



RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
FINANCE AND ADMINISTRATIVE SERVICES
ALLAN R. POHL
DIRECTOR

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DIRECTOR

Emailed 6/9/14

June 9, 2014

Director
Office of Internal Audit Services
State Budget Office
Romney Building – Seventh Floor
111 S. Capitol, P.O. Box 30026
Lansing, Michigan 48909

Dear OIAS Director:

We are enclosing our response to comments made in the Office of the Auditor General's Performance Audit of Bureau of Fires Services (BFS), Department of Licensing and Regulatory Affairs for the period October 1, 2010 through June 30, 2013.

If you have any questions regarding this report, please feel free to call me at (517) 335-9247.

Sincerely,

(SIGNED)

Allen Williams, Director
Finance & Administrative Services
Office of Audit & Financial Compliance

Enclosure

cc: Distribution List (attached)
Richard Miller
Shelley Edgerton
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AUDIT RESPONSE SUMMARY

Performance Audit of Bureau of Fire Services (BFS)
Department of Licensing and Regulatory Affairs (LARA)
October 1, 2010 through June 30, 2013

I. Citations complied with:

#4
#6
#11
#16
#18

II. Citations to be complied with:

- #1. The estimated date of full compliance is March 31, 2015.
- #2. The estimated date of full compliance is December 31, 2015.
- #3. The estimated date of full compliance is **June 30, 2016.***
- #5. The estimated date of full compliance is July 15, 2014.
- #7. The estimated date of full compliance is December 31, 2015.
- #8. The estimated date of full compliance is December 31, 2015.
- #9. The estimated date of full compliance is August 31, 2014.
- #10. The estimated date of full compliance is December 31, 2015.
- #12. The estimated date of full compliance is June 30, 2014.
- #13. The estimated date of full compliance is December 31, 2014.
- #14. The estimated date of full compliance is June 30, 2014.
- #15. The estimated date of full compliance is August 31, 2014.
- #17. The estimated date of full compliance is December 31, 2014.
- #19. The estimated date of full compliance is October 1, 2014.

III. Citations agency disagrees with:

None

** Estimated date of compliance is contingent upon external factors i.e. legislative action, funding, local government cooperation, etc.*

Audit Response
Performance Audit of Bureau of Fire Services (BFS)
Department of Licensing and Regulatory Affairs (LARA)
October 1, 2010 through June 30, 2013

FINDING #1 – Efforts to Evaluate Effectiveness

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

Final Response:

BFS agrees and will comply.

BFS is in the process of implementing a comprehensive evaluation process based on customer feedback. BFS is currently compiling a list of email addresses and anticipates sending out surveys via email in mid-June 2014. BFS is also working on developing feedback forms for students to fill out and return immediately following classes (estimated to be completed by late June 2014). BFS anticipates that after the end of fireworks season (end of July 2014) they will be able to begin measuring their progress. The estimated date of full compliance is March 31, 2015.

FINDING #2 – Tank Inspections

- a. *We recommend that the Bureau conduct timely storage tank inspections and reinspections.*
- b. *We also recommend that the Bureau maintain sufficient documentation supporting its completion of storage tank inspections.*
- c. *We further recommend that the Bureau attempt to obtain missing facility owner contact information.*

Final Response:

BFS agrees and will comply.

- a. BFS has taken the following steps to address the backlog of inspections and ensure that future inspections and reinspections are conducted timely:
 1. Hired 2 field supervisors - which has increased communication amongst inspectors; and increased the overall accountability.
 2. Hired 3 inspectors.
 3. Re-districted inspections according to where inspectors and supervisors live – to reduce travel time and increase efficiency.
 4. Provided inspectors with trucks, home offices, work desks, scanners, etc. (as needed) to improve their productivity.

The estimated date of full compliance is December 31, 2015.

- b. BFS is currently streamlining its report and submission process which will result in improved documentation of storage tank inspections. The estimated date of completion is December 31, 2015.
- c. BFS is continuing efforts to obtain current contact information for all facility owners. It is looking into the possibility of red tagging all tanks for which the owner is unknown. The estimated date of completion is December 31, 2015.

FINDING #3 – Places of Public Assemblage

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.

Final Response:

BFS agrees and will attempt to comply.

Efforts are ongoing to find a viable solution to these issues that may include but not be limited to clear delegation of this responsibility to local units of government, creation of a database and a reporting mechanism to track public assemblies, and work with legislative partners in finding a self-supporting mechanism for funding the program. BFS continues to work with the Statewide Single Fire Code Committee on this issue (the most recent meeting was held on May 27, 2014). BFS is looking at an estimated completion date of June 30, 2016, contingent upon external factors such as legislative action, funding and local government cooperation.

FINDING #4 – Annual Inspections of Adult Foster Care Homes

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

Final Response:

BFS agrees and has complied.

BFS now uses a spreadsheet to monitor and tracks due dates of required AFC inspections.

FINDING #5 – Preliminary Inspections

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 inspections and to charge and/or fine project owners for nonnotification.

Final Response:

BFS agrees and will comply.

