

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

144



FROM: County Auditor-Controller

SUBMITTAL DATE:
May 12, 2010

SUBJECT: Internal Audit Report 2009-301: Riverside County Fire Department Follow-up Audit

RECOMMENDED MOTION: Receive and file the Internal Audit Report 2009-301: Riverside County Fire Department, Follow-up Audit.

BACKGROUND: The Auditor-Controller completed a follow-up audit of the Riverside County Fire Department to review the actions taken as of April 20, 2010, to correct audit findings reported in Internal Audit Reports 2005-006 dated July 7, 2005, and 2007-003 dated August 8, 2007.

The original audit reports (2005-006 and 2007-003) contained 32 findings total. Five of the findings were reported as corrected in Internal Audit Report 2006-305. This follow-up audit addressed the remaining 27 findings requiring corrective actions. Based upon our review, the current status of these findings is as follows:

- Corrected - 21 findings.
- Partially Corrected - 2 findings.
- Not Corrected - 4 findings.

A follow-up audit of the two partially corrected and four uncorrected findings will be scheduled in fiscal year 2010/11.

Bruce Kincaid

BRUCE KINCAID ASSISTANT AUD.-CONTR.
FOR Robert E. Byrd
County Auditor-Controller

FINANCIAL DATA	Current F.Y. Total Cost:	\$ 0	In Current Year Budget:	N/A
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	N/A
	Annual Net County Cost:	\$ 0	For Fiscal Year:	N/A

SOURCE OF FUNDS: N/A	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION:

RECEIVE AND FILE

BY: *Rob Rockwell*
Rob Rockwell

County Executive Office Signature

Dep't Recomm.: Consent Policy
Per Exec. Ofc.: Consent Policy

ATTACHMENTS FILED WITH THE CLERK OF THE BOARD

Departmental Concurrence

Prev. Agn. Ref.: | **District:** am | **Agenda Number:**

2.1



County of Riverside

INTERNAL AUDIT REPORT

2009-301

Riverside County Fire Department Follow-up Audit

May 12, 2010

Office of
Robert E. Byrd, CGFM
County Auditor-Controller

4080 Lemon Street
P.O. Box 1326
Riverside, CA 92502-1326



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COUNTY OF RIVERSIDE
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Robert E. Byrd, CGFM
AUDITOR-CONTROLLER
Bruce Kincaid, MBA
ASSISTANT
AUDITOR-CONTROLLER

May 12, 2010

John R. Hawkins, Fire Chief
Riverside County Fire Department
210 West San Jacinto Avenue
Perris, CA 92570

**Subject: Internal Audit Report 2009-301
Riverside County Fire Department, Follow-up Audit**

Dear Chief Hawkins:

We have completed a follow-up audit of the Riverside County Fire Department to review the actions taken as of April 20, 2010, to correct audit findings reported in Internal Audit Reports 2005-006 dated July 7, 2005, and 2007-003 dated August 8, 2007.

Internal Audit Report 2005-006 was initially followed-up and reported in Internal Audit Report 2006-305 dated December 22, 2006. Internal Audit Reports 2005-006, 2006-305 and 2007-003 are available for review at www.auditorcontroller.org.

We conducted our audits in accordance with the International Standards for the Professional Practice of Internal Auditing. These standards require that we plan and perform the audit to obtain reasonable assurance that our objective as described in the preceding paragraph is achieved. An internal audit includes the systematic analysis of information to evaluate and improve the effectiveness of internal controls. We believe this audit provides a reasonable basis for our conclusion.

The original audit reports (2005-006 and 2007-003) contained 32 findings total. Five of the findings were reported as corrected in Internal Audit Report 2006-305. This follow up audit addresses the remaining 27 findings requiring corrective actions. Based upon our review, the current status of these findings is as follows:

- Corrected - 21 findings.
- Partially Corrected - 2 findings.
- Not Corrected - 4 findings.

A detailed discussion of the status of each finding is contained in this report.

We thank the Fire Department management and staff for the cooperation and assistance provided to us during the follow-up audit.

ROBERT E. BYRD, CGFM
Auditor-Controller

A handwritten signature in black ink, appearing to read "M. Alexander", written over a horizontal line.

