

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

180



FROM: County Auditor-Controller

SUBMITTAL DATE:
August 8, 2007

SUBJECT: Internal Auditor's Report #2007-003 – Riverside County Fire Department

RECOMMENDED MOTION: Receive and file Internal Auditor's Report #2007-003 – Riverside County Fire Department.

BACKGROUND: The Auditor-Controller completed an audit of the Riverside County Fire Department. Our purpose was to provide management and the Board of Supervisors with an independent assessment about the adequacy of internal controls over the Department's processes and fiscal procedures.

Based upon the results of our audit, we determined the Riverside County Fire Department did not have an adequate system of internal controls in place over the eight areas audited. Additionally, the Department did not consistently comply with Board of Supervisor Policies A-30, A-43, A-58, B-4, and B-23; and the Auditor Controller Standard Practice Manual.

Management concurred with the audit report findings and recommendations although they indicated that it would be necessary to research the cost benefit and feasibility of implementing one recommendation. We will follow-up per management's corrective action plan to ensure the implementation of recommendations within one year.

Robert E Byrd
Robert E. Byrd
County Auditor-Controller

Departmental Concurrence

FINANCIAL DATA	Current F.Y. Total Cost:	\$	In Current Year Budget:	N/A
	Current F.Y. Net County Cost:	\$	Budget Adjustment:	N/A
	Annual Net County Cost:	\$	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. The Executive Office will follow-up with the Fire Department to ensure compliance with Board Policies.

BY: *Rob Rockwell*
Rob Rockwell

County Executive Office Signature

- Dept't Recomm.: Policy
- Per Exec. Ofc.: Consent
- Consent
- Policy

RECEIVED RIVERSIDE COUNTY
 CLERK BOARD OF SUPERVISORS
 10:11 AM 08/08/07

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

2.3



County of Riverside

INTERNAL AUDITOR'S REPORT

Riverside County Fire Department

August 8, 2007

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

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



OFFICE OF THE
COUNTY AUDITOR-CONTROLLER

County Administrative Center
4080 Lemon Street, 11th Floor
P.O. Box 1326
Riverside, CA 92502-1326
(951) 955-3800
Fax (951) 955-3802



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

August 8, 2007

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

Subject: Internal Auditor's Report # 2007-003 – Riverside County Fire Department

Dear Chief Hawkins:

We have completed an audit of the Riverside County Fire Department. We conducted the audit during the period October 2006 through May 2007, for operations of July 1, 2004 through May 11, 2007.

Our purpose was to provide management and the Board of Supervisors with an independent assessment about the adequacy of internal controls over the Department's processes and fiscal procedures.

We conducted our audit in accordance with the auditing standards established by the Institute of Internal Auditors. These standards require that we plan and perform the audit to provide sufficient, competent, and relevant evidence to achieve the audit objectives. We believe the audit provides a reasonable basis for our conclusions.

Based upon the results of our audit, we determined the Department did not have adequate controls over the following areas: Transfer of Accountability, Information Security, Accounts Payable, Accounts Receivable, Cost Recovery, Service Center/Inventory, Grants Management, and Weed/Orchard Abatement. Additionally, the Department did not consistently comply with Board of Supervisor Policies A-30, A-43, A-58, B-4, and B-23; Auditor Controller Standard Practice Manual (SPM) Policies; and the Auditor Controller's Internal Control Handbook. Throughout the audit, we discussed the results contained in this report, as well as comments and suggestions of lesser significance, with the appropriate levels of management.

We thank the Riverside County Fire Department management and staff for their cooperation during the audit. Their assistance contributed significantly to the successful completion of the audit.

Robert E. Byrd, CGFM
County Auditor-Controller

A handwritten signature in black ink, appearing to read 'M. G. Alexander', with a long horizontal stroke extending to the right.

By: Michael G. Alexander, MBA, CIA
Chief Internal Auditor

cc: Board of Supervisors
County Counsel
Executive Office
Grand Jury

Table of Contents

	Page
Executive Summary.....	1
Objectives and Methodology	3
Detailed Objectives.....	3
Results.....	5
Transfer of Accountability	5
Information Security	8
Accounts Receivable Process.....	15
Accounts Payable Process.....	19
Cost Recovery Process	21
Service Center/Inventory Process	25
Grant Management Process	27
Weed/Orchard Abatement Process.....	29
Management's Response	Appendix

Executive Summary

Overview

The Riverside County Fire Department is one of the largest regional fire service organizations in California. During the 2006 calendar year the Department responded to 110,224 incidents and has responded to more than 24,500 incidents from January through the end of April 2007. More than 1,260 State and County fire fighting personnel and 1,100 volunteers are staffed at more than 95 fire stations. Department personnel provide fire services to more than 2 million residents in an area of 7,004 square miles which includes unincorporated County areas, sixteen contract cities, and one Community Service District.

Riverside County was one of the first in California to endorse and support cooperative and integrated fire protection for the greatest efficiency and economy, authorizing funds to augment the State's effort as early as 1906. Since 1921, the County has appointed the California Department of Forestry Chief as the County Fire Chief. The Department is also the Operational Area Coordinator for the California Fire and Rescue Mutual Aid System for all fire service jurisdictions in the County of Riverside. The Department has several automatic aid agreements with other city jurisdictions as well as the adjacent National Forests.

