

# **TORONTO** STAFF REPORT

---

January 13, 2006

To: Audit Committee  
From: Auditor General  
Subject: Operational Review – Toronto Fire Services

Purpose:

This report presents the results of our review of Toronto Fire Services conducted as part of the Auditor General's 2005 Annual Work Plan.

Financial Implications and Impact Statement:

The implementation of certain recommendations in this report will improve management controls over expenditures and compliance with City policies, and ensure the more effective delivery of existing fire prevention inspection services. This review also identified a number of opportunities for ensuring adequate maintenance of fire vehicles. Future savings may be determinable when staff identify specific actions required to implement recommendations contained in this report.

Recommendations:

It is recommended that:

(1) the following recommendations in the attached Auditor General's report entitled "Operational Review – Toronto Fire Services" be adopted:

"1. The Fire Chief and General Manager take appropriate steps to ensure purchases are in compliance with Corporate purchasing policies and procedures. In particular:

- (a) discontinue the practice of using Departmental Purchase Orders where the use of a blanket contract and purchase order would be more appropriate, and continue working with the Purchasing and Materials Management Division to ensure blanket contracts and purchase orders for frequently required goods and services are issued;

- (b) discontinue the practice of splitting purchases to keep the purchase amount below the maximum level of \$7,500 for a Departmental Purchase Order or below the \$3,000 limit for three quotes;
  - (c) provide necessary training, such that staff understand and comply with City purchasing policies, procedures and guidelines; and
  - (d) incorporate compliance with procurement policies and procedures into the staff performance review process.
- 2. The Fire Chief and General Manager take necessary steps to ensure all sole-source purchases are made in accordance with corporate purchasing policies and procedures.
- 3. The Fire Chief and General Manager review the appropriateness of establishing a new video production unit within Professional Development, Training and Mechanical Maintenance. Such a review take into account the resources currently available within the Public Information and Media Communications Unit of Staff Services and Communications as well as the potential availability of resources elsewhere in the City.
- 4. The Fire Chief and General Manager take necessary steps to strengthen management controls over the use of commercial fuel credit cards in Toronto Fire Services by:
  - (a) developing a formal policy on the issuance and appropriate use of commercial fuel credit cards;
  - (b) implementing monitoring measures to ensure adherence to divisional policy on the use of commercial fuel credit cards;
  - (c) reviewing the necessity and reasonableness of current credit card assignment and usage; and
  - (d) ensuring all fuelling expenses are adequately reviewed and approved by appropriate supervisory staff.
- 5. The Fire Chief and General Manager ensure:
  - (a) staff responsible for authorizing purchases obtain and review sufficient and relevant information to ensure best value prior to committing to purchases of goods and services; and
  - (b) staff responsible for authorizing payments obtain and review relevant supporting details to ensure the reasonableness of the amount invoiced.

6. The Director of Purchasing and Materials Management take necessary steps to expedite the establishment of a corporate blanket contract for renting photocopiers in the City, and ensure that an assessment is conducted in each user division to determine usage and the most cost effective model required.
7. The Fire Chief and General Manager review the cost and benefits of introducing handheld computing equipment in the fire prevention inspection process. Such an analysis to include the costs of original capital investment plus increased efficiency gains. In conducting this review, the Fire Chief and General Manager ensure coordination with both Toronto Public Health and the Toronto Police Service.
8. The Fire Chief and General Manager evaluate the feasibility and associated risk of centralizing district offices within Fire Prevention and Public Education of Toronto Fire Services, with a view to:
  - (a) determining the most cost-effective number and location of district offices;
  - (b) assessing office space requirements for Fire Prevention staff working outside of district offices;
  - (c) assessing potential costs and resource levels required to effectively support a more centralized structure; and
  - (d) presenting to the Community Services Committee by September 1, 2006 with a detailed implementation plan, outlining projected cost savings, actions required, as well as target milestone and completion dates for measuring results.
9. The Fire Chief and General Manager develop a formal policy on the timeliness of follow up on fire safety related complaints and measures to ensure fire hazards are properly rectified.
10. The Fire Chief and General Manager, in consultation with the City Solicitor, develop and implement standard policies and procedures to ensure consistency in fire code enforcement efforts, including:
  - (a) defining non-compliance conditions by severity of fire hazard, response time and corresponding progressive enforcement measures to be applied;
  - (b) exploring the viability of stating expected target compliance date on the Notice of Violation; and
  - (c) developing time frames for re-inspection, implementation of corrective measures and timelines for laying charges.

11. The Fire Chief and General Manager establish a policy to ensure rotation of Fire Prevention staff regularly to various geographical areas.
12. The Fire Chief and General Manager take appropriate steps to ensure:
  - (a) consistency and efficiency in the conduct of Fire Prevention inspections through the use of standard inspection forms, checklists and documentation standards;
  - (b) Fire Prevention staff comply with written policies, procedures and standards established by Fire Prevention management; and
  - (c) the level of supervisory review is adequate to ensure consistency in enforcement efforts and compliance with established policies.
13. The Fire Chief and General Manager consider taking a “risk based” approach in delivering the fire prevention program in the City, and conduct a review to determine:
  - (a) the cost effectiveness of the current inspection program of institutional facilities;
  - (b) the number of additional high fire risk premises in the City requiring routine inspections, appropriate inspection frequency and resource requirements, as well as potential risks and liability to the City if identified high fire risk premises are not routinely inspected;
  - (c) the reasonableness of inspection staff resources currently assigned to the four district commands, and possible re-organization to facilitate implementation of a “risk based” inspection program; and
  - (d) report results and recommendations to the appropriate City Committee.
14. The Fire Chief and General Manager prepare a project plan detailing resource requirements, major milestones and target completion dates, as well as regular status reports to ensure properties requiring retrofit actions, as stipulated by Ontario Fire Code, are inspected within projected time frames. Such plan and the first status report be presented to the appropriate Committee by June 2006.
15. The Fire Chief and General Manager take appropriate steps to develop and implement results based performance indicators to measure the productivity and cost effectiveness of the Fire Prevention inspection and enforcement services provided by the City.
16. The Fire Chief and General Manager take necessary steps to expedite the development of a new information system for Fire Prevention.

17. The Fire Chief and General Manager ensure Toronto Fire Services staff prepare:
  - (a) a detailed analysis clearly defining business processes, data and system requirements necessary to effectively manage the Fire Prevention program;
  - (b) an assessment on the system's ability to accommodate changes in technology, such as handheld computing devices; and
  - (c) provide recommendations to senior management for system enhancements, estimated costs, target completion and milestone dates.
18. The Fire Chief and General Manager review the current fee structure for after hour fire inspection services in order to ensure that full-cost recovery is achieved. Any proposed change be reported to the appropriate Committee.
19. The Fire Chief and General Manager review and take necessary steps to:
  - (a) ensure the implementation of a proactive and enhanced preventive maintenance program for firefighting vehicles and equipment; and
  - (b) monitor and minimize fire vehicle downtime and service disruptions associated with unscheduled and unexpected repairs.
20. The Fire Chief and General Manager take appropriate steps to ensure fire station staff clearly understand the frequency and timing related to vehicles and equipment inspections required, inspection procedures and standards for documenting inspection results.
21. The Fire Chief and General Manager ensure that:
  - (a) the Mechanical Division maintain complete, reliable, accurate vehicle records and comply with regulatory requirements;
  - (b) policies and formal documentation standards for vehicle repairs and maintenance activities are developed;
  - (c) documentation requirements and management expectations are clearly communicated to garage staff; and
  - (d) management regularly review manual and system records and monitor compliance with established documentation policies and standards.

22. The Fire Chief and General Manager ensure records maintained by the Mechanical Division accurately account for all repairs performed on each vehicle, including repair and maintenance services rendered under warranty and those performed by private garages.
23. The Fire Chief and General Manager take steps to ensure cost-effective management of the Mechanical Division including:
  - (a) establishing and maintaining formal, written and enforceable job standards and monitor compliance with those standards; and
  - (b) ensuring accurate tracking of repair time by utilizing the capability built into the M4 Fleet Management Information System.
24. The Fire Chief and General Manager take necessary steps to:
  - (a) utilize the M4 Fleet Management Information System for recording warranty information and tracking warranty repairs;
  - (b) establish criteria for determining when warranty repairs should be performed internally or referred to the manufacturer; and
  - (c) establish formal arrangements with manufacturers, ensuring the recovery of eligible costs when in-house warranty repairs are made.
25. The Deputy City Manager, in consultation with the Deputy City Manager and Chief Financial Officer, explore the costs and benefits of designating Fleet Services as the primary provider of maintenance and repair services for Toronto Fire Services' light vehicle fleet.
26. The Fire Chief and General Manager and the Director of Purchasing and Materials management take necessary action to expedite the finalization of blanket contracts and purchase orders for referral of general vehicle repairs to private garages.
27. The Fire Chief and General Manager establish procedures to strengthen management controls to ensure:
  - (a) adequate documentation to support repairs referred to private garages;
  - (b) vendor selection and payments for work performed by private garages are in compliance with Corporate purchasing policies; and
  - (c) random quality assurance inspections of vehicles serviced by private garages are conducted and adequately documented for review by garage management.

28. The Fire Chief and General Manager take appropriate steps to:
  - (a) ensure purchases of auto parts are made in compliance with corporate procurement policies; and
  - (b) explore the possibility of coordinating parts and tool purchases with Corporate Fleet Services for volume discounts.
29. The Fire Chief and General Manager review the feasibility of utilizing the parts tracking feature in the M4 Fleet Management Information System for implementation in 2006.
30. The Fire Chief and General Manager take appropriate steps to ensure implementation of adequate inventory controls, including:
  - (a) utilizing available system features for tracking inventory usage;
  - (b) assigning a staff position to monitor receipts and issuance of parts inventory, and restricting physical access to the stockroom to authorized personnel;
  - (c) recording all parts and labour in the M4 Fleet Management Information System, including unit cost, vendor information and labour hours; and
  - (d) establishing policies and guidelines to provide for an annual inventory process and periodic surprise physical counts of items, and ensuring that discrepancies are adequately investigated and resolved.
31. The Fire Chief and General Manager take necessary steps to expedite the implementation of the M4 Fleet Management Information System, and include:
  - (a) the development of policies and procedures;
  - (b) the securing of technical support from the Information and Technology Division; and
  - (c) the requirement to provide formal training to staff.
32. The Deputy City Manager ensure the Mechanical Division of Toronto Fire Services:
  - (a) establish clear and measurable objectives and performance goals;
  - (b) coordinate with Fleet Services in establishing efficiency and effectiveness performance measures to evaluate progress toward those goals; and

- (b) regularly measure and report on progress in achieving performance goals.
33. The City Manager ensure coordination of Fleet Services, Toronto Fire Services and other City fleet operations in establishing common performance measures and standard for fleet operations City-wide
34. The Deputy City Manager, in conjunction with the Deputy City Manager and Chief Financial Officer, take steps to improve current materials management and control over the warehouse operation in Toronto Fire Services as a part of the corporate Stores/Warehouse Rationalization Project. Such steps to include:
- (a) developing and implementing a Corporate policy on reporting divisional inventory value at year-end;
  - (b) developing and implementing adequate control over access to the inventory information system; and
  - (c) providing inventory control training to Toronto Fire Services Staff.
35. The Fire Chief and General Manager take steps to improve current materials management and control over the warehouse operation in Toronto Fire Services by:
- (a) ensuring orders, receipts and distribution of all inventory items are systematically tracked and monitored by management;
  - (b) providing adequate management oversight to ensure irregularities are detected and corrected in a timely manner;
  - (c) developing and implementing measures to reduce the quantity of surplus uniform items in storage; and
  - (d) reviewing the feasibility of reducing the number of staff and delivery vehicles assigned to the warehouse function.
36. The Fire Chief and General Manager take necessary steps to improve current management control of the gift shop. Such steps to include:
- (a) implementing procedures to ensure adequate controls over orders, receipts and sales;
  - (b) conducting a physical count of existing stock; and
  - (c) ensuring that the operation is adequately supervised.



37. The City Manager review the current practice of City divisions, Agencies, Boards, and Commissions selling clothing items with City and/or divisional logos to the public, the associated potential risk and liability to the City, and report to appropriate committees on results and recommended action."
- (2) the City Manager be requested to report to the Audit Committee by July 2006 on the implementation of the recommendations in the Auditor General's report entitled "Operational Review – Toronto Fire Services"; and
- (3) this report be forwarded to the Community Services Committee for information.

Background:

This review covers the following areas in Toronto Fire Services:

- control over compliance with City purchasing policies and procedures;
- fire prevention inspection services;
- vehicle maintenance services;
- management and control over warehouse inventory; and
- gift shop operation.

This audit was conducted in accordance with generally accepted government auditing standards.

Comments:

The attached Auditor General's report entitled "Operational Review – Toronto Fire Services" contains 37 recommendations. Management's response to each of the recommendations contained in this report is provided in a separate report from the Toronto Fire Chief and General Manager, which is submitted concurrently with this report.

