

**TAMPA POLICE DEPARTMENT
FALSE ALARM REDUCTION UNIT
TPD FALSE ALARMS
AUDIT 06-03
FEBRUARY 6, 2006**



CITY OF TAMPA

Pam Iorio, Mayor

Internal Audit Department

Wayne Boytim, Acting Internal Audit Director

March 30, 2006

Honorable Pam Iorio
Mayor, City of Tampa
1 City Hall Plaza
Tampa, Florida

RE: TPD False Alarms, Audit 06-03

Dear Mayor Iorio:

Attached is the Internal Audit Department's report on TPD False Alarms.

We thank the management and staff of the Tampa Police Department for their cooperation and assistance during this audit.

Sincerely,


Wayne Boytim
Acting Internal Audit Director

cc: Darrell Smith, Chief of Staff
Steve Hogue, Police Chief
Gilbertina (Tina) Wright, Assistant Police Chief
Bonnie Wise, Director, Revenue and Finance
Jim Stefan, Budget Officer
Ruby Gadson, Police Fiscal Manager
Joe Walker, DCIU Manager

**TAMPA POLICE DEPARTMENT
FALSE ALARM REDUCTION UNIT
TPD FALSE ALARMS
AUDIT 06-03
FEBRUARY 6, 2006**



Auditor



Audit Director

**TAMPA POLICE DEPARTMENT
FALSE ALARM REDUCTION UNIT
TPD FALSE ALARMS
AUDIT 06-03**

INTRODUCTION

In September 1989, City Council passed a false alarm Ordinance¹. It defines the alarm system framework, details registration requirements, outlines TPD response standards and alarm user responsibility, and establishes a false alarm fee assessment. The City charges the alarm user after three false alarms. By Resolution, the amount of the fee is forty dollars (\$40). The fee is not applicable if the cause is severe weather conditions, external power failure, or other conditions beyond the control of the alarm user.

In response to the Ordinance, TPD established the False Alarm Reduction Unit (Unit). It is part of the Delayed Crimes Investigation Unit (DCIU) and consists of two full-time employees and a manager that oversees the various units within DCIU.

The Unit utilizes the Management Accounts Receivable System (MARS) to register alarm users and bill false alarm charges. To bill, the Unit extracts false alarm data from TPD's Record Management System (RMS) and manually enters it into MARS. The Unit also responds to alarm user inquiries and assists them in the registration process.

TPD retained the services of a collection agency (Agency) in 2004 to assist in the collection of false alarm accounts greater than 120 days old. The Agency began collections in September 2004. MARS is setup to transmit the account information automatically to the Agency.

STATISTICS

	<u>FY03</u>	<u>FY04</u>	<u>FY05</u>
False Alarm Revenue	\$647,821	\$675,370	\$678,123

Source: The City's financial system (FAMIS)

¹ Ordinance No. 89-238; Amended by Ordinance Nos. 91-114 and 92-48

STATEMENT OF OBJECTIVES

This audit was conducted in accordance with the Internal Audit Department's FY06 Audit Agenda. The objectives of this audit were to determine if:

1. The process to reduce the number of false alarms was effective and efficient;
2. Payments of fees to the collection agency were timely and accurate;
3. The accounting for false alarm charges was accurate;
4. Adjustments to false alarm accounts were reasonable and properly authorized; and
5. The accounts receivable process was adequate and functioning properly.

STATEMENT OF SCOPE

The audit period covered TPD false alarm activity that occurred from September 1, 2004 to December 31, 2005. Source documentation was obtained from the False Alarm Reduction Unit, TPD Fiscal Section, MARS, RMS and the City's financial system. Original records as well as copies were used as evidence and verified through physical examination.

STATEMENT OF METHODOLOGY

To achieve the audit's objectives, reliance was placed on computer-processed data contained in the City's financial system, RMS, and MARS. The City's financial system and RMS were previously determined to be reliable and no additional work was necessary. We performed a limited assessment and testing of the reliability of the data contained in MARS. Based on the assessment and test, we concluded that overall, the data was sufficiently reliable to be used in meeting the audit's objectives. However, based on subsequent testing, we determined that the accounts receivable did not balance and agree from one file to another. We informed Information Technology Services and recommended that they should determine why the files did not balance and agree. The shortfall did not affect the use of MARS data used in the audit.

