



METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

August 11, 2015

Ricky White – Director Chief
Nashville Fire Department
63 Hermitage Avenue
Nashville, TN 37210

Dear Chief White:

Please find attached the final Monitoring Report of select Nashville Fire Department grants reviewed by the Office of Financial Accountability for the fiscal year 2014. This report explains the results of the grants review conducted during the months of April and May 2015.

You previously reviewed and responded to the findings identified in the preliminary report. Your responses have been incorporated into this final report. As you would notice in the Auditors' Rebuttal, we did confer with the Office of Internal Audit as you requested and have noted comments of our discussion in the Auditor's Rebuttal.

Since the receipt of your response to the draft report we also received the correspondence you forwarded to us from the DHS/FEMA Grants Program Analyst dated August 6, 2015. In consideration of that information the report has been updated to reflect that recent communication.

We would also like to note the Maximus Audit you referenced in your response was a Performance Review and not a grants audit or review. There would have been no overlap of the scope of what Maximus reviewed and that of the Office of Financial Accountability or the Office of Internal Audit.

We appreciate the assistance provided by your department during the course of the review. If you have any questions, please call me at 615-880-1035.

Sincerely,

Fred Adom

Fred Adom, CPA, CGMA
Director

cc: Leigh Anne Burtchaell, Nashville Fire Department, Finance Manager
Richard M. Riebeling, Director of Finance
Talia Lomax-O'dneal, Deputy Director of Finance

MONITORING REPORT

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NASHVILLE FIRE DEPARTMENT

◆ Monitoring Report ◆

Conducted by



Office of Financial Accountability

August 11, 2015

MONITORING REPORT

TABLE OF CONTENTS

INTRODUCTION	5
OBJECTIVES, SCOPE AND METHODOLOGY.....	7
RESULTS OF MONITORING.....	8
FINDINGS, RECOMMENDATIONS AND MANAGEMENT’S RESPONSE.....	9
APPENDIX A.....	15

INTRODUCTION

The Office of Financial Accountability (hereinafter referred to as “OFA”) has completed a monitoring review of the federal and state grants and contracts administered by the Nashville Fire Department (hereinafter referred to as “Fire Department” or “NFD”). The monitoring process included a review of those contracts in effect during the fiscal year ending June 30, 2014. The contracts reviewed are listed in Appendix A. The OFA conducted the monitoring review along the major compliance areas identified in the Office of Management and Budget (hereinafter referred to as “OMB”) Circular A-133, “Audits of States, Local Governments, and Non-Profit Organizations.” and in compliance with the OMB Circular A-87, “Cost Principles for State, Local and Indian Tribal Governments.”

Department Background

The mission of the Nashville Fire Department is to provide high quality fire, medical, and rescue emergency responses and community support services to the citizens and visitors within Nashville and Davidson County, so they can work and reside in a community where an all-hazard response minimizes harm to life, property and environment. The department responds to more than 100,000 emergency calls per year, with a large number requiring extra alarm responses and multiple resources in over 650 high rise buildings in its jurisdiction. The Fire Department has 38 fire stations, which house 39 engine companies, 12 ladder companies to reach up to seven or eight stories of a building, 4 heavy rescue trucks and 25 ambulances.

The Fire Department had an operating budget of \$115,096,400 during FY 2015, with 1,207 total budgeted positions.

Grants Reviewed

The purpose of this review was to assess the Fire Department’s compliance with contractual requirements set forth in the following grant contracts:

Assistance to Firefighters 12-14

The Fire Department was awarded \$552,040 from the U.S. Department of Homeland Security/FEMA with a cash match of \$138,010 for a total grant program of \$690,050 to acquire a driver simulator and to create a professional development program.

Hazardous Material Incidents 13-14

The Fire Department was awarded \$5,000 from the Marathon Petroleum Company LP to purchase items such as foam, foam nozzles, air monitors, or other items to assist when responding to hazardous material incidents.

INTRODUCTION

Salute to Local Heroes 14-15

The Fire Department was awarded \$570 from Sears to purchase protective gear and rescue equipment.