Conclusions:

The objective of this review was to assess whether Toronto Fire Services has appropriate and effective management controls to ensure delivery of services that are relevant, reliable and cost effective and in compliance with appropriate policies and legislative requirements. Our review identified a number of areas requiring strengthened management controls and improved system support, some of which are currently being addressed by management. This review also identified a number of opportunities for the fire prevention program to deliver its current level of service more cost effectively and with potentially fewer resources.

Addressing the recommendations in this report will provide for more efficient use of City resources and enhance the cost-effectiveness of Toronto Fire Services operations.

Contact:

Alan Ash, Director  
Tel: (416) 392-8476  
Fax: (416) 392-3754  
E-Mail: [AAsh@toronto.ca](mailto:AAsh@toronto.ca)

Anne Cheung, Senior Audit Manager  
Tel: (416) 392-8439  
Fax: (416) 392-3754  
E-Mail: [ACheung1@toronto.ca](mailto:ACheung1@toronto.ca)

Jeffrey Griffiths  
Auditor General

cg  
05-WFS-01

Attachment:

Appendix 1 – Operational Review – Toronto Fire Services

G:\AGO\2006\Reports\Deputy City Mgr FA\Fire Services\Operational Review - TFS (Cover Report) Jan 13.doc

# Operational Review – Toronto Fire Services

---

---

January 13, 2006

---

 **TORONTO** Auditor General

# **Operational Review – Toronto Fire Services**

**Jeffrey Griffiths, C.A., C.F.E.**  
**Auditor General**  
**City of Toronto**

**January 13, 2006**

---

**9th Floor, Metro Hall, Toronto ON Canada M5V 3C6**

---

## TABLE OF CONTENTS

EXECUTIVE SUMMARY .....	1
RECOMMENDATIONS .....	7
BACKGROUND .....	18
AUDIT OBJECTIVES, SCOPE AND METHODOLOGY .....	19
AUDIT RESULTS.....	21
A. CONTROL OVER COMPLIANCE WITH CITY POLICIES AND EXPENDITURE PAYMENTS.....	21
A.1. Use of Departmental Purchase Orders.....	22
A.2. Sole Source Purchases .....	24
A.3. Control Over Expenditures .....	25
B. FIRE PREVENTION INSPECTION SERVICES .....	30
B.1. Adopting New Technology for Enhanced Efficiency.....	31
B.2. Achieving Cost Savings by Centralizing District Offices .....	33
B.3. Ensuring Consistent Enforcement Efforts and Managing Service Quality .....	35
B.4. Managing High Fire Risk Institutions Through Regular Inspections.....	38
B.5. Ensuring Timely Inspection of Retrofit Program .....	40
B.6. Lack of Program Performance Measurement .....	41
B.7. Need for Enhanced Information Technology Support.....	42
B.8. Standard Fee for Fire Inspection Service Needs Modification.....	43
C. VEHICLE MAINTENANCE SERVICES .....	44
C.1. Strengthening the Heavy Vehicle Preventive Maintenance Program.....	45
C.2. Ensuring Compliance with Regulatory Requirements.....	48
C.3. Strengthening Management of Garage Operation .....	51
C.4. Warranty Repairs Should be Better Managed .....	53
C.5. In-house Maintenance of Light Vehicles.....	54
C.6. Enhancing Management Controls Over Outsourced Services.....	55
C.7. Management of Auto Parts Inventory Requires Improvement.....	56
C.8. Use of M4 Fleet Management Information System Needs to be Enhanced .....	58
C.9. Performance Indicators of the Mechanical Division Should be Developed .....	61
D. MANAGEMENT AND CONTROL OVER WAREHOUSE INVENTORY .....	62
E. GIFT SHOP OPERATION.....	65
E.1. Strengthening controls Over Sales Reporting.....	65
E.2. Risks Associated with the Sale of Certain Items Should be Reviewed .....	66
F. CONCLUSION.....	67

## **EXECUTIVE SUMMARY**

The Auditor General's 2005 Work Plan included an operational review of the Toronto Fire Services Division.

This report outlines specific issues that warrant divisional management's attention. The implementation of recommendations contained in this report will improve the cost effective use of City resources and service quality offered by the fire prevention and mechanical maintenance programs administered by Toronto Fire Services.

### **Summary of Audit Results**

Toronto Fire Services has made significant progress in standardizing operating procedures and practices of six former fire departments since amalgamation. Management has implemented appropriate controls to ensure compliance with City policies on discretionary expenditures such as meals and business meeting expenses. This review however identified a number of improvement opportunities for implementation by Toronto Fire Services.

The issues raised in this report are summarized below:

#### **A. Control Over Compliance with City Policies and Expenditure Payments**

- Departmental Purchase Orders were used to purchase frequently required goods or services from the same suppliers. A number of purchases were split to keep each order below the \$7,500 maximum limit for Departmental Purchase Order or below the \$3,000 limit for obtaining three quotes. However, during the first six months of 2005, there was a slight decline in the number of Departmental Purchase Orders issued by Toronto Fire Services and an increase in Contract Release Orders (i.e., purchases using blanket contracts) when compared to the same period in 2004.

- In a number of sole-source contracts and purchase orders, information on quantity or unit price was not documented in either the Purchase Requisition Form or the contract or purchase order itself.
- Establishment of a new video production unit within Professional Development, Training and Mechanical Maintenance requires review to ensure City resources are not duplicated.
- Over 20 staff members in Toronto Fire Services have been assigned commercial fuel credit cards and the use of these cards was not limited to emergency re-fuelling.
- In certain instances, management awarded contracted services without requiring total or detailed labour hours to determine whether the quoted price was reasonable.
- The current practice of negotiating a rental agreement for each photocopier does not take advantage of volume pricing.

B. Fire Prevention Inspection Services

- Cost savings of approximately \$1 million can be achieved by providing fire prevention inspectors with handheld computing devices and mobile printers to reduce office time and increase on-site inspection time. Potential efficiency gains are possible through a reduction of 11 to 18 inspectors while maintaining the current level of service. We have discussed this concept with management and they agree.
- Potential cost savings and improved efficiency can be achieved by centralizing the existing 18 district offices. Total savings is estimated to be over \$1 million. We have discussed this concept with management and they agree.

- Current Toronto Fire Prevention Guidelines do not prescribe standards regarding initial complaint response time, timely follow-up inspection, time frames for corrective action, or criteria for laying charges. As a result, we noted inconsistencies in Fire Prevention's complaint responses and fire code enforcement efforts.
  
- High fire risk institutional facilities are not monitored in a consistent manner. Completion of a comprehensive risk analysis of premises requiring routine monitoring is needed to set priorities.
  
- Fire Prevention currently has a backlog of over 7,000 premises, which according to Provincial regulations established in 1992, require building owners to upgrade or retrofit to meet new standards specified under the Ontario Fire Code. Development of a formal action plan and benchmarks would assist management in monitoring results.
  
- A formal strategic plan, annual work plans and results based performance indicators are needed to measure program results.
  
- A complete, accurate and reliable database is not available for performance management and reporting on program results. Strengthened administrative control procedures and adequate management oversight is needed for ensuring data integrity and effective monitoring of exceptions.

C. Vehicle Maintenance Services

- Preventive maintenance work on heavy fire vehicles is performed once a year. The frequency of unscheduled repairs caused by vehicle breakdowns and the percentage of heavy vehicles requiring unscheduled and unexpected towing indicate that the current fleet maintenance program needs to be enhanced.



- Records maintained by the Mechanical Division do not reliably, accurately and completely account for vehicle inspections, maintenance requests, preventive maintenance, repairs and related testing performed on each vehicle, as recommended by the National Fire Protection Association and guidelines of the Highway Traffic Act and Occupational Health and Safety Act. Strengthened supervisory oversight and communication of acceptable file documentation standards would assist management in ensuring vehicle records are complete, reliable and comply with regulatory requirements.
  
- Management control over staff resources is not adequate to ensure efficient operations in the Fire Services garage operation. Potential efficiency gains and reduced outsourcing of vehicle maintenance services are possible if appropriate measures are put in place to monitor staff performance.
  
- Current administrative procedures in tracking warranty eligible items are ineffective in ensuring Toronto Fire Services appropriately recovers benefits offered by warranty agents.
  
- A significant number of light vehicle repairs including preventive maintenance services are provided by private garages. The costs and benefits of using the Corporate Fleet Services as the primary provider of maintenance and repair services for light vehicles used by Toronto Fire Services need to be reviewed.
  
- Toronto Fire Services has established a number of City contracts for provision of specialized services such as refurbishing vehicles and transmission and engine repairs. However, most general repairs were not competitively priced and were performed by the same long-standing private garages. Management controls over repairs provided by private garages and approval of related invoices require strengthening to ensure fair pricing for services rendered.

- Control of auto parts inventory needs strengthening. Specifically, physical access to the stockroom was not safeguarded from unauthorized entry and there is no process to track inventory retrieved by mechanics or to detect unreasonable shrinkage and other inventory related irregularities.
  
- Toronto Fire Services is not using the M4 Fleet Management Information System to its full potential for recording vehicle repair information. A number of system features such as scheduling of preventive maintenance inspections, recording of all repair details and labour hours, and interfacing with the City's SAP Financial System for tracking charges from private garages are not used. The current manual process of recordkeeping is inefficient and does not ensure accurate accounting of total work hours and parts used. In addition, management has not received adequate information system support and training to provide regular oversight.
  
- Performance indicators have not been developed for management to measure against industry standards as well as the internally established goals.

#### D. Management and Control Over Warehouse Inventory

Toronto Fire Services operates a centralized warehouse for items such as uniforms, medical supplies, and cleaning and stationary supplies. Issues identified in the management and control of warehouse operations include:

- total value of inventory is not known;
  
- adjustments to system records are not controlled and monitored;
  
- certain uniform items are over-stocked;

- management and warehouse staff have not received training in inventory management; and
- daily workload of warehouse stockkeepers/drivers appears to be low and a reduction in the number of delivery vehicles and drivers may be possible without impacting service delivery.

E. Gift Shop Operation

- Toronto Fire Services operates a gift shop to sell branded items (with Toronto Fire Services logo) to the public. We noted the following issues related to the gift shop:
  - customer orders and sales were not properly recorded;
  - no inventory record exists to account for goods purchased, received, sold or remaining in storage and a physical inventory count was not performed;
  - goods purchased and sold by the gift shop were not always listed on the standard customer order form; and
  - effective supervision could be put in place to mitigate risk of theft, misappropriation and fraud.
- The inclusion of Toronto Fire Services logo on some clothing items available for sale to the public may pose a potential risk and liability to the City. This issue may be relevant to other City organizations that sell certain clothing items with the City logo and, therefore, should be reviewed by the City Manager for appropriate action.

Further details relating to each of the above are contained in the body of the report.

## **RECOMMENDATIONS**

- 1. The Fire Chief and General Manager take appropriate steps to ensure purchases are in compliance with Corporate purchasing policies and procedures. In particular:**
  - (a) discontinue the practice of using Departmental Purchase Orders where the use of a blanket contract and purchase order would be more appropriate and continue working with the Purchasing and Materials Management Division to ensure blanket contracts and purchase orders for frequently required goods and services are issued;**
  - (b) discontinue the practice of splitting purchases to keep the purchase amount below the maximum level of \$7,500 for a Departmental Purchase Order or below the \$3,000 limit for three quotes;**
  - (c) provide necessary training, such that staff understand and comply with City purchasing policies, procedures and guidelines; and**
  - (d) incorporate compliance with procurement policies and procedures into the staff performance review process.**
- 2. The Fire Chief and General Manager take necessary steps to ensure all sole-source purchases are made in accordance with corporate purchasing policies and procedures.**
- 3. The Fire Chief and General Manager review the appropriateness of establishing a new video production unit within Professional Development, Training and Mechanical Maintenance. Such a review take into account the resources currently available within the Public Information and Media Communications Unit of Staff Services and Communications as well as the potential availability of resources elsewhere in the City.**

- 4. The Fire Chief and General Manager take necessary steps to strengthen management controls over the use of commercial fuel credit cards in Toronto Fire Services by:**
  - (a) developing a formal policy on the issuance and appropriate use of commercial fuel credit cards;**
  - (b) implementing monitoring measures to ensure adherence to divisional policy on the use of commercial fuel credit cards;**
  - (c) reviewing the necessity and reasonableness of current credit card assignment and usage; and**
  - (d) ensuring all fuelling expenses are adequately reviewed and approved by appropriate supervisory staff.**
  
- 5. The Fire Chief and General Manager ensure:**
  - (a) staff responsible for authorizing purchases obtain and review sufficient and relevant information to ensure best value prior to committing to purchases of goods and services; and**
  - (b) staff responsible for authorizing payments obtain and review relevant supporting details to ensure the reasonableness of the amount invoiced.**
  
- 6. The Director of Purchasing and Materials Management take necessary steps to expedite the establishment of a corporate blanket contract for renting photocopiers in the City and ensure that an assessment is conducted in each user division to determine usage and the most cost effective model required.**