BFS is in the process of implementing these processes. The estimated date of completion is July 15, 2014.

FINDING #6 – Conflicts of Interest

We recommend that the Bureau require disclosure of conflicts of interest among its fire safety inspectors and hazardous material site inspectors (HMSIs).

Final Response:

BFS agrees and has complied.

BFS has implemented a process to distribute and collect the supplemental employment form from all employees on an annual basis each January. Forms completed for calendar year 2014 have been forwarded to Human Resources for approval.

FINDING #7 – Inspector Continuing Education

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

Final Response:

BFS agrees and will comply.

DTMB is assisting BFS prepare a spreadsheet to track inspector continuing education. BFS estimates that this will be completed by mid-June 2014. BFS continues to explore the possibility of utilizing online courses. However, they presently don't have funding for them. The estimated date of full compliance is December 31, 2015.

FINDING #8 – Monitoring of Training Activities

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.

Final Response:

BFS agrees and has taken steps to comply.

BFS started conducting random drop-in monitoring visits on classes but had to suspend these efforts indefinitely due to funding issues. BFS hopes to resume monitoring activities as funding permits.

BFS has obtained signed contracts with the Training Coordinators. DTMB should have their portion in IMS done the first part of June.

The estimated date of full compliance is December 31, 2015.

FINDING #9 – Training Conflicts of Interest

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

Final Response:

BFS agrees and will comply.

BFS employees have signed conflict of interest statements. The conflict of interest language will be in the 2015 Training Coordinators contracts which will be done by August 31, 2014.

FINDING #10 – Monitoring of Training Funds

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.

Final Response:

BFS agrees and will comply.

BFS regional supervisors currently track the distribution of allocated training funds on a spreadsheet. BFS will now redistribute undesignated training funds in compliance with statute. The estimated date of full compliance is December 31, 2014.

FINDING #11 – Confidential and Sensitive Information

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

Final Response:

BFS agrees and has complied.

BFS has discontinued the practice using social security numbers as account numbers.

FINDING #12 – IMS User Access

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

Final Response:

BFS agrees and will comply.

BFS will annually monitor access rights to the IMS by running a DTMB generated report; and local fire chiefs will be requested to verify whether individuals in their department still need access. Those who no longer need access to IMS will be immediately removed. BFS is currently working on obtaining all contact email addresses. The estimated date of full compliance is June 30, 2014.

FINDING #13 – Instructor Payments

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.

Final Response:

BFS agrees and will comply.

BFS is presently reconciling the payments to MAIN. DTMB is assisting BFS with modifications to an invoice form that will improve payment timeliness.

BFS has added a conflict of interest disclosure and ethics section in the Training Coordinators contracts and all employees in the Training Division also now sign a conflict of interest statement.

Regarding the segregation of duties, right now the BFS Business Manager is marking the documents paid in IMS once she has reviewed them and released them in MAIN. BFS is still working with DTMB to remove incompatible permissions from the person running the reports and entering payments in MAIN while maintaining IMS capabilities needed by the Business Manager to perform her job. The estimated date of completion date is December 31, 2014.

FINDING #14 – Hourly Instructor Wage

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

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

Final Response:

BFS agrees and will comply.

BFS currently requires forms to be completed before approving payments and has implemented a policy to adjust and reduce payments to ensure that payments do not exceed the maximum allowed. BFS is working with DTMB to modify IMS to track the date that invoices are paid. The estimated date of completion is June 30, 2014.

FINDING #15 – Fireworks Applications

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

We also recommend that the Bureau retain fireworks application documentation.

Final Response:

BFS agrees and will comply.

BFS is in the process of establishing policies and procedures for processing fireworks applications and will retain fireworks application documentation. The estimated date of completion is August 31, 2014.

FINDING #16 – Fireworks Facility Inspections

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.

Final Response:

BFS agrees and has complied.

BFS has implemented several process improvements to its inspections of retail firework facilities and now maintains adequate documentation to support these inspections.

FINDING #17 – Consistent and Full Use of Authority for Enforcement Actions

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 consumers and provide for fairness among retailers and owners.

Final Response:

BFS agrees and will comply.

BFS is continuing to develop policies and procedures for exercising its enforcement authority for fireworks retailers, storage tank owners and owners of facilities subject to BFS inspection. In particular, BFS is working on an improved procedure for “red tagging” storage tank violations. The estimated date of full compliance is December 31, 2014.

FINDING #18 – Cash Receipts

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

Final Response:

BFS agrees and has complied.

BFS has implemented several internal control procedures including: instructed its customers to mail or deliver all correspondence directly to the LARA Mailroom; stamping inadvertently mailed payments with "For Deposit Only"; directing receipts to be opened in the presence of two employees; immediately endorsing checks upon receipt; and having a second employee verify cash logs before pickup by LARA mail staff.

FINDING #19 – Statutorily Required Reporting

We recommend that the Bureau fulfill all statutory reporting requirements.

Final Response:

BFS agrees and has taken steps to comply.

BFS has revised its procedures include executive oversight to ensure that all reports are submitted timely and in compliance with all requirements. The estimated date of full compliance is October 1, 2014.