Staffing for Adequate Fire and Emergency Response (SAFER) 12-14

The Fire Department was awarded \$4,201,120 from the U.S. Department of Homeland Security/FEMA to pay all salary and benefits for thirty-five (35) new firefighters for two (2) years.

OBJECTIVES, SCOPE AND METHODOLOGY

A monitoring review is substantially less in scope than an audit. The OFA did not audit the financial statements for the Fire Department and, accordingly, does not express an opinion or any assurances regarding the financial statements of the Fire Department or the Metropolitan Government of Nashville and Davidson County (hereinafter referred to as “Metro”). The OFA is responsible for the internal monitoring of Metro agencies that receive federal and state financial assistance, including cooperative agreements, and non-profit organizations that receive appropriations from Metro government. In summary, any agreement(s) that imposes performance and/or financial requirements on Metro government is subject to review by the OFA.

The overall monitoring objective was to determine the department’s compliance with grantor and Metro guidelines, policies, rules, and regulations. Specifically, we reviewed for the following objectives:

- To determine whether activities and costs of the program were made in accordance with OMB Circular A-87; the minimum federal, state and local requirements; and grantor guidelines.
- To determine whether the minimum requirements for local matching contributions and/or adequate level of expenditures by other sources of funds are met.
- To determine whether grant funds were used exclusively during the period in which the funds were authorized.
- To determine the reliability and timeliness of the financial and programmatic reporting.
- To determine whether federal compliance requirements regarding sub-recipient oversight were met and whether the sub-recipient performed in accordance with the contract terms.
- To determine whether civil rights requirements are met.
- To determine whether program objectives were met.
- To determine whether the various Metro regulations were followed.

The scope of the work included the grants listed in Appendix A. The grant period reviewed was July 1, 2013 through June 30, 2014. Although the review focused on this specific time period, certain analyses required the consideration of financial transactions outside of this time period. The methodology adopted by the OFA encompassed various interviews and an objective review of fiscal and programmatic files, including:

- Financial transactions and supporting documentation
- Contract agreements and related amendments
- Federal and/or state financial reports
- Program reports and supporting documentation
- Correspondence between related parties.

RESULTS OF MONITORING

Overall Findings and Major Review Highlights

The Fire Department has undergone changes in leadership in recent years, which may have contributed to the findings identified in the monitoring review. A new Director Chief was hired in May 2012, a new Finance Manager was hired in November 2012, and another change in the Director Chief position occurred in August 2013. It was noted that all the management changes occurred during the grant activity period.

Our review revealed two discrepancies with policies and grant requirement guidelines. The Fire Department:

1. The Fire Department needs to improve compliance with grantor requirements.
2. The Fire Department needs to improve its grants management oversight.

The section that follows provides more detailed information for the items listed above. Management is given an opportunity to respond to the findings.

FINDINGS, RECOMMENDATIONS & MANAGEMENT'S RESPONSE

1. The Fire Department Needs To Improve Compliance With Grantor Requirements.

Finding

The Fire Department failed to obtain specific grantor written waiver to hire existing staff instead of new hires as indicated in the grantor guideline and application. Without such specific waiver the NFD's action could be ruled in violation of grantor requirements. The NFD was awarded a Staffing for Adequate Fire and Emergency Response (SAFER) Grant for the purpose of hiring thirty-five (35) new firefighters from the U.S. Department of Homeland Security. The SAFER Grant provides funding for two (2) program activities.

1. Hiring of Firefighters Activity
2. Recruitment and Retention of Volunteer Firefighters Activity.

The NFD applied for the SAFER in February 2012, which was approved by the grantor in June 2012 and accepted by Metro Council in August 2012. The NFD was required to submit, to the grantor, the SAFER personnel roster to reflect the new personnel who were added as a result of the grant. Review of the reported roster revealed that eight (8) NFD EMS existing employees were transferred to the grant, which were reported to the grantor with a start date of January 1, 2013 when in fact the employee's original start date was prior to the grant's beginning period of performance date of October 18, 2012. Per the SAFER Personnel Roster instruction, "this list should have only those personnel hired, rehired, and/or retained under the SAFER grant." It was noted that the Fire Department applied under the Hiring Program Activity, not the Retention Activity. Therefore, it appears that the Nashville Fire Department reported eight (8) staff members, who were already employed, as new hires to the grantor. The Fire Department failed to communicate to the grantor its intent to transfers staff from the EMS division to be trained as Firefighters; and to obtain specific written waiver for those actions.