The sample size and selection were statistically generated using a desired confidence level of 90 percent, expected error rate of 5 percent and a desired precision of +/- 5 percent. Statistical sampling was used in order to infer the conclusions of test work performed on a sample to the population from which it was drawn and to obtain estimates of sampling error involved. When appropriate, judgmental sampling was used to improve the overall efficiency of the audit.

STATEMENT OF AUDITING STANDARDS

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to afford a reasonable basis for our judgments and conclusions regarding the organization, program, activity or function under audit. An audit also includes assessments of applicable internal controls and compliance with requirements of laws and regulations when necessary to satisfy the audit objectives. We believe that our audit provides a reasonable basis for our conclusions.

AUDIT CONCLUSIONS

Based upon the test work performed and the audit findings noted below, we conclude that:

1. The process to reduce the number of false alarms could be more effective and efficient;
2. Payments to the collection agency were accurate, but not timely;
3. Charges for false alarms were not always accounted for;
4. Adjustments to false alarm accounts seemed reasonable; however, approvals were not consistently documented; and
5. The accounts receivable process was not adequate nor was it functioning properly.

While the findings discussed below may not, individually or in the aggregate, significantly impair the operations of the TPD False Alarm Unit, they do present risks that can be more effectively controlled.

FEE ASSESSMENT

We reviewed the billing criteria in City Code, Chapter 14, Article VII (Alarm Systems), Section 14-278 (revised by Ordinance 92-48), and compared it to the fee structure in Resolution 89-1724. The billing criteria in the two documents did not agree. The Code states in part, “. . . The fourth and all subsequent false alarms . . . shall be subject to the fee assessment.” The Resolution states in part, “. . . For each response to a false alarm occurring within six (6) months after a third response . . . and for each succeeding response within six (6) months of the preceding response . . . the owner . . . will be charged forty dollars (\$40).” The Unit’s billing practice is consistent with the Code, in that there is no six months limiting factor in billing after the third false alarm response.

The \$40 fee has not changed since inception of the program in 1989. Other cities were surveyed to obtain their false alarm fees. Most of them charged a higher fee and several had an escalation clause that increased the fee of repeat offenders. According to the Unit’s supervisor, TPD is in the initial stage of developing a new false alarm ordinance. The model ordinance recommended jointly by the False Alarm Reduction Association and the National Burglar & Fire Alarm Association, nationally recognized professional organizations for the development of strategies or programs to reduce the number of false alarms, is being used as the basis for Tampa’s revised false alarm ordinance. The new ordinance will address a variety of issues, including the escalating fee structure, which is not provided for in the current ordinance.

RECOMMENDATION 1

TPD should request a legal opinion to determine if the City Code Article VII (Alarm Systems) or Resolution 89-1724 is the authority for billing false alarms.

AUDITEE RESPONSE

Police Legal Adviser Kirby Rainsberger was contacted and he reviewed the ordinance and the resolution. The resolution is the authority for billing false alarms.

RECOMMENDATION 2

TPD should continue its efforts to present the new ordinance at the earliest possible date.

AUDITEE RESPONSE

TPD is continuing its efforts to implement the new ordinance. Police Legal Adviser Kirby Rainsberger contacted Andy Waitman in the Budget Office and ascertained that the proposed ordinance is being reviewed to determine its effect on the budget.

COLLECTION AGENCY

The Police Department retained the services of Progressive Financial Services in 2004 to collect delinquent (over 120 days) false alarms fees. Progressive was to receive 12 percent of all payments made on the delinquent accounts turned over to them. All of the recovery payments are made to the City of Tampa in the full amount of false alarm fee charges. Subsequently, the City would pay the Progressive the 12 percent fee.

The Police Department did not budget monies (in FY05) or establish an expense account to be used to make the payments to Progressive, assuming the payment would be made from the same account used to record the collection of the delinquent fees. However, the Budget Office policy is that all of the payments are deposited in a revenue account and that payments to the collection agency are made from a separate expense account (using funds from the approved TPD annual budget until a payment history is established).

