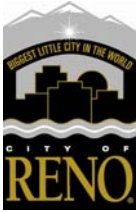


**20-03 Fire Department Strike Team Reimbursements Audit - Follow-up**



**City Auditor's Office**  
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**Internal Auditor**

**Status of Corrective Actions to Management Responses**  
**As of July 2021**  
**Original Report Issuance - January 2021**  
*Follow-up result: All findings have been adequately addressed. No further follow-up needed.*

**Fire Department**

<b>Finding (condensed)</b>	<b>Recommendations</b>	<b>Management Response</b>
<b>1 Invoice Management Improvements</b>		
The financial procedures for the Strike Team reimbursement program was highly manual, without a validation process, and lacked an appropriate level of supervisory oversight. A considerable amount of trust and autonomy were provided to the previous manager without supervisory review or additional oversight.	We recommend Strike Team invoicing be processed through the formal financial software and that process include a validation process and supervisory review.	The RFD agrees with the recommendation and will implement the use of the City's financial software, New World, for the necessary oversight, validation, and supervisory review of the department's Strike Team reimbursements. The measures will be taken by November 2020.

**Follow-up Status:**

<b>January 2021 Update</b>	The RFD is now processing all Strike Team reimbursements through the City of Reno's financial software, New World, for the necessary oversight, validation, and supervisory review of the department's Strike Team reimbursements. This process is comprised of the following steps: 1. The RFD Management Assistant gathers all necessary strike team billing information (fire resource orders, employee labor hours, equipment costs, etc.) and calculates the actual expenditures related to each respective fire. 2. The RFD Administrative Services Manager reviews the billing information for accuracy and inputs the information in the department's internal tracking log. 3. The RFD creates the invoice(s) in the New World Miscellaneous Billing module and attaches the appropriate backup documentation for City of Reno Finance Department review and approval. 4. Upon approval of the invoice batches, the RFD prints the invoice packets and sends to the paying agency.
<b>July 2021</b>	This process has been fully implemented and is currently being used by the department.

<b>2 Lack of Segregation of Duties</b>		
A single employee had the ability to calculate the billing amount, issue an invoice, make billing adjustments on the tracking sheet, and receive physical checks for City services for Strike Team reimbursements without supervisory review or oversight. Invoicing was not integrated into a computerized system nor the formal financial software and there was no oversight process in place during the audit scope	We recommend executive management determine a process that includes appropriate segregation of duties for the financial elements of Strike Team reimbursements to include a supervisory review of reconciliations and routing checks directly through the City Clerk's Office for deposit (as required by citywide policy 304, Section VIII,C).	Strike Team invoices, and the RFD Administrative Services Manager is responsible for review and oversight of the Strike Team reimbursements. Additionally, the implementation of the City's financial software, New World, will provide an extra level of oversight with the necessary transparency of Strike Team reimbursement tracking and reconciliations. Finally, the RFD has converted all Strike Team partnering agencies to Electronic Funds Transfer (EFT) payments which is handled by the City's Finance Department so no physical checks will be handled directly by the department. The measures will be taken by November 2020.

**Follow-up Status:**

<b>January 2021 Update</b>	Currently, RFD's Management Assistant is responsible for calculating and issuing the Strike Team invoices, and the RFD Administrative Services Manager is responsible for review and oversight of the Strike Team reimbursements. Additionally, the implementation of the City's financial software, New World, will provide an extra level of oversight with the necessary transparency of Strike Team reimbursement tracking and reconciliations. Finally, the RFD has converted all Strike Team partnering agencies to Electronic Funds Transfer (EFT) payments which is handled by the City's Finance Department so no physical checks will be handled directly by the department.
<b>July 2021</b>	This process has been partially implemented and is currently being used by the department. One agency, CalOES, has informed the RFD that their policy requires a physical check issuance and they would not be able to comply with this request. However, upon receiving any checks the RFD will send the New World invoice and check to the City Clerk's Office for processing.

<b>3 Reconciliations Not Performed</b>		
Proper reconciliations were not being performed, rather, a spreadsheet was used to track the invoices issued by the department. The document was updated with actual revenues that were received and other information was removed from the document over time. These processes do not constitute a reconciliation of revenues.	We recommend a proper reconciliation be performed of the financial documents with an appropriate level of segregation of duties and oversight. In addition, we recommend the reconciliations be reviewed periodically by supervisory management and maintained in accordance with document retention	The RFD agrees with the recommendation and will implement the use of the City's financial software, New World, for the necessary reconciliations and supervisory review of the department's strike team billings. The measures will be taken by November 2020.