By: Michael G. Alexander, MBA, CIA
Deputy Auditor-Controller

cc: Board of Supervisors
Executive Office
Grand Jury

Internal Audit Report 2005-006

Purchasing

Finding 1: "The Fire Department does not enforce nor monitor the purchasing policy in regards to super low value purchase orders. Fire Captains of all fire stations are authorized to make purchases under \$200 without written Battalion Chief approval up to a limit of \$2,000 per fiscal year for facility and vehicle maintenance. However, management has indicated the Fire Department Finance Division does not have the personnel to audit and monitor these super low value purchase orders. Based upon the results of our testing, we determined the fire stations are not adhering to this policy and are making purchases for facility and vehicle maintenance for amounts above the \$2,000 threshold per fiscal year."

Current Status: Corrected. The Fire Department issued Policy Letter No. 02-06 (Material Management, County Acquisition Procedures) specifying the authorization limits and process for procuring materials, services, and fixed assets. Our review of 79 purchases made between October 2008 and October 2009 found the procedures taken by the department personnel were consistent with Policy Letter No. 02-06.

Finding 2: "Although the Fire Department has established purchasing policies and procedures for assets, we determined these policies are not administered or adhered to by the department based on the following results:

- "We noted four of thirteen instances where the Form 42.9 was not always approved by all required personnel; ...
- "The Department's purchasing policy requires all purchases over \$25,000 to be approved and authorized solely by the county Fire Chief. Eleven instances are noted where purchases over \$25,000 were not properly approved by the Fire Chief but approved by the Deputy Chief of Administration. ...
- "A non-budgeted item was purchased and paid without proper written approval. An instance was noted where a shade structure was purchased for a fire station in the amount of \$12,311. No written approvals for the purchase were documented. ... "

Current Status: Corrected. The Fire Department issued Policy Letter No. 02-06 (Material Management, County Acquisition Procedures) specifying the authorization limits and process for procuring materials, services, and fixed assets. Our review of 79 purchases made between October 2008 and October 2009 found the procedures taken by the department personnel were consistent with Policy Letter No. 02-06.

Cash Handling

Finding 3: "Weaknesses of internal controls over the safeguarding of cash are noted in the following areas:

- "Transfer of receipts from one employee to another is not evidenced by written documentation at the Indio and Murrieta Planning and Engineering Divisions.
- "The Hazard Reduction Division does not change the combination to the safe after an individual with knowledge of the combination is terminated, retired or transferred. ... "

Current Status: Corrected. A Transfer of Accountability Memo is used as a top sheet accompanying the transfer of daily collections from outlying county fire offices to the Perris headquarters. The memo lists the amount being transferred and is signed by the fund transferor (cashier at the outlying office) and fund transferee (Revenue Technician at the Perris headquarters). The memo is also signed by the Revenue Supervisor upon review prior to making the bank deposit. Based on test of selected collection receipts from three Fire Department offices, we noted the Transfer of Accountability Memo was completed in all instances.

A new policy is in place which requires changing the safe combinations upon occurrence of a specified event, e.g., an employee resignation. A log listing the names of employees who have knowledge of the safe combinations is maintained, including the dates when safe combinations were modified. Based on entries in the log maintained at the Perris office, we noted that changes to safe combinations were made as required according to the new policy.

Finding 4: "Cash collections at the Indio Planning and Engineering Division and Murrieta Planning and Engineering Division are not delivered daily to the Perris Headquarters, in accordance with Board of Supervisors' Policy A-25 and Standard Practice Manual (SPM) No. 705, Paragraph 2. In addition, deposits are not made in a timely manner. ... "

Current Status: Corrected. The Fire Department obtained Auditor-Controller approval waiving the requirement for funds to be deposited daily. We verified proper approval was obtained both for the Indio and Murrieta locations through completion of Auditor-Controller Form AR-6. (The Murrieta office location was recently closed.)

Finding 5: "Inadequate segregation of accounting and cash handling duties existed at the following remote locations: Ben Clark Training Center, Cost Recovery Division, Hazard Reduction Division, Indio Planning and Engineering Division, Murrieta Planning and Engineering Division, and Riverside Planning and Engineering Division. One person received cash, prepared the Official County Receipt, prepared the deposit, and posted to the accounting records. ... "

Current Status: Corrected. The use of Transfer of Accountability Memo to document the transfer of funds from outlying offices to the Perris headquarters, along with the monthly bank reconciliations completed by the fiscal staff, mitigate the reported internal control weaknesses arising from inadequate segregation of duties at the outlying offices. Our review of 35 fund transfers from three different locations found all were processed following the procedures in place.

