
CITY OF SAN ANTONIO

OFFICE OF THE CITY AUDITOR



Follow-Up Audit of San Antonio Fire Department

Hazardous Materials Inspections

Project No. AU17-F05

September 5, 2017

Kevin W. Barthold, CPA, CIA, CISA
City Auditor

Executive Summary

As part of our annual Audit Plan approved by City Council, we conducted a follow-up audit of the recommendations made in the Audit of the San Antonio Fire Department (SAFD) Hazardous Materials (HazMat) Inspections dated December 9, 2015. The objective for this follow-up audit is:

Determine if prior audit recommendations are successfully implemented and working as intended.

We determined that SAFD has made progress implementing management action plans to address prior audit recommendations but substantial effort is needed to complete one of the remaining action plans.

Table 1: Recommendation Status Summary

Recommendation Status	Number of Recommendations
Implemented	3
Partially Implemented	2
Not Implemented	0
Total Recommendations Reviewed	5

The SAFD is in the process of implementing the following recommendations:

- The SAFD Fire Chief should ensure that all existing and newly permitted facilities are inspected timely. Also, all facilities should be inspected on a periodic basis (e.g. annually for all Tier II¹ facilities) to determine compliance with City ordinances and Fire Standards. Finally, all permitted facilities listed in the City's accounting system (SAP) should be reconciled with facilities tracked in its case file system (Hansen).
- The SAFD Fire Chief should pursue collection of past due invoices and bill late fees assessed for nonpayment of hazardous material permits.

SAFD Management agreed with the audit findings and has developed positive action plans to address them. Management's verbatim response is in Appendix B on page 8.

¹ The Texas Tier II Chemical Reporting Program is the Texas state repository for Emergency Planning Letters (EPLs), which are annual notifications sent to the state from facilities that have certain extremely hazardous chemicals greater than 10,000 pounds.

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Background

In December of 2015, the Office of the City Auditor completed an audit of the San Antonio Fire Department (SAFD) Hazardous Materials (HazMat) Inspections program. The objective of the audit was as follows:

Determine if controls over SAFD's hazardous material inspection program are adequate to ensure appropriate and timely inspections?

The Office of the City Auditor concluded that controls were not adequate to ensure appropriate and timely SAFD fire inspections of facilities housing HazMat. Observations from that audit are summarized below:

- Of the City's 2,380 active HazMat permitted facilities, 1,788 (or about 75%) have not been inspected.
- SAFD lacks an effective and efficient approach to identifying San Antonio facilities storing HazMat that require inspection and a City permit.
- SAFD does not have procedures for determining if HazMat permit holders have been billed the appropriate fee.
- The Hansen system, the City's system used for tracking permits and inspections, does not currently have the capability to store HazMat permit holder information vital to SAFD inspectors and the City's HazMat program.
- SAFD waives late charges and does not pursue collection of past due amounts for HazMat permits.

SAFD management agreed with the conclusions and developed action plans to address the audit recommendations.

Audit Scope and Methodology

The audit scope was limited to the recommendations and corrective action plans made in the original report for the time frame August 2015 through March 2017. We reviewed staffing of the SAFD HazMat Inspection unit from April 2015 through March 2017.

The audit methodology consisted of interviewing personnel from SAFD to gain an understanding of the progress made with the prior audit recommendations and corresponding management action plans. We examined requirements documents and testing acceptance documentation, as well as live screen shots, related to the Hansen system upgrade. We examined documentation related to the staffing of inspectors within the SAFD HazMat Inspection unit, analyzed data from SAP related to permits, reconciled the Tier II list to SAP and then to Hansen, tested the issuance of dunning letters and the assessment of late fees, examined evidence of account write-offs, and analyzed case data to determine progress in inspecting all HazMat facilities.

We utilized system data and reports from Hansen and SAP to validate the progress of audit recommendations. Our reliance was based on performing direct tests on the data rather than evaluating the system's general and application controls. Our direct testing included the reconciliation of data between SAP, Hansen, and the State's Tier II list. Additionally, we utilized Hansen data to validate the completion of plan reviews (new construction) and subsequent inspections. We do not believe that the absence of testing general and application controls over these systems had an effect on the results of our audit.

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.

Prior Audit Recommendations and Status

A. Hazardous Material Facilities Not Inspected

Prior Recommendations:

The SAFD Fire Chief should ensure that all existing and newly permitted facilities are inspected timely. Also, all facilities should be inspected on a periodic basis (e.g. annually for all Tier II facilities) to determine compliance with City ordinances and fire standards. Finally, all permitted facilities listed in SAP should be reconciled with facilities tracked in the Hansen system.