**Follow-up Status:**

<b>January 2021 Update</b>	Through the use of New World financial system, both the Finance Department and Reno Fire Department are able to see the status of all Strike Team billings (open, closed, cancelled, amendments, etc.) and ensure that City policy for collections is followed.
<b>July 2021</b>	This Fire Department has fully implemented the use of the City's financial software, New World, which allows the City of Reno Finance Department and Fire Department Administration to review all strike team billings. Any changes to a invoice is documented in the New World system and is reflected in the audit trail and reporting module (Customer Transaction Report). The Department Administrative Services Manager runs the Customer Transaction Report reports monthly

<b>4 Invoices not Issued Timely</b>		
Of the 17 Strike Team invoices sampled for testing, twelve (71%) were not invoiced timely. Three were invoiced more than 60 days after the last date of the fire and nine were invoiced between 30 and 60 days later.	We recommend Strike Team reimbursements be invoiced more timely for best business practices and in compliance with working agreements.	The RFD agrees with the recommendation and will process Strike Team billings within 30 days when applicable. In some instances there are extenuating circumstances (receipt of necessary paperwork, fire timelines, Paying Agency backlogs, department staffing) that are outside of the department's control and may prolong the invoicing timeline. The measures be taken by November 2020.

**Follow-up Status:**

<b>January 2021 Update</b>	The RFD agrees with the recommendation and will process Strike Team billings within 30 days when applicable. In some instances there are extenuating circumstances (delay in the receipt of necessary paperwork, fire timelines, Paying Agency backlogs, department staffing) that are outside of the department's control and may prolong the invoicing timeline.
<b>July 2021</b>	This process has been fully implemented and is currently being used by the department as outlined in the department's draft policy.

5 Questioned Information Reported		
Reported data for the Strike Team efforts for the 2018 fire season are different than the information on the manual tracking sheet used to manage the Strike Team reimbursements owed to the City. The Reno Fire Department Annual Report and also information presented to City Council at the February 22, 2019 meeting communicated that the Strike Team reimbursement total for the year 2018 was \$1.6 million. However, documentation provided to Internal Audit for the purpose of this audit in December 2019 convey the Strike Team reimbursements for 2018 totaled \$1.37 million, a variance of \$230,000.	We recommend validated data, such as that within the reviewed reconciliations (detailed in finding #3) be used when reporting Strike Team reimbursement information.	The RFD agrees with the recommendation and will implement the use of the City's financial software, New World, to ensure validated data, such as that within the reviewed reconciliations be used when reporting Strike Team reimbursement information. The measures be taken by November 2020.

**Follow-up Status:**

January 2021 Update	Through the use of New World financial system, both the Finance Department and Reno Fire Department are able to see the status of all Strike Team billings (open, closed, cancelled, amendments, etc.) and ensure that City policy for collections is followed.
July 2021	This process has been fully implemented and is currently being used by the department.

6 Lack of Documented Policies		
Departmental policies detailing internal controls and procedures for management of the Strike Team Reimbursements do not exist. Establishing written policies detailing cash handling controls is the first step to clarify processes and employee expectations when carrying out their day-to-day functions. Documented policies support procedures that are conducted consistently and in an equitable manner and, when in use, also assist with succession planning. In addition, conducting departmental operations without documented internal controls and process standards is not within management best practices.	We recommend procedures be developed, documented, communicated to applicable staff, and include the internal control procedures recommended in this audit report.	The RFD agrees with the recommendation and will develop, document, and communicate the Strike Team reimbursement procedures (including the internal controls recommended in this audit report) prior to the 2021 fire season. The measures be taken by March 2021.

**Follow-up Status:**

January 2021 Update	The RFD agrees with the recommendation and will develop, document, and communicate the Strike Team reimbursement procedures (including the internal controls recommended in this audit report) prior to the 2021 fire season.
July 2021	This process has been fully implemented and is currently being used by the department.
Audit Comment to Follow-up: Audit examined the <i>Strike Team/Single Resource Invoicing desk manual</i> and the <i>RFD Billing and Collection Policy</i> . No further follow-up is needed.	

<b>7 Records are Maintained in Excess</b>		
Per inquiry with key personnel, documents for Fire Department Strike Team reimbursements are maintained in the Fire Administration offices and date back to 2007. Maintaining documents longer than the state's record retention requirements may increase staff research time and workload.	We recommend stored documents that exceed the record retention requirements be disposed of and, going forward, documents be disposed of on a rolling basis per the record retention schedules.	The RFD agrees with the recommendation and will dispose of stored documents that exceed the record retention requirements and, going forward, dispose of Strike Team billing information on a rolling basis per the record retention schedules. The measures be taken by December 2020.

**Follow-up Status:**

<b>January 2021 Update</b>	The RFD has reviewed all Strike Team files and is in the process of purging all documents that exceed the record retention requirements.
<b>July 2021</b>	Strike Team documents that exceeded the record retention schedule have been purged.