period. Without documented signatory approval, the risk for misappropriation of City funds increases and the appropriateness of the purchases cannot be determined.

Recommendation:

We recommend records be maintained in accordance with the record retention policy in use.

- Records Retention **13.** Citywide policy #103, *Records Management*, Section VIII.D.1 states, “All City of Reno records shall be retained and destroyed in accordance with the City’s Record Retention Schedule.” However, per inquiry with the City Clerk’s Office, there is not a stand-alone record retention schedule, and the city follows the state’s record retention schedule. Formal, well-documented policies that are appropriately communicated set clear expectations, help guide the users, and is a crucial part of internal controls without which, employees may not understand, adhere to, or comply with established policies.

Recommendation:

We recommend the *Records Management* policy be updated to reflect the current practices for clarity in Citywide expectations.

External Reporting

The Center for Public Safety Management, LLC issued the report, *Operational and Administrative Analysis – Reno Fire Department* (RFD CPSM Report), in September 2019. The Center for Public Safety Management, LLC (CPSM) is considered a subject matter expert in local government safety services. Per their report, “CPSM’s local government technical assistance experience includes workload and deployment analysis using our unique methodology and subject matter experts to examine department organizational structure and culture, identify workload and staffing needs, and align department operations with industry best practices.”

The report resulted in 32 recommendations with two specifically related to the Fire Prevention Bureau. Those recommendations are listed verbatim below, with their supporting information, as provided in the RFD CPSM Report. These two CPSM recommendations will be followed-up on along with the internal recommendations for improvements that are included in this Internal Audit report to ensure management has implemented the recommended actions or management accepts the risk of inaction.

“Recommendation: RFD should work with the City of Reno Building Department, the Planning Department, the County Tax Appraiser, the Finance Department, and other local officials in creating a master file of inspectable properties within the City of Reno. (Recommendation No. 24.)

CPSM probed RFD fire prevention officials regarding the number of inspectable properties in the City that are not being inspected. Due to accuracy issues in the current building files, it could not be determined as to the number of inspectable properties; consequently, RFD officials could not provide an accurate estimate regarding the numbers of properties that should be inspected but were not be inspected. We were told that this number could be in excess of 4,000. It is not uncommon to see a building inspection database that is outdated or inaccurate. Many businesses frequently change hands, or relocate, or new businesses open up and there is a lag in the updating of these files. The RFD building files are also compounded by a large number of building files that were not purged from the system, after the separation with the Truckee Meadows Fire Protection District; many of these files remain in the system. Regardless of the reasons, it is essential for the City of Reno Fire Department to have an accurate inventory of inspectable properties and a complete record of inspections and their outcomes.”

“Recommendation: The Reno Fire Department should institute an in-service fire company inspection program that promotes responder familiarization, code enforcement, and fire prevention efforts. (Recommendation No. 26.)

As was previously discussed, in-service company inspections are currently not being carried out by the Reno Fire Department. CPSM believes that an in-service fire company inspection program, if managed properly, can yield significant benefits to the system. Many fire agencies across the country require in-service fire companies to conduct various levels of inspections. Typically, these inspections are in smaller retail establishments, both store-front commercial businesses and restaurants and usually involve limited inspectable actions. These inspections usually involve the placement and operational capacity of fire extinguishers, the testing of exit and emergency lighting, evaluating any blockage or storage in emergency egress passageways, the operation of emergency exits, checking the kitchen hood systems, evaluating occupancy loading, etc.”

Additional Areas of Concern

During the course of the audit, additional matters were considered and may warrant further review and analysis. While not an audit *finding* or instances of noncompliance with documented City policies, these matters present areas of note and/or opportunities to improve the operational process and/or the internal control environment to reduce risk and increase efficiencies.

Public Education

Noted during fieldwork, we observed every inspection involved educating the business owner or responsible parties about the fire code, why violations are an issue, as well as providing other general safety advice. Fire Inspectors also answered questions and provided guidance to owners or responsible parties regarding safety issues and code enforcement. While these contacts are not presentations or classes, they are public education opportunities. We were informed that most business owners will only have contact with the Fire Department through Fire Inspections and therefore this is the best opportunity to engage the public in fire safety education.

