



MICHIGAN

OFFICE OF THE AUDITOR GENERAL

AUDIT REPORT

PERFORMANCE AUDIT
OF THE

BUREAU OF FIRE SERVICES AND STATE FIRE MARSHAL

DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS

April 2014



THOMAS H. McTAVISH, C.P.A.
AUDITOR GENERAL

The auditor general shall conduct post audits of financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state established by this constitution or by law, and performance post audits thereof.

– Article IV, Section 53 of the Michigan Constitution

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Michigan
Office of the Auditor General
REPORT SUMMARY

Performance Audit

*Bureau of Fire Services and State Fire
Marshal*

*Department of Licensing and Regulatory
Affairs (LARA)*

Report Number:
641-0434-13

Released:
April 2014

The mission of the Bureau of Fire Services is to protect life and property by fostering a fire safe environment through inspections, plan review, enforcement, regulation, firefighter training, data collection, and public fire education. The Bureau includes the State Fire Marshal, State Fire Safety Board, Firefighters Training Council, Fire Safety Inspection Program, Fireworks Program, Underground and Aboveground Storage Tank Programs, and Fire Safe Cigarette Program.

Audit Objective:

To assess the effectiveness of the Bureau's efforts to perform statutorily required fire safety inspections.

Audit Conclusion:

We concluded that the Bureau's efforts to perform statutorily required fire safety inspections were not effective. We noted three material conditions (Findings 1 through 3) and six reportable conditions (Findings 4 through 7, 16, and 17).

Material Conditions:

The Bureau had not established a comprehensive process to assess the effectiveness of its operations (Finding 1).

The Bureau did not conduct timely storage tank inspections and reinspections. Also, the Bureau did not maintain sufficient documentation to support the completion of storage tank inspections. In addition, the Bureau did not attempt to obtain facility owner names and addresses for facilities with missing contact information (Finding 2).

The Bureau did not ensure that places of public assemblage obtained certification of maximum capacity and compliance with the Fire Prevention Code prior to establishment or operation. Also, the Bureau did not ensure that it conducted annual fire safety inspections of all places of

public assemblage and did not seek amendatory legislation regarding the inspection of places of public assemblage (Finding 3).

Reportable Conditions:

Our audit also disclosed reportable conditions related to annual inspections of adult foster care homes, preliminary inspections, conflicts of interest, inspector continuing education, fireworks facility inspections, and consistent and full use of authority for enforcement actions (Findings 4 through 7, 16, and 17).

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Audit Objective:

To assess the effectiveness of the Bureau's oversight of firefighter training throughout the State.

Audit Conclusion:

We concluded that the Bureau's oversight of firefighter training throughout the State was not effective. We noted three material conditions (Findings 1, 8, and 9) and five reportable conditions (Findings 10 through 14).

Material Conditions:

The Bureau did not monitor State-funded training activities conducted at the county level. Also, the Bureau recorded passing grades on student examinations without obtaining and reviewing course examinations (Finding 8).

The Bureau did not effectively preclude conflicts of interest among Firefighters Training Council members, training instructors, training coordinators, county training committee chairpersons, and regional supervisors involved in the firefighter training process (Finding 9).

As presented under the fire safety inspection audit objective, the Bureau had not established a comprehensive process to assess the effectiveness of its operations (Finding 1).

Reportable Conditions:

Our audit also disclosed reportable conditions related to monitoring of training funds, confidential and sensitive information, Information Management System user access, instructor payments, and hourly instructor wage (Findings 10 through 14).

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Audit Objective:

To assess the effectiveness of the Bureau's efforts to administer the Fireworks Program in accordance with statutory requirements.

Audit Conclusion:

We concluded that the Bureau's efforts to administer the Fireworks Program in accordance with statutory requirements were not effective. We noted one material condition (Finding 1) and four reportable conditions (Findings 11 and 15 through 17).

Material Condition:

As presented under the fire safety inspection audit objective, the Bureau had not established a comprehensive process to assess the effectiveness of its operations (Finding 1).

Reportable Conditions:

Our audit also disclosed reportable conditions related to confidential and sensitive information, fireworks applications, fireworks facility inspections, and consistent and full use of

authority for enforcement actions (Findings 11 and 15 through 17).

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Audit Objective:

To assess the effectiveness of the Bureau's efforts to collect funds from statutorily authorized funding sources and allocate funds in accordance with statutory requirements.

Audit Conclusion:

We concluded that the Bureau's efforts to collect funds from statutorily authorized funding sources and allocate funds in accordance with statutory requirements were moderately effective. We noted three reportable conditions (Findings 10, 17, and 18).

Reportable Conditions:

Our audit disclosed reportable conditions related to monitoring of training funds, consistent and full use of authority for enforcement actions, and cash receipts (Findings 10, 17, and 18).

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Audit Objective:

To assess the Bureau's compliance with statutory reporting requirements.

Audit Conclusion:

We concluded that the Bureau was not in compliance with statutory reporting requirements. We noted one material condition (Finding 19).

Material Condition:

The Bureau did not submit statutorily required annual reports to the Governor and the Legislature (Finding 19).

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Agency Response:

Our audit report contains 19 findings and 30 corresponding recommendations. LARA's preliminary response indicates that the Bureau agrees with all of the recommendations.

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A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: <http://audgen.michigan.gov>



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THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

April 10, 2014

Mr. Steve Arwood, Director
Department of Licensing and Regulatory Affairs
Ottawa Building
Lansing, Michigan

Dear Mr. Arwood:

This is our report on the performance audit of the Bureau of Fire Services and State Fire Marshal, Department of Licensing and Regulatory Affairs.

This report contains our report summary; a description of agency; our audit objectives, scope, and methodology and agency responses and prior audit follow-up; comments, findings, recommendations, and agency preliminary responses; and a glossary of abbreviations and terms.

Our comments, findings, and recommendations are organized by audit objective. The agency preliminary responses were taken from the agency's response at the end of our audit fieldwork. The *Michigan Compiled Laws* and administrative procedures require that the audited agency develop a plan to comply with the audit recommendations and submit it within 60 days after release of the audit report to the Office of Internal Audit Services, State Budget Office. Within 30 days of receipt, the Office of Internal Audit Services is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.

We appreciate the courtesy and cooperation extended to us during this audit.

Sincerely,


Thomas H. McTavish, C.P.A.
Auditor General

TABLE OF CONTENTS

BUREAU OF FIRE SERVICES AND STATE FIRE MARSHAL DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS

| | <u>Page</u> |
|--|-------------|
| INTRODUCTION | |
| Report Summary | 1 |
| Report Letter | 3 |
| Description of Agency | 7 |
| Audit Objectives, Scope, and Methodology and Agency Responses and Prior Audit Follow-Up | 9 |
| COMMENTS, FINDINGS, RECOMMENDATIONS, AND AGENCY PRELIMINARY RESPONSES | |
| Effectiveness of Efforts to Perform Statutorily Required Inspections | 14 |
| 1. Efforts to Evaluate Effectiveness | 15 |
| 2. Tank Inspections | 18 |
| 3. Places of Public Assemblage | 20 |
| 4. Annual Inspections of Adult Foster Care Homes | 22 |
| 5. Preliminary Inspections | 23 |
| 6. Conflicts of Interest | 25 |
| 7. Inspector Continuing Education | 26 |
| Effectiveness of Oversight of Firefighter Training | 28 |
| 8. Monitoring of Training Activities | 29 |
| 9. Training Conflicts of Interest | 31 |
| 10. Monitoring of Training Funds | 33 |

| | |
|--|----|
| 11. Confidential and Sensitive Information | 35 |
| 12. IMS User Access | 36 |
| 13. Instructor Payments | 37 |
| 14. Hourly Instructor Wage | 40 |
| Effectiveness of Efforts to Administer the Fireworks Program | 41 |
| 15. Fireworks Applications | 42 |
| 16. Fireworks Facility Inspections | 44 |
| Effectiveness of Efforts to Collect and Allocate Funds | 46 |
| 17. Consistent and Full Use of Authority for Enforcement Actions | 47 |
| 18. Cash Receipts | 50 |
| Compliance With Required Reporting | 52 |
| 19. Statutorily Required Reporting | 53 |

GLOSSARY

| | |
|-------------------------------------|----|
| Glossary of Abbreviations and Terms | 56 |
|-------------------------------------|----|

Description of Agency

The mission* of the Bureau of Fire Services is to protect life and property by fostering a fire safe environment through inspections, plan review, enforcement, regulation, firefighter training, data collection, and public fire education. The Bureau includes the State Fire Marshal, State Fire Safety Board (SFSB), Firefighters Training Council (FFTC), Fire Safety Inspection Program, Fireworks Program, Underground and Aboveground Storage Tank Programs, and Fire Safe Cigarette Program:

- The State Fire Marshal administers the Fire Prevention Code (Sections 29.1 - 29.34 of the *Michigan Compiled Laws*) and is responsible for implementing and enforcing fire safety administrative rules. The State Fire Marshal provides staff support to SFSB and FFTC.
- SFSB was created by the Fire Prevention Code (Sections 29.1 - 29.34 of the *Michigan Compiled Laws*). SFSB's mission is to protect life and property from fire, smoke, hazardous materials, and fire-related panic in specific types of public facilities in cooperation with other fire organizations within the State.

The statutory responsibilities assigned to SFSB include, but are not limited to, promulgation of fire safety rules covering the construction, operation, and maintenance of schools, health care facilities, penal facilities, and other types of facilities; the operation and maintenance for places of public assemblage and other buildings; and the storage and handling of hazardous materials. In addition, SFSB oversees delegation of fire inspection responsibilities and serves as the final administrative hearing body on decisions made by the Bureau related to the rules that SFSB promulgates.

- FFTC, created by the Firefighters Training Council Act (Sections 29.361 - 29.377 of the *Michigan Compiled Laws*), is responsible for educating officials in fire safety laws and rules for overseeing the training of firefighters and inspectors as well as public fire education throughout the State. FFTC serves the training and certification needs of the State's 1,203 fire departments and more than 32,600 firefighters and officers. FFTC prepares and publishes training standards; establishes courses of study; certifies instructors; establishes regional training

* See glossary at end of report for definition.

centers; cooperates with State, federal, and local fire agencies to facilitate the training of firefighters; and develops and administers mandatory certification examinations for new firefighters. FFTC distributes funds for local fire department training activities, including payments to counties, regional training centers, instructors, and training coordinators that proctor various examinations. The Office of Fire Fighter Training within the Bureau provides support staff for FFTC.

