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Executive Office
County of Riverside

Larry Parrish
County Executive Officer

March 13, 2007

Honorable Board of Supervisors
County of Riverside
Robert T. Andersen Administrative Center
4080 Lemon Street, 5th Floor
Riverside, CA 92501-3651

SUBJECT: County Fire Department Follow-up Audit

Board Members:

At its regular meeting on February 6, 2007 the Board of Supervisors received the Auditor-Controller's Internal Auditor's Report #2006-305 – County Fire Department First Follow-up Audit (item 2.3). The Board requested the Executive Office review the Auditor's report with the Fire Department and report back to the Board with an update on the implementation status of the Auditor's recommendations. The Board also requested an overview of the Auditor-Controller's routine procedures to prevent misappropriation of county cash and property.

The Auditor's report contained 17 findings and recommendations. Of those recommendations 6 were fully implemented, 10 were partially implemented and 1 was not implemented. The Executive Office has reviewed this report with the Fire Department and determined the following:

The Fire Department provided information that indicates 5 of the 10 partially implemented recommendations are now fully implemented through changes in internal policies, procedures and internal controls. The remaining 5 items are in the implementation phase. The department is completing necessary internal inventories, policy review and staff training to ensure these items will be fully implemented by the next audit follow-up. These findings related to 1) segregation of accounting and cash handling duties, 2) tracking of capitalized and non-capitalized department assets 3) establishing division responsibilities, 4) physical inventory and 5) estimating the useful life for fire engines in order to calculate annual depreciation expense.

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The audit report indicated that finding #4, relating to daily cash deposits, was not implemented. This finding indicated that all remote locations should make daily deposits of collections, in accordance with Board of Supervisors' Policy A-25 and Auditor-Controller's Standard Practice Manual 705, Paragraph 2. In order to resolve this issue the Fire Department submitted SPM Form AR-6 (policy #705) "Daily Cash Deposits Exemption Request" to the Auditor-Controller. This exemption was approved on November 20, 2006 and allows the remote offices to make deposits once a week. Fire Administration has instructed its remote offices as to this procedure and continues to monitor activity to ensure compliance.

The Auditor-Controller, as a means of reducing the likelihood of misappropriation of county cash and property, conducts audits of all county departments. These audits are performed in accordance with Government Code Section 25250 which requires the biennial audit of all departments. The scope of the audits includes an assessment of business processes to identify areas that are most susceptible to the possibility of misappropriation. Detailed testing is performed based on the extent to which areas are exposed. In addition to the Internal Audit coverage, the Auditor-Controller uses other tools and processes to help safeguard the county's resources; examples include the review and approval of vendor payments, centralization of the vendor establishment process, monitoring of revolving funds, centralization of the review and processing of fixed asset transfer and disposals, and the establishment of internal control procedures for departments to follow. These internal control procedures are reviewed as a part of each department's biennial audit.

As part of the internal audit process and in addition to Internal Auditor's report 2006-305, the Auditor-Controller's assessment of the Fire Department's business processes identified other areas in need of review. These areas which include information security, grants, weed abatement, accounts receivable and cost recovery are currently undergoing an additional audit, which will be reported to the Board at a later date.

Given the recent problems identified, the Executive Office has established processes for closer evaluation of the Fire Department operations and our contract administrator has established review points with Fire Administration so that we have mutual involvement.

Respectfully submitted,



LARRY PARRISH
County Executive Officer