It was noted that the Fire Department backfilled eight (8) vacated general fund positions on January 1, 2013, the same day eight (8) existing NFD EMS employees were transferred to the grant. The eight employees hired to replace those transferred to the SAFER grant, were hired at a noticeably lower annual salary and benefit cost.

Per the grant contract, "the purpose of the Staffing for Adequate Fire and Emergency Response program is to provide funding directly to fire departments and volunteer firefighter interest organizations in order to help them increase the number of trained, "front-line" firefighters or to rehire firefighters that have been laid-off." The contract further states under the project description, "the grantee shall perform the work described in the approved grant application as itemized in the request details section of the application and further described in the grant's application's narrative. These sections of the application are made a part of these grant agreement articles by reference." The NFD proposed to "hire 35 new firefighters to enhance compliance with the applicable sections of NFPA 1710/1720 as described in the program guidance." Per the narrative statement for hiring or rehiring of firefighters, "the Nashville Fire Department (NFD) is requesting funds

FINDINGS, RECOMMENDATIONS & MANAGEMENT'S RESPONSE

to hire 35 firefighters under priority number three of the program guidance-*New Hires*". In addition, per the Guidance and Application Kit for Fiscal Year 2011 Staffing for Adequate Fire and Emergency Response Grant Program page 9, "Firefighters that are employees at the time of and/or hired prior to the award date, except if applying under the retention activity, are not eligible under the Hiring of Firefighters category." The NFD failed to comply with this requirement and also failed to obtain written waiver for the hiring the existing EMT staffers.

Failure to obtain a specific written waiver or approval from the grantor of this transfer could result in a violation of the grantor requirements. Such actions could potentially result in questioned costs, at the minimum, of \$173,518, which represents the cost savings resulting from transferring the eight (8) existing EMT and paramedics and the cost of the new personnel members who were hired to backfill their vacated positions.

Recommendation

The NFD should ensure that all grant information reported to the grantor is accurate and verifiable. The NFD should take the necessary steps to correct the inaccurate personnel roster and to resolve the potential questioned cost with the grantor.

The NFD should institute measures to avoid future violations of grantor requirements.

Management's Response

As noted in the overall findings, the Nashville Fire Department (NFD) incurred several management changes that resulted in a major reorganization of the department from the Spring of 2012 to the Fall of 2013. To establish policies and procedures as well as regulate the fiscal affairs, new staff were hired in November 2012 and Spring 2013.

In early 2013, the Nashville Fire Department (NFD) requested an audit of all existing grants in the department because there were discrepancies in the accounting and implementation of grant programs. OFA was unable to assist with this request, so NFD requested the assistance of Internal Audit. The final report completed by Internal Audit concluded that "all reimbursement requested from the grantors were for allowable expenditures". NFD specifically question the employees assigned to the 2011 SAFER grant, and Internal Audit found no issues with the roster as they were new to firefighting at the inception of the grant performance period.

As a result of that audit, NFD clarified roles for the Executive Administrator/Grants Administrator and the Finance Manager. The Grants Administrator is responsible for developing and implementing policies and procedures for managing the grants. The Finance Manager oversees compliance with NFD and Metro financial policies. We respectfully request that OFA and Internal Audit confer regarding discrepancies between both audit reports. NFD will take appropriate measures to rectify any issues where needed.