Fixed Assets

Finding 7: "The Fire Department does not maintain a comprehensive list of either capitalized or non-capitalized assets, including the detailed description, serial number, location and the individual accountable for the asset. It was also noted that there is no accountability for the transfer of assets within the fire station facilities, nor is the PeopleSoft Fixed Asset Module updated to reflect the transfers or disposals of fixed assets."

Current Status: Corrected. The Fire Department's fiscal office maintains the database of capital assets and computer laptops in PeopleSoft while the department's information technology staff maintains the database of non-capitalized assets (other than computer laptops) in Microsoft Access. The department initiated a process for all battalion chiefs to submit a certified list of assets under their responsibility to the Perris headquarters at year-end. The asset databases are continuously refined based on these certified lists. In addition to these two asset databases, the department is in the early stages of creating a separate Microsoft Access database for vehicles. Although the vehicles are already recorded in PeopleSoft, the department needs a separate system for monitoring its vehicle fleet. (The audit of the vehicle database will be covered during the vehicle audit which is currently underway.)

Due to the large number of assets owned by the department, the process of accounting and compiling a comprehensive asset database is a complex and long process. However, we believe the process is now in place to adequately address this audit finding. The department made progress in the timely reporting of asset transfers; we recommend the department reiterate with the battalion chiefs the enforcement of Policy Letter No. 09-07 (Asset Management) requiring that the fiscal office is promptly notified of any transfer of assets between locations so that the records can be updated promptly.

Finding 9: "The Fire Department does not perform an annual physical inventory count of capitalized assets as required with the County Internal Controls Handbook (ICH) and generally accepted accounting principles (GAAP). ..."

Current Status: Corrected. A physical inventory of capital assets is performed annually by the different departmental units and fire stations. The asset inventory reports are reviewed and certified by the responsible battalion chiefs. Our review of 20 fire stations found the required year-end physical inventory was performed for 2008 and 2009.

Finding 10: "The Fire Department inconsistently utilizes 72 to 180 months for the estimation of useful life of fire engines. ..."

"Based on the results of our testing of recent fire engine purchases, 16 of 26 engines purchased by the Fire Department were recorded and capitalized in the fixed asset module. Of the 16 engines capitalized, 6 engines were assigned a 72 month useful life, 1 engine was assigned 84 months and 1 engine was assigned 120 months. ..."

Current Status: Corrected. The Fire Department issued Policy Letter No. 09-07 (Asset Management) providing the useful life for each vehicle type. The cost of the vehicle is

depreciated throughout its useful life. Based on our review of 28 fire trucks acquired in fiscal year 2008, we found each had been assigned a useful life consistent with the policy.

Finding 11: "The Fire Department has not recorded nor capitalized numerous vehicles in the PeopleSoft Fixed Asset Module. Due to insufficient records provided by the Fire Department, we were unable to verify the quantity and dollar amount of those vehicles missing from the fixed asset module. However, approximately 39 vehicles are estimated to be omitted from the fixed asset listing. ..."

Current Status: Corrected. Based on our review of 52 vehicles acquired in fiscal year 2008, we found the vehicles were recorded in PeopleSoft Fixed Asset Module within four weeks to 12 weeks of acquisition dates. The procedures in place require that the leased assets are to be recorded in PeopleSoft Fixed Asset Module upon receipt of the lease documents. According to staff, the receipt of leased documents from one of the banks could take as long as 12 weeks. (An audit of the department's vehicles is currently underway and a more detailed review of the recording of vehicles will be covered in that audit.)

Internal Audit Report 2007-003

Transfer of Accountability

Finding 1: "The Department's capitalized assets were not transferred to the Fire Chief upon his appointment on August 1, 2006. The Department overlooked formally transferring the assets to the new Fire Chief."

