



City of Phoenix

**Mission Statement**

To improve the quality  
of life in Phoenix  
through efficient  
delivery of outstanding  
public services.

**Project Team**

Ross Tate  
City Auditor

Cristina Preciado  
Deputy City Auditor

Shaelin Charania  
Internal Auditor

**Project Number**

1230050

This report can be made  
available in alternate  
format upon request.

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## Fire Department Fire Municipalities Contracts

June 30, 2023

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### ***Report Highlights***

**Payments**

*The Fire Department billed 21 agencies for approximately \$13.4 million for services in fiscal year 2022. However, one agency did not pay the correct amount.*

**Billing**

*The Fire Department can improve the accuracy of its billing. Some agencies were not charged the correct amount for equipment and services provided.*

**Fees**

*The Fire Department did not have documentation for six of the fee calculations. In addition, information on when the rates were last updated was not available.*

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**City Auditor Department**  
**140 N 3<sup>rd</sup> Avenue Phoenix, AZ 85003**  
**602-262-6641 (TTY use 7-1-1)**

## **Executive Summary**

### **Purpose**

Our purpose was to ensure revenue related to the Phoenix Fire Department Regional Dispatch Center was accurately calculated and collected.

### **Background**

The Phoenix Fire Department (Fire) provides dispatch service and support to 21 partner agencies. The Phoenix Fire Department Regional Dispatch Center (PFDRDC) provides fire and emergency medical dispatch services for calls within Phoenix and other jurisdictions.

Fire entered into contracts with these agencies between 2019 and 2021. The contracts outline the four fee categories billed annually. Fire calculates the costs for each partner agency based on the prior year's dispatch and equipment unit counts. Fire sends the agencies the draft fee schedules by December of each year. The agencies review the draft schedules; the final fees are sent by July each year. Fire invoices the agencies quarterly.

Fire collected approximately \$13.4 million from partner agencies for services provided between July 1, 2021, and June 30, 2022.

### **Results in Brief**

**Fire billed approximately \$13.4 million for services in fiscal year 2022. However, one agency did not pay the correct amount due.**

We compared the fee schedules to SAP, the City's financial system. Fire billed each city correctly except the City of Scottsdale. As a result, the City of Scottsdale owes \$9,300 for fiscal year 2022. .

**Overall, Fire billed the documented rates accurately for the various services provided. However, we noted that two agencies were not billed the correct dispatch counts, resulting in an undercharge of \$21,249.**

Fire charged the correct rates for the four fee categories in fiscal year 2022. We agreed the dispatch counts to supporting documentation for all but two partner agencies. We noted the following exceptions:

1. Fire undercharged Dignity Health by \$2,071.
2. Fire billed Paradise Valley for half of the dispatch counts based on their understanding of the contract. However, the IGA states that the dispatch fee would be fully charged. As a result, Fire undercharged Paradise Valley by \$19,178.

**The Fire Department can improve the accuracy of its billing. Some agencies were not charged for the correct amount for equipment and services provided.**

We traced the units charged that were listed in the fee schedules back to the source documents. We noted the following exceptions:

- Fire billed for 28 more mobile computer terminals (MCTs) than listed in the Computer Aided Dispatch (CAD) system report.
- The City of Guadalupe was overcharged \$4,100 for an extra airmobile unit.
- One agency was billed for one less network.
- The number of additional licenses charged to 8 of 21 (38%) agencies did not match Fire's tracking spreadsheet.

**Fire did not have documentation regarding how six fees were calculated or when the rates were last updated.**

The contracts with the partner agencies state that the fees are based on a 100% cost recovery model. However, Fire did not have documentation regarding the calculations of the station pack, MCT, airmobile, network, MCT Lite, or CAD system fees. In addition, Fire staff were unaware of when the costs were last updated.