Status: Partially Implemented

The SAFD has made progress inspecting all facilities that have permits, but its efforts have been hampered by staffing shortages and an increasing number of both permitted and yet-to-be permitted facilities.

HazMat permits are recorded in SAP, while inspections are recorded in Hansen. We identified 2,381 permits in SAP (as of November 2016) that were not inspected as of the date of the prior audit (including 637 permits added since then). We tested a judgmental sample of 95 permits, selected to cover the range of HazMat permit levels and the zip codes within the City limits. We found that of those 95 permits:

- 48 (53% of valid permits in the sample) were inspected
- 42 (47% of valid permits in the sample) were not inspected.
- Five were issued to businesses outside the City limits (and thus not valid)

The prior audit report tested all permitted facilities and found only 25% had been inspected. Thus, SAFD is making progress in inspecting facilities.

However, the reconciliation of facilities with permits in SAP to the list of facilities tracked in the Hansen system is still in progress. Once it is complete, the facilities will be prioritized for inspection based on the risk they pose. We performed our own reconciliation of a judgmental sample of properties selected based upon all facilities in Hansen and SAP on six major streets: Loop 410, Pearsall Rd, State Hwy 16, San Pedro Ave, FM 78, and Bandera Rd. We confirmed that significant effort is needed to complete the reconciliation between the two systems. This sample represented 280 permits in SAP and 258 cases in Hansen. We identified:

- 26 permitted facilities in SAP that were not in Hansen
- 21 permits paid for entities outside the City limits
- 14 facilities in Hansen that did not have permits (were not in SAP)

We also noted a few bad addresses (addresses that were not identifiable in the Bexar County property database, in Google maps, or that were significantly different from the listed property address found using Google for the business name) which would waste the inspectors' time and a few facilities that have been closed.

Although SAFD assigned three inspectors to the HazMat unit, as noted in the prior audit, it has experienced difficulties retaining staff in the unit. One inspector was on military leave for the better part of a year and some inspectors transferred to other positions within the SAFD, greatly impacting operations. For approximately six months in 2016, the unit had only the equivalent of one inspector (the duties were shared to cover training and vacation) and a captain, as shown below.

	2015									2016												2017		
Month	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M
Captain																								
Lt. A																								
Lt. B																								
Eng. C ¹																								
Eng. D																								
Eng. E																								
Eng. F																								

¹ Fire Prevention was ordered to eliminate one position and Eng. C volunteered to be the one reassigned.

Recommendations

SAFD should continue to work towards ensuring:

- All facilities with permits in SAP are reconciled with facilities listed in Hansen and discrepancies are resolved in a timely manner on an on-going basis.
- All facilities in Hansen are prioritized for inspection, and inspected on a periodic basis in accordance with the assigned priority.
- Only facilities within the City limits are permitted.
- Appropriate staffing levels are maintained.

B. Identification of Non-Permitted Facilities

Prior Recommendation:

The SAFD Fire Chief should develop effective and efficient procedures for identifying non-permitted hazardous material facilities for inspection and permitting purposes.

Status: Implemented

We verified that SAFD reconciles the Tier II list to both SAP and Hansen. If the facilities are not in SAP already (i.e., do not have HazMat Permits), applications

are mailed out to them with a letter providing instructions. If they are not yet in Hansen, they are added to Hansen with a status indicating they need to be inspected. Additionally, we examined evidence that the HazMat unit performs “cold calls” on facilities that likely have hazardous materials on-site but that are neither permitted nor on the list of places to be inspected. More recently, the HazMat unit has been directed to identify all facilities of one particular occupancy type (whether those facilities have applied for a permit or not) and inspect them. Additionally, the HazMat unit performs inspections of all new businesses that have hazardous materials onsite before they obtain their certificate of occupancy. This is a significant portion of the work the unit performs.

C. Identification of Incorrectly Permitted Facilities

Prior Recommendation:

The SAFD Fire Chief should create procedures for determining if hazardous material permit holders have been billed the appropriate fee.

Status: Implemented

While performing inspections, HazMat inspectors verify businesses have the correct level of permit by checking the hazardous material amounts on site and comparing it to the permit level recorded in SAP. If there is a difference, the inspectors instruct the businesses to update their permits by submitting a new application. We verified that businesses are updating their permits by analyzing the permit data for calendar year (CY) 2015 (during the prior audit) and CY 2017 (current).

D. Hansen System Functionality Lacking

Prior Recommendation:

The SAFD Fire Chief should continue working on enhancing the Hansen system so that hazardous material inspectors can get access to critical information in order to perform their duties efficiently and effectively.