Current Status: Corrected. The Fire Department submitted SPM Form AM-1 (Inventory of County Property for Capital Assets) to the Auditor-Controller's Office documenting the capital assets transferred from the former fire chief to the current fire chief. The current fire chief signed the form acknowledging the receipt of the listed capital assets. However, the form was not signed by the former fire chief since the document was not completed until July 19, 2007, one year after his departure. Under the circumstances, the completed SPM Form AM-1 was accepted by the Auditor-Controller's Office as sufficient to document the transfer of accountability over capital assets from the former to the current fire chief.

The Fire Department adopted Policy No. 9-07 (Asset Management) containing a checklist of tasks to be completed to ensure that required formalities are completed whenever there is a department head change.

Finding 3: "Internal Controls related to handling of the Department Revolving Fund need improvement:

- "The custodian of the Revolving Fund had other cash handling duties as well as the responsibility for authorizing the Revolving Fund reimbursement.
- "The Revolving Fund was not reconciled in a timely manner. ..."

- "Two checks were issued but had not posted to the Revolving Fund checking account for over one year. ...
- "The Department's Revolving Fund records were not adequately reconciled with the authorized fund balance and bank statements.
- "Documentation (i.e. signatures) of the reconciliation preparer and reviewer was not always adequate.
- "The "Paid-Out Voucher" used to substantiate every Revolving Fund disbursement was not pre-numbered."

Current Status: Corrected. The Fire Department modified the staff assignments and revolving fund desk procedures to ensure employees' duties are appropriately segregated. The staff received training from their direct supervisor and assignments were rotated to promote employee cross-training. Based on our review, we noted that bank reconciliations were adequately performed in line with procedures.

Information Security

Finding 4: "The computer network connection from the state to the county is not protected by a firewall making the county system vulnerable to attacks or intrusions. Our inquiry revealed that the exposure surfaced during a Riverside County Information Security design review conducted in 2006, but there was no corrective action taken because of a misunderstanding about whether Riverside County Information Technology (RCIT) or the Fire Department should pay for the firewall."

Current Status: Corrected. The installation of the firewall was completed by Riverside County Information Technology in October 2007.

Finding 5: "The absence of a periodic risk assessment, vulnerability testing, and intrusion monitoring process does not provide assurance that the Department's information system controls are working as intended and able to respond appropriately to attacks or intrusions. Riverside County Board Policy A-58, Riverside County Enterprise Information Systems Security Policy, requires departments to perform internal annual risk assessment and vulnerability testing of their information systems and to maintain an effective intrusion monitoring system. Although these processes will not fully eliminate all risks, best practices consider these as critical measures in identifying threats and vulnerabilities, implementing timely corrective actions and mitigating risks to manageable levels."

Current Status: Corrected. The Fire Department has a standing contract with Verizon Business Network Services, Inc. to perform annual risk assessments, vulnerability testing, and intrusion monitoring of the Fire Department computer network. The contract is renewable every year for up to four years commencing in February 2007. We obtained Verizon's security assessment reports for 2008 and 2009, both reports noted no exceptions.

Finding 6: "Fire Department management decided recently to defer the March 2007 rollout of a new EMS (Emergency Medical Services) system due to rising uneasiness about the software's inability to meet certain departmental requirements exacerbated by concerns regarding licensing costs. This occurred because the Department did not adequately document the implementation of the system using System Development Life Cycle (SDLC) management practices and HIPAA security standards. ... "

Current Status: Corrected. The Fire Department decided to stop the rollout of the new EMS system due to unresolved concerns.

Finding 7: "The Department's controls for safeguarding documents were not adequate:

- "A document retention schedule is not maintained as required by the Board of Supervisors Policy A-43, County Management and Archives Policy. A process is not in place to keep track of documents that are retained and disposed of. As a result, compliance with record retention requirements cannot be ascertained.
- "While the Department provides adequate safeguards for active personnel files through the use of locked files and secure areas, records for separated employees are stored in Conex containers. The Conex is a shared storage area with minimum environmental protection and allows unauthorized personnel access to these employee records.
- "We reviewed 16 of 156 personnel folders held by the Human Resource Department to determine if signed acknowledgment receipts required for certain information security policies were kept on file as required. None of the 16 folders contained a signed User Agreement and seven of them did not contain signed receipts for mandatory county policies."