- The Fire Safety Inspection Program is responsible for performing construction plan review and conducting fire safety inspections of various regulated facilities under the Fire Prevention Code (Sections 29.1 - 29.34 of the *Michigan Compiled Laws*) and various administrative rules.
- The Fireworks Program is responsible for regulating the purchase, possession, sale, and use of certain fireworks and for administering the Michigan Fireworks Safety Act (Sections 28.451 - 28.471 of the *Michigan Compiled Laws*), which was enacted during our audit period on January 1, 2012.
- The Underground and Aboveground Storage Tank Programs are responsible for regulating underground and aboveground storage tanks under the Natural Resources and Environmental Protection Act (Sections 324.21101 - 324.21113 of the *Michigan Compiled Laws*), the Fire Prevention Code (Sections 29.1 - 29.34 of the *Michigan Compiled Laws*), the Federal Energy Policy Act of 2005 (Section 1523 of Public Law 109-58), and various administrative rules. The Underground and Aboveground Storage Tank Programs were transferred from the Department of Environmental Quality to the Department of Licensing and Regulatory Affairs (LARA) effective December 2, 2012 under Executive Order* No. 2012-14.
- The Fire Safe Cigarette Program is responsible for regulating manufacturer testing of cigarettes sold in Michigan under the Fire Safety Standard and Firefighter Protection Act (Sections 29.491 - 29.513 of the *Michigan Compiled Laws*).

The Bureau had 80 staff, including 28 certified fire inspectors and 16 hazardous material site inspectors, as of June 30, 2013. The Bureau recorded revenues of \$13.8 million and expended \$17.8 million for the period October 1, 2010 through June 30, 2013.

* See glossary at end of report for definition.

Audit Objectives, Scope, and Methodology and Agency Responses and Prior Audit Follow-Up

Audit Objectives

Our performance audit* of the Bureau of Fire Services and State Fire Marshal, Department of Licensing and Regulatory Affairs (LARA), had the following objectives:

1. To assess the effectiveness* of the Bureau's efforts to perform statutorily required fire safety inspections.
2. To assess the effectiveness of the Bureau's oversight of firefighter training throughout the State.
3. To assess the effectiveness of the Bureau's efforts to administer the Fireworks Program in accordance with statutory requirements.
4. To assess the effectiveness of the Bureau's efforts to collect funds from statutorily authorized funding sources and allocate funds in accordance with statutory requirements.
5. To assess the Bureau's compliance with statutory reporting requirements.

This performance audit was conducted as part of the constitutional responsibility of the Office of the Auditor General and in response to a request from LARA.

Audit Scope

Our audit scope was to examine the program and other records related to the Bureau of Fire Services and State Fire Marshal. We conducted this performance audit in accordance with generally accepted government auditing standards. Those 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. Our audit procedures, which included a preliminary survey, audit fieldwork, report preparation, analysis of agency

* See glossary at end of report for definition.

responses, and quality assurance, generally covered the period October 1, 2010 through June 30, 2013.

Audit Methodology

We conducted a preliminary survey of the Bureau of Fire Services' operations to formulate a basis for defining the audit objectives and scope. Our preliminary survey included interviewing Bureau personnel, reviewing applicable statutes and regulations, analyzing available data and statistics, and reviewing Bureau policies and procedures to gain an understanding of the Bureau's operational activities.

To accomplish our first objective, we reviewed the procedures and processes for completing statutorily required fire safety inspections. We performed selected testing of completed inspections to assess the timeliness and completeness of inspections and evaluate compliance with statutes. We compared inspection report detail with supporting travel logs, reviewed inspector qualifications, and reviewed the process for inspectors to disclose conflicts of interest. Also, we identified goals* that the Bureau established for inspection processes and reviewed methods that the Bureau used to evaluate effectiveness of the inspections.

To accomplish our second objective, we reviewed procedures and processes for the oversight of firefighter training. We reviewed the distribution of available funds, evaluated compliance with statute, and assessed the equality of funding opportunities for counties. We tested course records and compared records with supporting documentation. We reviewed instructor qualifications, performed analytical procedures to determine completeness and timeliness of instructor payments, and tested instructor payments to determine whether hourly wages were in compliance with policy.

We performed analytical procedures to identify potential conflicts of interest for individuals involved in training processes. Also, we identified goals that the Bureau established for training processes, reviewed methods that the Bureau used to evaluate effectiveness of the training, and surveyed Michigan local fire department chiefs about the effectiveness of training activities. We reviewed the appropriateness of administrative users in the Information Management System, and we observed the safeguards over confidential and sensitive information.

* See glossary at end of report for definition.

To accomplish our third objective, we tested fireworks certificate holder files and evaluated application processing procedures and inspection procedures for compliance with statute. We reviewed Bureau procedures for monitoring certificate holder payments of fire safety fees and performed analytical review to evaluate certificate holder compliance with statute. Also, we observed the safeguards over confidential and sensitive information.

To accomplish our fourth objective, we reviewed the Bureau's cash handling and mail opening procedures for compliance with the Department of Technology, Management, and Budget Administrative Guide. We performed selected testing of construction plan review and fireworks receipts for cash validations supporting the amount receipted and appropriateness of fees paid. We evaluated the Bureau's utilization of opportunities to assess fines as allowed by statute by reviewing procedures to assess fines and performing analytical review of fines assessed for inspection violations and fireworks certificate holder fire safety fee violations. We reviewed the billing process for underground and aboveground storage tank fees and performed analytical procedures to determine whether the Bureau appropriately billed all tank owners with outstanding balances. Also, we reviewed the procedures for distributing available funds for training, evaluated compliance with statute, and assessed the equality of funding opportunities for counties.

To accomplish our fifth objective, we reviewed the Bureau's procedures for compiling and submitting reports and evaluated the reports for compliance with statute.

When selecting activities or programs for audit, we use an approach based on assessment of risk and opportunity for improvement. Accordingly, we focus our audit efforts on activities or programs having the greatest probability for needed improvement as identified through a preliminary survey. Our limited audit resources are used, by design, to identify where and how improvements can be made. Consequently, we prepare our performance audit reports on an exception basis.

Agency Responses and Prior Audit Follow-Up

Our audit report contains 19 findings and 30 corresponding recommendations. LARA's preliminary response indicates that the Bureau agrees with all of the recommendations.

The agency preliminary response that follows each recommendation in our report was taken from the agency's written comments and oral discussion at the end of our audit fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and the State of Michigan Financial Management Guide (Part VII, Chapter 4, Section 100) require LARA to develop a plan to comply with the audit recommendations and submit it within 60 days after release of the audit report to the Office of Internal Audit Services, State Budget Office. Within 30 days of receipt, the Office of Internal Audit Services is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.

We released our prior performance audit of the Fire Safety Inspection Program, Bureau of Construction Codes and Fire Safety, Department of Labor and Economic Growth (64-143-05), in August 2006. Within the scope of this audit, we followed up 5 of the 7 prior audit recommendations. The Bureau complied with 1 of the 5 prior audit recommendations. We repeated 1 prior audit recommendation and rewrote the 3 other prior audit recommendations for inclusion in Findings 1 and 3 of this audit report.

COMMENTS, FINDINGS, RECOMMENDATIONS,
AND AGENCY PRELIMINARY RESPONSES

EFFECTIVENESS OF EFFORTS TO PERFORM STATUTORILY REQUIRED INSPECTIONS

COMMENT

Audit Objective: To assess the effectiveness of the Bureau of Fire Services' efforts to perform statutorily required fire safety inspections.

Audit Conclusion: **We concluded that the Bureau's efforts to perform statutorily required fire safety inspections were not effective.**

Our audit conclusion was based on our audit efforts as described in the audit scope and audit methodology sections and the resulting material conditions* and reportable conditions* noted in the comments, findings, recommendations, and agency preliminary responses section.

We noted three material conditions and six reportable conditions related to the Bureau's fire safety inspections. In our professional judgment, the material conditions are more severe than a reportable condition and could impair management's ability to operate the program in an effective and efficient manner or could adversely affect the judgment of an interested person concerning the effectiveness of the program:

- The Bureau had not established a comprehensive process to assess the effectiveness of its operations (Finding 1).
- The Bureau did not conduct timely storage tank inspections and reinspections. Also, the Bureau did not maintain sufficient documentation to support the completion of storage tank inspections. In addition, the Bureau did not attempt to obtain facility owner names and addresses for facilities with missing contact information (Finding 2).
- The Bureau did not ensure that places of public assemblage obtained certification of maximum capacity and compliance with the Fire Prevention Code prior to establishment or operation. Also, the Bureau did not ensure that it conducted annual fire safety inspections of all places of public assemblage and did not seek

* See glossary at end of report for definition.

amendatory legislation regarding the inspection of places of public assemblage (Finding 3).

In our professional judgment, the reportable conditions are less severe than material conditions but represent opportunities for improvement in the Bureau's internal control over fire safety inspections. Four of the reportable conditions related to annual inspections of adult foster care (AFC) homes, preliminary inspections, conflicts of interest, and inspector continuing education (Findings 4 through 7). In addition, one reportable condition is presented under our third audit objective related to fireworks facility inspections (Finding 16) and one reportable condition is presented under our fourth audit objective related to consistent and full use of authority for enforcement actions (Finding 17).

We applied our audit procedures by sampling the various types of fire safety inspections that the Bureau is responsible for conducting, including 10,493 underground and aboveground storage tanks, 1,038 AFC homes, 1,366 fireworks facilities, and 7,156 plan reviews for construction or renovation, and assessed the resulting error rates as noted in the accompanying findings. Also, we tested 25 of 31 certified fire inspectors for proper continuing education.

In addition, we evaluated qualitative factors, such as the potential for fire safety hazards and public safety hazards and the skill, knowledge, and competency of fire inspectors.

In reaching our conclusion, we considered the material conditions and the reportable conditions and the error rates related to inspections, instructor continuing education, the Bureau's overall evaluation of its processes, and the qualitative factors impacting the need for an effective fire safety inspection program. We believe that the results of our audit efforts provide a reasonable basis for our audit conclusion for this audit objective.