Overall Objectives

Our overall audit objective was to assess the adequacy of controls and compliance with policies and procedures in the following areas:

- Transfer of Accountability
- Information Security
- Accounts Receivable
- Accounts Payable
- Cost Recovery
- Service Center/Inventory
- Grant Management
- Weed/Orchard Abatement

In addition, we verified the adequacy and existence of internal controls over the Department's credit cards, the results of which are reported in Internal Auditor's Report #2007-005 - Countywide Credit Cards.

Overall Conclusion

Based upon the results of our audit, we determined the Department did not have adequate controls over the areas of Accounts Payable, Accounts Receivable, Information Security, Cost Recovery, Service Center/Inventory, Grants Management and Weed/Orchard Abatement. The absence of adequate controls resulted in a loss of almost \$400,000 to the department, \$211,000 in interest revenue due to late billing and untimely payments of contract city charges and

\$188,000 in unbilled cost because property owners were not billed for all cost associated with weed and orchard abatement. Additionally, the Department did not consistently comply with Board of Supervisors Policies, Auditor Controller Standard Practice Manual (SPM) Policies, and the Auditor Controller's Internal Control Handbook.

It should be noted that although there were significant weaknesses in the internal controls of the Weed/Orchard Abatement process, the Hazard Reduction Unit management detected fraudulent activity within the process prior to our audit. Hazard Reduction Unit management has conducted an investigation of the activity and is currently taking steps to pursue legal action against the responsible parties.

Details about our audit objectives, methodology, results, findings and recommendations are provided in the body of our report.

Detailed Objectives Our detailed audit objectives were:

- to assess the existence and adequacy of internal controls relating to the Accounts Receivable, Accounts Payable, Cost Recovery, Service Center/Inventory, Information Security, Grant Management, and Weed/Orchard Abatement processes as well as the Department's Revolving Fund and capitalized assets;
- to verify the transfer of accountability of Revolving Funds and capital assets from the prior Fire Chief in accordance with Riverside County Board of Supervisors Resolution 83-338;
- to evaluate the existence and adequacy of internal controls over critical, valuable and sensitive information stored by the Department;
- to determine if the methodology used to allocate cost for fire protection services amongst contracted cities was reasonable;
- to ensure costs recovered by the Department adequately reflect the cost of providing the related fire protection services;
- to verify the appropriateness of refunds issued to developers and employees; and,
- to verify compliance with County policies and procedures, Board ordinances, laws, codes, and regulations relevant to areas and processes reviewed. We did not perform testing that would conclusively verify the Department's compliance with the Health Insurance Portability and Accountability Act (HIPAA).

Methodology

To accomplish our objectives, we:

- conducted research on the Internet related to the Riverside County Fire Department, California Department of Forestry, general background information and best practices related to the audited areas, and applicable regulations;
- identified and reviewed applicable policies and procedures, Board ordinances, laws, codes, and regulations;
- reviewed Audit #2006-305 – *County Fire Department First Follow-up* workpapers for the details regarding the capitalized asset and cash handling audit testing;
- performed a financial analysis for the period of July 1, 2004 through September 30, 2006;
- conducted and documented interviews and walk-throughs with Department personnel;
- performed a risk analysis of areas to be reviewed during the audit;

- reviewed Revolving Fund documentation for the audit period for confirmation of appropriateness, authorization, reimbursement, and reconciliation;
- observed, analyzed, and documented information security processes;
- performed limited testing of information security processes. We did not complete vulnerability scans or technical assessments of the Department network system and application related controls.
- reviewed and performed detailed testing of the Department's Accounts Receivable, Accounts Payable, Cost Recovery, Service Center/Inventory, and Weed/Orchard Abatement processes to evaluate adherence to relevant Board of Supervisor Policies, Auditor-Controller Standard Practice Manual Procedures, and Auditor-Controller Internal Control Handbook Standards; and,
- reviewed and performed detailed testing of the Department's Grant Management process to evaluate adherence to applicable Federal/State regulations, Board of Supervisor Policies, Auditor-Controller Standard Practice Procedures, and Auditor-Controller Internal Control Handbook.

Results

Transfer of Accountability

The Riverside County Fire Department had four different Fire Chiefs over the last three years. The last change took place on August 1, 2006 when the new Fire Chief was appointed by the Board of Supervisors.

Upon a change in Department Head, accountability for capital assets and Revolving Funds must be transferred to the incoming Department Head. In accordance with Standard Practice Manual (SPM) 912, transfer of accountability over capital assets is accomplished by submitting a Capital Asset Transfer Form (SPM AM-1) to the Auditor-Controller's Office. Likewise, accountability for Revolving Funds is transferred utilizing a Revolving Fund Request Order and Change Form (SPM AR-1).

We limited our testing of capitalized assets to determining whether they were transferred to the new Fire Chief; however, in addition to reviewing the transfer of the Revolving Fund, we also performed audit testing to determine if the fund was managed in accordance with SPM 104 and the Auditor-Controller's Internal Control Handbook.

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.

Recommendation 1.1

Complete an inventory of capitalized assets and transfer accountability for these assets to the current Fire Chief by submitting SPM AM-1 to the Auditor-Controller's Office.

Recommendation 1.2

Create a checklist and timeline of tasks to be completed prior to the departure of any Fire Chief. The checklist should include the completion of inventory of assets as well as the completion of the SPM Form AM-1.