- 7. The Fire Chief and General Manager review the cost and benefits of introducing handheld computing equipment in the fire prevention inspection process. Such an analysis to include the costs of original capital investment plus increased efficiency gains. In conducting this review, the Fire Chief and General Manager ensure coordination with both Toronto Public Health and the Toronto Police Service.**
- 8. The Fire Chief and General Manager evaluate the feasibility and associated risk of centralizing district offices within Fire Prevention and Public Education of Toronto Fire Services, with a view to:**

  - (a) determining the most cost-effective number and location of district offices;**
  - (b) assessing office space requirements for Fire Prevention staff working outside of district offices;**
  - (c) assessing potential costs and resource levels required to effectively support a more centralized structure; and**
  - (d) presenting to the Community Services Committee by September 1, 2006 with a detailed implementation plan, outlining projected cost savings, actions required, as well as target milestone and completion dates for measuring results.**
- 9. The Fire Chief and General Manager develop a formal policy on the timeliness of follow up on fire safety related complaints and measures to ensure fire hazards are properly rectified.**
- 10. The Fire Chief and General Manager, in consultation with the City Solicitor, develop and implement standard policies and procedures to ensure consistency in fire code enforcement efforts, including:**

- (a) **defining non-compliance conditions by severity of fire hazard, response time and corresponding progressive enforcement measures to be applied;**
  - (b) **exploring the viability of stating expected target compliance date on the Notice of Violation; and**
  - (c) **developing time frames for re-inspection, implementation of corrective measures and timelines for laying charges.**
- 11. The Fire Chief and General Manager establish a policy to ensure rotation of Fire Prevention staff regularly to various geographical areas.**
- 12. The Fire Chief and General Manager take appropriate steps to ensure:**
  - (a) **consistency and efficiency in the conduct of Fire Prevention inspections through the use of standard inspection forms, checklists and documentation standards;**
  - (b) **Fire Prevention staff comply with written policies, procedures and standards established by Fire Prevention management; and**
  - (c) **the level of supervisory review is adequate to ensure consistency in enforcement efforts and compliance with established policies.**
- 13. The Fire Chief and General Manager consider taking a “risk based” approach in delivering the fire prevention program in the City and conduct a review to determine:**
  - (a) **the cost effectiveness of the current inspection program of institutional facilities;**

- (b) the number of additional high fire risk premises in the City requiring routine inspections, appropriate inspection frequency and resource requirements, as well as potential risks and liability to the City if identified high fire risk premises are not routinely inspected;
  - (c) the reasonableness of inspection staff resources currently assigned to the four district commands and possible re-organization to facilitate implementation of a “risk based” inspection program; and
  - (d) report results and recommendations to the appropriate City Committee.
- 14. The Fire Chief and General Manager prepare a project plan detailing resource requirements, major milestones and target completion dates, as well as regular status reports to ensure properties requiring retrofit actions, as stipulated by Ontario Fire Code, are inspected within projected time frames. Such plan and the first status report be presented to the appropriate Committee by June 2006.
- 15. The Fire Chief and General Manager take appropriate steps to develop and implement results based performance indicators to measure the productivity and cost effectiveness of the Fire Prevention inspection and enforcement services provided by the City.
- 16. The Fire Chief and General Manager take necessary steps to expedite the development of a new information system for Fire Prevention.
- 17. The Fire Chief and General Manager ensure Toronto Fire Services staff prepare:
  - (a) a detailed analysis clearly defining business processes, data and system requirements necessary to effectively manage the Fire Prevention program;



- (b) **an assessment of the system's ability to accommodate changes in technology, such as handheld computing devices; and**
  - (c) **recommendations to senior management for system enhancements, estimated costs, target completion and milestone dates.**
  
- 18. The Fire Chief and General Manager review the current fee structure for after hour fire inspection services in order to ensure that full-cost recovery is achieved. Any proposed change be reported to the appropriate Committee.**
  
- 19. The Fire Chief and General Manager review and take necessary steps to:**
  - (a) **ensure the implementation of a proactive and enhanced preventive maintenance program for firefighting vehicles and equipment; and**
  - (b) **monitor and minimize fire vehicle downtime and service disruptions associated with unscheduled and unexpected repairs.**
  
- 20. The Fire Chief and General Manager take appropriate steps to ensure fire station staff clearly understand the frequency and timing related to vehicles and equipment inspections required, inspection procedures and standards for documenting inspection results.**
  
- 21. The Fire Chief and General Manager ensure that:**
  - (a) **the Mechanical Division maintain complete, reliable, accurate vehicle records and comply with regulatory requirements;**
  - (b) **policies and formal documentation standards for vehicle repairs and maintenance activities are developed;**

- (c) **documentation requirements and management expectations are clearly communicated to garage staff; and**
  - (d) **management regularly review manual and system records and monitor compliance with established documentation policies and standards.**
- 22. **The Fire Chief and General Manager ensure records maintained by the Mechanical Division accurately account for all repairs performed on each vehicle, including repair and maintenance services rendered under warranty and those performed by private garages.**
- 23. **The Fire Chief and General Manager take steps to ensure cost-effective management of the Mechanical Division including:**
  - (a) **establishing and maintaining formal, written and enforceable job standards and monitor compliance with those standards; and**
  - (b) **ensuring accurate tracking of repair time by utilizing the capability built into the M4 Fleet Management Information System.**
- 24. **The Fire Chief and General Manager take necessary steps to:**
  - (a) **utilize the M4 Fleet Management Information System for recording warranty information and tracking warranty repairs;**
  - (b) **establish criteria for determining when warranty repairs should be performed internally or referred to the manufacturer; and**
  - (c) **establish formal arrangements with manufacturers, ensuring the recovery of eligible costs when in-house warranty repairs are made.**

- 25. The Deputy City Manager, in consultation with the Deputy City Manager and Chief Financial Officer, explore the costs and benefits of designating Fleet Services as the primary provider of maintenance and repair services for Toronto Fire Services' light vehicle fleet.**
  
- 26. The Fire Chief and General Manager and the Director of Purchasing and Materials management take necessary action to expedite the finalization of blanket contracts and purchase orders for referral of general vehicle repairs to private garages.**
  
- 27. The Fire Chief and General Manager establish procedures to strengthen management controls to ensure:**
  - (a) adequate documentation to support repairs referred to private garages;**
  
  - (b) vendor selection and payments for work performed by private garages are in compliance with Corporate purchasing policies; and**
  
  - (c) random quality assurance inspections of vehicles serviced by private garages are conducted and adequately documented for review by garage management.**
  
- 28. The Fire Chief and General Manager take appropriate steps to:**
  - (a) ensure purchases of auto parts are made in compliance with corporate procurement policies; and**
  
  - (b) explore the possibility of coordinating parts and tool purchases with Corporate Fleet Services for volume discounts.**

- 29. The Fire Chief and General Manager review the feasibility of utilizing the parts tracking feature in the M4 Fleet Management Information System for implementation in 2006.**
  
- 30. The Fire Chief and General Manager take appropriate steps to ensure implementation of adequate inventory controls, including:**
  - (a) utilizing available system features for tracking inventory usage;**
  
  - (b) assigning a staff position to monitor receipts and issuance of parts inventory and restricting physical access to the stockroom to authorized personnel;**
  
  - (c) recording all parts and labour in the M4 Fleet Management Information System, including unit cost, vendor information and labour hours; and**
  
  - (d) establishing policies and guidelines to provide for an annual inventory process and periodic surprise physical counts of items and ensuring that discrepancies are adequately investigated and resolved.**
  
- 31. The Fire Chief and General Manager take necessary steps to expedite the implementation of the M4 Fleet Management Information System and include:**
  - (a) the development of policies and procedures;**
  
  - (b) the securing of technical support from the Information and Technology Division; and**
  
  - (c) the requirement to provide formal training to staff.**

- 32. The Deputy City Manager ensure the Mechanical Division of Toronto Fire Services:**
- (a) establish clear and measurable objectives and performance goals;**
  - (b) coordinate with Fleet Services in establishing efficiency and effectiveness performance measures to evaluate progress toward those goals; and**
  - (b) regularly measure and report on progress in achieving performance goals.**
- 33. The City Manager ensure coordination of Fleet Services, Toronto Fire Services and other City fleet operations in establishing common performance measures and standard for fleet operations City-wide**
- 34. The Deputy City Manager, in conjunction with the Deputy City Manager and Chief Financial Officer, take steps to improve current materials management and control over the warehouse operation in Toronto Fire Services as a part of the corporate Stores/Warehouse Rationalization Project. Such steps to include:**
- (a) developing and implementing a Corporate policy on reporting divisional inventory value at year-end;**
  - (b) developing and implementing adequate control over access to the inventory information system; and**
  - (c) providing inventory control training to Toronto Fire Services Staff.**
- 35. The Fire Chief and General Manager take steps to improve current materials management and control over the warehouse operation in Toronto Fire Services by:**
- (a) ensuring orders, receipts and distribution of all inventory items are systematically tracked and monitored by management;**

- (b) providing adequate management oversight to ensure irregularities are detected and corrected in a timely manner;**
  - (c) developing and implementing measures to reduce the quantity of surplus uniform items in storage; and**
  - (d) reviewing the feasibility of reducing the number of staff and delivery vehicles assigned to the warehouse function.**
  
- 36. The Fire Chief and General Manager take necessary steps to improve current management control of the gift shop. Such steps to include:**
  - (a) implementing procedures to ensure adequate controls over orders, receipts and sales;**
  - (b) conducting a physical count of existing stock; and**
  - (c) ensuring that the operation is adequately supervised.**
  
- 37. The City Manager review the current practice of City Divisions, Agencies, Boards and Commissions selling clothing items with City and/or divisional logos to the public, the associated potential risk and liability to the City and report to appropriate committees on results and recommended action.**

## **BACKGROUND**

The mandate of Toronto Fire Services is derived from the Toronto Municipal Code, Fire Protection and Prevention Act, Ontario Fire Code and other related provincial legislation such as the Ontario Building Code and the Highway Traffic Act. Responsibilities of Toronto Fire Services include provision of emergency response for firefighting, rescue and life support services in the City of Toronto, as well as the delivery of public education and school fire safety programs, home inspections and reviews of building permit applications for compliance with relevant standards.

With a total of 3,142 approved positions under the direction of the Fire Chief and four Deputy Chiefs, Toronto Fire Services operates 81 fire stations in four district commands, four training facilities and a headquarters complex. In 2005, Toronto Fire Services incurred gross expenditures of approximately \$312 million and generated revenues totalling \$6.9 million from fees for services such as responding to false alarm calls, elevator incidents and vehicle incidents.

Toronto Fire Services is organized into four functional areas:

- Operations Command provides emergency response for firefighting, rescue and life support services;
- Fire Prevention and Public Education conducts inspections and delivers public education programs;
- Staff Services and Communications provides operational support services such as facilities and warehouse management, public information and media communications, and operates an emergency call centre to dispatch emergency crews and fire trucks; and
- Professional Development, Training and Mechanical Maintenance is responsible for recruiting new firefighters, providing special operations training for all Toronto Fire Services staff and operates a fleet maintenance garage.

The delivery of fire protection, prevention and other emergency services is supported by a fleet of fire vehicles, equipment, support vehicles and a fireboat. Toronto Fire Services also anticipates receiving a surplus fireboat from the federal government in 2006. The fleet, with a total estimated value of over \$1 billion, is maintained by in house mechanical staff.

Cost effective use of fiscal resources and sound management control is essential to support the City in delivering high quality fire protection and prevention services within budgetary constraints. Failure to comply with legislative requirements could result in increased exposure to financial and safety risks to the City and the public.

### **AUDIT OBJECTIVES, SCOPE AND METHODOLOGY**

The Auditor General's 2005 Work Plan included an operational review of Toronto Fire Services. This review was selected based on the program's risk exposure, potential for City liability, the extent of expenditures, revenues and assets, and potential impact on public safety. It should be noted that Toronto Fire Services has not been audited since amalgamation of the former six municipal fire departments in 1998. In actual fact, each one of the amalgamating departments had not been the subject of any audit attention for a significant number of years.

The objectives of this review were to:

- assess whether Toronto Fire Services has appropriate and effective management controls to ensure delivery of services that are relevant, reliable and cost effective;
- assess the extent of compliance with applicable laws, regulations and City policies; and
- identify opportunities for cost savings and improved administrative controls.



A risk-based approach was used in selecting activities to audit within Toronto Fire Services. This approach focused audit efforts on activities identified during the preliminary stages of our review as having the greatest potential for improvement.

The review included an assessment of the following areas:

- internal administrative control processes over expenditure payments, revenues and inventories;
- delivery of fire prevention inspection program; and
- repair and maintenance of vehicles.

This review did not include an assessment of maintenance activities carried out on firefighting equipment and the marine unit, or the Fire Services public education program. We also limited our evaluation of the M4 Fleet Management Information System to examining management controls administered by Toronto Fire Services.