Auditors' Rebuttal

The NFD administered two (2) SAFER grants, SAFER 1 (10-12) and SAFER 2 (12-14) in recent years. It is important to note that the Internal Audit report covered the period of July 1, 2010 through March 31, 2013. At the conclusion of the Internal Audit review period of March 31, 2013, the SAFER 1 grant had concluded and the NFD was only two months in the implementation of the SAFER 2 grant. The NFD began incurring expenditures on the SAFER 2 grant in January 2013.

The OFA review was heavily concentrated on SAFER2 (12-14), while the Office of Internal Audit (IA) review focused on the SAFER 1 grant. The OFA and IA have met and discussed the results of the separate reviews/audits. Both offices agree that the primary and most important issue to consider regarding the finding is whether the NFD, by applying for the grant to hire 35 new firefighters, under the **Third Priority – Hiring New Firefighters**; (and not under the First Priority – Rehiring Laid-Off Firefighter or the Second Priority – Retention of Firefighters) and actually hiring only 27 new firefighters and transferring 8 NFD EMS existing positions to the new hiring grant, was in compliance with federal requirements. A secondary issue is whether transferring higher paid existing staff from locally funded positions to the federal program and hiring replacements at lower salaries to replace those positions was in compliance with federal supplanting requirements.

The OFA concludes that such deviations from grant requirements require specific written waivers from the grantor. Requests for Waivers should fully disclose the intended actions and the circumstances around such action, and should be obtained in writing in advance of such actions. Without written waivers, such actions could result in questioned costs. The OFA's objective is to assist and provide guidance to grant administering departments to avoid such non-compliance issues.

2. The Fire Department Needs To Improve Its Grants Management Oversight.

Finding

The Fire Department failed to exercise sufficient controls to properly manage the Assistance to Fire Fighters grant. There were several management personnel involved in the administration of the grant without clear instructions as to the responsibilities of each member. It became apparent to the auditors, as they inquired into the program that the NFD failed to identify a grant administrator to serve as the single point of contact to coordinate the administration of the grant. One NFD employee was responsible for writing the grant application, submitting grant amendments, and other written correspondences with the grantor while other NFD personnel were responsible for submitting fiscal reimbursement request and semi-annual financial reports. As noted in the *Results of Monitoring Overall Findings and Major Review Highlights*,

FINDINGS, RECOMMENDATIONS & MANAGEMENT'S RESPONSE

the NFD implemented major reorganization. The NFD personnel previously involved the management of the Assistance to Fire Fighters grant were reassigned to other duties, however it appears there were no others assigned to oversee the management of the program. The lack of a central point of leadership for managing the Assistance to Firefighters grant could potentially result in questioned cost. The review identified inconsistencies in the original application and the administration of the grant program.

The NFD originally proposed to utilize the grant funds in three (3) different areas:

1. To procure driving simulators,
2. Training to use the driving simulators, and
3. Training courses with the intent of creating a professional development and training program to assist with NFPA 1021 certifications for NFD personnel.

Even though the NFD proposed creating a professional development and training program to assist personnel in obtaining NFPA 1021 certification, tests revealed that the department failed to create the training program that was originally proposed. It was noted that the NFD incurred grant expenditures for training and also incurred travel expenditures to attend the training; however, the NFD was unable to provide documentation showing how the training assisted with personnel obtaining NFPA 1021 certification. In addition, the original grant contract and grant application failed to include a budget for travel, even though the grant application line-item budget included a specific travel line item, which the NFD failed to include within the grant application. The auditors noted that the NFD incurred \$27,353.01 in travel cost.

The NFD submitted a grant amendment request, which amended the scope of services and extended the period of performance until March 1, 2014. The amended scope of services included the following:

1. To purchase a complete course system that will be implemented in the fire stations, for which would allow the department to train all personnel as a Fire Officer I,
2. To purchase NFPA Certified Programs from the state of Tennessee and other Pro-Board Agencies,
3. To purchase resources for each course,
4. To be utilized in continuing preparing personnel to attend courses and seminars, and
5. To be used to pay for fees associated with the "Center for Public Safety Excellence-Commission on Professional Credentialing (CPSE) standards.