Management's Reply

Concur. The Fire Department will develop a checklist and timeline to assist in the transition of any Fire Chief. Along with these two items, a letter and/or written statement will be required from the departing Fire Chief. The checklist will include the transfer of capitalized asset listing.

Estimated Date of Corrective Action: October 2007

Finding 2

The \$7,000 authorized for the Department's Revolving Fund was larger than necessary. This was evidenced by the infrequency and

small amount of Revolving Fund reimbursement requests. Revolving Fund reimbursements averaged about \$655 a month from July 2004 through December 2006.

The Revolving Fund was established more than ten years ago and the appropriateness of the Fund amount has not been reviewed since that time.

Recommendation 2 Reduce the Revolving Fund to \$1,000. This should be accomplished by submitting a Revolving Fund Change Request to the Auditor Controller's Office on an SPM Form AR-1.

Management's Reply Concur.

Estimated Date of Corrective Action: July 2007

Auditor's Comment We verified the corrective action for this finding was completed on July 19, 2007.

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. After reviewing all reconciliations prepared during the audit period, it was found that five were prepared more than 30 days after receiving the monthly bank statement and none was performed between August 2006 and January 2007.
- Two checks were issued but had not posted to the Revolving Fund checking account for over one year. These checks were not addressed and resolved by personnel reconciling the fund. Reimbursement for these checks was requested, received, and deposited in the Revolving Fund checking account.
- 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.

The Department's Finance Manager indicated that there were not enough staff members to adequately segregate duties and that the unit has a limited amount of personnel available to adequately

segregate the duties that must be performed on a daily basis. This is especially evident when there is an absence in personnel. Consequently, one person will perform many incompatible duties. Based on discussions with the Finance Unit personnel, it was determined that the personnel that assumed this responsibility were not trained on how to properly complete reconciliations nor were there any written procedures available to guide them in the performance of their reconciliation duties.

Due to the inadequacies in the internal controls, the Department's ability to ensure proper accountability and security over the Revolving Fund was greatly impaired. Conversely, exposure to inefficiencies, errors, and misuse of the Revolving Fund account was significantly increased.

Recommendation 3.1 Ensure that duties related to the handling of the Revolving Fund are adequately segregated.

Recommendation 3.2 Provide adequate training to personnel performing Revolving Fund reconciliations.

Recommendation 3.3 Develop a written procedure manual that details how to perform Revolving Fund reconciliation duties.

Management's Reply Concur. The Fire Department has requested additional personnel in the FY2007/08 budget. Once these additional personnel are hired and trained, they will be assisting with the proper separation of duties and development of a written procedure manual.

Estimated Date of Corrective Action: December 2007

Results

Information Security

The scope of the information security audit was limited to determining if County security policies and practices are maintained and are adequate for protecting critical, valuable and sensitive information. We did not perform vulnerability scans or technical assessments of the network system and controls. Our audit was comprised primarily of reviewing the process and practices which we accomplished through personal interviews, observation, and testing of administrative controls.

Risk Management

The Department delivers several of the County's most important missions by responding to rescue and medical emergencies, protecting citizens from fire, and protecting and enhancing forest, range and watersheds. The effectiveness of carrying out these missions is dependent upon its manpower and technological resources which include mission-critical information systems and applications such as the Computer-Aided Dispatch and Global Positioning System-based mapping and tracking systems. These systems allow the Department the ability to efficiently deploy equipment and personnel. Currently, emergency vehicles are being equipped with mobile data computers which will further enhance the efficiency of fire and medical response personnel. In conjunction with the phased deployment of mobile data computers, new Emergency Medical System software (EMS 2000) is also being implemented. This software will computerize patient care reporting. Riverside County Fire contracts with the State of California Department of Forestry and Fire Protection; accordingly, the Department's system interfaces and exchanges information between the State and County networks.

Privacy of Personal Information

The Department is staffed with approximately 160 County and 1,100 State employees, plus 1,100 volunteers. The Department keeps the personnel records of County and volunteer personnel, both active and separated. The personnel records include individually-identifiable private information of employees, their designated beneficiaries and family members. The State keeps the records of the State personnel.

The Department also maintains patient health information on individuals who received emergency care. The standards for the protection of patient's rights and privacy are set forth by the Health Insurance Portability and Accountability Act (HIPAA). There are three components of HIPAA - privacy, security, and electronic transaction – all with different standards which the Department is required to

comply with. The Riverside County Board of Supervisors' Policy B-23 – Health Privacy and Security Policy establishes guidelines for the protection of individuals receiving medical care from the County.

Our audit scope was limited to reviewing the controls for protecting County and volunteer personnel records and the procedures for storing patient medical information. We did not perform a HIPAA compliance audit which would cover a more detailed analysis of the legal requirements and expanded review of Emergency Medical Services (EMS) practices.

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.

Recommendation 4

Establish a resolution between the Fire Department and RCIT regarding the responsibility for funding the firewall cost and complete the installation as soon as possible.

Management's Reply

Concur. Per an internal meeting with RCIT and Fire IT representatives on June 12, 2007, it was determined that finding 4 of the internal audit report is correct in that the firewall to protect the county is not in place. At the conclusion of said meeting, Greg Stoddard of RCIT committed to having this firewall in place by the end of July 2007. RCIT will supply the firewall from their stock in order to protect the county system.

Estimated Date of Corrective Action: July 2007

Auditor's Comment

Corrective action for this finding was not completed in July 2007. A discussion with RCIT personnel indicated that there was a problem with configuring the firewall to the system. They expect to resolve the problem by August 31, 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.