We conducted our audit in accordance with generally accepted government auditing standards and limited our work to activities carried out by those areas specified above from January 1, 2004 to June 30, 2005.

Our audit methodology included the following:

- review of relevant regulations, directives, policies, procedures and current divisional practices;
- interviews with staff of Toronto Fire Services and other City divisions;
- visits to district offices and fire stations;

- review of relevant documents, records and management reports maintained by Toronto Fire Services and the City's financial system;
- review of reports to City Council and Committees;
- inspection of parts and material inventory; and
- benchmarking of standards, policies and practices adopted by other cities, including:
  - New York City, New York;
  - Los Angeles, California;
  - Houston, Texas;
  - Brampton, Ontario; and
  - Mississauga, Ontario.

This report summarizes findings from our audit work and provides recommendations for improvements to assist management in providing effective and efficient fire services to the public.

## **AUDIT RESULTS**

Audit results including audit issues and recommendations are based on fieldwork, testing and a review of practices of other government organizations.

### **A. CONTROL OVER COMPLIANCE WITH CITY POLICIES AND EXPENDITURE PAYMENTS**

Over \$12 million of goods and services were purchased by Toronto Fire Services in 2004. While adequate control over expenditures is primarily the responsibility of Toronto Fire Services management, other Divisions within the City also play important roles. Toronto Fire Services is

responsible for identifying procurement needs, preparing purchase requisitions and orders, as well as reviewing and determining the appropriateness of the amounts invoiced. The City Purchasing and Materials Management Division is responsible for issuing contracts and purchase orders in accordance with corporate requirements, while the Financial Services Unit of the City's Policy, Planning, Finance and Administration Division provides day-to-day accounting and payment review services for Toronto Fire Services.

Required corporate policies and procedures regarding purchasing and payment are outlined in the Toronto Municipal Code as well as in the Purchasing and Materials Management Division's standard procedures.

As part of this audit, we reviewed a sample of invoices processed in 2004 and the first half of 2005. We noted instances of non-compliance with City purchasing policies and procedures in the areas noted below.

#### A.1. Use of Departmental Purchase Orders

City purchasing policies stipulate that Departmental Purchase Orders be used for one-time purchases less than \$7,500. Repetitive purchases from the same supplier or purchases exceeding \$7,500 require City contracts or purchase orders be issued through the Purchasing and Materials Management Division after a formal competitive process. For purchases between \$3,000 and \$7,500, three quotes are required with supporting evidence before issuing a Departmental Purchase Order. These City policies were reiterated by the City Manager in a January 2005 memo to management staff in all divisions.

In 2004, Toronto Fire Services issued over 2,800 Departmental Purchase Orders for purchases totalling approximately \$3.4 million. Many of these Departmental Purchase Orders were issued to the same suppliers for frequently required goods or services such as vehicle parts and repair services, protective clothing and medical supplies. During the first six months of 2005, there was a slight decline in the number of Departmental Purchase Orders issued and an increase in

Contract Release Orders (i.e., purchases using blanket contracts) when compared to the same period in 2004.

Although a number of new blanket contracts have been issued in 2004 and 2005, continued effort is required to further reduce reliance on Departmental Purchase Orders for frequently required goods and services.

We also noted instances of purchases split to keep each order below the \$7,500 maximum limit for Departmental Purchase Orders or below the \$3,000 limit for three quotes. In one instance, a purchase of the same protective clothing was split into two orders such that each order was below the \$3,000 limit required for obtaining three quotes. In another instance, staff ordered three packages of the same rescue tools within a month from the same supplier using three separate Departmental Purchase Orders each at approximately \$5,000. Each Departmental Purchase Order was then processed as a sole source requisition without obtaining three quotes.

**Recommendation:**

- 1. The Fire Chief and General Manager take appropriate steps to ensure purchases are in compliance with Corporate purchasing policies and procedures. In particular:**
  - (a) discontinue the practice of using Departmental Purchase Orders where the use of a blanket contract and purchase order would be more appropriate and continue working with the Purchasing and Materials Management Division to ensure blanket contracts and purchase orders for frequently required goods and services are issued;**
  - (b) discontinue the practice of splitting purchases to keep the purchase amount below the maximum level of \$7,500 for a Departmental Purchase Order or below the \$3,000 limit for three quotes;**

- (c) **provide necessary training, such that staff understand and comply with City purchasing policies, procedures and guidelines; and**
- (d) **incorporate compliance with procurement policies and procedures into the staff performance review process.**

#### A.2. Sole Source Purchases

A number of purchases made by Toronto Fire Services in 2004 and 2005 were sole sourced without undergoing any competitive process. According to City purchasing policies, sole source or non-competitive procurement of goods or services can be made only when the purchase meets certain conditions and a negotiation is undertaken to obtain the best value for the City. City purchasing procedures also specify that “the detailed unit pricing/costs plus applicable labour or service rates must be included in the Purchase Requisition.”

In a number of sole-source contracts and purchase orders, information on quantity or unit price was not documented in either the Purchase Requisition Form, contract or purchase order itself. For instance, in a sole-source purchase order first initiated by Toronto Fire Services in 2003, the only price information provided was that approximately \$65,000 was approved for sole sourcing a special brand of rescue tools. Details regarding specific types of tools to be purchased, quantities and unit prices were not available in any City purchasing documents. This particular purchase order was subsequently amended in 2004 to increase the value by about \$10,000 to \$75,000. Staff indicated on the amendment request that the increase was due to acquisition of an additional 31 tools and other pieces of equipment, but did not describe what these additional items were or their unit prices. As a result, it was not possible to determine whether the City purchased these goods at the best value possible and more importantly, whether the increase of \$10,000 represented an acquisition of additional goods.

In addition, a number of sole source requests were processed after receipt of the invoices. City policies require that sole source purchases be approved prior to committing to purchases of goods and services.

**Recommendation:**

- 2. The Fire Chief and General Manager take necessary steps to ensure all sole-source purchases are made in accordance with corporate purchasing policies and procedures.**

A.3. Control Over Expenditures

Our review of a sample of payment transactions in 2004 and the first six months in 2005 found that Toronto Fire Services has appropriate controls to ensure compliance with City policies on discretionary expenditures such as meals and business meeting expenses. However, we identified a number of expenditures where improved management planning and control may result in cost savings:

(a) Purchase of Video Production Equipment and Software

In 2004 and 2005, Toronto Fire Services purchased at least \$250,000 of computer and filming equipment and software for a new video production unit within Professional Development, Training and Mechanical Maintenance. Additional purchases are planned. Moreover, approximately \$1,200 worth of books on graphics and film production were purchased in 2004 for the video production unit.

According to staff, the new production unit was established for the purpose of producing in-house training videos for firefighters and is operated by two full-time captains who have attended various courses in video production. Staff also reported that the unit produced 20 videos in 2004 and 2005 and 100 additional training videos are planned.

Staff Services and Communications of Toronto Fire Services also operate a Public Information and Media Communications Unit. The Unit, among other duties, is responsible for producing public education materials such as pamphlets and videos. According to staff, this Unit has been in existence since amalgamation and has equipment and in-house expertise in video production.

The Corporate Communications Division also has in-house expertise and video production equipment. It does not appear that there has been any communication between the new video production unit and the existing Public Information and Media Communication Unit within Toronto Fire Services or Corporate Communications to avoid duplication of equipment and staff resources.

**Recommendation:**

- 3. The Fire Chief and General Manager review the appropriateness of establishing a new video production unit within Professional Development, Training and Mechanical Maintenance. Such a review take into account the resources currently available within the Public Information and Media Communications Unit of Staff Services and Communications as well as the potential availability of resources elsewhere in the City.**

(b) Issuance and Monitoring of Fuel Credit Cards

During 2005, annual expenditures incurred using commercial fuel credit cards were approximately \$85,000.

Toronto Fire Services does not have a formal policy on the issuance or use of commercial fuel credit cards. However, the intended use of fuel credit cards was outlined by the Deputy City Manager in his October 2005 report to the Audit Committee on the fleet operational review. According to the report, Toronto Fire Services, along with other divisions in the City, use fuel credit cards for City-owned vehicles and equipment. The report further points out that:

“Fire Services have nine (9) fuel credit cards. These fuel credit cards have been assigned to senior staff and are used primarily to provide emergency refuelling, when they do not have access to City facilities. Most of these staff are on-call twenty-four hours a day seven days a week. All other re-fuelling of Toronto Fire Services vehicles is performed at City owned fuel sites.”

We noted the following were related to the management of commercial fuel credit cards:

- at least 20 staff members in Toronto Fire Services have been assigned and used commercial fuel credit cards in 2005;
- a number of fuelling charges were incurred at gasoline stations outside of Ontario; and
- instead of using credit cards for emergency refuelling when Corporate fuelling sites are closed, we noted instances where fuel cards were used at commercial fuel stations in the City during normal office hours, when access to the corporate fuelling station at the Toronto Fire Services Headquarters was available.

Our review indicates that the use of commercial fuel cards is not limited to emergency refuelling.

Although the Fire Chief and General Manager issued a directive to staff in March 2005 regarding fuel dispensing and accountability, required management reviews of fuelling records of individual vehicles have not been implemented.

Monthly fuel card statements from credit card providers are reviewed and authorized for payment by a Division Chief. We noted this staff person routinely approved his fuel card charges as well as those incurred by his superiors including the Fire Chief and General Manager and the Deputy Chiefs.

**Recommendation:**

**4. The Fire Chief and General Manager take necessary steps to strengthen management controls over the use of commercial fuel credit cards in Toronto Fire Services by:**

- (a) developing a formal policy on the issuance and appropriate use of commercial fuel credit cards;**



- (b) implementing monitoring measures to ensure adherence to divisional policy on the use of commercial fuel credit cards;**
- (c) reviewing the necessity and reasonableness of current credit card assignment and usage; and**
- (d) ensuring all fuelling expenses are adequately reviewed and approved by appropriate supervisory staff.**

(c) Review and Oversight of Price Quotations in Contracted Services

A \$200,000 blanket contract was established by Toronto Emergency Medical Services and Toronto Fire Services for labour, equipment and material for minor building repairs and renovations between February 2005 and December 2005. The contract specifies labour rates for different types of construction work, such as bricklaying or painting. In September 2005, the \$200,000 contract value was amended in accordance with City policy by \$100,000 to \$300,000. In reviewing invoices and supporting documents from this vendor, we noted a number of quotations provided total cost but no total or breakdown of labour hours. The contractor was paid at the quoted price even though the supporting invoice lacked details such as labour rate charged, actual labour hours and cost of materials used.

The blanket contract was established following a competitive procurement process. The contract is based on specific labour rates, not the number of labour hours as it varies from job to job. In this type of blanket contract, management staff, prior to awarding a job to the contractor, should review both the rate (to ensure consistency with the contracted agreement) and the number of labour hours quoted by the contractor to determine reasonableness of the price. In our opinion, to ensure best value, staff should require a breakdown of labour hours from the vendor on record and obtain additional quotes from other vendors to compare prices and the reasonableness of labour hours.

**Recommendation:**

**5. The Fire Chief and General Manager ensure:**

**(a) staff responsible for authorizing purchases obtain and review sufficient and relevant information to ensure best value prior to committing to purchases of goods and services; and**

**(b) staff responsible for authorizing payments obtain and review relevant supporting details to ensure the reasonableness of the amount invoiced.**

(d) Rental of Photocopiers

Based on an inventory of photocopiers compiled by staff, Toronto Fire Services currently rents approximately 50 photocopiers from various vendors, with a total rental fee in excess of \$80,000 per year. The monthly rental fee for each copier ranges from \$26 to \$400. Since a divisional or corporate photocopier contract has not been established, almost all Toronto Fire Services photocopier rental fees are paid by Departmental Purchase Orders or cheque requisitions. We were advised by the Purchasing and Materials Management Division that a new corporate photocopier rental contract is under development.

The current practice of negotiating a rental agreement for each photocopier does not take advantage of volume pricing. The City should be able to realize a significant cost saving by issuing a corporate-wide blanket contract for photocopiers. This will also eliminate the need to process individual Departmental Purchase Orders and cheque requisitions for monthly rental. Furthermore, given rental fees for different models of photocopiers vary significantly, an assessment should be conducted by each division to determine average usage and the most economical and appropriate type of photocopier for each office.

**Recommendation:**

- 6. The Director of Purchasing and Materials Management take necessary steps to expedite the establishment of a corporate blanket contract for renting photocopiers in the City and ensure that an assessment is conducted in each user division to determine usage and the most cost effective model required.**

**B. FIRE PREVENTION INSPECTION SERVICES**

The mandate of the Fire Prevention Program is derived from the Fire Protection and Prevention Act and the Ontario Fire Code. The Ontario Fire Marshall Office issues guidelines such as documentation, inspection practices and enforcement options to assist municipalities in meeting their inspection and Fire Code enforcement responsibilities.