According to the City's performance measures, the benchmark metric for public education through A) Direct contact through presentations and classes is 20,000 contacts – the reported number for Fiscal Year 2022 is 8,000 or a 40% achievement rate. The other Public Education performance measure provided is B) Indirect contact by flyers and social media hits with a target of 500,000 hits. There was no data provided for 2022.

It was noted during the Fire Prevention Bureau's all staff meeting on January 24, 2024, the intern for Fire Prevention was tasked with providing social media output on a weekly basis. A review of social media platforms does show that the Fire Department is actively using Instagram and Facebook to deliver messages to the public. These posts are not limited to fire prevention but encompass activities across the department.

As provided in the *America Burning* report, public education activities by the Fire Prevention Bureau have the greatest potential to reduce losses as a result of fire. Not meeting the metric for public education activities may result in unsafe practices by the public and may increase risks associated with fire in the community.

Community Engagement

At the time of fieldwork, the Fire Prevention Bureau only had one Inspector fluent in Spanish. According to the 2021 census data for the City, 23.3% of the City identifies as Hispanic. While not all Hispanic identifying individuals speak Spanish, it is an indication of the level of individuals in which English may not be their first language. With only one inspector who is fluent in Spanish, this may present a barrier to achieving program objectives for inspections and for public education.

Interdepartmental Communication

As communicated to Audit during fieldwork, there is limited communication between the Code Enforcement Department and Fire Prevention Bureau. While there is more communication between the Bureau and the Building Department, it too could be more robust. As noted previously in this report, the City has a code enforcement system of which Fire Prevention is only one part. Other parts include the

Building Department and Code Enforcement Department. Robust interdepartmental communication is critical to ensure that the City is meeting its main theme of “Efficient Delivery of Services” as outlined in the Council Strategic Plan 2020-2025.

Software Implementation

Implementation of the new Fire Department software, ESO began in March 2024. We recommend the following concerns with the prior software system, RMS, be considered with the implementation efforts. As inspectors see buildings and facilities, they note in the system the locations of important features such as water line connections, Knox box locations, gas line locations, etc. The RMS software did not provide access to prevention-entered information by suppression crews in the field. Field access to this information would save time and effort locating needed hookups, providing for a safer environment.

Audit Objective, Scope, and Standards

Objectives

- To assess the overall processes and outcomes of fire prevention inspections;
- To assess if the current inspection fees are appropriate;
- To assess if best practices are being followed in relation to fire inspections and inspection fees are invoiced properly based on property type and use;
- To assess if internal procedures to invoice and collect on services provided are appropriate; and
- To evaluate the risk of fraud, waste, and abuse relative to audit objectives.

Scope

The audit scope included the procedures and methodologies in place within the Fire Prevention Bureau from July 1, 2020 through the close of audit fieldwork, April 12, 2024.

Audit Standards

We conducted this audit in accordance with standards of The Institute of Internal Auditors, sans Standards 1310-1 through 1321. 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. The evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

**24-02 FIRE INSPECTION FEES AUDIT – Management Responses
– Fire Department**

Findings’ Conditions, Recommendations, and Management Responses



Inspection Policy and Metrics

1. There is not a clear policy of the frequency of inspections required by fire hazard type nor is there a master listing of inspectable properties. This makes an analysis of the suitability of the current workload and fees collected by the Fire Prevention Bureau difficult to assess for appropriateness.

We recommend Management articulate an inspection policy with defined, reasonable metrics and determine the appropriate staffing level to achieve those desired outcomes.

What measures are planned to address this finding?