Recommendation 5

Establish a process for identifying, assessing, and managing risk in accordance with Board of Supervisor's Policy A-58.

Management's Reply

Concur. The department is in agreement with finding 5, and will establish a periodic risk assessment and vulnerability test, to be conducted every 24 months by a 3rd party as required by county board policy A-58. Fire will contact a county authorized vendor and setup and determine a schedule for periodic assessments. The department will try and fund this expense internally, but may request funding in a future quarterly report.

Estimated Date of Corrective Action: January 2008

Finding 6

Fire Department management decided recently to defer the March 2007 roll-out of a new EMS 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. SDLC management best practices provide a phased system implementation as it provides the most effective management control. In general, system implementations should be divided into manageable phases, such as:

- Phase One - Definition of requirements – This phase deals with defining the users' needs, solutions and system requirements. This will provide assurance that all requirements have been identified before committing funds to develop the solutions and acquire the assets.
- Phase Two - Asset acquisition – The purpose of this phase is to ensure that assets are acquired only after it has been thoroughly evaluated and tested. This phase deals with identifying and evaluating hardware and software. Testing methodologies are developed to address all the requirements as defined in Phase One.
- Phase Three - Training – This phase deals with identifying the staffing requirements and ensuring that the staff is thoroughly prepared before rolling out the new system. The roles and

responsibilities are clearly communicated to each individual participating in the rollout.

- Phase Four – System roll out – A system parallel run is utilized whenever possible to provide greater assurance that the new system is working before discontinuing the old system.
- Phase Five - System maintenance – This phase includes administering all system maintenance and security requirements including backup and restore process, disaster recovery, intrusion and detection monitoring and evaluation, and managing the network.

Each phase as described above should have been clearly documented, satisfied, and approved by management before proceeding to the next phase. Future system modifications should also follow the same process. Our review disclosed that:

- A document defining the user, Department, and system requirements, testing procedures, training requirements, roll-out procedures, backup and restore process, disaster recovery process, security policies, and system maintenance requirements has not been prepared.
- The new software has been in test mode since January 2007 but the test requirements and methodologies including that of the actual tests and its results were not documented.
- Training of field personnel on the use of this new system was started prior to conclusion of the system test phase. If the software is rejected, the training time and cost already spent would be wasted.
- Although the Department is planning for the roll-out, the roll-out schedule did not include a document describing the roles and responsibilities of the individuals responsible for implementing the new system and user training requirements.

Using the current EMS system implementation as an example, the inadequacy of the software to meet user requirements would have been discovered in Phase Two. Phase Three, which is training, would not have been started until the said software inadequacy was resolved. Furthermore, if documentation was completed following the SDLC approach, there will have been a sufficient evidence of compliance with the HIPAA requirements.

Recommendations 6

Implement SDLC management best practices to ensure the adequacy of the EMS system implementation.

Management's Reply

Concur. EMS 2000 is a product developed by Healthware solutions and mandated by the County EMS agency for reporting on EMS runs; implementation of SDLC management practices needs to be and will

be implemented by EMS and Healthware Solutions before it is rolled out by the Fire department. Once the system is developed Fire will also apply SDLC internally.

Estimated Date of Corrective Action: Unknown

Finding 7

The Department 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.

Recommendation 7.1 Develop and published a schedule of retention and disposal of Department documents in accordance with Board Policy A-43 – County Management and Archives Policy.

Recommendation 7.2 Determine the need for retaining separated employee personnel files and consider other storage alternatives such as the County archives.

Recommendation 7.3 The Department should review all active employee folders and ensure that acknowledgment signature receipts are on file for mandated policies.

Management's Reply Concur. Fire is in the process of using the County Archive services for all files. We have requested additional staff in the FY2007/08 budget to help with the process of creating a department record policy. We should be completed with the review of all personnel files soon and have the required signature documents by March 2008.

Estimated Date of Corrective Action: March 2008

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.

The impending revisions to its current policies and procedures, which are initiated by management to address HIPAA's privacy rules, should include guidelines for the storage, retention and destruction of all PCR copies. In addition, a process for establishing accountability over PCRs should be developed and responsibility assigned to appropriate authorities.

Recommendation 8

Ensure that retained PCRs are provided adequate security.

Management's Reply

Concur. Steps will be initiated to correct the problem, in some cases purchase of secured filing cabinets may need to be made; if monies are not available they will need to go through the appropriate budget process in FY2008/09. A policy / procedure will also be developed to guide the field in the proper security of these documents.

Estimated Date of Corrective Action: September 2008

Finding 9

The Department had not been providing "Notice of Privacy Practices" to all patients receiving health care and related services. This condition occurred because Emergency Medical Services (EMS) believed that the Fire Department was not a HIPAA covered entity.

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. The 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.

- Recommendation 9.1** Demonstrate clearly to staff the Department's commitment to complying with HIPAA by completing its review and implementing changes in policies and procedures to be in compliance with HIPAA.
- Recommendation 9.2** Provide a "Notice of Privacy Practices" to each individual receiving care and comply with Board of Supervisor's Policy B-23.
- Management's Reply** Concur. Department policy / procedure will be developed along with recommendation 8 above.