Reporting to the Deputy Fire Chief/Director of Fire Prevention and Public Education, staff operate out of four district Commands with a total of 18 district offices across the City. Public education, staff training, fire safety inspection and code enforcement activities such as building plan reviews, fire plan examination, investigation of fire hazards and violations, and prosecutions for non-compliance are carried out by a team of 132 staff consisting of:

- 1 Division Chief of Fire Prevention and Public Education;
- 5 district chiefs;
- 24 captains;
- 90 inspectors;
- 8 plan examiners;
- 2 captains responsible for staff training;
- 1 engineer; and
- 1 administrative assistant.

Ten clerks of the City's Policy, Planning, Finance and Administration Division provide day-to-day clerical support to Fire Prevention and Public Education staff.

Records show that in 2004, Fire Prevention responded to 2,863 complaints and conducted an estimated 40,000 inspections. We were advised that the number of inspections is not necessarily comparative from year to year, as time commitments for a single inspection can vary.

As stipulated in the Collective Agreement for Local 3888, Toronto Fire Services staff work a four-day, 10-hour workweek (Monday to Thursday and Tuesday to Friday), commencing at 7:30 am. Based on 2004 statistics, an inspector completes an average of three inspections and/or re-inspections each workday.

Our review identified a number of issues relating to the current service model. Specific areas of potential cost savings and efficiency improvements are outlined below.

#### B.1. Adopting New Technology for Enhanced Efficiency

In our view, there are opportunities for Fire Prevention to achieve cost savings by taking advantage of new technology and modifying operating procedures.

Fire Prevention and Public Education has 10 support staff providing a range of duties such as answering customer enquiries, counter service, data input and preparing Notices of Violation. We however noted eleven of the 18 district offices have no support staff on site. Generally speaking, inspectors spend about three to four hours (30 to 40 per cent of their time) each day completing paperwork and various administrative tasks such as updating the electronic Fire Prevention Database, scheduling appointments and preparing Notices of Violation. Many inspectors return to the district office during lunch hour for supervisory direction, new assignments, or for preparing to issue formal violation notices. The remaining 60 to 70 per cent of their time is devoted to on-site inspections, complaint investigations and other enforcement activities in the field.

The introduction of new technology would allow inspectors to be more efficient while on-site. For example, the City of Brampton assigns a laptop computer, a printer and a mobile telephone to each Fire Prevention Inspector. The Mississauga Fire Services is also exploring the use of

mobile technology and tools for inspectors to conduct business in the field without returning to the office. Toronto Public Health in its Food Safety Inspection Program has implemented the use of remote technology for inspectors as a pilot project in 2005. We were advised that about 30 City food safety inspectors are each assigned a wireless handheld device and a printer at a total cost of about \$3,200 per set. It is also worth noting that the Toronto Police Parking Enforcement Unit is currently investigating the use of handheld computing devices for issuing parking infraction notices.

While we recognize that management needs to address a number of issues around the use of handheld computing technology, remote computing offers significant advantages. Not only does it eliminate the time required to re-enter data from manual inspection records to the Fire Prevention Database, it releases clerical resources to attend to other work priorities. Service level is enhanced and efficiencies gained as inspectors have more time to conduct inspections and other code enforcement activities.

The availability of handheld computing devices and mobile telephones would assist inspectors by reducing daily in-office time from approximately 3.5 hours to 1.5 hours or less, which could result in a potential increase of 15 – 25 per cent in staff resources to complete on-site inspections and related enforcement activities. We have estimated that the use of handheld devices could help maintain the current level of services with 11 to 18 fewer inspectors.

The implementation of mobile computing would require a one-time investment of approximately \$250,000 for purchases of mobile computing devices and printers for all inspectors. However, even with an extra annual cost of \$19,000 for providing a mobile telephone (instead of a pager) to each inspector, the potential exists for Fire Prevention to achieve net cost savings of nearly \$1 million annually.

We have discussed this concept with management and they agree.

**Recommendation:**

- 7. The Fire Chief and General Manager review the cost and benefits of introducing handheld computing equipment in the fire prevention inspection process. Such an analysis to include the costs of original capital investment plus increased efficiency gains. In conducting this review, the Fire Chief and General Manager ensure coordination with both Toronto Public Health and the Toronto Police Service.**

B.2. Achieving Cost Savings by Centralizing District Offices

Fire Prevention and Public Education staff operate out of four Commands (North, South, East and West) with a total of 18 district offices. Our review found the current structure of decentralizing inspectors in 18 district offices results in higher staff costs and hinders management's ability to provide effective supervision. Potential cost savings and efficiency gains from maintaining a more centralized model could be achieved in the following areas:

- (a) Each of the 18 district offices has a captain and an acting captain. Except for two district offices (one with one captain and seven inspectors, the other with one captain and nine inspectors), a captain normally supervises four to five inspectors. We also noted that a captain is primarily responsible for answering public enquiries, assigning complaint cases to staff and providing supervision as required. Based on discussions with staff and a review of the current organizational structure and extent of supervision provided to inspectors, we believe that a captain could reasonably supervise six inspectors without significantly impacting service quality. It also results in the release of the resource equivalent of seven supervisory positions to address other program priorities, with a potential annual cost reduction of nearly \$688,000.
- (b) At this time, eleven of the 18 district offices operate without clerical support staff. Centralizing inspection staff in fewer offices allows management to offer on-site administrative support at all office locations. As discussed earlier, handheld computer devices and mobile printers require a reduced level of administrative support, particularly

for activities such as updating records and preparing Notices of Violation. We believe the combined result of using handheld computing devices and reducing district offices from 18 to the existing four central command offices could release four existing support positions for redeployment resulting in annual cost savings of approximately \$260,000.

- (c) A public education staff team consisting of one district chief, four captains and 12 inspectors is scheduled for relocation from four district offices to one central location in 2006. While we concur with management that the new structure allows better coordination of program activities and staff management, it is important to note that the new structure, with each captain supervising six inspectors, also provides an opportunity to redeploy two captains to other programs for annual cost savings of nearly \$200,000.
- (d) Fire Prevention and Public Education maintains a fleet of 76 vehicles for use by 5 district chiefs, 24 captains and 90 inspectors. These vehicles are permanently stationed at 18 district offices. At times when carpooling is not feasible, an inspector stays behind to perform desk work rather than completing inspections. Under the current collective agreement, Fire Prevention staff work a four-day workweek, with scheduled time off every other Friday and the following Monday. As a result, Fire Prevention has over 30 surplus vehicles every Friday and Monday when half of its staff is off-duty.

We have discussed the concept of centralization with management and they agree that a more centralized structure will enhance operational efficiency, especially in the South Command. According to management, the challenge is locating a rental facility at a suitable mid-town location with sufficient office space to accommodate 60 inspectors. While management has indicated that the project to centralize the South Command has been suspended due to lack of funding in 2006, it is our opinion that options such as renovating the existing four Command offices should be evaluated for Fire Prevention to move toward a more centralized structure in 2006 and beyond.

**Recommendation:**

- 8. The Fire Chief and General Manager evaluate the feasibility and associated risk of centralizing district offices within Fire Prevention and Public Education of Toronto Fire Services, with a view to:**
- (a) determining the most cost-effective number and location of district offices;**
  - (b) assessing office space requirements for Fire Prevention staff working outside of district offices;**
  - (c) assessing potential costs and resource levels required to effectively support a more centralized structure; and**
  - (d) presenting to the Community Services Committee by September 1, 2006 with a detailed implementation plan, outlining projected cost savings, actions required, as well as target milestone and completion dates for measuring results.**

**B.3. Ensuring Consistent Enforcement Efforts and Managing Service Quality**

For Fire Prevention to maintain public confidence in service delivery, property owners and occupants should believe the enforcement process is fair and equitable, and that inspections are carried out in a consistent and efficient manner. It is also important that enforcement measures on similar code contraventions are consistently applied.

The following observations were noted from our review of operating standards and records maintained by Fire Prevention.



Our review of Toronto Fire Prevention Guidelines identified a lack of formal policy on the timeliness of follow up on fire safety related complaints and measures to ensure fire hazards are properly rectified.

We noted that of 41 complaints reviewed, the majority were responded to within 48 hours, but 17 per cent were responded to between two to eight months after receipt of the complaint.

Guidelines require an inspector to send a deficiency letter or a Notice of Violation for all Fire Code violations discovered during an original inspection. For violations deemed severe, the inspector is required to issue a Notice of Violation immediately and time for correction is “immediate”. Generally speaking, an inspector is expected to exercise discretion in determining the need for re-inspection, the time frame for implementing corrective measures and when to lay charges. Guidelines also note that each captain must conduct a review of all files quarterly.

We also found non-compliance with the Guidelines. For example, there were many instances when a Notice of Violation was not issued even though contraventions were noted in the file. We were also unable to identify documented evidence of file review conducted by district captains.

Enforcement efforts on violations appear to vary. While records indicate most reported contraventions were corrected within three months, there were many instances when reported contraventions were not corrected 6 to 24 months after initial inspection. At times, a number of re-inspection visits were necessary.

While inspectors are responsible for enforcing fire safety measures within specifically assigned geographical areas, most inspectors have remained in the same district offices since amalgamation in 1998. Regular district rotation assists management in protecting the integrity of the enforcement process.

Setting standard policies and procedures in areas such as time frames for compliance by severity of fire hazard, progressive enforcement measures for recurring contraventions or tardy responses and providing an expected target compliance date on a Notice of Violation would ensure fairness and consistency in code enforcement efforts and improve cost effective use of inspection resources. We recognize that management needs to address certain legal issues when setting standards in areas such as time frames for compliance and providing expected target compliance date on the Notice of Violation.

**Recommendations:**

- 9. The Fire Chief and General Manager develop a formal policy on the timeliness of follow up on fire safety related complaints and measures to ensure fire hazards are properly rectified.**
  
- 10. The Fire Chief and General Manager, in consultation with the City Solicitor, develop and implement standard policies and procedures to ensure consistency in fire code enforcement efforts, including:**
  - (a) defining non-compliance conditions by severity of fire hazard, response time and corresponding progressive enforcement measures to be applied;**
  
  - (b) exploring the viability of stating expected target compliance date on the Notice of Violation; and**
  
  - (c) developing time frames for re-inspection, implementation of corrective measures and timelines for laying charges.**
  
- 11. The Fire Chief and General Manager establish a policy to ensure rotation of Fire Prevention staff regularly to various geographical areas.**

**12. The Fire Chief and General Manager take appropriate steps to ensure:**

- (a) consistency and efficiency in the conduct of Fire Prevention inspections through the use of standard inspection forms, checklists and documentation standards;**
- (b) Fire Prevention staff comply with written policies, procedures and standards established by Fire Prevention management; and**
- (c) the level of supervisory review is adequate to ensure consistency in enforcement efforts and compliance with established policies.**

**B.4. Managing High Fire Risk Institutions Through Regular Inspections**

Fire safety inspections of approximately 150 institutional facilities in the City are carried out once a year by a team of four inspectors and a captain. In general, these facilities are public and private hospitals, homes for the aged, homes for special care and nursing homes. With four inspectors assigned to this program, each inspects three to four institutions per month, as well as related complaint inspections and Building Code related inspections on assigned institutions. At the end of November 2005, only 75 per cent of these institutions had been inspected. We were advised that due to the significant increase in demand for Building Code compliance inspections in the South Command, fire prevention inspections could not be completed in the South Command due to insufficient resources.

We noted that inspectors in the North, West and East Commands not only routinely inspect health care institutional facilities in their districts, they also routinely inspect hotels and some motels, when time permits. Yet compared to the South Command, which includes the downtown tourist areas, hotels were not routinely inspected at all. This discrepancy suggests a need for reviewing the reasonableness of staff resources assigned to the four district commands.

We were advised that except for nursing homes which are required by the Province to be inspected annually, all other institutional facilities are regularly inspected at the City's discretion. We found no evidence of a formal assessment process in determining which facilities require routine inspections and the appropriate inspection frequency.

Our survey of practices in other municipalities found that in the City of Houston, Texas, fire prevention officers routinely inspect residential properties, institutions, educational occupancies, high rise buildings, hazardous material building occupancies, day care and personnel care properties, as well as covered malls. In the City of Mississauga, inspection staff also routinely inspect high-risk occupancies such as hospitals, nursing homes and hotels. Since October 2005, the City of Brampton has inspected hospitals and nursing homes annually and schools once every three years.

The most effective way of ensuring high fire risk properties (such as factories, hotels and schools) achieve an acceptable level of safety is by conducting routine inspections. Identification of properties requiring proactive, regular monitoring could be achieved through a comprehensive risk assessment and by applying generally accepted fire safety factors such as the nature of the hazard involved, occupancy type and fire protection devices installed.

In our view, there are opportunities for Fire Prevention to inspect higher fire risk properties with the current staff resource level. In addition to identifying properties requiring regular monitoring, management needs to evaluate the reasonableness of staff resources currently assigned to the four district commands and review the benefits and risks associated with inspecting health care facilities annually or potentially less frequently.