## Department Responses to Recommendations

<b>Rec. 1.1:</b> Bill the City of Scottsdale for the remaining \$9,300 for fiscal year 2022.		
<b>Response:</b> Technical Services (TS) will work with the Fire Fiscal team to ensure an invoice for \$9,300 is drafted. TS staff will inform the City of Scottsdale that a recent audit was completed, this discrepancy was found, and an invoice will be sent for reconciliation.		<b><u>Target Date:</u></b> 9/30/2023
<b>Rec. 2.1:</b> Collect additional dispatch fee costs from Dignity Health totaling \$2,071.		
<b>Response:</b> Technical Services (TS) will work with the Fire Fiscal team to ensure an invoice for \$2,071 is drafted. TS staff will inform Dignity Health that a recent audit was completed, this discrepancy was found, and an invoice will be sent for reconciliation.		<b><u>Target Date:</u></b> 9/30/2023
<b>Rec. 2.2:</b> Collect additional dispatch fee costs from Paradise Valley totaling \$19,178.		
<b>Response:</b> Technical Services (TS) will work with the Fire Fiscal team to ensure an invoice for \$19,178 is drafted. TS staff will inform the Town of Paradise Valley that a recent audit was completed, this discrepancy was found, and an invoice will be sent for reconciliation.		<b><u>Target Date:</u></b> 9/30/2023
<b>Rec. 2.3:</b> Develop cost models for the general maintenance service, network system, and CAD system fees.		
<b>Response:</b> Technical Services (TS) realizes that it needs to revamp its servicing and pricing model to reflect current operations and future needs. TS is planning to conduct an exhaustive study of its existing service and pricing model that will take approximately 18 months between procurement and study completion.		<b><u>Target Date:</u></b> 12/31/2024
<b>Explanation, Target Date &gt; 90 Days:</b> The current servicing model is not sustainable for long term viability for our CAD partners, given the increasing requests for services with limited TS resources available. Thus, we will be hiring a consulting firm to review and update our current process. This firm will aid in developing a sustainable servicing, pricing, and delivery model for SLA contracts and updating existing IGA's with the new servicing model and pricing stipulations.		
<b>Rec. 2.4:</b> Ensure MCT counts for each of the partner agencies are correct. Retain supporting documentation of MCT units used to calculate the general maintenance service fee.		

<b>Response:</b> Technical Services (TS) staff will work with internal teams to ensure MCT counts for all CAD partners are accurate. Administrative staff will retain all supporting documentation for future reference.	<b><u>Target Date:</u></b> 9/30/2023
<b>Rec. 2.5:</b> Correct the overcharge of \$4,100 to the Town of Guadalupe for the incorrect billing of one airmobile unit.	
<b>Response:</b> Technical Services (TS) will work with the Fire Fiscal team to ensure a credit for \$4,100 is sent to the Town of Guadalupe. TS staff will inform the Town of Guadalupe that a recent audit was completed, this discrepancy was found, and the credit will be sent for reconciliation.	<b><u>Target Date:</u></b> 9/30/2023
<b>Rec. 2.6:</b> Verify the number of WAN/LAN network units for AFMA South and correct charges if necessary.	
<b>Response:</b> Technical Services (TS) staff will work with internal teams to ensure WAN/LAN network unit counts for all CAD partners are accurate and will reconcile charges if necessary. Administrative staff will retain all relevant documentation for future reference.	<b><u>Target Date:</u></b> 9/30/2023
<b>Rec. 2.7:</b> Verify the number of PCMSS licenses to ensure that partner agencies are billed accurately.	
<b>Response:</b> Technical Services (TS) staff will work with internal teams to ensure PCMSS license counts for all CAD partners are accurate and billed appropriately. Administrative staff will retain all relevant documentation for future reference.	<b><u>Target Date:</u></b> 9/30/2023

## **1 – Contracts and Billings**

### **Background**

Fire entered into contracts with 21 partner agencies between 2019 and 2021. The contracts outlined the services that Fire would provide and the four fee categories to be billed annually. For fiscal year 2022, Fire billed approximately \$13.4 million.

### **Summary of Fiscal Year 2022 Fees**

<b>Agency</b>	<b>Fees</b>
<b>AFMA North</b>	\$492,077
<b>AFMA South</b>	\$255,623
<b>Avondale</b>	\$577,804
<b>Buckeye</b>	\$ 392,380
<b>Buckeye Valley</b>	\$402,046
<b>Chandler</b>	\$1,321,186
<b>Goodyear</b>	\$678,586
<b>Daisy Mountain</b>	\$338,773
<b>Dignity Health</b>	\$ 28,370
<b>El Mirage</b>	\$214,538
<b>Glendale</b>	\$1,934,978
<b>Guadalupe</b>	\$93,596
<b>Harquahala Fire District</b>	\$39,181
<b>City of Maricopa</b>	\$388,996
<b>Town of Paradise Valley</b>	\$89,843
<b>Peoria</b>	\$1,075,485
<b>Scottsdale</b>	\$210,074

<b>Sun City Fire District</b>	<b>\$544,539</b>
<b>Surprise</b>	<b>\$832,103</b>
<b>Tempe</b>	<b>\$1,428,709</b>
<b>Tolleson</b>	<b>\$156,325</b>
<b>Total</b>	<b>\$ 13,385,211</b>

**For fiscal year 2022, Fire billed partner agencies approximately \$13.4 million.**

We reviewed the contracts and compared the amounts billed to the fee schedules for fiscal year 2022.

