

City Clerk



**Audit of
Milwaukee Fire Department
Intergovernmental
Agreements**

W. MARTIN MORICS
City Comptroller
City of Milwaukee, Wisconsin

March 2005

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W. Martin Morics, C.P.A.
Comptroller

John M. Egan, C.P.A.
Special Deputy Comptroller

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Office of the Comptroller

March 16, 2005

To the Honorable
the Common Council
City of Milwaukee

Dear Council Members:

The attached report summarizes the results of our Audit of Milwaukee Fire Department Intergovernmental Agreements. The scope of the audit included two major Milwaukee Fire Department agreements with other governments: a Fire Suppression and Ambulance Services agreement with the Village of West Milwaukee and a Regional Hazardous Materials Response Team agreement with the State of Wisconsin. The objective of the audit was to determine compliance with the agreements by all parties.

The audit determined that the Milwaukee Fire Department provided the services required by the agreements. The audit also disclosed that billing for the services provided could be improved in certain instances and that certain documents required by the agreements were not obtained. The audit makes three recommendations.

Audit findings and recommendations are discussed in the Audit Conclusions and Recommendations section of the report, which is followed by responses from the Milwaukee Fire Department and the Department of Administration-Budget and Policy Division.

Appreciation is expressed for the cooperation extended to the auditors by the staffs of the Milwaukee Fire Department and the Department of Administration - Budget and Policy Division.

Very truly yours,



W. MARTIN MORICS
Comptroller

I. Audit Scope and Objectives

A review of City of Milwaukee intergovernmental agreements disclosed two agreements between the Milwaukee Fire Department and other governments. The scope of the audit included these two agreements:

1. Fire Suppression and Ambulance Service Agreement with the Village of West Milwaukee, effective in 2004.
2. Regional Hazardous Materials Response Team Services Agreement with the State of Wisconsin, effective July 1, 2002 through June 30, 2005.

The objective of this audit was to evaluate compliance with the agreements by all parties during the effective periods of the agreements.

The audit included reviews of the computation of the amounts billed under the agreements, examination of documents supporting the computation, documentation of amounts received under the agreements and records of services provided. The audit also included interviews of Milwaukee Fire Department and Department of Administration-Budget and Policy Division personnel.

II. Organizational and Fiscal Impact

The Milwaukee Fire Department provides fire suppression and ambulance services to the Village of West Milwaukee under an intergovernmental cooperation agreement. The Milwaukee Fire Department received a payment of \$871,081 for services provided to West Milwaukee in 2004 under this agreement.

The Milwaukee Fire Department also provides hazardous materials response team services to the counties of Milwaukee, Ozaukee, Waukesha, Washington and part of Jefferson under an intergovernmental cooperation agreement with the State of Wisconsin, Department of Military Affairs, Division of Emergency Management. The Milwaukee Fire Department receives \$285,943 annually from the State to maintain the hazardous materials response team. The City also received \$14,077 in reimbursements for response team costs from third parties responsible for hazardous materials incidents from 2002 through 2004.

III. Audit Conclusions and Recommendations

A. West Milwaukee Fire Suppression and Ambulance Service Agreement

In 1991, the City of Milwaukee entered into an intergovernmental cooperation agreement to provide fire suppression and ambulance services to West Milwaukee. A new contract was executed in 2003, effective in 2004. The agreement will be automatically renewed for three year periods unless either party provides a written notice of termination.

The services provided by the Milwaukee Fire Department under this agreement are defined as follows:

- Fire Suppression Services-respond to, combat and control fire-related incidents, natural or man-made disasters and personal injury accidents, provide hazardous materials team, deep tunnel rescue team and dive rescue team services.
- Ambulance Services-provide advanced life support and basic life support ambulance services and provide West Milwaukee residents with access to the City's private ambulance network on the same basis as the City's residents.

The audit disclosed that the Milwaukee Fire Department is providing fire suppression and ambulance services to West Milwaukee as required by the agreement.

The total annual fee paid by West Milwaukee for 2004 fire suppression and ambulance services was \$871,081. The Department of Administration (DOA)-Budget and Policy Division computes the annual fee under this agreement and bills West Milwaukee. The fee is computed by multiplying the Milwaukee Fire Department's net operating budget plus budgeted capital improvements by factors representing West Milwaukee's population, equalized valuation and usage of Fire Department Services as a percentage of the City and West Milwaukee totals combined. The audit disclosed that DOA-Budget and Policy Division made several errors in the computation of the fee. Because these errors substantially offset each other, the net effect was an insignificant overcharge of \$155. However, similar errors in future years could cause larger overstatements or understatements of the fee.