**Recommendation:**

- 13. The Fire Chief and General Manager consider taking a “risk based” approach in delivering the fire prevention program in the City and conduct a review to determine:**
  - (a) the cost effectiveness of the current inspection program of institutional facilities;**

- (b) the number of additional high fire risk premises in the City requiring routine inspections, appropriate inspection frequency and resource requirements, as well as potential risks and liability to the City if identified high fire risk premises are not routinely inspected;**
- (c) the reasonableness of inspection staff resources currently assigned to the four district commands and possible re-organization to facilitate implementation of a “risk based” inspection program; and**
- (d) report results and recommendations to the appropriate City Committee.**

#### B.5. Ensuring Timely Inspection of Retrofit Program

In 1992, owners of old premises under certain building types were legislated by the Province to upgrade and retrofit the buildings so they meet new fire protection standards specified under the Ontario Fire Code. At the time, local municipalities were encouraged to perform compliance inspections.

While compliance inspections of properties in the East and West Commands were completed prior to amalgamation, inspections on most properties in the South Command and some in the North Command were not performed. Although Fire Prevention has made some progress, a backlog of over 7,000 properties remains requiring the attention of Toronto fire prevention inspectors.

Effective October 2005, management assigned a special team to clear this inspection backlog. While staff still need to compile a concise database on properties requiring inspection and develop a formal action plan, we were advised that the project could take three years to complete.

In order for management to establish accountability and communicate expectations, a formal action plan, performance measures and benchmarks should be developed and measured against results achieved.

**Recommendation:**

- 14. The Fire Chief and General Manager prepare a project plan detailing resource requirements, major milestones and target completion dates, as well as regular status reports to ensure properties requiring retrofit actions, as stipulated by Ontario Fire Code, are inspected within projected time frames. Such plan and the first status report be presented to the appropriate Committee by June 2006.**

B.6. Lack of Program Performance Measurement

Fire Prevention currently lacks a formal strategic plan, annual work plan and relevant performance indicators for management to assess progress towards achieving program goals and establishing accountability.

According to management, the Office of the Fire Marshal, Ministry of Municipal Affairs, local municipalities and Ontario Fire Service providers are in the process of developing a performance measurement benchmarking framework. Completion of this project will allow fire service providers to align strategic directions with measurable outcomes. We were advised that the framework will be implemented in final form by fire prevention programs throughout Ontario during 2006.

**Recommendation:**

- 15. The Fire Chief and General Manager take appropriate steps to develop and implement results based performance indicators to measure the productivity and cost effectiveness of the Fire Prevention inspection and enforcement services provided by the City.**

## B.7. Need for Enhanced Information Technology Support

A sound management information system can provide complete and reliable information for performance management and reporting on program results.

The Fire Prevention Database system was developed by two Fire Prevention staff as part of the Y2K remediation project. The system records inspection assignments but does not facilitate tracking of contraventions reported and implementation status of required corrective measures. Management review is restricted to specific reports already programmed in the system. The system does not facilitate query reporting on an “as needed” basis.

Effective administrative control procedures ensure that only complete, accurate and valid data are entered and data integrity is maintained. We noted that not only does the responsibility for updating the database vary among district offices, decisions on which data field requiring updates and when file updating occurs also rest with both support staff and inspectors. As well, Fire Prevention staff has not received formal training on record update procedures and other basic functions.

Our review found that records maintained in the fire prevention database are inaccurate and incomplete. In many instances, not all issued notices were captured in the fire prevention database and records on chronology of events and observations made by inspectors were not always up-to-date. In a review of one inspector’s 134 active cases reported, we noted 62 of them required additional work as contraventions identified had not been properly rectified and the remaining case files should have been closed. The discrepancy suggests the database is unreliable for management to monitor active caseloads of inspection staff. While supervisors routinely review reports on outstanding cases, they need to manage staff workload more effectively.

In general, when staff use personal discretion in updating records without proper training and clearly defined standards and when management oversight is inadequate, data integrity is compromised. As a result, Fire Prevention does not have reliable and relevant performance data to track activities, monitor exceptions and manage program performance.

Toronto Fire Services is in the process of implementing an integrated Computer-Aided Dispatch and Records Management System. We were advised that one of the modules will be applied to replace the existing fire prevention database during 2006. In view of the fact that Fire Prevention lacks a reliable management information system at this time, it is important that implementation of the Fire Prevention module in Computer-Aided Dispatch and Records Management System be accelerated to meet the program's day-to-day information needs.

**Recommendations:**

- 16. The Fire Chief and General Manager take necessary steps to expedite the development of a new information system for Fire Prevention.**
- 17. The Fire Chief and General Manager ensure Toronto Fire Services staff prepare:**
  - (a) a detailed analysis clearly defining business processes, data and system requirements necessary to effectively manage the Fire Prevention program;**
  - (b) an assessment of the system's ability to accommodate changes in technology, such as handheld computing devices; and**
  - (c) recommendations to senior management for system enhancements, estimated costs, target completion and milestone dates.**

**B.8. Standard Fee for Fire Inspection Service Needs Modification**

Fire Prevention inspectors, at the request of property owners, will conduct fire prevention inspections after normal business hours for a fee. Fees generated from this service totalled approximately \$21,000 in 2004.

We noted that by charging for this special services at the current hourly rate of \$45 per person hour (minimum of four hours), established under Chapter 441 in the Toronto Municipal Code,



Toronto Fire Services is unable to recover full personnel costs. Based on 2004 revenue generated, we estimated an increase of 40 to 50 per cent would have been required to achieve full cost recovery generating additional revenue of over \$10,000 annually.

**Recommendation:**

- 18. The Fire Chief and General Manager review the current fee structure for after hour fire inspection services in order to ensure that full-cost recovery is achieved. Any proposed change be reported to the appropriate Committee.**

**C. VEHICLE MAINTENANCE SERVICES**

Toronto Fire Services operates with a total heavy fleet of 179 vehicles (including firefighting, support and training vehicles) and 180 light vehicles. In 2004, the Mechanical Division of Professional Development, Training & Mechanical Maintenance incurred total net expenditures of approximately \$14.6 million, comprising \$12.3 million for vehicle maintenance, \$2.1 million for equipment maintenance and \$250,000 for operation of the Fireboat.

Responsibility for maintaining the Fire fleet was shared by Toronto Fire Services and Corporate Fleet Services in 1998. In 2002, in response to a request by the Budget Advisory Committee on methods for maintaining Fire Services equipment in-house, Toronto Fire Services submitted a report entitled "Fire Services Fleet Maintenance Disentanglement". In the report, Toronto Fire Services proposed to take over maintenance of the entire Fire fleet, effective April 2002. Based on workload and financial information available at the time, Toronto Fire Services estimated that in addition to existing supervisory and management positions in 2001, the Mechanical Division would require seven more Emergency Vehicle Technicians (bringing the total from 12 to 19 Emergency Vehicle Technicians) and a new support position for entering and maintaining data in a fleet maintenance system. The report was adopted by City Council and eight new positions were filled in 2002.

Reporting to a Divisional Chief, the Mechanical Division currently operates with a District Chief, four Fire Captains and 19 Emergency Vehicle Technicians and one support staff. All maintenance staff relocated to a central garage facility on Toryork Road in late August 2004.

As stipulated in the Collective Agreement for Local 3888, Mechanical Division staff work a four-day, 10-hour workweek (Monday to Thursday and Tuesday to Friday). The garage operates from 7:30 a.m. to 5:30 p.m. from Monday to Friday. The Division also offers on-call service to handle emergencies outside regular business hours. Designated on-call garage staff also attend fire scenes to ensure the continuous operation of vehicles.

#### C.1. Strengthening the Heavy Vehicle Preventive Maintenance Program

Regular preventive maintenance of vehicles and apparatus assists in avoiding major maintenance problems and may help detect symptoms before they become serious and impact vehicle reliability. In the long term, regular preventive maintenance extends vehicle useful life, minimizes repair costs and enhances vehicle safety.

The Highway Traffic Act and the Occupational Health and Safety Act outline specific requirements mandated for vehicle maintenance. For example, the Highway Traffic Act requires that commercial vehicles be inspected according to specific inspection requirements once a year. The Occupational Health and Safety Act also addresses testing and inspection requirements of chassis mounted aerial devices.

Mandatory requirements for vehicle maintenance however, do not specifically address preventive maintenance standards. Preventive maintenance standards are recommended by the National Fire Protection Association and vehicle and apparatus manufacturers.

As noted in written Standard Operating Guidelines, Toronto Fire Services has adopted recommended guidelines of the National Fire Protection Association (NFPA). The Association advocates that inspections, maintenance and repairs be conducted in accordance with manufacturers' recommended procedures. Manufacturers recommend service intervals for

comprehensive inspections and various preventive maintenance checks, lubrication, cleaning or other types of service. Maintenance schedules are normally arranged in time intervals and/or mileage intervals. The Association also highlights that a preventive maintenance program should include monthly, semi-annual and annual servicing and testing.

A number of North American fire departments surveyed indicate that their respective mechanical operations include regularly scheduled preventive maintenance and inspections. For example, the New York City Fire Department conducts preventive maintenance on all fire fighting vehicles every 90 days. The Los Angeles Fire Department conducts preventive maintenance every 2 months or 4,000 miles.

Our review found that preventive maintenance of heavy fire vehicles is not scheduled or conducted and vehicles are serviced on an “as needed” basis only. The Mechanical Division services all heavy vehicles once a year as part of the annual inspection certification process (commonly known as Periodic Mandatory Commercial Vehicle Inspection or PMCVI) required by the Highway Traffic Act. In order to minimize vehicle downtime and optimize efficiency, garage staff usually spend as much time as necessary to restore the vehicle to a “100 per cent operational level”. According to management, the process of annual vehicle inspection and addressing repair needs identified requires an average of several weeks to complete depending on the number and type of repairs required.

Light vehicles operated by Toronto Fire Services receive preventive maintenance services such as oil changes at 90-day intervals, depending on usage. These services are performed by external providers.

Standard Operating Guidelines developed by Toronto Fire Services require fire station staff to conduct a variety of daily apparatus inspection checks “at the beginning of each day shift” and inform the Mechanical Division of required repairs by forwarding a Vehicle Inspection Report.

Based on discussions and our review of records, we noted that although management expects fire station staff to conduct daily inspections of vehicles, some staff interpret the requirement as once at the beginning of each four-day work shift (once every four days). We also noted that vehicle inspection records were not always completed and there was no evidence of management oversight to ensure completion of required daily inspection and related documentation. In our sample review of May and June 2005 records, vehicle inspection records were completed 31 per cent of the time. According to staff, vehicle inspections occur on a daily basis but not always documented.

Our review also found that garage staff only provide immediate attention to service requests deemed critical. Non-critical repair requests were deferred for inclusion in the annual inspection certification process. Management controls however were inadequate to ensure outstanding deficiencies were properly tracked and effectively addressed.

When preventive maintenance work is not completed according to manufacturers' recommended service intervals, non-critical mechanical problems may become serious, rendering vehicles unsafe, unreliable and expensive to repair.

The frequency of unscheduled vehicle repairs is an indicator of vehicle reliability and maintenance quality. During the 18-month period from January 1, 2004 to June 30, 2005, approximately 3,000 work orders were completed. Approximately 32 per cent of the heavy vehicles had 20 or more work orders during the period.

The number of vehicle breakdowns is also an indicator of vehicle reliability and maintenance quality. Results of our review of towing charges from January 2004 to June 2005 showed approximately 100 separate instances requiring vehicles to be towed. Seventy-three of these tows were for heavy vehicles. These statistics suggest that during the 18-month period from January 1, 2004 to June 30, 2005, 32 per cent of the City's heavy fire vehicles required towing at least once during that time period.

The service level needs of the public and Toronto Fire Services requires reliable fleet at all times to ensure adequate emergency responses. The current fleet maintenance program should be enhanced to ensure mechanical problems are detected and corrected on a proactive basis.

**Recommendations:**

- 19. The Fire Chief and General Manager review and take necessary steps to:**
  - (a) ensure the implementation of a proactive and enhanced preventive maintenance program for firefighting vehicles and equipment; and**
  - (b) monitor and minimize fire vehicle downtime and service disruptions associated with unscheduled and unexpected repairs.**
  
- 20. The Fire Chief and General Manager take appropriate steps to ensure fire station staff clearly understand the frequency and timing related to vehicles and equipment inspections required, inspection procedures and standards for documenting inspection results.**

C.2. Ensuring Compliance with Regulatory Requirements

There are few regulatory requirements specific to the maintenance of fire vehicles. Our review therefore primarily focused on regulatory inspection and documentation requirements, as well as generally accepted industry standards for fire vehicle maintenance.

According to the Highway Traffic Act, all commercial vehicles must be inspected for compliance with specific performance standards prescribed in the Act. If the vehicle is found to be in compliance, an annual inspection certificate (sticker) is issued. The sticker is valid for twelve months. Vehicle operation is not permitted without a valid sticker.