## **Results**

### **Fire had contracts in place for all but one agency.**

We reviewed the contracts with each partner agency. Each agency had similar contract requirements for service and annual fee calculations. However, there was no contract in place with Dignity Health. Fire entered into a contract with Dignity Health during the audit.

### **Fire billed approximately \$13.4 million for services for fiscal year 2022. However, one agency did not pay the correct amount due.**

We compared the fee schedules to SAP, the City's financial system. Fire billed \$13.4 million for services rendered in fiscal year 2022. Fire billed each agency the correct amount each quarter except for the City of Scottsdale. As a result, the City of Scottsdale owes \$9,300 for fiscal year 2022. .

## **Recommendation**

1.1 Bill the City of Scottsdale for the remaining \$9,300 for fiscal year 2022.

## **2 – Fee Testing**

### **Background**

The contracts with the partner agencies state that the dispatch support system is based on a 100% cost recovery model. Each year, the agencies are invoiced for the following fees and rates:

#### **Summary of Fees and Rates**

<b>Fee Category</b>	<b>Rates</b>
<b>Dispatch Service Fee</b>	\$28.37 per dispatch (fire department) \$18.80 per dispatch (private ambulance)
<b>General Maintenance Service Fee</b>	
a. <b>Station Pack Maintenance</b>	a. \$9,300 per unit
b. <b>MCT Maintenance</b>	b. \$4,100 per unit
c. <b>Airmobile Maintenance</b>	c. \$4,100 per unit
<b>Network System Fees</b>	
a. <b>WAN/LAN System Fee</b>	a. \$17,400 per unit
b. <b>Additional PCMSS licenses</b>	b. \$200 per unit
c. <b>MCT Lite Wireless Connections</b>	c. \$480 per unit
<b>CAD System Fees</b>	
a. <b>CAD Modernization Service Fee</b>	a. \$5 per dispatch b. \$1 per dispatch
b. <b>CAD Maintenance Service Fee</b>	

**Fee rates are documented in the Exhibit section of the contracts.**

We validated the accuracy of the fiscal year 2022 fee rates by verifying that units and dispatch counts agreed to supporting documentation. We reviewed Fire's calculations for each category to ensure they billed the agencies correctly and had adequate supporting documentation.



## Results

**Overall, the dispatch service fees were charged accurately. However, two exceptions resulted in an undercharge of \$21,249.**

Fire's Technical Services section updates the dispatch service fee each year based on the previous fiscal year's annual costs to operate the PRDRDC. For fiscal year 2022, the dispatch fees were \$28.37 for fire departments and \$18.80 for private ambulances. We did not validate the fee calculations.

Fire used the dispatch service fee rates and the agency's previous fiscal year dispatch totals to calculate the fee for the following year. The proper dispatch rates were charged for fiscal year 2022. We agreed the dispatch counts to supporting documentation for all but two partner agencies. We noted the following exceptions:

1. Dignity Health was charged for 1,000 dispatches. However, the dispatch report showed 1,073 dispatches. As a result, Fire undercharged Dignity Health by \$2,071.
2. Fire billed Paradise Valley for half of the dispatch counts based on their understanding of the contract. However, the IGA states that the dispatch fee would be fully charged. As a result, Fire undercharged Paradise Valley by \$19,178.

**Fire charged the partner agencies the correct general maintenance service rate. However, the unit counts billed did not always agree with supporting documentation.**

The general maintenance fee is for maintenance and support associated with station packs, Mobile Computer Terminals (MCTs), and airmobile units.

1. Station packs are audiovisual systems connecting fire stations to the dispatch center. The systems alert the fire stations to who is on the dispatch, the address, which trucks or fire apparatus are responding, and if it is a medical call. The partner agencies own the units.
2. MCTs are fire vehicle laptops owned by the partner agencies, which include a docking station, mounting station, and ancillary items.
3. Airmobile units are used to deploy GIS mapping updates. Fire staff push updates out to the MCTs to keep them current. The City of Phoenix owns the airmobile units for each agency except for the cities of Chandler and Scottsdale.

Each agency was charged based on the total equipment units they were assigned. We traced the units charged on the fee schedules back to source documents.