Estimated Date of Corrective Action: January 2008

Results

Accounts Receivable Process

The processing of Accounts Receivables is a function of the Fire Department's Finance Unit. There were two employees that performed all of the Unit's Accounts Receivable duties including: processing revenue collected from cities with cooperative agreements with the Fire Department; processing refunds; handling checks returned from the bank due to non-sufficient funds (NSF); reconciling revenue from other County departments to Fire Department records; and depositing funds with the County Treasurer.

The Riverside County Fire Department entered into cooperative agreements with 16 cities, the Rubidoux Community Service District and the Twenty-Nine Palms Band of Mission Indians. The purpose of these agreements was to arrange for Riverside County, through its cooperative agreement with the California Department of Forestry, to provide the contracted parties with fire protection services. The cost incurred to provide these services was billed to each of the contracted parties. Billed expenditures included County personnel costs; California Department of Forestry (CDF) personnel costs; CDF administrative fee costs; operating expenses (e.g. uniform expenses for personnel assigned to a city); and other charges directly incurred by the contracted party (e.g. fuel). Billing information was gathered from the County's PeopleSoft Financials and Human Resource Management Systems as well as documentation from vendors and personnel reports prepared by CDF personnel. Costs that could not be easily attributed to one party were allocated among all contracted parties according to a Cost Allocation Plan. The current Cost Allocation Plan was approved by all contracted parties and implemented in July 2006. During Fiscal Years 2004/05 and 2005/06, the Fire Department billed contracted parties more than \$71 million for services provided under the cooperative agreements. The cooperative agreements were originally approved by the Board of Supervisors in May 1999 and had automatically renewed each year since.

During the audit period, there were 168 transactions representing more than \$111,000 in refunds issued to developers and employees for overpayment of fees or cancellation of attendance to pre-paid training classes. Fire Department Accounts Receivable personnel reviewed documentation and processed these refunds. The resulting payment vouchers were submitted to the Department's Accounts Payable section for processing and submission to the Auditor-Controller's Office for payment. The Auditor-Controller's Office mailed refund warrants to the recipients.

Prior to August 2006, NSF checks were processed by the Department's Cost Recovery section. Due to the small number and

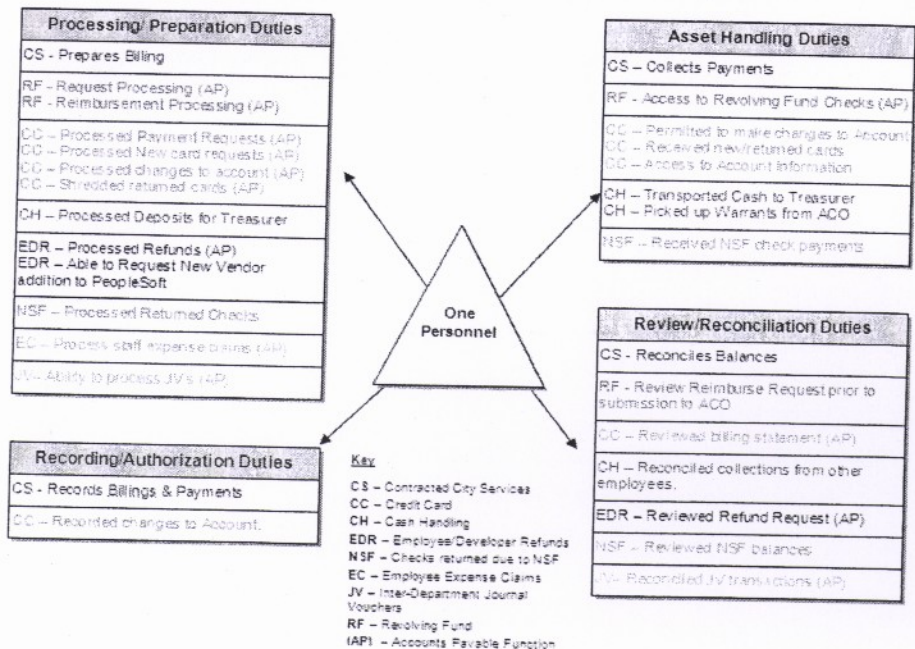
amount of NSF checks processed, the responsibility for these items was transferred to the Accounts Receivable section. We were able to determine at least 27 checks with a total value of \$2,117 were returned to the Department during the audit period. The Department successfully collected payments for 12 of the checks that totaled about \$894. All NSF checks were assessed a fee \$25 by the Department.

We reviewed and performed audit testing on all cooperative agreement billings distributed during two quarters as well as billings distributed to five of the contracted parties from the first quarter of fiscal year 2005 through first quarter of fiscal year 2007. We also analyzed and evaluated the most current cost allocation plan agreed upon by the Department and the contracted parties and reviewed the supporting documentation for 25 refund transactions that took place during the audit period.

SPM 104 and the Auditor-Controller's Internal Control Handbook required all departments to maintain effective internal controls over its processes and provided guidance for doing so. Additionally, Board of Supervisor Policy B-4 and SPM III-P-2-1.1 outlined the policies and procedures related to fees charged by departments.

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. The diagram below gives an overview of other duty incompatibilities:



The Department attempted to compensate for this weakness by assigning some tasks related to these duties to other employees and requiring approval from the Fiscal Manager for certain transactions. However, many of the employees performing these tasks had limited experience and were unable to detect problems or errors related to these duties. Additionally, the Fiscal Manager's extensive responsibilities did not allow the level of documentation review necessary to compensate for the control weakness. One result of the internal control weaknesses was that recorded account balances for contracted parties were overstated by more than \$180,000.