FINDING

1. Efforts to Evaluate Effectiveness

The Bureau had not established a comprehensive process to assess the effectiveness of its operations. Without such a comprehensive process, the Bureau could not determine the extent to which it effectively achieved its mission.

Program effectiveness can often be evaluated by having a comprehensive evaluation process. Such a process should include performance measures* for measuring outcomes* related to a program's goals and objectives*; performance benchmarks for each performance measure that describe the desired level of outcomes based on management expectations or commitments specified within formal development agreements; a management information system to accurately gather and compile relevant outcome data on a timely basis; a comparison of actual data with desired or contractually committed outcomes; a complete and accurate reporting of the evaluation results to management and other policymakers; and recommendations to improve effectiveness or change desired performance standards*.

The Bureau's mission is to protect lives and property by fostering a fire safe environment through inspections, plan review, enforcement, regulation, firefighter training, data collection, and public fire education. Our review of the Bureau's efforts to fulfill its mission disclosed:

- a. The Bureau had not established outcome measures related to its mission:
 - (1) The Bureau had established goals for performing inspections of places of public assemblage, performing inspections of educational facilities, and providing consistent fire safety inspections through uniform code application and enforcement for inspection activities; however, these goals focused more on outputs* than on measuring outcomes. Also, the goals did not address the Fireworks Program or the Underground and Aboveground Storage Tank Programs.
 - (2) The Bureau had established a goal to ensure that each county expended 100% of its available funding for training activities; however, this goal focused more on outputs than measuring outcomes.
- b. The Bureau had not evaluated many aspects of its operations:
 - (1) The Bureau did not evaluate the overall effectiveness of its various types of inspections or the Fireworks Program. The Bureau collected data from

* See glossary at end of report for definition.

local fire departments, including the number of fires, civilian injuries and deaths, firefighter injuries and deaths, and the dollar amount of damage. However, the Bureau did not utilize the local fire department data to identify trends and determine the effect of its operations on those trends.

- (2) The Bureau did not collect performance data and evaluate overall effectiveness of training activities. The Bureau did not require student surveys at the completion of each course, perform surveys of local fire departments, or collect county committee chairperson survey results that identified local fire department training needs. County firefighter training committee chairpersons survey the training needs of organized fire departments in the county.

Our survey of local fire chiefs noted that 8 (4%) of 221 respondents evaluated Bureau training as ineffective or very ineffective and 76 (35%) of 217 respondents determined that there were firefighter training program topics that were not offered but should have been offered. This may be the result of the Bureau and the county chairpersons not surveying local training needs. Also, 73 (37%) of 196 survey respondents stated that county chairpersons did not annually survey local fire departments about their training needs.

- c. The Bureau did not have statutory authority to enforce local fire department compliance with reporting requirements. As a result, only 443 (43%) of 1,025 and 283 (28%) of 1,024 local fire departments fully reported fire incident activity in fiscal years 2010-11 and 2011-12, respectively. In addition, this reported data did not include sufficient categories to allow for the evaluation of regulated facilities, such as adult foster care homes, fireworks facilities, and tank facilities.

We noted a similar condition in our prior audit. In response to that audit report, the Bureau agreed and informed us that it planned to establish outcome measures wherever possible and practical. However, the Bureau had not established such measures.

RECOMMENDATION

We recommend that the Bureau establish a comprehensive process to assess the effectiveness of its operations.

AGENCY PRELIMINARY RESPONSE

The Bureau agrees and informed us that it is working with the Department of Licensing and Regulatory Affairs (LARA) to establish procedures to monitor and establish measures and outcomes across Bureau divisions.

FINDING

2. Tank Inspections

The Bureau did not conduct timely storage tank inspections and reinspections. Also, the Bureau did not maintain sufficient documentation to support the completion of storage tank inspections. In addition, the Bureau did not attempt to obtain facility owner names and addresses for facilities with missing contact information. As a result, the Bureau could not ensure that all underground storage tanks and aboveground storage tanks were safely maintained in accordance with fire safety standards and did not pose a public safety hazard. In addition, the Bureau was not able to ensure that it appropriately collected all statutorily required annual fees.

Section 29.5d of the *Michigan Compiled Laws* requires underground storage tanks to be inspected every three years to determine compliance with the Energy Policy Act of 2005 and requires aboveground storage tanks to be inspected every three years to determine compliance with the Fire Prevention Code and the federal Energy Policy Act of 2005 (Section 1523 of Public Law 109-58). The Bureau was responsible for performing these inspections during our audit period.

As of June 30, 2013, 10,843 storage tanks required a triennial inspection. The Bureau had not completed the required triennial inspections for 760 (7%) of the 10,843 storage tanks. For 388 (51%) of the 760 storage tanks, the triennial inspections were overdue from 63 days to 9 years, averaging 291 days overdue. For 372 (49%) of the 760 storage tanks, the Bureau had never inspected the facilities. Because the Bureau did not record when the facilities were placed in service, we could not determine the length of time for which the facilities were overdue for inspection.

For 352 (95%) of the 372 tanks never inspected, the Bureau did not have a current facility owner name or address. As a result, the Bureau could not inspect the facilities and was unable to collect an estimated \$366,152 within our audit period.

We reviewed 35 randomly selected inspections, including 17 inspections that identified violations warranting reinspections of the facility or reviews of additional documentation. Our review disclosed:

- a. The Bureau could not provide inspection checklists to support that it completed inspections and that it inspected all requirements in 11 (31%) of 35 instances.
- b. The Bureau did not sufficiently follow up on violations in 13 (76%) of 17 instances:
 - (1) The Bureau had not reinspected 9 (69%) of the 13 tanks at the time of our audit where violations warranted reinspection of the facility. From the date that the facility was required to implement corrective action, the Bureau had not performed the required reinspection from 111 to 1,189 days, averaging 616 days.
 - (2) The Bureau did not perform timely reinspections for 4 (31%) of the 13 tanks where violations warranted reinspection of the facility. The Bureau performed reinspections from 35 to 369 days, averaging 189 days, after the corrective action due date.

Section 29.5d of the *Michigan Compiled Laws* and the federal Energy Policy Act of 2005 require inspections once every three years. The Bureau interpreted this as once within a three-year period. This interpretation allowed the Bureau to inspect the tanks as infrequently as once every six years instead of once every three years as required. In addition, the Bureau had not established policies and procedures for tank inspections including assigning and scheduling inspections, maintaining support for inspections, verifying corrective action implementation, or obtaining contact information for unknown facility owners and addresses.

RECOMMENDATIONS

We recommend that the Bureau conduct timely storage tank inspections and reinspections.

We also recommend that the Bureau maintain sufficient documentation supporting its completion of storage tank inspections.

We further recommend that the Bureau attempt to obtain missing facility owner contact information.

AGENCY PRELIMINARY RESPONSE

The Bureau agrees and informed us that it believes that it has resolved the issue. The Bureau indicated that it has directed supervisory staff to produce weekly reports from the storage tank databases to ensure storage tank inspections are current. If supervisors find incomplete reports, the Bureau has directed supervisors to follow up with the appropriate inspector to ensure that the inspection is accurately completed.

FINDING

3. Places of Public Assemblage

The Bureau did not ensure that places of public assemblage obtained certification of maximum capacity and compliance with the Fire Prevention Code prior to establishment or operation. Also, the Bureau did not ensure that it conducted annual fire safety inspections of all places of public assemblage and did not seek amendatory legislation regarding the inspection of places of public assemblage. As a result, the Bureau could not ensure that all these facilities operated safely in compliance with applicable requirements.

Section 29.21c of the *Michigan Compiled Laws* (Act 3, P.A. 1978) requires that places of public assemblage shall not be established or operated without obtaining a certificate from the State Fire Marshal indicating its maximum capacity and that it is in compliance with the Fire Prevention Code. Section 29.21c also requires that the Bureau inspect all places of public assemblage at least annually to determine whether they were maintained in compliance with the Fire Prevention Code. These inspections are to be conducted by the State Fire Marshal or, upon written request

of the governing body of a city, village, township, or county and approval of the State Fire Marshal, the chief of an organized fire department or a firefighter in uniform acting under the orders and directions of a local fire chief may conduct the inspections.

A "place of public assemblage" is a room or other space in a building which can accommodate 50 or more individuals, including all connected rooms and space which share a common means of entrance and egress. Places of public assemblage include, but are not limited to, churches, halls, theaters, restaurants, libraries, classrooms, and stadium suites.

The Bureau estimated that there were approximately 220,000 places of public assemblage in the State. The Bureau informed us that ensuring proper certification and performing the inspections of these locations would involve a significant undertaking and would be difficult to complete under the current statutory requirements without additional personnel or funding.

In fiscal year 2010-11, local fire departments reported that there were 1,441 fires involving potential places of public assemblage resulting in 3 deaths, 40 injuries, and \$106.4 million in losses. In fiscal year 2011-12, local fire departments reported that there were 1,092 fires involving potential places of public assemblage resulting in 12 injuries and \$47.0 million in losses.

We noted a similar condition in prior audits issued in December 1979, January 1984, September 1988, January 1996, March 2002, and August 2006. The Bureau has agreed and informed us that it intended to comply with the statute whenever possible but that the statute is unfunded and, thus, making it impossible for the Bureau to comply. The Bureau also informed us that it would continue to seek a dedicated funding source and also review the possibility of delegating authority for inspections of public assemblage to local governments. However, the Bureau has not conducted any inspections, has not received dedicated funding, and has not pursued the delegation of authority.

RECOMMENDATIONS

We again recommend that the Bureau ensure that places of public assemblage obtain certification of maximum capacity and compliance with the Fire Prevention Code prior to establishment or operation.

We also recommend that the Bureau ensure that places of public assemblage receive annual safety inspections or seek amendatory legislation regarding the inspection of places of public assemblage.

AGENCY PRELIMINARY RESPONSE

The Bureau agrees with the recommendations. The Bureau indicated that, as stated in the previous audit (2005), this public assemblage inspection requirement has been unfunded since it was added to the Fire Prevention Code in 1978. The Bureau informed us that, for the past several months, these issues have been part of discussions within the Statewide Single Fire Code Committee in an effort to find a solution. This committee was formed as a result of recommendations made by the Inspection and Permitting Advisory Rules Committee (ARC) on March 5, 2013. The ARC consisted of stakeholders in the business community, local government officials, and State regulators and was one of eight committees formed by LARA's Office of Regulatory Reform to meet the Governor's commitment to reduce rules and regulations across State government.