## General Maintenance Service Fee Testing Summary

Unit	Documented Rate Charged?	Traced Units to Supporting Documentation?
Station Pack	Yes	Yes
MCT	Yes	One exception – see below
Airmobile	Yes	One exception – see below

**Fire charged the documented rate; however, the units billed did not always agree to supporting documents.**

MCT – Fire staff used Computer Aided Dispatch (CAD) and SAP data to calculate the units for each agency. Fire provided the CAD report used but could not provide the SAP report. Fire billed for 28 more MCTs than the CAD system report listed. We recommend that documentation of the units used for billing purposes be retained.

Airmobile – The Town of Guadalupe was incorrectly charged for one unit, resulting in an overcharge of \$4,100.

**Fire charged all partner agencies the documented network system rates. We noted some exceptions when tracing units back to supporting documentation.**

The network system fees cover ongoing circuit costs, support, and maintenance. Each customer would be charged based on the types of equipment they had. All agencies were charged the documented rates.

We agreed the number of units charged on the fee schedules to spreadsheets used by Fire personnel to track the equipment units for each agency.

WAN/LAN Network – We agreed the number of units from the invoices to Fire’s tracking spreadsheet for all but one agency. Fire billed AFMA South for one unit, but the tracking spreadsheet showed two units.

Personal Computer Message Switch System (PCMSS) Licenses – The additional licenses charged to 8 of 21 (38%) agencies did not match Fire’s tracking spreadsheet.

MCT Lite Wireless Units – Some agencies purchased MCT Lite units for unique instances. Fire discontinued this program, and MCT Lites will not be used in the future. We traced these units back to Fire’s tracking spreadsheet and noted no exceptions.

**Fire charged all partner agencies the documented CAD system rates.**

CAD System charges were comprised of two fees based on the dispatches received by each agency in the previous fiscal year. The CAD Modernization Service Fee was for

the future development and implementation of an upgraded CAD operating system. The CAD Maintenance Service Fee was for the ongoing support and maintenance specific to the CAD system. No exceptions were noted.

**Fire did not have documentation for how six fees were calculated or when the rates were last updated.**

The contracts with the partner agencies state that the fees are based on a 100% cost recovery model. However, Fire did not have documentation regarding the calculations of the station pack, MCT, airmobile, WAN/LAN network, the MCT Lite, or CAD system fees. Further, Fire staff were unaware of when the costs were last updated.

## **Recommendations**

- 2.1 Collect additional dispatch fee costs from Dignity Health totaling \$2,071.
- 2.2 Collect additional dispatch fee costs from Paradise Valley totaling \$19,178.
- 2.3 Develop cost models for the general maintenance service, network system, and CAD system fees.
- 2.4 Ensure MCT counts for each of the partner agencies are correct. Retain supporting documentation of MCT units used to calculate the general maintenance service fee.
- 2.5 Correct the overcharge of \$4,100 to the Town of Guadalupe for the incorrect billing of one airmobile unit.
- 2.6 Verify the number of WAN/LAN network units for AFMA South and correct charges if necessary.
- 2.7 Verify the number of PCMSS licenses to ensure that partner agencies are billed accurately.

## **Scope, Methods, and Standards**

### **Scope**

We reviewed financial data and Fire tracking reports for fiscal year 2022 billings.

The internal control components and underlying principles that are significant to the audit objectives are:

- Control Activities
  - Management should implement control activities through policies.
  - Management should design control activities to achieve objectives and respond to risks.

### **Methods**

We used the following methods to complete this audit:

- We reviewed partner agency contracts and billings.
- We interviewed staff to obtain an understanding of the process.
- We verified the accuracy of partner billings by agreeing dispatch counts and equipment counts to Fire's supporting documentation.

Unless otherwise stated in the report, all sampling in this audit was conducted using a judgmental methodology to maximize efficiency based on auditor knowledge of the population being tested. As such, sample results cannot be extrapolated to the entire population and are limited to a discussion of only those items reviewed.

### **Data Reliability**

We assessed the reliability of Fire's dispatch count and equipment count data by (1) performing electronic testing, (2) reviewing existing information about the data and the system that produced it, and (3) interviewing agency officials knowledgeable about the data. We determined that this data was sufficiently reliable for the purposes of this audit.

### **Standards**

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Any deficiencies in internal controls deemed to be insignificant to the

audit objectives but that warranted the attention of those charged with governance were delivered in a separate memo. We are independent per the generally accepted government auditing requirements for internal auditors.