The Mechanical Division is licensed to issue annual inspection certificates. According to management, when garage staff is unavailable to complete required annual inspections before the sticker expiry date, the required inspection is provided by a private garage. Our review of 16 heavy vehicles found that they were all certified on a timely basis. Of the 16 vehicles, four stickers (25 per cent) were issued by Provincially licensed private garages.

The Provincial Occupational Health and Safety Act requires an annual inspection of chassis-mounted aerial devices by a third party. All five aerial equipment reviewed were inspected annually as required by the Provincial Occupational Health and Safety Act.

Accurate and complete documentation of repairs performed on vehicles is essential in monitoring service performance and warranty work. Guidelines recommended by both the Highway Traffic Act and the Occupational Health and Safety Act recommend proper retention of inspection and service records. The National Fire Protection Association also recommends separate files be maintained on all inspections, maintenance requests, preventive maintenance, repairs and testing performed on each vehicle. Documentation should include the date and description of maintenance, repairs and inspections performed.

Standard Operational Guidelines developed by Toronto Fire Services, however, provide no clear guidance related to acceptable file documentation standards. Garage staff maintain separate manual files on completed work orders for each vehicle, as well as an information system on fleet maintenance history. Our review found that manual vehicle files do not always contain complete and accurate records on test results and repairs performed. In particular, omissions were noted in several areas:

- (a) Invoices received from private garages showing costs, service dates and the nature of services rendered were not always on file. In our sample, 53 per cent of files reviewed contained no invoices. We were advised by garage staff that invoices may sometimes be forwarded to Headquarters and not provided to the garage. When this occurs, the reliability, completeness and accuracy of records is compromised.

For example, we noted an invoice of approximately \$60,000 in repairs on a vehicle which was not recorded on file and the related repair information was not entered in the M4 Fleet Management Information System. Further, we noted with one vendor in particular, payments for repair services rendered were not entered in the M4 Fleet Management Information System and approximately \$147,000 in payments was paid to this vendor in 2004.

- (b) Information including reasons for vehicle tows, assessment of repairs required and actual repairs performed in response to vehicle breakdowns was not on file in 65 per cent of files reviewed.
- (c) Details regarding repair services performed by private garages, including services rendered under warranty were not always noted in the M4 Fleet Management Information System. Notes on file indicate the vehicle was repaired under warranty, but specific details of the repair were not documented.
- (d) Replacement parts for repairs were not consistently documented. According to management, recordkeeping is restricted to high dollar items. Criteria for recordkeeping however have not been defined.

Garage staff generally understand the need to create a work order for tracking repairs and maintenance tasks performed on each vehicle and for recording information in the M4 Fleet Management Information System. Work orders however are not pre-numbered for tracking and reconciliation. While garage staff is expected to record vehicle repairs, management rarely reviews completed work orders to ensure completeness and accuracy. The absence of management review and pre-numbered work orders impedes the efficient monitoring for compliance with documentation standards.

In our view, records maintained do not reliably, accurately and completely account for vehicle inspections, maintenance requests, preventive maintenance, repairs and related vehicle testing performed.

## **Recommendations:**

- 21. The Fire Chief and General Manager ensure that:**
  - (a) the Mechanical Division maintain complete, reliable, accurate vehicle records and comply with regulatory requirements;**
  - (b) policies and formal documentation standards for vehicle repairs and maintenance activities are developed;**
  - (c) documentation requirements and management expectations are clearly communicated to garage staff; and**
  - (d) management regularly review manual and system records and monitor compliance with established documentation policies and standards.**
  
- 22. The Fire Chief and General Manager ensure records maintained by the Mechanical Division accurately account for all repairs performed on each vehicle, including repair and maintenance services rendered under warranty and those performed by private garages.**

### **C.3. Strengthening Management of Garage Operation**

As indicated earlier in this report, Toronto Fire Services received an additional eight positions as a result of the transfer of certain fleet maintenance responsibilities from Corporate Fleet Services in 2002. At the time, City Council approved Toronto Fire Services' request for eight new positions on the basis that the entire fire fleet would be serviced in-house. However, we noted that in 2004, \$1.1 million in fleet maintenance services was paid for repairs performed by private garages. Specifically, specialized mechanical services totalling approximately \$560,000 were provided by designated dealers and \$580,000 of general repair services were contracted to private garages due to lack of resources. Our review, however, identified a need for strengthened management control over staff resources to improve efficiency in the fleet maintenance operation.



Garage supervisors indicated that due to the specialized nature of fire vehicles, an industry standard for efficiency in completing repairs is not available. As a result, supervisors rely on technical expertise to determine staff work quality and efficiency.

Our review noted that garage staff take as long as necessary to complete repairs, but no documented evidence of supervisory review of work orders in ensuring reasonableness of staff hours and completeness of repair activities. Furthermore, performance measures are not systematically collected and reviewed by management. Currently, garage staff manually prepares work orders to track repair hours. The M4 Fleet Management Information System has the capability to track repair hours automatically through a bar coding feature. Use of this feature also improves the accuracy and reliability of repair start and finish times.

Efficiency of garage operations is affected by factors such as repair proficiency, workflow and management practices. A common efficiency measure used by most garages is the percent of equipment repair time to total available time commonly known as 'billable hours'. A recognized industry benchmark provided by the National Association of Fleet Administrators (NFFPA) is a productivity rate of 75 per cent. According to 2004 data captured in the M4 Fleet Management Information System, hours charged to work orders opened and completed in 2004 account for 44 per cent of total available garage staff hours.

While we recognize that data captured in the system is not reliable because of certain control deficiencies, the low percentage of work order related hours indicates the need for improved productivity and better monitoring of staff performance.

**Recommendation:**

**23. The Fire Chief and General Manager take steps to ensure cost-effective management of the Mechanical Division including:**

- (a) establishing and maintaining formal, written and enforceable job standards and monitor compliance with those standards; and**
- (b) ensuring accurate tracking of repair time by utilizing the capability built into the M4 Fleet Management Information System.**

#### C.4. Warranty Repairs Should be Better Managed

A variety of warranties are available for repairs and parts replacements in all fire vehicles. These warranties relate to equipment corrosion and paint, structural body integrity, material and workmanship and chassis. As well, repairs and new or reconditioned parts installed by private garages are covered by warranty.

Tracking of warranty eligible parts and work performed is essential in ensuring appropriate recovery of benefits from warranty agents.

From our review of maintenance on late model vehicles, it appears that major repair work was completed by authorized warranty agents. However, details of repairs required and completed were not provided in files and not tracked in the M4 Fleet Management Information System, even though the system has warranty tracking capability. As well, invoices from garages completing repairs were frequently not included in the file.

Although some eligible repairs appear to be completed appropriately, we were informed that in order for eligible repair work to be completed under warranty, garage staff relies on institutional knowledge to determine whether a repair is covered under warranty. Given the variety of vehicles, repair and maintenance services and warranty coverage, staff has indicated it is possible that some warranty eligible repairs are completed in-house and that costs are not recovered from warranty agents.

Without reliable information to monitor warranty work or eligibility, management is unable to determine whether or not the full benefits of warranties offered have been received.

#### **Recommendation:**

#### **24. The Fire Chief and General Manager take necessary steps to:**

- (a) utilize the M4 Fleet Management Information System for recording warranty information and tracking warranty repairs;**

- (b) establish criteria for determining when warranty repairs should be performed internally or referred to the manufacturer; and**
- (c) establish formal arrangements with manufacturers, ensuring the recovery of eligible costs when in-house warranty repairs are made.**

#### C.5. In-house Maintenance of Light Vehicles

The Fire fleet includes 180 cars and vans. We noted that a significant number of light vehicle repairs and preventive maintenance service is outsourced. Related costs paid to private garages in 2004 totalled approximately \$194,000.

According to management, outsourcing occurs because garage space is limited and the Mechanical Division does not have adequate staff to service light vehicles. Management also indicated that pick-up and delivery of vehicles at private garages requires less time than to the Toryork garage for service.

Although verbal authorization to outsource repair of light vehicles is provided by garage supervisors, repair orders are not initiated in the M4 Fleet Management Information System until the work is complete. There are no formal purchasing contracts with small vehicle repair shops and price estimates are not always available until the repair is complete. Garage supervisors rely on institutional knowledge to assess reasonableness of costs invoiced. Further, there is no quality review of the adequacy or appropriateness of repairs completed.

The Corporate Fleet Services Division operates nine garages across the City. Some remain open for evening operation. The use of Corporate Fleet Services may be an option to reducing overall Corporate costs for contracted garage services.

#### **Recommendation:**

- 25. The Deputy City Manager, in consultation with the Deputy City Manager and Chief Financial Officer, explore the costs and benefits of designating Fleet Services as the primary provider of maintenance and repair services for Toronto Fire Services' light vehicle fleet.**

#### C. 6. Enhancing Management Controls Over Outsourced Services

City policy stipulates that purchases between \$3,000 and \$7,500 require a departmental purchase order, after obtaining three price quotations. Purchases over \$7,500 require a purchase order through the City Purchasing and Materials Management Division.

While divisional management regularly assign certain specialized repair jobs to private garages due to cost considerations, general repairs are occasionally assigned to private garages based on the urgency of the repair required or lack of in-house staff. As previously mentioned, 2004 contracted services totalled \$1.1 million.

Although the Mechanical Division has established a number of City contracts for specialized services such as refurbishing vehicles, transmission and engine repairs, most repetitive general repair jobs were not competitively priced and were provided by the same long-standing vendors. Without competitive pricing, there is no guarantee of fair pricing for services and no opportunity to take advantage of volume discounts.

Management controls over repairs provided by private garages are inadequate. Documentation is not prepared to support referrals of general repairs to private garages. There was no evidence that repair services were authorized and price estimates obtained prior to awarding a repair to a private garage.

We were advised that management conduct random quality control inspections on vehicles after service has been rendered, such as confirming the installation of new auto parts and reviewing invoice and work order details for reasonableness. There is, however, no documentation on inspections performed nor evidence of management review of services invoiced.

In order to demonstrate the effectiveness of the quality assurance program and that repair costs charged by private garages are adequately monitored, criteria should be developed related to when and how inspections are conducted and procedures established to ensure inspection results are documented. Invoices should also be adequately reviewed for reasonableness and evidence of management approval documented.

We were advised that in early 2005, management initiated work with City Purchasing and Materials Management Division in developing options facilitating referral of general repairs to private garages. Progress has been slow in establishing required contractual arrangements.

**Recommendations:**

- 26. The Fire Chief and General Manager and the Director of Purchasing and Materials management take necessary action to expedite the finalization of blanket contracts and purchase orders for referral of general vehicle repairs to private garages.**
  
- 27. The Fire Chief and General Manager establish procedures to strengthen management controls to ensure:**
  - (a) adequate documentation to support repairs referred to private garages;**
  
  - (b) vendor selection and payments for work performed by private garages are in compliance with Corporate purchasing policies; and**
  
  - (c) random quality assurance inspections of vehicles serviced by private garages are conducted and adequately documented for review by garage management.**

**C.7. Management of Auto Parts Inventory Requires Improvement**

In 2004, the Mechanical Division purchased tires, parts and materials totalling nearly \$940,000. Our review found a lack of competitive pricing in auto parts procurement. Most purchases were repetitive orders from long-standing vendors and payments were processed by issuing departmental purchase orders after receipt of goods. Purchases of auto parts and tools were not coordinated with Corporate Fleet Services for volume discounts.

Our review also found inadequate management controls to safeguard City assets and to monitor inventory shortages. Our specific observations are as follows:

- (a) Physical access to the stockroom was not safeguarded from unauthorized entry.
- (b) Records are not maintained on parts and materials withdrawn by mechanics, either for use in the garage or provided to private garages.
- (c) A physical inventory of parts and materials has not been performed since amalgamation in 1997. All parts and materials purchased are recorded in the financial system as expenditures incurred. There is no process for management to detect unreasonable shrinkage or other inventory related irregularities.
- (d) Parts and materials are not always recorded on work orders. According to management, recordkeeping is restricted to items of high dollar value. Criteria for recordkeeping however have not been defined.
- (e) Purchases of parts and materials are routinely posted to the parts inventory module of the M4 Fleet Management Information System. Because beginning inventory parts were never entered into the M4 Fleet Management Information System, management cannot rely on system-generated inventory balances for making re-order decisions. According to management, parts are ordered "as needed", according to a visual count of parts and institutional knowledge of consumption patterns.

Formal training in proper materials management and control procedures has not been provided to appropriate members of the Mechanical Division staff.