Current Status: Corrected. The Fire Department adopted the records retention schedule prescribed by Board Policy A-43 (County Records Management and Archives Policy). The Fire Department keeps the current and prior year's fiscal and personnel records in the office and sends older files to the county Records and Management Archive site for storage. The files that are sent to county storage are placed in boxes which are bar-coded according to the nature of the files to assist in tracking, retrieval, and eventual destruction.

The Fire Department obtained employee acknowledgement signatures as required by county Board Policy A-50 (Electronic Media and Use Policy). Policy A-50 establishes guidelines for the proper use of all electronic media. Of 20 employee personnel files reviewed, all contained employee acknowledgment signatures. (Board Policy A-58 (Information Security Policy) no longer requires the user agreement).

Finding 8: "Safeguards affecting Patient Care Reports (PCR), which contain individually identifiable health information that are protected under HIPAA Privacy Rule, are not adequate. As a result, this information may be disclosed.

- "As a practice, the fire stations keep the current year's PCRs in locked filing cabinets. Two of the three fire stations we visited had their past years' PCRs packed in boxes and stored in

the attics. The attics, which are used for general storage due to lack of available office space, are open and accessible to all personnel.

- "The procedures in place do not completely cover the protection of all PCR copies. Although the procedures describe the process for securing the PCR white copy (copy 1), the procedures do not address the steps for securing other PCR copies. The procedures indicate that the yellow copy (copy 2) is sent to the Quality Improvement Program (QIP) but do not describe how the copy is to be used, secured, retained, and eventually disposed of by the QIP. Likewise, the procedures do not address how the pink copy (copy 3) for the ambulance, if not used for its intended purpose, will be securely disposed of."

Current Status: Not Corrected. The conditions noted in the original audit remain unchanged. One of two fire stations we visited kept past year's Patient Care Reports in the attic while the other stored them in a Conex container. The Patient Care Reports, which are in boxes, are accessible to other employees sharing the same storage areas.

Finding 9: "The EMS management believes that the Fire Department is not a HIPAA-covered entity since it is not billing for services rendered. Relative to this, management has opted to provide the "Notice of Privacy Practices" only to patients that are being billed. This practice conflicts with Board Policy B-23, which declares the county is a single-covered entity under HIPAA, requiring that the "Notice of Privacy Practices" be provided to each individual receiving health care and related services from the county."

Current Status: Not Corrected. Fire Department stopped issuing "Notice of Privacy Practices" to patients pending determination whether this HIPAA requirement covers emergency medical incident responses provided by paramedics. The department indicated it is in direct consultation with the county's HIPAA officer to resolve this matter.

Accounts Receivable

Finding 10: "The Accounts Receivable process severely lacked internal controls over the segregation of duties. One employee was responsible for multiple duties that were incompatible. For example, one employee prepared and recorded contracted city services billings, collected and recorded payments, and reconciled balances on a quarterly basis. The risk of undetected errors was high as there were no other personnel with any significant involvement in the process. ... "

Current Status: Corrected. The accounts receivable and payable functions were segregated. New accounts receivable procedures were documented and employees trained on the new procedures. Supervisors were instructed to provide on-going training as well as cross-training to all accounts receivable employees.

Finding 11: "A review of Contracted City service billings for fiscal year 2005/06 third quarter and fiscal year 2006/07 first quarter indicated the Department did not bill or collect payment for services in a timely manner. ... "

Current Status: Corrected. Our review of 38 billing statements indicated that contracting cities were billed timely in accordance with the terms of their contracts. A log is kept to monitor the cities' payments and a reminder notice sent out when a payment is not received within 30 days from the billing date.

Accounts Payable

Finding 13: "The system of internal controls over the Fire Department accounts payable functions was not adequate to ensure the safeguarding of department assets. As a result the department was at risk for inefficiencies, errors and misuse within the accounts payable function:

- "Personnel performed accounts payable functions that were incompatible and did not result in a sufficient level of separation of duties. The same personnel, who initiate, authorize, and record payment transactions were also authorized to pick-up county warrants from the Auditor-Controller's Office.
- "Accounts payable personnel were not adequately trained to perform their duties nor were there written policies and procedures to provide guidance. Consequently, job tasks were not adequately performed or more experienced personnel were required to complete tasks that were not compatible with other job responsibilities."