The Bureau also informed us that the Statewide Single Fire Code Committee recommended further study on this topic. The perception is that local units of government may already be performing these inspections. However, the Bureau stated that it will create and work with a stakeholder committee to find a viable solution that may include but not be limited to clear delegation of this responsibility to local units of government, creation of a database and reporting mechanism to track public assemblies, and work with legislative partners in finding a self-supporting mechanism for funding the program.

FINDING

4. Annual Inspections of Adult Foster Care Homes

The Bureau did not conduct annual fire safety inspections of adult foster care (AFC) homes in a timely manner. As a result, the Bureau could not ensure that all AFC homes operated in accordance with applicable fire safety requirements and did not pose a fire safety hazard.

Michigan Administrative Code R 400.18305 requires annual fire safety inspections for all AFC homes. In addition, Sections 400.711 and 400.713 of the *Michigan*

Compiled Laws require a fire safety inspection prior to the licensure or relicensure of AFC homes. There were 1,038 AFC homes licensed to operate in the State from October 1, 2010 through May 16, 2013.

Our review of 30 randomly selected AFC homes requiring 97 inspections disclosed that the Bureau did not complete 8 (8%) of the 97 required inspections in a timely manner. These inspections ranged from 210 to 536 days late, averaging 377 days late.

The Bureau had not implemented a process to monitor due dates for required annual AFC home inspections. Rather, the Bureau relied on the Bureau of Child and Adult Licensing within the Department of Human Services to monitor inspection due dates and send the Bureau monthly notifications of needed AFC home inspections for licensure. The Department of Human Services sent such notifications to the Bureau six months prior to the license expiration month. However, this date did not always correlate with the Bureau's statutory requirement to complete timely annual inspections of AFC homes in a timely manner.

RECOMMENDATION

We recommend that the Bureau implement a process to monitor the due dates of required annual AFC home fire safety inspections.

AGENCY PRELIMINARY RESPONSE

The Bureau agrees and informed us that it is developing a spreadsheet to monitor the due dates of required annual AFC inspections. The document will be color coded so that expiration dates from 0 to 90 days are highlighted in green and expiration dates from 91 to 180 days are in yellow. Information will be sorted by license expiration date.

FINDING

5. Preliminary Inspections

The Bureau did not conduct fire safety inspections of regulated facilities when these buildings were framed and mechanical systems were substantially complete but before concealment. Also, the Bureau did not have a process to require project owners to expose building frame and mechanical systems to allow completion of a

proper inspection or to charge and/or fine project owners for nonnotification. As a result, the Bureau could not ensure that these regulated facilities were properly constructed or renovated in accordance with applicable requirements and did not pose a fire safety hazard.

The Bureau promulgated rules for fire safety requirements for the construction, operation, or maintenance of regulated facilities including health facilities or agencies as defined by Section 333.20106 of the *Michigan Compiled Laws* and for schools, dormitories, penal facilities, and mental facilities in accordance with Section 29.3c of the *Michigan Compiled Laws*. These rules require that the Bureau conduct fire safety inspections when the building is framed and mechanical systems are substantially complete, but before concealment. These rules also require that the Bureau conduct a final inspection upon completion of the project. When the building is ready for the required inspections, the project owner, or a project owner representative, is required to notify the Bureau.

Our sample of 27 randomly selected regulated projects disclosed that the Bureau did not complete 17 (63%) of 27 required fire safety inspections prior to project finalization. We determined that the 17 project owners or project owner representatives violated the promulgated rules because they failed to notify the Bureau that the facilities were ready for inspection.

The Bureau had not implemented a process to require project owners to notify the Bureau that the regulated facilities were ready for inspection when the building was framed and mechanical systems were substantially complete. In addition, when project owners failed to notify the Bureau of a needed inspection, the Bureau had not implemented a process to require project owners to expose the building frame and mechanical systems to allow completion of a proper inspection. The Bureau could charge project owners with a civil fine and misdemeanor as part of the process to enforce project owners to comply with statute. Section 29.22 of the *Michigan Compiled Laws* states that a person who violates the Fire Prevention Code, or rule promulgated pursuant to the Fire Prevention Code, is guilty of a misdemeanor and shall pay a civil fine of \$200 if the violation maintains a fire hazard.

RECOMMENDATIONS

We recommend that the Bureau implement a process to require owners to notify the Bureau of needed fire safety inspections.

We also recommend that the Bureau implement a process to require project owners to expose building frame and mechanical systems for inspection and to charge and/or fine project owners for nonnotification.

AGENCY PRELIMINARY RESPONSE

The Bureau agrees and informed us that it will implement a new procedure to ensure that these requirements are implemented.

FINDING

6. Conflicts of Interest

The Bureau did not require disclosure of conflicts of interest among its fire safety inspectors and hazardous material site inspectors (HMSIs). As a result, some Bureau inspectors may have engaged in activities that could have impaired their independence, both in fact and appearance, when performing inspections.

Section 15.342 (5) of the *Michigan Compiled Laws* states that a public officer or employee shall not engage in a business transaction in which the public officer or employee may profit from his or her official position or authority. Also, Michigan Civil Service Commission Rule 2-8.3 requires that, at least annually, an employee disclose to the employee's appointing authority all personal or financial interests of the employee or members of the employee's immediate family in any business or entity with which the employee has direct contact while performing official duties as a classified employee.

The Bureau had not implemented a process for inspectors to annually disclose potential conflicts of interest and to maintain documentation of such disclosures. Although we did not note any conflicts of interest during our review, the Bureau may have assigned inspectors to facility inspections with which the inspectors had personal or financial interest.

As of June 30, 2013, there were 28 certified fire safety inspectors and 16 HMSIs. During our audit period, there were 5,022 facilities, including adult foster care homes, facilities undergoing construction or renovation, and fireworks facilities, that were subject to inspection by fire safety inspectors. Also, there were 10,432 facilities, including regulated underground or aboveground storage tanks, that were subject to inspection by HMSIs.

RECOMMENDATION

We recommend that the Bureau require disclosure of conflicts of interest among its fire safety inspectors and HMSIs.

AGENCY PRELIMINARY RESPONSE

The Bureau agrees and informed us that it has implemented a process to distribute and collect the supplemental employment form from all employees on an annual basis each January. The Bureau stated that it forwarded completed 2014 forms to Human Resources for approval.

FINDING

7. Inspector Continuing Education

The Bureau certified fire inspectors who did not fulfill continuing education requirements. As a result, the Bureau could not ensure that fire inspectors maintained and increased their skill, knowledge, and competency in fire inspections.

Michigan Administrative Code R 29.506 requires certified fire inspectors to complete a minimum of 10 continuing education hours per year and not less than 60 hours in a three-year period. Also, the continuing education must conform to the curriculum established by the Firefighters Training Council and be approved by the State Fire Safety Board.

Our review of 25 selected Bureau fire inspectors who conducted annual inspections, plan reviews, and fireworks inspections disclosed that the Bureau granted certificates to each inspector. However, 17 (68%) of the 25 inspectors did

not obtain the required 60 continuing education credits for the three-year licensing period ended December 31, 2012. Our analysis of the 17 inspectors also noted:

- a. One (6%) fire inspector did not complete the required minimum 10 hours of continuing education hours in each of the 3 previous years.
- b. Five (29%) of the fire inspectors did not complete the required minimum 10 hours of continuing education hours in 2 of the 3 previous years.
- c. Five (29%) of the fire inspectors did not complete the required minimum 10 hours of continuing education hours in 1 of the 3 previous years.

The Bureau informed us that it reduced the provision of outside training because of funding constraints. Alternatively, the Bureau managers held meetings with staff on a quarterly basis that the Bureau believed could potentially count as additional continuing education credits. However, the State Fire Safety Board did not approve these meetings in accordance with *Michigan Administrative Code* R 29.506.

RECOMMENDATION

We recommend that the Bureau ensure that fire inspectors fulfill minimum continuing education requirements prior to certification.

AGENCY PRELIMINARY RESPONSE

The Bureau agrees and informed us that it created a spreadsheet to track and document the continuing education hours and classes taken in a three-year period by each inspector. Reports will be updated quarterly and Microsoft Outlook will be used to inform the inspectors of the status of their continuing education requirements.

The Bureau stated that the process described in the preceding paragraph will be used until it can develop a report via the current Information Management System (IMS) that will extract the data into a report and will automatically send messages to the fire inspectors every three months on their status for the year and for the three-year period. The Bureau also stated that inspectors will receive a reminder message every time they log into IMS to remind them how many credits they have for the year and how short they are for the three-year period.

The Bureau also informed us that it is researching other states for best practices, including on-line webinars, audio conferences, and in-house training available to staff.

EFFECTIVENESS OF OVERSIGHT OF FIREFIGHTER TRAINING

COMMENT

Audit Objective: To assess the effectiveness of the Bureau's oversight of firefighter training throughout the State.

Audit Conclusion: **We concluded that the Bureau's oversight of firefighter training throughout the State was not effective.**

Our audit conclusion was based on our audit efforts as described in the audit scope and audit methodology sections and the resulting material conditions and reportable conditions noted in the comments, findings, recommendations, and agency preliminary responses section.

We noted three material conditions and five reportable conditions related to the Bureau's oversight of firefighter training. In our professional judgment, the material conditions are more severe than a reportable condition and could impair management's ability to operate the program in an effective and efficient manner:

- The Bureau did not monitor State-funded training activities conducted at the county level. Also, the Bureau recorded passing grades on student examinations without obtaining and reviewing course examinations (Finding 8).
- The Bureau did not effectively preclude conflicts of interest among Firefighters Training Council (FFTC) members, training instructors, training coordinators, and county training committee chairpersons involved in the firefighter training process (Finding 9).
- As presented under the fire safety inspection audit objective, the Bureau had not established a comprehensive process to assess the effectiveness of its operations (Finding 1).

In our professional judgment, the reportable conditions are less severe than material conditions but represent opportunities for improvement in the Bureau's internal control over its oversight of firefighter training. The five reportable conditions related to monitoring of training funds, confidential and sensitive information, IMS user access, instructor payments, and hourly instructor wage (Findings 10 through 14).