Status: Implemented

The Hansen system has been successfully updated to include vital permit holder information that is needed by HazMat inspectors at the inspection site. The Hansen system now includes fields to enter permit holder information including the permit type, material name and amount, and contact information for the customer.

Administrative personnel have also completed the input of necessary permit holder information found in SAP into the Hansen system.

E. Waiving of Unpaid Permit Fees and Late Fees

Prior Recommendation:

The SAFD Fire Chief should pursue collection of past due invoices and bill for late fees assessed for nonpayment of hazardous material permits.

Status: Partially Implemented

The SAFD's action plan for the prior audit included three elements: 1) sending notifications of nonpayment for past due accounts and addressing extended past due accounts, 2) adding language regarding non-compliance with fee payment being a Class "C" misdemeanor and issuing citations for non-compliance, and 3) billing for late fees.

SAFD Fiscal personnel currently mail up to three dunning letters (notifications of nonpayment) for past due accounts and assess late fees in accordance with City ordinances. Notification letters include language citing City ordinances that authorize the issuance of a citation if hazardous materials permits are not obtained when required. Accounts with balances exceeding \$5,000 are turned over to the City Attorney's office to pursue payment. The smaller balances remain open and are eventually written off if unpaid.

However, as of March 2017, no citations for lack of a HazMat permit had been issued (a remedy allowed by City ordinance). The third round of dunning letters were issued March 2017 for the CY 2017 permits of existing permit holders that had not yet paid for the current year. The next steps for SAFD to take would be to first issue a violation notice and, if not cured in the allotted time, then to issue a citation.

Recommendation

SAFD should utilize all allowable remedies, including issuing citations, to ensure that all facilities with hazardous materials subject to the City ordinance obtain a HazMat permit.

Appendix A – Staff Acknowledgement

Mark Bigler, CPA-Utah, CISA, CFE, Audit Manager
Susan Van Hoozer, CIA, CISA, Auditor in Charge
Daniel Kuntzelman, Auditor

Appendix B – Management Response



CITY OF SAN ANTONIO

SAN ANTONIO TEXAS 78283-3966

August 9, 2017

Kevin W. Barthold, CPA, CIA, CISA
City Auditor
San Antonio, Texas

RE: Management's Acknowledgment and Corrective Action Plan for Follow-Up Audit of San Antonio Fire Department Hazardous Materials Inspections

- ☒ Fully Agree (provide detailed comments)
- ☐ Agree Except For (provide detailed comments)
- ☐ Do Not Agree (provide detailed comments)

The San Antonio Fire Department (SAFD) has reviewed the audit report and has developed the corrective action plans below for the 2 "in process" recommendations.

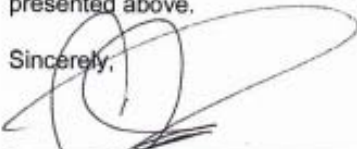
Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
1	<p>A. Hazardous Material Facilities Not Inspected</p> <p>SAFD should continue to work towards ensuring:</p> <ul style="list-style-type: none">• All facilities with permits in SAP are reconciled with facilities listed in Hansen and discrepancies are resolved in a timely manner on an on-going basis.• All facilities in Hansen are prioritized for inspection, and inspected on a periodic basis in accordance with the assigned priority.• Only facilities within the City limits are permitted.• Appropriate staffing levels are maintained.	4	Accept	Carl Wedige Deputy Fire Chief, Fire Marshal	Ongoing

Appendix B – Management Response (cont.)


Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
	Action plan: Reconciliation of the list is ongoing and facilities continue to be prioritized for inspection. Hundreds of facilities have been added to the list, and hundreds have been removed due to facilities no longer in business or lack of hazardous materials found on inspection. Inspections of facilities on the original list will be completed by October 1, 2017. Staffing levels will be maintained as appropriate although subject to retirements, promotions, transfers and training per SAFD policy.				
2	E. Waiving of Unpaid Permit Fees and Late Fees SAFD should utilize all allowable remedies, including issuing citations, to ensure that all facilities with hazardous materials subject to the City ordinance obtain a HazMat permit.	6	Accept	Carl Wedge Deputy Fire Chief, Fire Marshal	Ongoing
	Action plan: The SAFD will continue to enforce the HAZMAT permitting process utilizing all authority granted by the ordinance, up to and including the issuing of citations for non-compliance. Code enforcement pertaining to life safety will take priority over late fee collection and non-payment until the customer list is exhausted.				

We are committed to addressing the recommendations in the audit report and the plan of actions presented above.

Sincerely,


Charles N. Hood
Fire Chief
SAFD

Date


Erik Walsh
Deputy City Manager
City Manager's Office


Date