Frequency of occupancy inspection has historically varied from 1-3 years based on staffing levels and occupancy type. “Hazard” classification does not exist within the fire code, so assigning an inspection frequency to non-existent classifications cannot be performed. To the extent the FY24-26 Operations Plan Goals for the Fire Department include descriptions of occupancies by hazard type, those references have been deleted. The Reno Fire Department classifies occupancies based on whether they are permitted or non-permitted. Permitted occupancies have the potential to pose a greater threat to life safety. The International Fire Code recognizes inspection frequency as being at the discretion of the Fire Code Official. While current staffing levels do not allow the Reno fire Department to inspect all occupancies on an annual basis, the Reno Fire Department will prioritize inspections of permitted occupancies due to the higher potential life safety threat. In addition, the Reno Fire Department Fire Prevention Bureau will work in coordination with Business License to develop and maintain a master list of occupancies requiring inspection and track requirements for annual servicing on fire/life safety systems.

When will the measures be taken?

*The Reno Fire Prevention Bureau will continue migrating all inspectable properties into the new ESO software database system as occupancies receive their annual renewal or initial fire inspection. The new database occupancy/information migration is **currently occurring** and will continue until the entire list of Reno businesses are successfully added into the ESO platform.*

Permit Issuance

2. Payment of inspection fees was not required prior to the permit issuance, which is noncompliant with the adopted Fire Code.

We recommend permits not be issued until the fees have been paid, in compliance with the Fire Code.

What measures are planned to address this finding?

While the Reno Fire Prevention Bureau recognizes the code requirement to collect fees before issuing a permit (106.1), the added administrative and logistical burden of collecting fees before permit issuance is not feasible with the current staffing levels. The additional steps of delaying & tracking individual permits would cause an encumbrance that would increase the workload on fire prevention personnel while also negatively impacting the ability of the business community to effectively and efficiently conduct business operations due to delays in the issuance of permit(s).

When will the measures be taken?

The Reno Fire Prevention Bureau is in the process of developing and adopting a new fire code. The new fire code will make an allowance for permits to be issued prior to collection of the requisite fees.

Administrative Duties

3. The administrative and clerical functions for the Fire Prevention Bureau are conducted by a Fire Intern and not an administrative professional with a background or training in clerical, administrative, or accounting functions and procedures.

We recommend Management enhance the administrative functionality of the Fire Prevention Bureau to ensure the function has a dedicated, administrative professional to process fire inspectors' administrative tasks, freeing them up to conduct more fee-generating inspections in the community.

What measures are planned to address this finding?

Staff will continue to request budget authority for additional administrative FTEs as a part of the City budget build process. Currently, the Fire Department has five clerical support staff members managing the department's budget, Accounts Payable, Accounts Receivable, Payroll, department receptionist, customer service, Workers' Compensation tasks, HR tasks, Records Management, social media, training, GEMT program management, and Grant Management for a 24/7 operation with 313 employees. Although the City has centralized departments in many of these disciplines, for the larger departments, the majority of the input workload and management responsibility belongs to the department itself. The department's current FTE to administrative ratio of over 63 FTEs to 1 clerical support employee has resulted in an overburdened clerical staff with no ability to dedicate full-time staff resources to the Prevention Bureau. The contracted Fire Intern has been in place for over five years to provide Prevention and department receptionist support that would otherwise be fulfilled by Inspectors and various Fire management.

When will the measures be taken?

The department will continue to submit budget requests for additional administrative support, including Fire Prevention support, in the FY26 budget build.

Non-Profit Fire Inspection Fee Assessment

4. Non-profit businesses are not charged a fee for fire inspections that are conducted at their place of business. There is no written policy regarding the waiver of the assessment of fire inspection fees for non-profit organizations operating in the City.

We recommend Management develop a formal policy for cost recovery for fire inspection services provided to non-profit organizations operating physical locations in the City.

What measures are planned to address this finding?

It has been the long-standing practice of the Reno Fire Department Prevention Bureau to waive fire inspection fees for non-profit organizations. The Reno Fire Department Prevention Bureau will continue the current practice of waiving fees for non-profit organization pending any change in policy or other direction from the City Manager's office. As such, staff will create a policy regarding the waiver of the assessment of fire inspection fees for non-profit organizations operating in the City.