We applied our audit procedures by sampling the 4,009 courses taught, the 526 instructor payments remitted, and the 256 training coordinator payments remitted during our audit period. We analyzed the allocation and distribution of \$0.4 million in training funds to counties.

In addition, we evaluated qualitative factors, such as the responses to a survey of fire chiefs in the State, the need for sufficient and appropriate training courses to assist firefighters in preparing to identify and help correct potential fire safety hazards, and the Bureau's policies for conflicts of interest.

In reaching our conclusion, we considered the material and reportable conditions related to the error rates associated with training activities, contracts with and payments to instructors, and information access in addition to the Bureau's overall evaluation of its processes and the qualitative factors impacting the need for an effective firefighter training program. We believe that the results of our audit efforts provide a reasonable basis for our audit conclusion for this audit objective.

FINDING

8. Monitoring of Training Activities

The Bureau did not monitor State-funded training activities. Also, the Bureau recorded passing grades on student examinations without obtaining and reviewing course examinations. As a result, the Bureau could not ensure that counties used funds to provide sufficient and appropriate training courses. In addition, the Bureau could not ensure that students satisfactorily passed examinations to receive course credit.

Section 29.369 of the *Michigan Compiled Laws* requires the Bureau to establish training standards, including the certification of training instructors, and develop and administer an examination. Also Section 29.371 of the *Michigan Compiled Laws* allows the State Fire Marshal to issue certificates to qualified firefighters. In

addition, Section 29.374 of the *Michigan Compiled Laws* allows the Bureau to disburse appropriated funds for the training of organized fire departments.

Our review of the Bureau's monitoring of training activities disclosed:

- a. The Bureau did not enter into written contracts with regional training centers and individual instructors that defined expected training services and deliverables.
- b. The Bureau did not monitor the regional training centers and individual instructors to ensure that they provided proper and sufficient training. In addition, the Bureau did not require course sign-in sheets to ensure that students existed and attended courses taught at regional training centers and by individual instructors.
- c. The Bureau had not maintained documentation demonstrating that regional supervisors monitored training activities during our audit period. The Bureau's two regional supervisors were responsible for ensuring that instructors taught courses in accordance with approved course materials.
- d. The Bureau recorded passing grades for 26 students without documentation to support the passing grades. This occurred because the Bureau did not enforce training coordinator contract provisions that require submission of examinations and could not provide documentation of all completed examinations for 3 (10%) of 29 courses reviewed.

The Bureau had not established policies and procedures for executing contracts and for monitoring firefighter training activities.

RECOMMENDATIONS

We recommend that the Bureau monitor State-funded training activities.

We also recommend that the Bureau obtain and review course examinations prior to recording passing grades on student examinations.

AGENCY PRELIMINARY RESPONSE

The Bureau agrees and informed us that FFTC has put aside money for training coordinators to randomly drop into classes to ensure the correct instructor is teaching the class, what the instructor is teaching, and what materials the instructor is using. The training coordinators will submit a report to the region supervisor on their findings at the class and the region supervisor will retain the report documentation. Regional supervisors will be responsible for reviewing the test result documents provided by the training coordinators and will review documentation before it is uploaded into IMS.

The Bureau stated that it did have executed contracts for the training coordinators but not for the individual instructors and regional training centers. The Bureau informed us that a box in IMS would be added requiring the individual instructors and regional training centers to check that they have read the Instructor Guide and Administration Manual, which states what is expected and required for providing firefighting training with State funds.

FINDING

9. Training Conflicts of Interest

The Bureau did not effectively preclude conflicts of interest among FFTC members, training instructors, training coordinators, county training committee chairpersons, and regional supervisors involved in the firefighter training process. As a result, the individuals who were involved in the firefighter training process engaged in activities that may have impaired their independence, both in fact and appearance, when making decisions regarding firefighter training.

Section 15.342 (5) of the *Michigan Compiled Laws* states that a public officer or employee shall not engage in a business transaction in which the public officer or employee may profit from his or her official position or authority. Also, Michigan Civil Service Commission Rule 2-8.3 requires that, at least annually, an employee disclose to the employee's appointing authority all personal or financial interests of the employee or members of the employee's immediate family in any business or entity with which the employee has direct contact while performing official duties as a classified employee.

The Bureau had a conflict of interest policy for the Office of Fire Fighter Training (OFFT) employees and appointed officials. However, the Bureau had not implemented a process for FFTC members, training instructors, training coordinators, county training committee chairpersons, and regional supervisors to annually disclose potential conflicts of interest to the Bureau and to maintain documentation of those disclosures. Also, the lack of conflict of interest clauses within instructor contracts and training coordinator contracts limited the Bureau's ability to ensure that instructors and training coordinators followed the OFFT conflict of interest policy. Our review identified the following potential training related conflicts of interest:

- a. FFTC members who were instructors could establish or revise procedures and requirements regarding their instructor certification and approve course materials for their courses. Also, FFTC members who were training committee chairpersons and instructors could select themselves as the county instructors and could display favoritism when allocating training funds to counties.
- b. County training committee chairpersons who were instructors could select themselves as the course instructor.
- c. Training coordinators who were instructors could monitor their own courses and proctor their own examinations.
- d. Regional supervisors who were instructors could monitor their own courses and grade their own course materials.

RECOMMENDATION

We recommend that the Bureau improve its efforts to preclude conflicts of interest among FFTC members, training instructors, training coordinators, county training committee chairpersons, and regional supervisors involved in the firefighter training process.

AGENCY PRELIMINARY RESPONSE

The Bureau agrees and informed us that LARA's conflict of interest policy has been reviewed and a statement signed by all Bureau employees. The Bureau stated

that it held a training session taught by Department of Attorney General staff for the FFTC members advising them on conflict of interest issues as well as FFTC's roles. The FFTC members, training instructors, training coordinators, county training committee chairpersons, and regional supervisors were made aware that, if they instruct a class, they cannot monitor their own courses and grade their own course materials. The Bureau also stated that it was adding conflict of interest language to the training coordinators' contracts that will be signed in July and August 2014.

FINDING

10. Monitoring of Training Funds

The Bureau did not monitor the distribution of FFTC's training funds. Also, the Bureau did not redistribute undesignated training funds in compliance with State laws. As a result, the Bureau could not ensure that distributions of training funds to counties complied with State statutes. Also, the budgeting of funds based on statutory requirements for each county creates an equal opportunity for all counties to provide training that enhances the ability to safeguard life and property from damage from explosion, fire, or disaster and to deliver fire suppression or other related fire services.

Section 29.374 of the *Michigan Compiled Laws* authorizes FFTC to disburse training funds for organized fire department firefighter training from the amount annually appropriated. FFTC must disburse the funds to counties using a formula composed of county population and square miles; however, FFTC may make a minimum disbursement to each county. If the county does not designate the funds to an organized fire department by January 1 of the fiscal year, FFTC is required to redistribute the funds using the formula composed of county population and square miles or make a minimum distribution to each county.

The Bureau distributed county training funds of \$176,802 for fiscal year 2010-11, \$166,121 for fiscal year 2011-12, and \$122,919 for fiscal year 2012-13 as of June 30, 2013. Our review of State-funded training payments recorded in OFFT's IMS disclosed:

- a. Training payments exceeded amounts appropriated by FFTC for the county for 12 (14%) of 83 counties in fiscal year 2010-11.

- b. Training payments exceeded amounts appropriated by FFTC for the county for 11 (13%) of 83 counties in fiscal year 2011-12.
- c. Training payments exceeded amounts appropriated by FFTC for the county for 8 (10%) of 83 counties in fiscal year 2012-13 as of June 30, 2013.

Counties may collaborate with another county to provide training to the firefighters in both counties. When this collaboration occurs, one county will transfer its training funds to the county hosting and paying for the training. However, the Bureau did not have a process to track payments and transfers to ensure that payments did not exceed the counties' budgeted amounts. Beginning in fiscal year 2012-13, the Bureau developed a spreadsheet to assist in monitoring county training budgets.

Also, in fiscal year 2012-13, the Bureau did not redistribute undesignated training funds in compliance with State laws. The Bureau informed us that the available training funds that counties did not designate by January 1, 2013 were redistributed on a first-come, first-served basis. However, Section 29.374 of the *Michigan Compiled Laws* requires that the undesignated funds be redistributed using a formula based on county population and square miles or make a minimum distribution to each county.

RECOMMENDATIONS

We recommend that the Bureau develop and implement a process to monitor the distribution of FFTC's training funds.

We also recommend that the Bureau redistribute undesignated training funds in compliance with statute.

AGENCY PRELIMINARY RESPONSE

The Bureau agrees and informed us that the regional supervisors have been directed to track the distribution of allocated training funds on a spreadsheet. The Bureau also informed us that management will redistribute undesignated allocated training funds during the fiscal year once reported by the local units of government in compliance with State statute.

FINDING

11. Confidential and Sensitive Information

The Bureau had not safeguarded confidential and sensitive information in compliance with statute. As a result, the Bureau could not ensure the protection of confidential and sensitive information from improper disclosure.

The Social Security Number Privacy Act (Sections 445.81 - 445.87 of the *Michigan Compiled Laws*) provides guidelines for safeguarding social security numbers from improper disclosure. The Act requires that the Bureau ensure, to the extent practicable, the confidentiality of social security numbers and limit access to information or documents that contain social security numbers. In addition, the Act provides that a social security number shall not be used as the primary account number of an individual unless there is a specific administrative purpose.

We identified confidential and sensitive information that was not secure within the Bureau. The Bureau had not developed and implemented policies and procedures to help effectively safeguard confidential and sensitive information. Because of the confidential nature of the information, we have provided the Bureau with the details of our concerns regarding security of information and have summarized our presentation in this finding.

RECOMMENDATION

We recommend that the Bureau safeguard confidential and sensitive information as required by statute.

AGENCY PRELIMINARY RESPONSE

The Bureau agrees and informed us it has already implemented corrective action. The Bureau informed us that it no longer uses social security numbers as account numbers. Also, files for both the Fireworks Program and OFFT are stored in locked file cabinets. Further, the Bureau stated that it is working with the Department of Technology, Management, and Budget (DTMB) to implement the use of imaging technology for document storage.