**Recommendations:**

**28. The Fire Chief and General Manager take appropriate steps to:**

- (a) **ensure purchases of auto parts are made in compliance with corporate procurement policies; and**

- (b) explore the possibility of coordinating parts and tool purchases with Corporate Fleet Services for volume discounts.**
  
- 29. The Fire Chief and General Manager review the feasibility of utilizing the parts tracking feature in the M4 Fleet Management Information System for implementation in 2006.**
  
- 30. The Fire Chief and General Manager take appropriate steps to ensure implementation of adequate inventory controls, including:**
  - (a) utilizing available system features for tracking inventory usage;**
  
  - (b) assigning a staff position to monitor receipts and issuance of parts inventory and restricting physical access to the stockroom to authorized personnel;**
  
  - (c) recording all parts and labour in the M4 Fleet Management Information System, including unit cost, vendor information and labour hours; and**
  
  - (d) establishing policies and guidelines to provide for an annual inventory process and periodic surprise physical counts of items and ensuring that discrepancies are adequately investigated and resolved.**

**C.8. Use of M4 Fleet Management Information System Needs to be Enhanced**

The M4 Fleet Management Information System, as recommended in the 1998 KPMG LLP Fleet Review and adopted by City Council in 1999, was implemented by the Corporate Fleet Services Division in 2000 and by Toronto Fire Services in 2002.

The M4 Fleet Management Information System is used for processing work orders, tracking maintenance activities and managing parts inventory. System users can use a bar coder to capture labour hours and parts used. Information on usage of internally stocked parts can be

scanned to related work orders, non-inventory parts can be posted to respective work orders through a system interface with the corporate SAP Financial System. The system also has other capabilities such as preventive maintenance scheduling, tracking warranties, staff workload management, asset management and the capability to generate various performance measurement and management reports.

Effective use of information systems assists in minimizing supervision required and facilitates measurement of operational results.

Our observations specific to the effective use of the M4 Fleet Management Information System are noted below:

The Mechanical Division is not using the M4 Fleet Management Information System to its full potential. For example, the system is designed to generate a work order with a unique identification number to facilitate recording of repair details and labour work hours. Garage staff currently complete a work order manually for each repair request and we noted that the reliability, accuracy and completeness of information captured varies depending on staff performing the repair. A full-time staff person creates a work order in the M4 system based on information noted on the repair form after the repair has been completed. The current process of initiating a work order in the system once the work is complete makes it difficult to track actual start and completion dates on services rendered. Not only is the manual recording inefficient, but the information recorded is also prone to human error and does not accurately capture the total work hours and parts used. This element is vital in managing workload and staff productivity.

Scheduling of vehicle annual certification inspections and follow-up inspections of outstanding repair orders is performed by senior staff instead of using the scheduling feature in the M4 Fleet Management Information System.



Although the M4 Fleet Management Information System is set up to interface with the City SAP Financial System for tracking charges from private garages, this feature is not being used. As noted earlier in this report, there are no controls in place to detect omissions and errors in posting charges from private garages.

The Mechanical Division should develop and administer adequate staff training plans. Except for a data input clerk who has been trained on the M4 Fleet Management Information System, garage supervisors and managers lack training to perform basic management review functions. The system is not supported by the Corporate Information and Technology Division and training has not been provided to garage supervisors. We noted a lack of adequate supervisory oversight in requiring regular exception reports for identification of irregularities and significant variances.

Internal labour costs are based on a standard hourly rate of \$65. Based on the Division's 2004 budget and 75 per cent productivity rate, a standard hourly rate of about \$116 should be applied to reflect actual labour costs.

As noted previously in this report, financial data collected in the system is inaccurate and incomplete. For example, in 2004 the system collected 44 per cent of available staff hours, 42 per cent of total parts costs and 60 per cent of total charges from private garages.

To provide assurance that managers and staff can rely on the system to monitor performance and realize potential efficiencies from available features, appropriate policies and procedures should be developed and supervisory staff adequately trained.

**Recommendation:**

**31. The Fire Chief and General Manager take necessary steps to expedite the implementation of the M4 Fleet Management Information System and include:**

- (a) the development of policies and procedures;**

- (b) the securing of technical support from the Information and Technology Division; and**
- (c) the requirement to provide formal training to staff.**

C.9. Performance Indicators for the Mechanical Division Should be Developed

The Mechanical Division has not developed performance indicators for management to measure against industry standards as well as goals of the Fire Services fleet maintenance program. Common performance measures used by garage operations include preventive maintenance compliance rate, repair turnaround time, vehicle breakdown rate, tow rate, garage staff utilization rate, rework rate and inventory shrinkage. Without relevant measures, it is difficult for management to determine the effectiveness and efficiency of services provided by the Mechanical Division.

In our audit report dated April 2005, entitled "Fleet Operations Review – Phase Two", we recommended efficiency and effectiveness performance measures for fleet operations be established by Corporate Fleet Services for analyzing costs, productivity and performance. Joint efforts between Corporate Fleet Services, Toronto Fire Services and other City divisions that separately manage their own fleet operations in establishing appropriate measures ensure common performance standards and measures are used by all fleet operations in the City.

**Recommendations:**

**32. The Deputy City Manager ensure the Mechanical Division of Toronto Fire Services:**

- (a) establish clear and measurable objectives and performance goals;**
- (b) coordinate with Fleet Services in establishing efficiency and effectiveness performance measures to evaluate progress toward those goals; and**
- (b) regularly measure and report on progress in achieving performance goals.**

- 33. The City Manager ensure coordination of Fleet Services, Toronto Fire Services and other City fleet operations in establishing common performance measures and standard for fleet operations City-wide**

**D. MANAGEMENT AND CONTROL OVER WAREHOUSE INVENTORY**

Toronto Fire Services operates a centralized warehouse for items such as uniforms, medical supplies and cleaning and stationary supplies. The warehouse is operated by a supervisor and eight staff members responsible for ordering, receiving and storing goods, as well as distributing uniforms and delivering supplies to 81 fire stations across the City. To facilitate inventory management, Toronto Fire Services has used Stores Management System software since 2003. In 2004 over \$1.5 million in materials and supplies was acquired through the warehouse.

Issues identified with regard to the management and control of the warehouse operation are as follows:

- (a) Total value of the existing inventory on-hand is unknown. Many items in the inventory tracking system have no unit cost. Instead of recording the remaining stock balance as City assets at the end of each year, all uniform items and materials purchased are recorded in the financial system as current year expenditures even though a large quantity of stock remains in storage at year-end. Management has no means of detecting and reporting unreasonable shrinkage or other inventory related irregularities. Furthermore, records of two frequently acquired uniform items (men's utility pants and shirts) have not been entered into the inventory tracking system and their inventory quantities are not known.
- (b) Adjustments to the inventory system records are not controlled and monitored. Any warehouse staff member can access system records and the warehouse supervisor does not regularly review adjustments to ensure reasonableness. We performed a physical count of selected items and found that records for 40 per cent of items stored were not

accurate. In addition, warehouse staff is responsible for packing and delivering supplies according to items requested by fire stations. Monitoring and control measures are not built into the daily packing and delivery routine to ensure that stock items removed from the warehouse for delivery to fire stations are consistent with the items and quantities requested by fire station staff.

- (c) Uniform items are over-stocked in the warehouse, unnecessarily increasing carrying costs and inventory investment. The extent of the over-stocking cannot be determined because certain items were not tracked by the inventory system. However, based on site observations, staff estimates and a review of the 2004 and 2005 orders, certain uniform supplies are estimated to be overstocked by several thousand items since 2003 or even earlier. In 2004 and 2005, staff discontinued ordering additional quantities for the overstocked items in an attempt to deplete old stock items.
  
- (d) There are potential cost savings in the warehouse operation. We noted the warehouse has four stockkeepers/drivers and three delivery vehicles to provide daily packing and delivery of supplies to fire stations. In comparison, Purchasing and Materials Management Division currently operates eight corporate warehouses using two delivery vehicles. We reviewed the daily packing and delivery records of Toronto Fire Services warehouse and noted each truck on average delivers supplies to approximately five stations per day. This daily workload appears to be low given that delivery is on a district basis and fire stations within the same district are usually in close proximity of each other. As a result, a reduction to the number of delivery vehicles and drivers may be possible without impacting service delivery.

In December 2005, City Council adopted a staff report entitled “Corporate Warehouse/Stores Rationalization Project” from the City Treasurer. The project is led by staff of Purchasing and Materials Management Division. The next step of the project is to develop and implement standard policies, procedures and best practices to support a strategic, Corporate approach to materials management of the City’s warehouses. City divisions remain responsible for performing daily functions such as receiving, stocking, issuing, inventory counting and

distribution of materials. We were advised the Purchasing and Materials Management Division will be reviewing the use of a common information system for managing and controlling inventories in the City. Key implementation steps will take place in 2006.

**Recommendations:**

- 34. The Deputy City Manager, in conjunction with the Deputy City Manager and Chief Financial Officer, take steps to improve current materials management and control over the warehouse operation in Toronto Fire Services as a part of the corporate Stores/Warehouse Rationalization Project. Such steps to include:**
  - (a) developing and implementing a Corporate policy on reporting divisional inventory value at year-end;**
  - (b) developing and implementing adequate control over access to the inventory information system; and**
  - (c) providing inventory control training to Toronto Fire Services Staff.**
  
- 35. The Fire Chief and General Manager take steps to improve current materials management and control over the warehouse operation in Toronto Fire Services by:**
  - (a) ensuring orders, receipts and distribution of all inventory items are systematically tracked and monitored by management;**
  - (b) providing adequate management oversight to ensure irregularities are detected and corrected in a timely manner;**
  - (c) developing and implementing measures to reduce the quantity of surplus uniform items in storage; and**
  - (d) reviewing the feasibility of reducing the number of staff and delivery vehicles assigned to the warehouse function.**

## **E. GIFT SHOP OPERATION**

Toronto Fire Services operates a gift shop to sell branded items (with the Toronto Fire Services logo) to the public. The gift shop, combined with its storage area, is located at the warehouse, although goods are primarily marketed through the City web site and special events. The gift shop is operated by one full-time employee who is responsible for ordering, receipt and sale of goods, as well as recordkeeping and deposit of sale proceeds.

In 2004, proceeds from reported gift shop sales totalled \$53,000. Reported cost of materials purchased and paid by the City was approximately \$16,000 for the same year.

### **E.1. Strengthening Controls Over Sales Reporting**

We noted the following control weaknesses in the gift shop:

- (a) Customer orders and sales were not properly recorded. In most cases, receipts were not issued to customers and sale documents were not available. As a result, there is no control over accounting of revenues generated by the gift shop operation and no way to detect potential unreported sale proceeds.
- (b) No inventory record exists to account for goods purchased, received, sold or remaining in storage and a physical count of the inventory has never been conducted. Consequently, there is no means to detect unreasonable stock shrinkage.
- (c) No segregation of duties exists between ordering, receipt of goods, inventory recordkeeping and management and sales reporting. While we recognize that it is not practical to provide complete segregation of duties in a small operation, effective supervision could be put in place to mitigate risk of theft, misappropriation and fraud.

- (d) Goods purchased and sold by the gift shop were not always listed on the standard customer order form or in the City's on-line catalogue for management to determine the reasonableness of sales reported.
- (e) The gift shop operator reports to the Division Chief of Staff Services and Communications, but the daily operation of the gift shop is largely carried out by the operator without appropriate management supervision.

Following our review of the gift shop operation in November 2005, we advised management of our findings and the need for adequate management controls.

**Recommendation:**

**36. The Fire Chief and General Manager take necessary steps to improve current management control of the gift shop. Such steps to include:**

- (a) implementing procedures to ensure adequate controls over orders, receipts and sales;**
- (b) conducting a physical count of existing stock; and**
- (c) ensuring that the operation is adequately supervised.**

E.2. Risks Associated with the Sale of Certain Items Should be Reviewed

In our view, the inclusion of Toronto Fire Services logo on some clothing items available for sale to the public may pose a potential risk and liability to the City. Members of the public may mistakenly believe a person wearing clothing with Toronto Fire Services logo to be a City employee. Our concern stems from a recent incident in the United States where an occupant permitted a person wearing clothing with local fire department logo to enter her apartment based on the assumption that the individual was a government employee. The occupant was subsequently assaulted. We are aware that other City Divisions and Agencies, Boards and Commissions also sell clothing items with City and/or divisional logo to the public.

**Recommendation:**

- 37. The City Manager review the current practice of City Divisions, Agencies, Boards and Commissions selling clothing items with City and/or divisional logos to the public, the associated potential risk and liability to the City and report to appropriate committees on results and recommended action.**

**F. CONCLUSION**

The objective of this review was to assess whether Toronto Fire Services has appropriate and effective management controls to ensure delivery of services that are relevant, reliable and cost effective and in compliance with applicable laws, regulations and City policies. Our review focused on the delivery of fire prevention inspection services, vehicle maintenance services, warehouse inventory management and the gift shop operation.

Toronto Fire Services has made significant progress in standardizing operating procedures and practices of six former fire departments since amalgamation. Our review however identified a number of areas requiring strengthened management controls and improved system support, some of which are currently being addressed by management. This review also identified a number of opportunities for the fire prevention program to deliver its current level of service more effectively and with less resources.

Addressing the recommendations in this report will provide for more effective management of City resources and enhance the overall cost effectiveness of Toronto Fire Services operations.