When will the measures be taken?

An internal policy will be created and in place within 6-9 months.

Non-Profit Workflow

5. Accela houses business information like a database, this database is the entire population used to determine which business locations are due for an inspection or re-inspection. Because non-profits are not required to apply for a business license, they are not entered into Accela and are not included in the population of buildings to inspect.

We recommend a determination be made regarding if the non-profit businesses should be receiving regular fire inspections, similar to for-profit businesses, and how to include these organizations into the rotation of buildings to inspect for safety and fire code compliance.

What measures are planned to address this finding?

Per the Business License Supervisor, the upcoming code language proposal being submitted later in 2024 will include a new process for non-profits to begin registering with the Reno Business License Department. This new process will capture all non-profits operating in the City of Reno, which will include an additional procedure of transferring the non-profit information to the Reno Fire Department Fire Prevention Bureau in an exact current method as for-profit businesses.

When will the measures be taken?

Adoption of the new non-profit process is anticipated to begin in early 2025.

Governmental Agencies Inspection Fee Assessment

6. While the Fire Prevention Bureau provides the inspection services in the same manner as any other facility, it is current practice to *not* invoice for these services for governmental agencies.

We recommend Management work with the City Attorney's Office to determine if fees may be assessed for fire inspection services provided to other governmental agencies.

What measures are planned to address this finding?

City of Reno Legal has reported that per NRS 278.580, the City of Reno is precluded from charging any fee(s) to State agencies. City Legal further instructed that all municipalities would be congruent with NRS 278.580, so no fee(s) will be charged to any local or state level agencies.

When will the measures be taken?

Measures will not be taken to charge fees for government agencies.

Late Fees are Not Assessed

7. Currently, the Fire Prevention Bureau does not charge a late fee for invoices. Charging late fees is a best practice in an effort to recover costs associated with the additional administrative burden of collection efforts.

We recommend Management determine an appropriate late fee assessment for fire inspection services and include it in the next iteration of the Fee Schedule for implementation.

What measures are planned to address this finding?

Staff will research other late fees established in the City and will propose a late fee schedule as a part of the FY26 budget build for Council approval.

When will the measures be taken?

With Council approval, the late fees will be implemented in FY26 as a part of the Fire Department fee schedule.

Credit Card Processing

8. Per observation of the process in place during fieldwork, customer credit card data is not appropriately secured, is not in compliance with industry standards, and increases the risk of misappropriation of customer credit card data.

We recommend Management coordinate with IT, Finance, and the City Clerk's Office to develop procedures to securely process customer credit card payment transactions for fire inspection invoices.

What measures are planned to address this finding?

Staff will coordinate with IT, Finance, and the City Clerk's Office to develop procedures and identify systems to securely process customer credit card payment transactions for fire inspection invoices.

When will the measures be taken?

Through the guidance of the DOIT, Finance, and the City Clerk's Office, Fire staff will institute any identified systems within 6-12 months.

Invoice Processing

9. The invoicing process conducted after fire inspections includes multiple steps and can take more than 45 days before the fee is added to the customer's Accela account. The 45-plus-day delay in applying the fire inspection fee to the customer account reduces our ability to collect the fees in a timely manner.

We recommend the invoicing process be adjusted in the following manner: eliminate the need to produce a separate invoice by applying the fire inspection fee directly to the customer's Accela account upon completion of the inspection (rather than waiting for it to be overdue) for timely payment. In addition, we recommend accounts with fees over 60 days past due be processed in accordance with documented policies, or the policy be updated to reflect the preferred practice.

What measures are planned to address this finding?

Staff will coordinate with the Building Department staff to develop procedures and identify processes to minimize the delay in applying fire inspection fees to the customer account.

When will the measures be taken?

Through collaboration efforts with the Building Department, staff will institute any identified measures to ensure fire inspection fees are being applied to the customer's account within a reasonable time frame.