FINDING

12. IMS User Access

The Bureau did not have IMS user access agreements, document user access rights, or periodically review user access. As a result, the Bureau had not sufficiently controlled users' access to OFFT's IMS and unauthorized users may have had access to IMS.

DTMB Administrative Guide policy 1335 requires that the Bureau director, as the data owner, develop a formalized process to manage user access. The process is required to provide a mechanism for controlling and documenting the allocation of user access rights from initial access rights, as a new user, through de-registration, when the user changes jobs or leaves the agency. However, the Bureau had not developed a formal process, including security standards and procedures, to manage user access for IMS.

IMS is a Web-based application that allows OFFT administrative personnel to allocate firefighter training funds and to track course, instructor, and trainee records. These records include social security numbers, birthdates, and addresses.

At the time of our review, 14 users had administrative access to IMS. The administrative access roles included OFFT administrator, budget maintenance, system security administrator, OFFT director, and executive director. We could not determine whether the Bureau had appropriately assigned these access roles because the Bureau did not know the rights assigned with each level of user access.

Four (29%) of the 14 users with administrative access were not Bureau employees. Of these 4 users, 1 (25%) had both OFFT administrator and budget maintenance access, 1 (25%) had system security administrator access, and 2 (50%) had executive director access. These users could access IMS from outside the State of Michigan's computer network. After we informed the Bureau that these 4 users had active administrative access roles, the Bureau removed their administrative access.

RECOMMENDATION

We recommend that the Bureau establish IMS user access agreements, document user rights, and periodically review user access.

AGENCY PRELIMINARY RESPONSE

The Bureau agrees and informed us that it partnered with DTMB to create a report within IMS that will be produced once a year. The report has the following data elements:

- Names of who have access to IMS.
- Assigned access rights.
- Date activated.
- End date.
- Phone number.
- E-mail address.

The Bureau stated that it would produce the report annually and e-mail local fire chiefs requesting verification that each of their employees still needs access and that their access rights are accurate and to determine if any user access needs to be removed.

The Bureau also stated that it is developing a procedure to inform and define the authority of each access right for the local fire chiefs. This will help to ensure that the local fire chiefs understand the rights granted to new users within their jurisdiction.

FINDING

13. Instructor Payments

The Bureau did not pay instructor invoices in a timely manner. Also, the Bureau did not reconcile Michigan Administrative Information Network* (MAIN) payments with its IMS to ensure that it made all payments. In addition, the Bureau did not assign duties that allowed for proper segregation of duties* and sufficient internal control* over instructor payments. As a result, the Bureau could not ensure that it paid instructors timely and appropriately for services provided.

* See glossary at end of report for definition.

Sections 17.52 and 17.54 of the *Michigan Compiled Laws* require a principal executive department to take all steps necessary to ensure that payment for goods or services are mailed within 45 days after the department receives goods or services, a complete invoice for the goods or services, or a complete contract for goods or services, whichever is later. If the payment is past due, the department shall pay an additional amount equal to 0.75% of the payment due for the first month and each succeeding month or portion of a month the payment remains past due.

The course manager initiates payments to course instructors by creating an invoice and setting the course status as finalized in IMS, which completes the invoice. Beginning in fiscal year 2012-13, the Bureau identified payments due by generating a report in IMS. Prior to this period, the Bureau relied on IMS e-mail notifications that payments were due. After identifying payments due on the IMS report, the Bureau manually entered the invoice amounts in MAIN for payment.

Our review of the Bureau's processing and payment of instructor fees disclosed:

- a. The Bureau had not paid some instructors for completed courses. As of June 30, 2013, the Bureau had not paid \$4,175 to instructors who provided services for 7 courses during fiscal years 2010-11 and 2011-12. These instructor fee payments were overdue by 228 to 887 days and had accrued interest payable of \$406. Also, as of June 30, 2013, the Bureau had not paid \$97,222 to instructors who provided services for 61 courses during fiscal year 2012-13. Of these fees, \$51,096 for 29 courses were overdue by 1 to 103 days and had accrued interest payable of \$166.
- b. The Bureau had not timely paid some instructors for completed courses. The Bureau paid 16 (55%) of 29 selected instructor fee payments from 2 to 121 days after the due date, averaging 32 days after the due dates. These late payments had accrued interest due of \$171 that was not paid to the instructors.
- c. The Bureau did not reconcile the processed MAIN payments with IMS to ensure that it processed all payments and that the payment was marked paid within IMS. The reconciliation is necessary because a manual entry had to be

made in IMS to indicate payment and any invoices not properly marked as paid would be on the next open invoice report and could be processed for payment in MAIN again resulting in duplicate payments.

- d. The Bureau did not sufficiently assign duties to ensure that it maintained a proper segregation of duties. The same employee was responsible to run the IMS report of open invoices, initiate the transaction for payment in MAIN, and mark the invoice in IMS as paid. In addition, this employee had administrative rights to IMS. This internal control weakness would allow the employee to create an invoice and receive payment, allow multiple payments to instructors for the same course, and allow changes to payment amounts without detection.

The Bureau had not established processes for the timely identification of instructor payments due or to require a reconciliation of IMS instructor payment invoices with MAIN disbursements. In addition, the Bureau had not implemented sufficient internal control over the instructor payment process to ensure proper segregation of duties.

RECOMMENDATIONS

We recommend that the Bureau pay instructor invoices in a timely manner.

We also recommend that the Bureau reconcile MAIN payments with its IMS to ensure that it made all payments.

We further recommend that the Bureau assign duties that allow for proper segregation of duties and sufficient internal control over instructor payments.

AGENCY PRELIMINARY RESPONSE

The Bureau agrees and informed us it has implemented a procedure to ensure that the Funded Course Summary Report is produced biweekly from IMS. This report lists the course number, course description, start date, end date, and course manager. The Bureau indicated that it is working with DTMB information technology staff to add "Payee" to this report. Once the region supervisor grades and finalizes the class, the payment will be processed. Also, the Bureau created a Business Objects report to reconcile IMS with MAIN and the IMS Funded Course Summary report for the fiscal year.

The Bureau also informed us that a second IMS report is produced (BFS 250) detailing payments for each course name, start and end dates, course number, instructors' total hours, and payment amount to each instructor.

In addition, the Bureau informed us that it will implement process changes that allow for proper segregation of duties and internal control over instructor payments within 90 days.

FINDING

14. Hourly Instructor Wage

The Bureau approved payments for firefighter training instructors without sufficient documentation to support the amount paid. Also, the Bureau paid firefighter training instructors more than the maximum hourly rate allowed. As a result, the Bureau could not ensure that instructor payments were proper and made in accordance with Bureau policy.

The Office of Fire Fighter Training Payment Rates Policy 2-4 stipulates that the maximum training instructor fee is \$25 per hour of instruction. Although Bureau policy required that the course managers submit the instructor activity and payment forms, which include the name of the primary instructor and assisting instructors along with the hours worked and payment due for each instructor, the Bureau did not enforce this requirement.

Our sample of 29 selected instructor activity and payment forms totaling \$65,191 noted:

- a. The Bureau approved and remitted payments for 20 (69%) of 29 forms that did not include the number of hours worked by the instructors and/or assisting instructors. As a result, the Bureau could not determine that it paid the proper amount and did not exceed the \$25 per hour maximum allowed per policy.
- b. Of the 19 instructors paid directly by the Bureau, 2 (11%) instructors were paid more than the maximum \$25 per hour allowed. These instructors were paid \$41 and \$71 per hour.

RECOMMENDATIONS

We recommend that the Bureau require the submission of sufficient documentation prior to approving payments for firefighter training instructors.

We also recommend that the Bureau pay firefighter training instructors within the maximum hourly rate allowed.

AGENCY PRELIMINARY RESPONSE

The Bureau agrees and informed us it will introduce required forms to be completed before approving payments and implement a policy to adjust and reduce payments to ensure that payments do not exceed the maximum allowed. The processes will be implemented within 90 days.

EFFECTIVENESS OF EFFORTS TO ADMINISTER THE FIREWORKS PROGRAM

COMMENT

Audit Objective: To assess the effectiveness of the Bureau's efforts to administer the Fireworks Program in accordance with statutory requirements.

Audit Conclusion: **We concluded that the Bureau's efforts to administer the Fireworks Program in accordance with statutory requirements were not effective.**

Our audit conclusion was based on our audit efforts as described in the audit scope and audit methodology sections and the resulting material condition and reportable conditions noted in the comments, findings, recommendations, and agency preliminary responses section.

We noted one material condition and four reportable conditions related to the Bureau's administration of the Fireworks Program. In our professional judgment, the material

condition is more severe than a reportable condition and could adversely affect the judgment of an interested person concerning the effectiveness of the program:

- As presented under the fire safety inspection audit objective, the Bureau had not established a comprehensive process to assess the effectiveness of its operations (Finding 1).

In our professional judgment, the reportable conditions are less severe than material conditions but represent opportunities for improvement in the Bureau's internal control over its administration of the Fireworks Program. The four reportable conditions related to fireworks applications and fireworks facility inspections (Findings 15 and 16). In addition, one reportable condition is presented under the second audit objective related to confidential and sensitive information (Finding 11) and one reportable condition is presented under the fourth audit objective related to consistent and full use of authority for enforcement actions (Finding 17).

We applied our audit procedures by sampling of the 1,366 and 2,584 low impact and consumer fireworks certificates issued in fiscal years 2011-12 and 2012-13, respectively. We analyzed the collection of \$2.6 million in fireworks safety fees.

In addition, we evaluated qualitative factors, such as the need for public safety, the potential for fire safety hazards, and the legislative and public interest in the Fireworks Program.

In reaching our conclusion, we considered the material and reportable conditions related to the error rates associated with fireworks applications, fireworks facility inspections, and filed affidavits and to information access. In addition, we considered the Bureau's overall evaluation of its processes and the qualitative factors impacting the administration of the Fireworks Program and the need to ensure public safety. We believe that the results of our audit efforts provide a reasonable basis for our audit conclusion for this audit objective.