The Parking Division uses the same collection agency and has budgeted and established an account to pay collection fees to the vendor. Payments to the vendor for the services provided to the City were delayed, in part, by not establishing the expense account in both FY05 and FY06. The Police Department is still consulting with the Budget Office to come to an amicable agreement for the source of funding the payments to Progressive.

We reviewed the charges from Progressive for the delinquent false alarm fees they processed and found them to be accurate.

RECOMMENDATION 3

TPD should continue to work with the Budget Office to resolve the funding issue.

AUDITEE RESPONSE

Ruby Gadson is continuing to work with the Chief Accountant Lee Huffstutler in resolving this issue. Correspondence was sent to Ruby on March 14, 2006. She has requested a separate revenue account for Delinquent False Alarms.

FALSE ALARM REDUCTION PROCESS

The goal of the False Alarms Reduction Unit is to “. . . cut the amount of false alarm calls in the City of Tampa.” Since 2003, the number of false alarms was reduced by 23 percent. According to the supervisor of the False Alarm Reduction Unit the reduction in false alarms was mainly due to three factors: an increased emphasis on registration, which creates a greater awareness for users to control false alarms, a more aggressive collection policy using the collection agency, and improvements in alarm technology that reduce the number of false alarms due to equipment malfunctions. The following analysis of false alarm statistics was prepared using information obtained from the False Alarm Reduction Unit.

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Total Net Alarms	36,039	33,657	27,767
False Alarms	33,602	30,677	25,811
Percent to Net Alarms	93%	91%	93%
TPD Officer Response Hours	8,770	8,634	6,704
Estimated Officer Cost*	\$265,000	\$270,000	\$220,000

* The estimated cost of responding officers was based on information provided by TPD. The estimate did not include the cost of support personnel, which could be material.

We compared the program to reduce false alarms used by the False Alarm Reduction Unit to the programs recommended by nationally recognized organizations such as the International Association of Chiefs of Police, the Security Industry Alarm Coalition, False Alarm Reduction Association, and the National Burglar & Fire Alarm Association. Police departments that adopted the more comprehensive programs, such as those recommended by the alarm associations, reduced false alarms by 50 percent or more. We found that there were four major policies recommended by the alarm associations that have been proven to reduce the number of false alarms that are not used by TPD. These are:

- Single/dedicated manager that oversees the program
- Comprehensive, written program (training, education and monitoring)
- All-inclusive, participatory program (users, police, and alarm companies)
- Comprehensive ordinance

The one negative factor in reducing the number of false alarms is the potential corresponding reduction of revenue from the collection of false alarm fees. On the positive side, patrol officers would not be diverted from routine patrol duties and would be available to respond to legitimate calls for service. Management must decide on which avenue to proceed.

RECOMMENDATION 4

TPD should determine if the increase in patrol officer availability that could result from the adoption of a comprehensive false alarm reduction program offsets the potential reduction of revenue that would result from fewer false alarms. If it is officer availability, they should consider adopting all or some of the policies recommended by the alarm associations that have been proven to significantly reduce the number of false alarms.

AUDITEE RESPONSE

The mission of TPD is to reduce crime by making more officers available on the street. Recommendations of policies and programs by the alarm associations are reviewed and considered as they become available and implemented when staff and funds are available.

ACCOUNTS RECEIVABLE (AR)

We reviewed the accounts receivable process to determine if it was used effectively to manage false alarm billings. A summary of the last three fiscal years AR is shown below.

	<u>FY03</u>	<u>FY04</u>	<u>FY05</u>
Accounts Receivable Balance	\$1,254,165	\$1,297,225	\$1,226,238
Accounts in Collections	N/A	N/A	\$1,139,389
Percent in Collections			92.9%
False Alarm Billings	\$774,235	\$662,990	\$599,916
Collections (Revenue)	\$647,821	\$675,370	\$678,123
Days in Accounts Receivable	591	714	746

Source: Data was obtained from MARS and FAMIS. We calculated Days in Receivable and Percent in Collection.

Charges

Thirty-five false alarm transactions were tested and we found that five (14 percent exception rate) were not billed. In addition, seven accounts identified as “insufficient information” for billing could in fact be billed using the information available in MARS. Billing activity was not being monitored.