The lack of controls over the Account Receivable process put the Department at risk for inefficiencies, errors and abuse within the Accounts Receivable function. Additionally, the inadequate segregation of duties coupled with the lack of written policies and procedures significantly increased the risk of disruption of Department operations in the event of employee turnover or extended absences.

Recommendation 10.1 Ensure Accounts Receivable personnel do not perform any Accounts Payable related functions and that personnel are adequately trained.

Recommendation 10.2 Develop a written policy and procedure manual that details how to perform all Accounts Receivable related duties. Procedures within the manual should conform to SPM 104 and ICH requirements.

Management's Reply Concur. The Fire Department has requested additional personnel in the FY2007/08 budget. Once this staff is hired and trained, all accounts payable functions will be removed from the Accounts Receivable Unit. The additional personnel will allow our accounts receivable unit to create the recommended written procedures.

Estimated Date of Corrective Action: March 2008

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. Based on the average yield¹ of .61% during third quarter of fiscal year 2005/06 and 1.33% during the first quarter of fiscal year 2006/07, the delayed reimbursement for services resulted in the loss of \$211,124.20 in potential interest revenue within the Treasurer's Pool Investment Fund.

Department personnel prepared billings based on data collected from the Riverside County PeopleSoft System as well as from reports

¹ The average yield was determined by obtaining the average yield for the Treasurer's Pooled Investments for the months that payments remained outstanding. Each month's average yield was divided by 365 to determine the daily average yield. The daily average yield was multiplied by the number of days revenue was not invested to determine the amount of interest loss.

prepared by the California Department of Forestry Human Resource personnel. The California Department of Forestry reports were not provided to the Department in a timely manner, delaying the completion of Contracted City billing invoices. Additionally, some contracted cities did not make payment for 33 to 67 days and were not notified of their delinquency.

Recommendation 11.1 Prepare billings on a monthly basis. Estimate the California Department of Forestry cost for the last month of each quarter and send billing invoices to contracted parties within thirty days of the end of each quarter. Adjust the next quarter's billing for any differences between actual and estimated costs.

Recommendation 11.2 Mail payment reminder notices to cities that do not submit payment within agreement guidelines.

Management's Reply Concur. At our September Contract City meeting we will discuss this change in billing with all of our contracting cities or agencies. If we have any issues with contract language, we will begin the process of updating the language as each city contract is up for renewal. We will implement this change with our 1st quarter invoices of FY2007/08. Any contract issues that arise from this recommendation will be discussed with the internal auditors and County Counsel for guidance.

Estimated Date of Corrective Action: October 2007

Finding 12 The Department did not submit rates used to bill contracted parties under the Fire Department's Cost Allocation Plan to the Board of Supervisors for approval. The Department did not recognize Board of Supervisor Policy B-4 applied to rates outlined in the Cost Allocation Plan.

Recommendation 12 Submit the Cost Allocation Plan to the Board of Supervisors for approval in accordance with Board Policy B-4.

Management's Reply Concur. The FY2007/08 Cost Allocation Plan was approved by the Board on July, 3, 2007. We will continue this process for all future years.

Estimated Date of Corrective Action: July 2007

Auditor's Comment We have verified that corrective action for this finding was completed July 3, 2007.

Results

Accounts Payable Process

Between July 2004 and November 2006, the Fire Department's Accounts Payable function processed and approved more than 50,500 payment vouchers with a total value of more than \$244 million. The Accounts Payable function was handled by the Department's Finance Unit. Duties related to this function were performed by an Accounting Technician and six Accounting Assistants. The Accounts Payable section was responsible for processing all billing invoices submitted to the Department for payment. This section of the Finance Unit also managed the Home Depot, Lowe's, and Voyager Fleet Credit Cards as well as performed Revolving Fund Reconciliations and picked up warrants from the Auditor-Controller's Office for delivery to the vendors.

We inquired with Accounts Payable personnel, analyzed PeopleSoft Financials data, and reviewed documentation related to 73 payments processed by Accounts Payable to determine if the Accounts Payable process was in compliance with SPM 104 requirements for internal controls including adequate segregation of duties, accurate recording of data for financial reporting, and well documented policies and procedures.

Finding 13

The system of internal controls over the Fire Department Accounts Payable functions was not adequate enough 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-Controllers 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.

For example, there were at least 22 duplicate payments that were processed and canceled by the Department. In many cases the vendor notified the Department of the duplicate payment as Accounts Payable was unaware of the error. Additionally, the lack of adequate training together with lack of written policies and procedures

significantly increased the risk of disruption of Department operations due to employee turnover or extended absences.

Recommendation 13.1 Provide training to Accounts Payable personnel to ensure adequate performance of duties and consider cross-training some employees to perform duties that are not ordinarily their responsibility.

Recommendation 13.2 Ensure that duties related to Accounts Payable are adequately segregated.

Recommendation 13.3 Develop a written policy and procedure manual that details how to perform all Accounts Payable related duties. Procedures within the manual should conform to SPM 104 requirements.

Management's Reply Concur. The Fire Department has requested additional personnel in the FY2007/08 budget. These additional personnel will allow our accounts payable unit to develop written procedures and better segregate duties.