The City leases property from West Milwaukee for use in providing service under this agreement. A \$90,000 annual rent for this property is credited against the annual fee each year the agreement is in effect. The agreement refers to an exhibit containing an amendment to the lease. The Milwaukee Fire Department and DOA-Budget and Policy Division were unable to provide a copy of this amendment. While it is clear that the amount of rent to be credited against

the annual fee is \$90,000, other provisions of the amendment appear to be unknown.

The agreement requires West Milwaukee to provide all necessary permits and approvals for use of the leased property to the City. The agreement also requires West Milwaukee to provide the City with access to the property and to provide adequate police protection and traffic control services. Milwaukee Fire Department personnel stated that the Fire Department has been using the leased property and that West Milwaukee has provided adequate access, police protection and traffic control services. They also stated that they believed that West Milwaukee has issued the proper permits and authorizations. However, the Milwaukee Fire Department has not obtained copies of the permits and authorizations.

The agreement requires West Milwaukee to maintain specific general liability and automotive insurance coverage naming the City as an additional insured and to provide the City with a current certificate of insurance requiring 30 days notice of cancellation or non-renewal. The Milwaukee Fire Department was unable to locate such a certificate of insurance.

Recommendation 1: Compute Fee in Accordance with Agreement

In future years, DOA-Budget and Policy Division should carefully compute the fee in exact accordance with the agreement to ensure that errors such as those described above do not reoccur. Documentation supporting all amounts used in the computation should be kept on file.

Recommendation 2: Obtain and Retain All Contract Documents

a) In order to prevent future disagreements regarding the terms of the lease amendment, the Milwaukee Fire Department should obtain an executed copy of the amendment from West Milwaukee.

b) To ensure that West Milwaukee has issued the necessary permits and approvals, the Milwaukee Fire Department should obtain copies of those documents from West Milwaukee.

c) To ensure that West Milwaukee maintains the required insurance coverage, the Milwaukee Fire Department should obtain a current certificate of insurance from West Milwaukee.

B. State of Wisconsin Regional Hazardous Materials Response Team Services Agreement

The City of Milwaukee has entered into an intergovernmental agreement with the State of Wisconsin Department of Military Affairs Division of Emergency Management to provide

“level A”¹ regional hazardous materials response team services. The current contract is effective during the time period from July 1, 2002 until June 30, 2005.

The audit disclosed that the Milwaukee Fire Department has provided level A hazardous materials response team services within its assigned primary response area as required by the agreement. The audit also disclosed that the City is in compliance with the insurance provisions of the agreement.

Under the agreement, the City is reimbursed for two types of costs: standby costs and response team costs. Standby costs are the City’s costs of having a hazardous response team available. Response team costs are the Milwaukee Fire Department’s costs of responding to and cleaning up hazardous material spills.

Standby costs are an annual set amount, based on a predetermined budget, calculated and paid by the State Division of Emergency Management at \$285,943. The agreement provides for an annual payment of \$2,325 for each of Milwaukee’s 75 core team members, \$100 for each of the 66 fire jurisdictions served and additional payments for expendables, equipment and miscellaneous expenses. The audit examined this calculation and found it to be correct. A letter to the Milwaukee Fire Department from the State indicates that the amount of the payment was determined by allocating the State’s annual hazardous materials response appropriation between the designated regional response teams in Wisconsin. Milwaukee Fire Department personnel stated that this payment is sufficient to cover the City’s costs since no additional personnel or equipment is needed for the regional response team beyond the City’s existing team prior to the agreement.

Response team costs vary depending on the severity of each hazardous material incident and include vehicle and apparatus, personnel and emergency expenses. In accordance with the agreement, response team costs are first billed to third parties responsible for the incidents. The Milwaukee Fire Department prepares invoices for response team costs to be billed to responsible third parties. The Milwaukee Fire Department sends the invoices to the Milwaukee County Division of Emergency Management which reviews the invoices and bills the responsible third parties in accordance with State law. The Milwaukee County Division of Emergency Management collects the payments and forwards them to the Milwaukee Fire Department. A review of Milwaukee Fire Department invoices indicated that the proper costs were included. A review of Milwaukee Fire Department collection records disclosed that Milwaukee County forwarded

¹ A level A release means a release of a hazardous substance that necessitates the highest level of protective equipment for emergency personnel.

payments to the City in a timely manner.

A review of Milwaukee Fire Department billing and collection records from 2000 through 2004 disclosed that eight response team cost invoices totaling \$3,714.29 had not been paid. These invoices are for limited hazardous materials team responses within the City of Milwaukee and are therefore not covered under the contract with the State of Wisconsin. However, the invoices do represent costs incurred by the Milwaukee Fire Department. These invoices have not been submitted to the City's collection agency.