Account Adjustments

Accounts are adjusted for the following reasons:

- Conditions which caused the alarm are beyond the control of the alarm user
- First three false alarms are exempt from billing
- Agreement by the user to register or renew registration

To determine if account adjustments were reasonable, and when required, management authorized the adjustment, 50 adjustments were tested. We determined that that most adjustments seemed reasonable. However, we found twelve exceptions. Nine exceptions relate to adjustments made to non-registered accounts. The adjustments were for reasons other than an agreement to register, but the Unit took no action to register the account. The remaining three exceptions were a result of inadequate support for the adjustment. Management was not required to monitor account adjustments or alarm owner registrations.

Credit Balances

During our test of adjustments and registration, we found four accounts with credit balances. The earliest balance was almost a year old. Management has no policy addressing credit balances.

Accounts Receivable Process

The management of false alarm receivable accounts needs to improve. There are not comprehensive written policies and procedures to guide the False Alarm Reduction Unit in its operation. Policies establish the goals for a function and procedures are guidelines that detail how processes will be done. They provide the means to insure the most effective and efficient use of resources. The investment in developing policies and procedures is small, while the benefits can be substantial.

The ratio calculated for “Days in Accounts Receivable” of 746 days is an indication that the current collection process needs to improve. We also noted that there were problems with billing, adjustments, monitoring, and registering alarm owners. In part, this can be attributed to the limited resources and workers dedicated the Unit. There are many attributes that can be identified for effective accounts receivable management; however, written policies and procedures are in the forefront.

RECOMMENDATION 5

Management should develop and implement written polices and procedures for the Unit’s operation. All of the functions such as billing, registration, adjustments, and others including monitoring of the various processes should be addressed.

AUDITEE RESPONSE

ITS held a Project Request Meeting on March 10, 2006 where the viability of the MARS system for accounts receivable was discussed with the various users. A project request package will be prepared and forwarded to the Revenue & Finance Steering Committee. The False Alarm Unit is developing written policies and procedures for the various processes of the Unit. They will be completed in 180 days.

RECOMMENDATION 6

Goals for the accounts receivable functions should be developed. The goals should be specific, attainable, measurable, and relevant and enhance the Unit's operation. Setting goals involves balancing the desire of management against the financial limits of the operation.

AUDITEE RESPONSE

Policies and procedures are currently being developed within the False Alarm Reduction Unit. They will include attainable goals for the functions of the unit. The policies and procedures will be completed within 180 days.

IT REPORTS

A test to determine if cash receipts recorded in MARS agreed to the City's financial system FAMIS was performed. The information on MARS FAR 135 report, billings, adjustments, and cash receipts were traced to FAMIS without exception. However, the December 2005 accounts receivable balance in MARS was out of balance. The IT Services administrator for MARS was asked to review the discrepancy and determined that the FAR 135 report balance did not agree with the MARS Customer Master File AR balance. A flaw in the FAR 135 calculation methodology was found. Additionally, it was noted that several fields in the "Monthly Summary of False Alarms" RMS report for December 2005 (summarized January 2005 through December 2005) did not contain data. Both the DCIU and IT were aware of the problem, but did not take action to correct it. Subsequently, after our inquiry, the RMS report was updated by IT to add the data that was previously omitted.

RECOMMENDATION 7

Accurate information is key to efficient operations; management should request that the faulty calculation of the MARS 135 report accounts receivable balance be corrected.

AUDITEE RESPONSE

Assistance was requested from ITS through Shelley Thompson and Thomas Messmore. Work order #113469 was activated by ITS to correct the accounts receivable balance.

RECOMMENDATION 8

Management should take prompt action to request computer generated reports are complete and contain the information needed to evaluate operations.

AUDITEE RESPONSE

Assistance was requested from ITS through Shelley Thompson and Thomas Messmore to assist us in obtaining reports that are complete and accurate. Work order #113472 was opened by ITS to resolve the issue of the monthly false alarm report from December '05. The expected resolution date is 3/23/06. The other reports that generated for this purpose will be reviewed and corrected within 180 days.