Current Status: Corrected. Accounts payable was segregated from the accounts receivable function and new accounts payable procedures were documented. The pick-up of warrants from the Auditor-Controller's Office was reassigned to an employee whose role does not include authorizing payments. Accounts payable employees were trained on new procedures and cross-trained on other duties as well.

Cost Recovery

Finding 14: "Controls over the Cost Recovery function did not adequately ensure the efficiency of operations, the accuracy and reliability of financial records, or the safeguarding of department assets:

- "There was one employee responsible for most aspects of cost recovery function. ...
- "The county does not use fire incident numbers as a method for identifying expenditures related to each incident in PeopleSoft financials. ...
- "Documentation to support cost recovery billing and subsequent actions was missing from thirty percent of the files reviewed. Additionally there were two files that could not be located for review. This documentation would have supported the accuracy of account balance information.

- "Forty-one payments were recorded as received from July 2004 through October 2006 for the cost recovery files reviewed. ... On average, these payments were deposited 32 days after the check date with deposits ranging from 12 to 123 days ... "

Current Status: Partially Corrected. The delays in depositing collections have been corrected. A staff member from accounts receivable provides assistance to the cost recovery unit in processing collections and deposits. Of 15 daily deposit activities reviewed, 14 were posted and deposited within a day. In one isolated case, a deposit in the amount of \$7.88 was overlooked and was not deposited until 33 days after receipt. This happened during the time the cost recovery unit was moving to a new location.

Starting in October 2009, each fire incident is assigned a unique identification number facilitating the tracking of expenditures by specific incident.

The presence of backlogs in cost recovery billing remains a concern; hazardous materials incidents as old as three years have yet to be billed. The Fire Department is in the process of hiring two more employees for the cost recovery unit to alleviate the backlog and promote segregation of incompatible duties.

Finding 15: "In an effort to process the claims more efficiently, the Cost Recovery Unit applied CDF and Hazardous Materials Unit rates to county claims instead of establishing cost recovery rates in accordance with Board Policy B-4. Consequently, costs related to the use of county resources may not have been adequately recovered. Additionally, administration fees applied to the county portion of cost recovery billings may not adequately recover county administration costs. Cost Recovery management was not aware of the county Board Policy requirements."

Current Status: Partially Corrected. On November 3, 2009, the Fire Department obtained approval from the Board of Supervisors for equipment billing rates. However, the rates for the recovery of personnel cost have yet to be established.

The Fire Department's manual of cost recovery policies and procedures still needs to be updated to reflect the Board Policy B-4 (Rates Charged for Current Services) requirements and recent changes in department procedures.

The final disposition of Finding 15 will be covered when we perform the follow-up of a similar finding reported in Internal Audit Report 2009-027.002: Cooperative Service Agreements with Local Agencies dated December 24, 2009.

Finding 16: "A count of inventory items valued at \$92,000 showed inconsistencies between the physical inventory and inventory records for 19 of the 24 line items reviewed indicating internal controls were not adequate to ensure the accuracy of inventory. The inconsistencies resulted in an overstatement of about \$11,000 dollars in the PeopleSoft inventory records."

"Service Center personnel indicated that most of the inconsistencies between PeopleSoft records and physical inventory were caused by errors in recording the receiving and distribution of inventory items. While it is likely that this was a source of some of the errors, it is equally likely that some of the inconsistencies were due other reasons. Although the Service Center

has made significant improvements towards eliminating any unauthorized access into the warehouse, the physical setup of the building has made further improvement difficult. Additionally, the warehouse had no video surveillance cameras installed to monitor high value items. Service Center personnel report there are plans to begin construction on a new building for the Service Center in the next five years.”

Current Status: Corrected. The Fire Department determined that the installation of surveillance cameras is not feasible at the present time due to budget constraints. Management initiated monthly physical inventory counts and reconciliations to mitigate the reported internal control weaknesses. Our review of monthly inventory counts and reconciliations from May 2009 through October 2009 found the procedures in place were properly performed. We believe the monthly inventory count and reconciliation process substantially mitigates the reported weaknesses. However, we advise that management constantly monitor its internal controls over inventories to ensure that they are functioning as intended.