Duplication of Efforts

10. The software in use at the beginning of audit fieldwork did not have integrations with other software platforms that are utilized specifically for the Fire Prevention Bureau, in particular the Accela platform for inspection and permitting and the New World platform for invoice creation and payment processing. Because of this lack of integration, fire inspectors spend a considerable amount of time duplicating entries into the RMS software and then into Accela.

We recommend the implementation of the new system consider the duplication of efforts, implement software integration where possible, and reduce the administrative tasks on Fire Inspectors to increase their available time to perform inspections to ensure community

compliance with the IFC and conduct fee-generating services to financially self-support the Bureau's operations.

What measures are planned to address this finding?

The Reno Fire Department has transitioned to the new ESO software platform, which should increase data input efficiency and reduce duplication of efforts. As Reno Fire Department personnel are educated on the new ESO platform, we anticipate the efficiencies to increase commensurate to the work being performed.

When will the measures be taken?

ESO rollout is currently occurring, so measures are being taken as of now.

Invoice Authorization

- 11.** A sample of 20 expenditures conducted during the audit scope and test for compliance with documented policies and best practices. On three occasions, 15% of the sample, the invoice was processed and paid without signatory approval.

We recommend invoices be processed in accordance with documented policies.

What measures are planned to address this finding?

Staff will research the expenditures in question and will establish internal controls to ensure compliance issues are resolved.

When will the measures be taken?

Internal controls will be in place within 6 months.

**24-02 FIRE INSPECTION FEES AUDIT – Management Responses
– Fire Department**



External Audit Reporting

RFD CPSM Report, *Operational and Administrative Analysis– Reno Fire Department*, September 2019

Recommendation:

RFD should work with the City of Reno Building Department, the Planning Department, the County Tax Appraiser, the Finance Department, and other local officials in creating a master file of inspectable properties within the City of Reno.

We are in the process of updating our inspectable property data base to create a master list as part of the implementation of our new reporting software.

Recommendation:

The Reno Fire Department should institute an in-service fire company inspection program that promotes responder familiarization, code enforcement, and fire prevention efforts.

We do have a program that provides our crews with relevant information regarding each property in town and we continue to work to make that more robust. There is also a labor issue triggered by this recommendation which is another reason we elected not to pursue implementation.

24-02 FIRE INSPECTION FEES AUDIT – Management Responses
– Finance Department
Findings’ Conditions, Recommendations, and Management Responses



Authorized Signature Verification

- 12.** On 15 occasions, 75% of the sample, the *Authorized Signature Form* was not available for independent audit testing.

We recommend records be maintained in accordance with the record retention policy in use.

What measures are planned to address this finding?

The requested Authorized Signature Forms were inadvertently deleted from a central file location that all Finance employees can access. We have begun the process to migrate approved Authorized Signature Forms from the central file location to OnBase. OnBase will allow for secure document retention with permissions restricted so employees cannot inadvertently delete approved Authorized Signature Forms.

When will the measures be taken?

The request for the document type has been submitted as of June 10, 2024. Once the document type is established, Finance employees will work to migrate files over and mark with the following applicable fields:

Employee Name
Department
Effective Date
End Date

The End Date will be used to delete Authorized Signature Forms past the 6-year retention period.

The migration should be completed prior to September 30, 2024, depending on when the new document type is established in OnBase.

24-02 FIRE INSPECTION FEES AUDIT – Management Responses
– City Clerk’s Office

Findings’ Conditions, Recommendations, and Management Responses



Records Retention

13. Citywide policy #103, *Records Management*, Section VIII.D.1 states, “All City of Reno records shall be retained and destroyed in accordance with the City’s Record Retention Schedule.” However, per inquiry with the City Clerk’s Office, there is not a stand-alone record retention schedule, and the city follows the state’s record retention schedule.

We recommend the *Records Management* policy be updated to reflect the current practices for clarity in Citywide expectations.

What measures are planned to address this finding?

The City Clerk’s Office will have Policy 103 updated to reflect our use of the State’s retention schedule and with clear paths to locate said schedule.

When will the measures be taken?

September 30, 2024