Recommendation 3: Pursue Collection of All Invoices

The Milwaukee Fire Department should pursue collection of all invoices for hazardous materials team services, including responses within the City. Unpaid invoices should be referred to the City's collection agency, the Kohn Law Firm, for collection from the responsible parties.



Department of Administration
Budget and Policy Division

Tom Barrett
Mayor

Sharon Robinson
Administration Director

Mark Nicolini
Budget and Management Director

February 15, 2005

File Ref: SF-Fire

W. Martin Morics, Comptroller
Comptroller's Office
City Hall Room 401

Subject: Audit of West Milwaukee Fire Service Contract

Dear Mr. Morics:

We appreciate the time you took to audit the West Milwaukee fire service contract. Our office will implement your recommendations.

Sincerely,

Mark Nicolini
Budget and Management Director

DY:dmr

Fire:2005:wmilaudit.doc



Fire Department

William Wentlandt
Chief

Mark A. Sain
Assistant Chief

March 9, 2005

Mr. W. Martin Morics, Comptroller
200 East Wells Street, Room 404
Milwaukee, WI 53202

Re: *Audit of Milwaukee Fire Department Intergovernmental Agreements*

Dear Mr. Morics:

I have reviewed the Comptroller's "Audit of Milwaukee Fire Department Intergovernmental Agreements" report. The audit reviewed two agreements between the Milwaukee Fire Department (MFD) and other governments, specifically:

1. The Fire Suppression and Ambulance Service Agreement with the Village of West Milwaukee
2. The Regional Hazardous Materials Response Team Agreement with the State of Wisconsin

I was pleased that the audit concluded the Milwaukee Fire Department provided all of the services outlined in these agreements. As a service-based department, it is critical that the services offered are of the highest quality – both within Milwaukee and the areas specified in these agreements. While the recommendations offered reference improvements to certain billing procedures, the audit found that the department's overall billings for these agreements were done appropriately.

In general, the Milwaukee Fire Department agrees with and supports the recommendations made in this audit. This letter contains the department's official response.

1. WEST MILWAUKEE FIRE SUPPRESSION AND AMBULANCE SERVICE AGREEMENT

Recommendation 1 - Compute Fee in Accordance with Agreement

The Milwaukee Fire Department has forwarded this recommendation to DOA-Budget and Policy Division since it is the agency responsible for calculating the fee annually on behalf of the City. While I agree that miscalculations of the fee could lead to revenue loss, it is important to note that prior miscalculations have been minor (2004 was \$155).

Recommendation 2 - Obtain and Retain All Contract Documents

The Milwaukee Fire Department will immediately contact the Village of West Milwaukee to obtain the following documents as required by the current agreement:

- An executed copy of the lease agreement
- A copy of necessary permits and approvals for use of Engine house #33
- A copy of the certificate of insurance (general liability and automotive) naming the City of Milwaukee as an additional insured

Once obtained, these documents will be maintained by the Milwaukee Fire Department.

2. STATE OF WISCONSIN REGIONAL HAZARDOUS MATERIALS RESPONSE TEAM SERVICES AGREEMENT

Recommendation 3 - Pursue Collection of All Invoices

This recommendation is based on the findings that between 2000-2004 eight invoices for response team costs totaling \$3,714.29 were never submitted by Milwaukee County for payment by the Wisconsin Division of Emergency Management and remain outstanding. The audit recommends that in the future, the MFD insures that Milwaukee County submits all invoices to the State Division of Emergency Management for payment. If the State is unable to pay, then the invoices should be forwarded to the Kohn Law Firm for collection.

In response to this recommendation, it is important to note that the regional agreement with the State of Wisconsin is for Level A hazardous material responses only. Therefore, the State only reimburses the City for Level A HazMat response costs. All invoices for Level A responses were submitted to Milwaukee County and have been paid by either the responsible party or the State of Wisconsin over this contract period.

The outstanding invoices referenced in the audit are for limited HazMat team responses within the City limits, and therefore, are not covered under this agreement. However, the fire department does agree that collection on these invoices from the responsible party should be pursued. The department will modify its billing procedures to forward these, and future invoices, to the Kohn Law Firm for collection action.

Finally, I would like to thank the Comptroller's Office audit staff members for their hard work and analysis of these contracts. Their efforts are appreciated, and the audit recommendations will be incorporated into the Milwaukee Fire Department's accounts receivable procedures.

Sincerely,

William Wentlandt ^{MAS}

WILLIAM WENTLANDT
Chief