The grant amendment appears to have been approved by the grantor on September 4, 2013 and was approved and accepted by Metro Council on October 1, 2013. Per an email from FEMA dated September 10, 2013, based upon the statement "These remaining monies will be used to continue preparing personnel to attend courses and seminar" that travel cost was an approved expense. It must be noted that the NFD incurred \$26,992.27 out of the total \$27,353.01 in travel

FINDINGS, RECOMMENDATIONS & MANAGEMENT'S RESPONSE

cost between November 2012 and August 2013, which preceded the NFD's request for a grant amendment.

Better grants management practices dictate that grant administering agencies appoint a grant administrator to manage grant programs. The grants administrator, at a minimum should be responsible for serving as a single point of contact, ensuring that program objectives are being met, grant awards are being utilized for approved items, ensuring all required reports (financial and programmatic) are completed accurately and in a timely manner. Better grants management practices further dictates that grant administering agencies are required to submit grant amendment requests, grant budget revision requests, or written information seeking clarification in regards to questionable grant activity prior to incurring the cost, not afterwards.

The lack of a designated grants administrator could lead to errors, misreporting and potential questioned cost by the grantor. Without a single point of contact, the NFD was unable to provide prompt, responses regarding the grant operations and cost charged against the grant contract within normal expected timeframe.

Recommendation

The NFD should institute a process to ensure there is adequate oversight of all programs at all times including instances where there is change in personnel.

The NFD should solicit grantor approval to grant amendments and grant budget revisions prior to implementing the changes.

The NFD should ensure that grants are administered in accordance to the approved program scope.

Management's Response

Historically grants management was handled by two employees of the NFD as an assignment by the Director-Chief at that time. By NFD management's organization, the Program manager wrote the application and amendments as well as any program reports. The Executive Administrator/Grants Administrator managed the financials, processed reimbursement request, and prepared financial reports.

The Program Manager for the Assistance to Firefighters Grants was reassigned to another division in the department in 2013. However, this reassignment did not eliminate the responsibility to answer questions from Auditors and other NFD Staff as the institutional knowledge of the grant remained with the Program manager who originally wrote the application and all amendments. The Program manager failed to comply with direct order from the supervisor to fully answer all questions from OFA in a timely manner.

FINDINGS, RECOMMENDATIONS & MANAGEMENT'S RESPONSE

As a result of the multitude of issues with NFD grants, OPG 10.07 was issued to establish guidelines for the application, management and award of grants to NFD. This OPG covers all grants applied and awarded after September 30, 2013. Specific responsibilities are outlined for the assigned Program manager and Finance Manager.

It is important to note that Internal Audit reviewed this grant and found “reimbursements requested from the grantor were for allowable expenditures” We respectfully request that OFA and Internal Audit confer regarding discrepancies between both audit reports. NFD will take appropriate measures to rectify any issues where needed.

Auditors' Rebuttal

This finding is in regard to the NFD's non-compliance with grant regulations and guidelines during the review period. The OFA attempted to determine whether the NFD expended the grant funds consistent with the approved grant application, the award and the related budget. The OFA found that the implementation of the grant was not consistent with the application and the grant budget submitted to the grantor. The NFD applied and was approved to provide training (without budgeted costs for travel), but funds were expended on travel and attending training without documentation of specific waivers or approval from the grantor.

The NFD needs to adhere to the approved grant program scope and address deviations from the approved grant program with the grantor in advance.

APPENDIX A

Grant	Contract #	Grant Period	Award Amount	Findings
Assistance to Firefighters 12-14	EMW-2011-FO-05548	1/27/2012 – 3/1/2014	\$552,040	Yes
Hazardous Material Incidents 13-14	RS2014-953	12/01/2013 – 6/1/2014	\$5,000	No
Salute to Local Heroes 14-15	RS2014-1069	3/7/2014 – 6/30/2015	\$570	No
Staffing for Adequate Fire and Emergency Response (SAFER) 12-14	EMW-2011-FH-00846	10/18/2012 – 12/31/2014	\$4,201,120	Yes