FINDING

15. Fireworks Applications

The Bureau did not process fireworks applications in accordance with State statutes. Also, the Bureau did not retain all site plans submitted by consumer

fireworks certificate applicants. As a result, the Bureau did not process applications in a timely manner and approved applications that did not meet the statutory requirements. Also, the Bureau was unable to document that site plans met all requirements and that the site did not present a potential fire safety hazard.

Section 28.454 of the *Michigan Compiled Laws* requires the Bureau to issue or deny fireworks certificates within 30 days of receiving the application, with all applications due by April 1 of each year.

Michigan Administrative Code R 29.2913 requires site plans to be submitted at the time of application for permanent and temporary facilities. Site plans must contain sufficient detail of the facility, including, but not limited to, minimum distances from motor vehicle fuel-dispensing stations, location and type of fire extinguishers, means of egress, and the maximum expected quantity of pyrotechnic material on display and stored.

Our review of 40 randomly selected approved fireworks applications disclosed:

- a. The Bureau did not process 23 (58%) of 40 applications within 30 days. The Bureau approved the 23 certificates from 31 to 78 days, averaging 50 days, after receiving the application. Section 28.454(4) of the *Michigan Compiled Laws* requires the Bureau to issue or deny issuance of a consumer fireworks certificate to the applicant within 30 days of receipt.
- b. The Bureau approved 22 (55%) of 40 fireworks applications submitted after the April 1 deadline.
- c. The Bureau did not retain retail location plan documentation for 28 (70%) of 40 applications. As a result, the Bureau could not demonstrate that these plans properly met the Fireworks Safety General Rules requirements. Also, the Bureau approved certificates for 7 (58%) of 12 plans for which the Bureau retained plans, but the plans did not meet the Fireworks Safety General Rules requirements.

The Bureau had not established policies and procedures for fireworks applications, including retaining documentation submitted with applications, processing

applications within 30 days of receipt, and immediately denying applications remitted without all required documentation. Section 28.454(5) of the *Michigan Compiled Laws* states that the applicant may cure any defect of the application within 45 days after a denial.

RECOMMENDATIONS

We recommend that the Bureau process fireworks applications in accordance with State statutes.

We also recommend that the Bureau retain fireworks application documentation.

AGENCY PRELIMINARY RESPONSE

The Bureau agrees and informed us that it will establish policies and procedures for processing fireworks applications and will retain fireworks application documentation. The process will be implemented within 90 days.

FINDING

16. Fireworks Facility Inspections

The Bureau did not conduct inspections of retail fireworks facilities in accordance with State statutes. Also, the Bureau did not maintain sufficient documentation to support its completion of inspections. As a result, the Bureau could not ensure that retail fireworks locations operated in a fire safe environment and did not pose a fire safety hazard.

Michigan Administrative Code R 29.2908 requires the Bureau to establish an inspection process to confirm that retail fireworks locations comply with the Michigan Fireworks Safety Act (Sections 28.451 - 28.471 of the *Michigan Compiled Laws*) and the National Fire Protection Association (NFPA) codes and standards. The Fireworks Safety General Rules require that the Bureau verify retail location compliance with NFPA codes and standards through a Bureau inspection or receipt of a notarized affidavit that asserts compliance before fireworks are sold. In addition, the Michigan Fireworks Safety Act requires that each retail location selling consumer fireworks obtain and maintain insurance and that proof of insurance be available upon request during inspection of retail fireworks facilities.

Our review of 40 randomly sampled retail fireworks facilities that the Bureau certified to sell fireworks disclosed:

- a. The Bureau had not completed the required inspections for 2 (11%) of the 19 facilities for which the facility owners did not submit affidavits of compliance as of June 30, 2013. Also, the Bureau did not have an inspection report to document its inspections of 1 (5%) of the 19 facilities.
- b. The Bureau completed inspections of retail fireworks facilities after the facility began operating for 19 (48%) of the 40 facilities. The Bureau performed the inspections from 2 to 285 days after the facilities began operating, averaging 36 days. The Bureau noted violations which posed a potential fire hazard in 7 (37%) of the 19 inspections.
- c. Inspectors did not complete inspection checklists to support their completion of inspections and that they inspected all requirements for all 26 (100%) facilities inspected.

The Bureau had not established policies and procedures for the performance of inspections of retail fireworks locations prior to the Bureau's approval of the sale of fireworks by applicants.

RECOMMENDATIONS

We recommend that the Bureau conduct inspections of retail fireworks facilities in accordance with State statutes.

We also recommend that the Bureau maintain sufficient documentation to support the inspections of retail fireworks facilities.

AGENCY PRELIMINARY RESPONSE

The Bureau agrees and informed us that it will implement process improvements to more appropriately perform inspections of retail facilities in accordance with State statute and will maintain necessary documentation of those inspections.

The Bureau also informed us that it is taking the necessary steps to determine the appropriate start selling date. The Bureau feels that it would be more appropriate

to determine the desired start selling date once the certificate and the plan review processes are complete and plans may be released to the field inspector. The inspectors will then make contact with the certificate holders and work with them to accommodate the inspection by the desired selling date to the best of their ability. The Bureau will implement a deadline for which contacting the certificate holder to schedule the inspection shall be made.

In addition, the Bureau informed us that it will work with the inspectors to develop the inspection checklist further with the goal that it become a useful tool in conducting an efficient and effective inspection.

EFFECTIVENESS OF EFFORTS TO COLLECT AND ALLOCATE FUNDS

COMMENT

Audit Objective: To assess the effectiveness of the Bureau's efforts to collect funds from statutorily authorized funding sources and allocate funds in accordance with statutory requirements.

Audit Conclusion: We concluded that the Bureau's efforts to collect funds from statutorily authorized funding sources and allocate funds in accordance with statutory requirements were moderately effective.

Our audit conclusion was based on our audit efforts as described in the audit scope and audit methodology sections and the resulting reportable conditions noted in the comments, findings, recommendations, and agency preliminary responses section.

We noted three reportable conditions related to the Bureau's collection and allocation of authorized funding sources. In our professional judgment, the reportable conditions are less severe than material conditions but represent opportunities for improvement in the Bureau's internal control over its collection and allocation of authorized funding sources. Two reportable conditions related to consistent and full use of authority for enforcement actions and cash receipts (Findings 17 and 18). In addition, one reportable condition is presented under our firefighter training audit objective related to the monitoring of training funds (Finding 10).

We applied our audit procedures by analyzing the fireworks certificate holders' remittance of \$2.6 million in fireworks safety fees and estimated potential fine assessments. We analyzed the potential fines for 7,074 fire safety violations, 1,072 underground storage tank facilities, and 366 aboveground storage tank facilities. We analyzed \$8.0 million in cash receipts and sampled 127 plan review, construction, and fireworks related fee payments. We analyzed the allocation and distribution of \$0.4 million in training funds to counties.

In addition, we evaluated qualitative factors, such as the need for protecting consumers from public safety hazards, the need to ensure compliance by retailers and owners, and the need to ensure fairness in the treatment of retailers and owners.

In reaching our conclusion, we considered the reportable conditions related to the error rates associated with cash receipts and monitoring of county training budgets and the policies regarding enforcement actions and the qualitative factors impacting the need for protecting consumer and ensuring fairness among retailers and owners. We believe that the results of our audit efforts provide a reasonable basis for our audit conclusion for this audit objective.

FINDING

17. Consistent and Full Use of Authority for Enforcement Actions

The Bureau did not consistently and fully use its authority when applying enforcement actions in response to violations. Consistent and full use of the Bureau's authority when applying enforcement actions would help encourage fireworks retailers, storage tank owners, and owners of facilities subject to Bureau inspections to comply with State laws and regulations; would help protect consumers; and would help provide for fairness among retailers and owners.

The Bureau is responsible for enforcing the provisions of the Michigan Fireworks Safety Act (Sections 28.451 - 28.471 of the *Michigan Compiled Laws*), the Fire Prevention Code (Sections 29.1 - 29.33 of the *Michigan Compiled Laws*), and the Natural Resources and Environmental Protection Act (Sections 324.21101 - 324.21113 of the *Michigan Compiled Laws*).

Our review of the Bureau's enforcement actions in response to noted violations disclosed:

- a. The Bureau did not document the collection of an estimated \$241,500 in fireworks safety fees charged to consumers from 44 (21%) of 208 certificate holders required to remit consumer fireworks safety fees to the Bureau. In addition, the Bureau did not assess fines of \$10,000 to each of these certificate holders.

Section 28.458 of the *Michigan Compiled Laws* requires retailers to collect a 6% fireworks safety fee on the sale of consumer fireworks and to remit the fee to the State. Also, Section 28.458 establishes the fines for first, second, and third or subsequent violations related to nonsubmission of collected fees. The fine for the first violation is not more than \$10,000, for the second violation not more than \$20,000, and for the third or subsequent violation not more than \$40,000.

The Bureau had not established policies and procedures for the enforcement of compliance with the Michigan Fireworks Safety Act, including the assessment and collection of applicable fines.

- b. The Bureau did not have a system in place to track when certificate holders remitted their consumer firework safety fees and their low-impact firework safety fees together. As a result, the Bureau could not determine which low-impact firework certificate holders properly remitted their firework safety fees and could not subsequently ensure all fees were properly remitted and subsequently assess fines to those certificate holders that did not remit firework safety fees.

The Bureau documented the receipt of low-impact firework safety fees for only 133 (19.9%) of 669 locations. The Bureau was unable to determine if certificate holders for the remaining 536 (80.1%) locations remitted low-impact firework safety fees with their consumer firework safety fees or if the certificate holders did not remit any fees. We determined that the average amount of low-impact firework safety fees remitted by certificate holders for the 133 locations was \$1,940. Therefore, we estimated that the amount of low-impact

firework fees not remitted to the State for the 536 locations could total \$1.0 million and potential fines assessed to these locations could total \$5.4 million.

- c. The Bureau did not assess a fine of \$200 for each of the 7,074 fire hazard violations cited and not cleared during inspections of adult foster care homes, homes for the aged, nursing homes, health care facilities, and construction and remodeling projects. Also, the Bureau did not assess a fine of \$200 for each of the 366 noncompliant aboveground storage tank facilities.

Section 29.22 of the *Michigan Compiled Laws* states that a person who violates the Fire Prevention Code, or rule promulgated pursuant to the Fire Prevention Code, is guilty of a misdemeanor and shall pay a civil fine of \$200 if the violation maintains a fire hazard.