Estimated Date of Corrective Action: March 2008

Results

Cost Recovery Process

The Cost Recovery Unit was staffed with one County employee who processed cost recovery transactions; prepared recovery packets; utilized Skip Tracing techniques to locate responsible parties without current address information; set up payment plans with parties being billed for fire protection services; and collected, recorded, and distributed cost recovery payments. This unit was directly supervised by one CDF employee (Administration Services Officer I) and managed by a second CDF employee (Administration Services Office III). The County employee handled billings and payments for the Riverside County Fire Department, the California Department of Forestry, and the Riverside County Environment Health Department for hazardous material related incidents. All three agencies receive revenue from various sources to recover the costs of providing services. Events that activate the cost recovery process are:

- Civil cases – An individual, business, or organization can be held responsible for an incident that required the use of Department resources.
- Criminal cases – An individual, business, or organization can be held responsible for an incident that required the use of Department resources because of criminal activity (e.g. the manufacture of illegal narcotics).
- Other – No specific individual, business, or organization can be held responsible for an incident that requires the use of Department resources. These incidents were usually the result of acts of nature (e.g. lightening, weather) and costs were usually recovered from various grant sources such as the Federal Emergency Management Agency (FEMA). An agency that has a cooperative agreement in place with the Department may be billed per the agreement when appropriate.

During the review period, the Cost Recovery Unit processed the following civil and criminal activated cost recovery cases:

	Cases Processed	Total Billed Amount	Total Collected Amount	% of Billed Cases Collected
FY2004/05	145	\$590,324.17	\$168,121.96	28%
FY2005/06	89	\$355,526.50	\$262,790.25	74%
FY2006/07*	54	\$263,625.87	\$156,553.01	59%

*As of April 2007

Amounts collected included payments received for cases billed during previous years. These totals did not include Cost Recovery transactions related to large Wildland fires, special events, or events that were eligible for cost recovery but had not been processed.

Currently, there are more than 90 cases that have not been processed. Additionally, these totals did not include amounts collected on behalf of CDF or the Riverside County Environmental Health Department.

The Cost Recovery process was initiated when the County employee received an incident report from fire protection personnel. The County employee collected information relevant to the event including the appropriate reports, financial information from the State of California's Activity, Reporting, Collections System (ARCS) when applicable, and invoices and other supporting documentation maintained by the Fire Department's Finance Unit. The County employee then assessed the cost of the event based on the information gathered and CDF fire protection and Hazardous Material Unit rates. The billing information was then entered into QuickBooks® and an invoice was prepared and sent to the responsible party. If there was no response from the responsible party after three attempts, the account was sent to a collection agency for processing.

We reviewed 22 of the 102 outstanding Cost Recovery Accounts to determine if the Department had complied with SPM 104, SPM 704, and the Auditor-Controller's Internal Control Handbook. These policies required all departments to maintain effective internal controls over its processes and provided guidance for doing so. Additionally, we performed reviews to determine if the Cost Recovery Unit complied with County policies and procedures related to charging fees as outlined in Board of Supervisor Policy B-4 and SPM III-P-2-1.1.

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. This lack of segregation of duties exposed the Department to significant risk for errors, abuse, and disruption of cost recovery operations in the event of employee turnover or extended absence.
- The County does not use fire incident numbers as a method for identifying expenditures related to each incident in PeopleSoft financials. Consequently, they must rely on general descriptions inputted into PeopleSoft or the memory of Accounts Payable personnel when attempting to identify expenditures for each incident. This increases the risk of inaccuracies in the recording financial data and billing of cost to be recovered.
- 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. There was no documentation of when the payments were received. Consequently, we were unable to determine the exact number of days the checks were held prior to deposit with the Treasurer. We were able to determine that sixty-one percent of these payments were not deposited with the Treasurer in a timely manner based on the date printed on each check. On average, these payments were deposited 32 days after the check date with deposits ranging from 12 to 123 days. Untimely deposits represent idle cash which is at greater risk for theft and abuse.

Cost Recovery management indicated that they did not have enough personnel to ensure adequate segregation of duties and daily deposit of payments. Furthermore, Cost Recovery management indicated that they were unable to modify the County's method of tracking expenditures related to each fire incident since County personnel must consent to any changes to the County process.

Recommendation 14.1 Ensure that duties related to the Cost Recovery function are adequately segregated.

Recommendation 14.2 Ensure payments are deposited daily as required by SPM 704.

Recommendation 14.3 Utilize the fire incident number assigned to each fire event as a unique identifier in PeopleSoft Financials and require this number be placed on all supporting documentation for County expenditures.

Management's Reply Concur. Segregation is dependant on training Accounts Receivable in cost recovery process.

Compliance with SPM 704 is going to require an internal after-action audit of all fire cost recovery check to assure that the reimbursements are truly for the County efforts and not for the States efforts.

Training with purpose and the value of identifying cost by incident number is a cultural change for County Finance. County Finance will need to adopt an understanding and facilitate the integration of this data into their coding format. It should be easily implemented for the State has already identified the schematic and purpose of the number. Once this is implemented the data integrity will be solid and consistent with fire business practices.

A full business process analysis is needed to assure that we do not duplicate the issue with additional staff, but clear concepts and procedures are documented to assure separation of duties. One of the objectives of the analysis will be to develop the steps of the after action deposit audit for assurance of accurate cost recovery. A research of current coding methods and a plan to integrate this field into the PeopleSoft system can be done fairly quickly. Then training of staff on the utilization of the incident number will need to follow taking approximately two weeks.