Grant Management

Finding 17: “Controls over the Grant Management function did not adequately ensure the efficiency of operations in the event of employee turnover or extended absence. There were no written policies and procedures to provide guidance concerning the performance of Grant Management related duties. Inefficient operations could negatively affect the Unit’s ability to effectively obtain and manage grants and grant-related contracts.”

Current Status: Not Corrected. The Fire Department has yet to complete the agreed-upon corrective action to document its grant policies and procedures in a manual.

Finding 18: “The Fire Department did not utilize grant funding in a manner that would ensure all grant funding was expended prior to the applicable performance period deadline putting the funding at risk if an extension was not received. We reviewed more than \$12 million in grants awarded between April 2004 and August 2006. Although more than 80 percent of the performance period had elapsed for three of the grants reviewed, only 40 percent to 56 percent of these awarded grants had been utilized or encumbered. Feasibility of ensuring grant requirements for the Department and its sub-grantees were not accurately evaluated prior to accepting grant funding. Consequently, Fire Department did not anticipate and prepare for difficulties related to the availability of qualified vendors or timely commencement of grant projects therefore potentially forfeiting unused award amounts.”

Current Status: Corrected. A grants task force, comprised of staff from various Fire Department sections (Office of Emergency Services, Finance, Purchasing, Operations and Strategic Planning) was formed to manage grants. Based on our review of nine grants totaling \$12,347,435, we noted that the utilization of grants is reasonably within stipulated timeframes.

Weed/Orchard Abatement

Finding 19: “The system of internal controls within the Weed/Orchard Abatement process did not ensure operational efficiency or the accuracy, timeliness, and reliability of financial records and reports produced by the Hazard Reduction Unit. This occurred because the Hazard

Reduction Unit had not fully implemented policies and procedures or provided training to personnel on the functions of the unit.

- "Internal Hazard Reduction Unit Forms (e.g., cover sheets that tracked and validated service completion) were incomplete for 62 of the 70 files reviewed. Additionally, one file was missing mandatory pictures to support abatement services had been provided.
- "There were 13 files that were missing documentation that a 30-day notice was given to the parcel owner to abate hazardous weeds and vegetation.
- "All vacant parcel owners were sent a general notice that outlines the county Ordinance abatement requirements; however, none of the owners that received abatement services through the Hazard Reduction Unit were notified of specific special lien amounts prior to submission to the Assessor's Office for collection.
- "Special Lien amounts were miscalculated for 12 of the 70 files reviewed. Five were understated by \$3,831 and seven were overstated by \$5,019.
- "Sampled billings in the amount of \$301,253.68 were submitted for payment by two of the Abatement Service contractors. These billings contained more than \$100,800 in billing errors. Most of the billing errors were due to a misstatement of total square footage cleared. The Hazard Reduction Unit Fire Captain discovered the errors prior to our audit and had been conducting an investigation of the billings. Although \$23,375 of these errors had been paid, the remainder of billings were being investigated and adjusted for errors. The adjusted outstanding billing total for these sampled billings was approximately \$65,600. These billing will be paid pending the results of the investigation.
- "A duplicate billing of \$10,761 was paid to one of the abatement contractors. "

Current Status: Corrected. The Fire Department developed a procedures manual detailing the steps to perform abatement-related duties and provided training to personnel performing abatement services. We found the written procedures adequately address the weaknesses reported. Our review of 22 randomly selected abatement services performed in 2008 found the written procedures were consistently followed.

On February 2, 2010, the Fire Department billed the contractor for the \$10,761 overpayment. This contractor is an active abatement contractor and the amount due could be netted against the contractor's future bills.

Finding 20: "Abatement assessment fees charged for the 2006 abatement season did not adequately recover program costs. The current abatement assessment fees were calculated more than ten years ago and had never been updated. The actual cost of providing this service has significantly increased since that time. Based on fiscal year 2007 budget information and the number of parcels abated during the 2006 abatement season, we estimate the fee of \$126 should be increased from \$126 to about \$237 to recover costs for the 2007 abatement season. As such, an additional \$187,923 of cost incurred for abatement services should have been recovered from parcel owners."

Current Status: Not Corrected. The Fire Department submitted a proposed new abatement rate in 2009 for review by the Auditor-Controller's Office. Additional details were requested by the Auditor-Controller's Office prior to approval of the proposed new rate.