- d. The Bureau did not assess a fine of \$5,000 per day for each of the 1,072 inspected underground storage tank facilities that had violations noted.

Section 324.21112 of the *Michigan Compiled Laws* states that a person who violates the Natural Resources and Environmental Protection Act is subject to a civil fine of not more than \$5,000 for each underground storage tank system for each day in violation.

The Bureau had neither developed nor instituted policies with consistent responses to violations of the Michigan Fireworks Safety Act, the Fire Prevention Code, and the Natural Resources and Environmental Protection Act that fully implemented the Bureau's authority for applying enforcement actions in response to violations.

RECOMMENDATION

We recommend that the Bureau consistently, and to the full extent of the law, use its enforcement authority to ensure that fireworks retailers, storage tank owners, and owners of facilities subject to Bureau inspections comply with State laws and regulations to help protect consumers and provide for fairness among retailers and owners.

AGENCY PRELIMINARY RESPONSE

The Bureau agrees and informed us that it is developing policies and procedures for fireworks retailers, storage tank owners, and owners of facilities subject to Bureau inspections that will allow the Bureau to utilize its enforcement authority.

FINDING

18. Cash Receipts

The Bureau did not sufficiently control its cash receipting process. As a result, the Bureau did not ensure that it safeguarded cash.

The State of Michigan Financial Management Guide (Part II, Chapter 9, Section 100) requires each department to establish internal control to safeguard cash receipts, including the assurance that the handling of cash or cash records from receipt to verification of deposits is not entrusted to only one employee. These controls include opening mail in the presence of two employees, restrictively endorsing checks immediately upon receipt, and initialing the cash log by the cash openers.

During our audit period, the Bureau directly receipted \$5.5 million in cash and checks for plan review and construction fees. Also, the Bureau recorded \$2.6 million in revenue for fireworks related fees, including \$560,000 in credit card payments and \$2.1 million in cash and checks. The Bureau was unable to determine the portions of the \$2.1 million in fireworks related fee payments receipted directly by the Bureau and receipted by LARA's central cashiering. The Bureau informed us that it directly receipted numerous fireworks related fee payments.

Our review of 127 selected plan review, construction, and fireworks related fee payments disclosed:

- a. The Bureau was not able to provide validated receipts for 12 (9%) of 127 payments. As a result, the Bureau could not demonstrate that it appropriately receipted \$50,158 in payments as stated on remittance advices. For 1 (8%) of the 12 payments, the Bureau did not know how much was paid because it could not locate the file.

- b. The Bureau did not send plan review cash receipts to LARA's central cashiering in a timely manner. For 37 (70%) of 53 plan review payments receipted at the Bureau, the receipts did not get validated at LARA's central cashiering for an average of 7 days, ranging from 1 to 18 days. For 7 (13%) of 53 plan review payments, we could not determine the length of time between receipt and validation because the Bureau was unable to provide the validations.

In addition, the Bureau did not ensure that it opened cash receipts received via the mail in the presence of two employees, did not restrictively endorse checks upon receipt, and did not ensure that a second employee verified cash logs.

RECOMMENDATION

We recommend that the Bureau establish sufficient internal control to ensure proper cash receipting in accordance with the State of Michigan Financial Management Guide.

AGENCY PRELIMINARY RESPONSE

The Bureau agrees and informed us that it has mailed letters to all architects doing business with the Bureau containing new instructions to mail or deliver all correspondence to the LARA mailroom. The Bureau believes that the new instructions will resolve this finding by increasing the internal control over these payments. This change will also increase the processing time, allowing for a slight increase in common cash interest earnings as the payments are deposited a day or two earlier than before.

The Bureau also stated that, if by chance a delivery is inadvertently made to its office, the Bureau has procured "For Deposit Only" stamps and the Bureau has established written procedures for these instances directing that receipts are to be opened in the presence of two employees, checks are to be endorsed immediately upon receipt, and a second employee is to verify cash logs before pickup by LARA mail staff.

COMPLIANCE WITH REQUIRED REPORTING

COMMENT

Audit Objective: To assess the Bureau's compliance with statutory reporting requirements.

Audit Conclusion: We concluded that the Bureau was not in compliance with statutory reporting requirements.

Our audit conclusion was based on our audit efforts as described in the audit scope and audit methodology sections and the resulting material condition noted in the comments, findings, recommendations, and agency preliminary responses section.

We noted one material condition related to the Bureau's statutory reporting. In our professional judgment, the material condition is more severe than a reportable condition and could adversely affect the judgment of an interested person concerning the effectiveness of the program:

- The Bureau did not submit statutorily required annual reports to the Governor and the Legislature (Finding 19).

We applied our audit procedures to the five statutorily required reports and determined that none of the reports were submitted.

In addition, we evaluated qualitative factors, such as the need for the Governor and the Legislature to be informed of the activities and effectiveness of the various programs administered by the Bureau.

In reaching our conclusion, we considered the material condition that no reports were submitted as required. We believe that the results of our audit efforts provide a reasonable basis for our audit conclusion for this audit objective.

FINDING

19. Statutorily Required Reporting

The Bureau did not submit statutorily required annual reports to the Governor and the Legislature. As a result, the Bureau did not comply with the *Michigan Compiled Laws* and update those charged with governance on the Bureau's activities and any recommendations for change.

Our review of the Bureau's statutory reporting requirements disclosed:

- a. The Bureau did not submit the fiscal year 2010-11 and 2011-12 annual reports to the Governor. The Fire Prevention Code (Sections 29.1 - 29.33 of the *Michigan Compiled Laws*) requires that the State Fire Marshal provide annual reports to the Governor detailing the Bureau's administration of the Fire Prevention Code and of the receipts and disbursements made under the Fire Prevention Code. Also, the report must include recommendations for changes in the Fire Prevention Code as the State Fire Marshal considers expedient.
- b. FFTC did not submit the fiscal year 2010-11 and 2011-12 annual reports to the Governor and the Legislature. The Firefighters Training Council Act (Sections 29.361 - 29.377 of the *Michigan Compiled Law*) requires that FFTC submit annual reports to the Governor and the Legislature presenting pertinent data regarding the standards established and the degree of participation of municipalities in the training program.
- c. The Bureau did not submit the June 30, 2013 annual report to the Legislature assessing the effectiveness of the cigarette testing requirements. The Fire Safety Standard and Firefighter Protection Act (Sections 29.491 - 29.513 of the *Michigan Compiled Laws*) requires that the Bureau assess the effectiveness of the cigarette testing requirements and report the Bureau's findings and recommendations, if any, to the Legislature once every three years. The first report was due June 30, 2013.

The Bureau had not established policies and procedures that assigned responsibility for preparing and compiling the statutorily required reports.

RECOMMENDATION

We recommend that the Bureau fulfill all statutory reporting requirements.

AGENCY PRELIMINARY RESPONSE

The Bureau agrees and informed us that it has established policies and procedures for the compilation and preparation of the statutorily required reports, including the following:

1. The Fire Prevention Code Annual Report - The annual report will be submitted to the Legislature on October 1 every year to meet the statutory requirements.
2. The Firefighters Training Council Annual Report - The annual report will be submitted to the Legislature on October 1 every year to meet the statutory requirements.
3. The Fire Safe Cigarette Testing Annual Report - The annual report will be submitted to the Legislature on June 30 every three years to meet the statutory requirements. The first report to be submitted June 30, 2014 is for fiscal year 2012-13.

GLOSSARY

Glossary of Abbreviations and Terms

| | |
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| AFC | adult foster care. |
| ARC | Inspection and Permitting Advisory Rules Committee. |
| DTMB | Department of Technology, Management, and Budget. |
| effectiveness | Success in achieving mission and goals. |
| executive order | An official pronouncement of the Governor provided for in Article V, Section 2 of the Michigan Constitution. |
| FFTC | Firefighters Training Council. |
| goal | An intended outcome of a program or an entity to accomplish its mission. |
| HMSI | hazardous material site inspector. |
| IMS | Information Management System. |
| internal control | The plan, policies, methods, and procedures adopted by management to meet its mission, goals, and objectives. Internal control includes the processes for planning, organizing, directing, and controlling program operations. It also includes the systems for measuring, reporting, and monitoring program performance. Internal control serves as a defense in safeguarding assets and in preventing and detecting errors; fraud; violations of laws, regulations, and provisions of contracts and grant agreements; or abuse. |
| LARA | Department of Licensing and Regulatory Affairs. |

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| material condition | A matter that, in the auditor's judgment, is more severe than a reportable condition and could impair the ability of management to operate a program in an effective and efficient manner and/or could adversely affect the judgment of an interested person concerning the effectiveness and efficiency of the program. |
| material noncompliance | Violations of laws, regulations, contracts, and grants that could have a direct and material effect on program results. |
| Michigan Administrative Information Network (MAIN) | The State's automated administrative management system that supports accounting, purchasing, and other financial management activities. |
| mission | The main purpose of a program or an entity or the reason that the program or the entity was established. |
| objective | Specific outcome(s) that a program or an entity seeks to achieve its goals. |
| OFFT | Office of Fire Fighter Training. |
| outcome | An actual impact of a program or an entity. |
| output | A product or a service produced by a program or an entity. |
| performance audit | An audit that provides findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability. |

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| performance measure | A composite of key indicators of a program's or an activity's inputs, outputs, outcomes, productivity, timeliness, and/or quality. Performance measures are a means of evaluating policies and programs by measuring results against agreed upon program goals or standards. |
| performance standard | A desired level of output or outcome. |
| reportable condition | A matter that, in the auditor's judgment, is less severe than a material condition and falls within any of the following categories: an opportunity for improvement within the context of the audit objectives; a deficiency in internal control that is significant within the context of the audit objectives; all instances of fraud; illegal acts unless they are inconsequential within the context of the audit objectives; significant violations of provisions of contracts or grant agreements; and significant abuse that has occurred or is likely to have occurred. |
| segregation of duties | Assigning different people the responsibilities of authorizing transactions, recording transactions, and maintaining custody of assets to reduce the opportunities to allow any person to be in a position to both perpetrate and conceal errors or fraud in the normal course of his or her duties. Proper segregation of duties requires separating the duties of reporting, review and approval of reconciliations, and approval and control of documents. |
| SFSB | State Fire Safety Board. |