Estimated Date of Corrective Action: January 2008

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.

Recommendation 15.1 Establish cost recovery rates for County Fire Department and submit to the Board of Supervisors for approval per Board Policy B-4.

Recommendation 15.2 Develop and implement the use of a policy and procedure manual that details how to perform all Cost Recovery related duties. The manual should address cost recovery fees and Board of Supervisor requirements for the assessment of these fees.

Management's Reply Concur. A blueprint of defendable rates has been established and used by the State and FEMA. It may take up to 9 months to gather appropriate data to develop rates; however, once a method is developed the process should become more streamlined. Fire Department Finance will become owners of rate development, and will need additional staff to manage process.

Research of data and acceptable reimbursement factors is necessary prior to developing a method to produce rates. This will assure that federal agencies as well as defense attorneys will accept the rates and not prolong or even throw out costs during a recovery process. Documentation of the process and research of data and acceptable reimbursement factors is necessary for creation and maintenance of rates. The manual will also serve as a historical account of the process for any future audit.

Estimated Date of Corrective Action: April 2008

Results

Service Center/Inventory Process

The Service Center is located at the Department Administration Complex in Perris and serves as the center for receiving, warehousing, distributing, and disposing of supplies and equipment for the Department. Service Center personnel include an Administrative Supervisor with eleven employees under his supervision.

The Service Center utilizes the PeopleSoft Inventory Module to manage inventory. This system has been in use for two years. Service Center personnel use the system to record the receipt of purchases and the distribution of supplies and equipment.

Items purchased for the Department must be received through the service center. If it is required that items be shipped directly to the station, packing slips must be stamped received, signed by the station battalion chief, and forwarded to the Service Center Warehouse. Information Technology (IT) and Communications related items are received at the Service Center but sent to the IT/Communications Unit for handling, storage, distribution and disposal.

Annually, the Service Center closes one week prior to year-end and a physical inventory is conducted. At the end of Fiscal Year 2005/06 the Service Center reported a net inventory value of \$832,267 which included an adjustment to reduce the inventory value by \$10,280 for errors in recording inventory.

We physically inspected the Service Center and IT/Communications storage facilities, interviewed personnel, reviewed documentation, and performed inventory counts and analysis to determine if the Department had an adequate system of internal controls over Service Center and IT/Communication storage facilities. Additionally, we determined if the Service Center and IT/Communication storage facilities had appropriate procedures in place for disposing of surplus assets.

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.

Recommendation 16.1 Develop a written manual relating to the performance of all Service Center related duties and provide adequate training to Service Center personnel.

Recommendation 16.2 Perform more frequent cycle counts of inventory to verify the accuracy of PeopleSoft records. The cause of inconsistencies discovered during the cycle counts should be immediately investigated and resolved.

Recommendation 16.3 Install video cameras in strategic areas of the warehouse (especially areas in which high value items are stored). These cameras should feed to a screen that can be constantly monitored by Service Center personnel at all times.

Management's Reply Concur. The Fire Department has received additional personnel in FY2007/08. These additional personnel will allow more frequent cycle counts during the year. We will complete the schedule of counts and written manual by December 2007. The use of video cameras will be researched for feasibility and cost benefit. If it is determined to be feasible, we will request funding in the FY2008/09 budget to be completed by August 2008.

Estimated Date of Corrective Action: December 2007/ August 2008

Results

Grant Management Process

The Riverside County Fire Department's Grants Management Unit was established in 2004 with a mission to research funding for various sized projects and emergency management training for the Riverside County Operational Area and acquire enough funding to contend with disasters affecting jurisdictions within the Riverside County Operational Area. The Grants Management Unit had secured 40 grants in an amount exceeding \$25 million during the period audited. Grants were used to provide the County with services ranging from mitigating the fire risk caused by Bark Beetles to improving Homeland Security.

The unit consisted of an Administrative Supervisor, two Staff Analysts, and an Accounting Assistant that provided support to the Staff Analysts. During our review, the Administrator resigned from the unit and one of the Staff Analyst was promoted into the position. Consequently, there was a vacant Staff Analyst position the Department was working to fill. Grants Management staff were responsible for the development and management of all Riverside County Fire Department as well as Riverside County Operational Area grants and grant-related contracts. The Grants Management Unit personnel met as often as necessary with Department Management, the Anti-Terrorism Approval Authority (ATAA), and the Operational Area Planning Committee (OAPC) subcommittees to identify the unfunded needs of the Department and Operational Area. Additional tasks performed by personnel included locating and applying for grants to meet the Department and Operational Area needs, reviewing documentation to support reimbursement requests, performing on-site visits to ensure compliance with grant provisions, preparing reports and reimbursement requests when needed, and ensuring all grant provisions were met in a timely manner. Personnel worked to maintain programs and relationships which aided in the protection of the County of Riverside and Riverside County Operational Area.

In February 2007, the Fire Department Office of Emergency Services held a meeting to discuss the Strategic Vision Plan for 2007. The plan included goals and objectives to enhance the Grant Management Unit's services. Some Strategic Vision Plan goals included improving the process for monitoring of Riverside County Operational Area grants and grant-related contracts and developing job duty statements.

We interviewed personnel and reviewed documentation for seven grants valued at approximately \$20 million to determine compliance with the United States Office of Management and Budget (OMB) Circular No. A-102 – *Grants and Cooperative Agreements with State*

and Local Governments, Board of Supervisor Policy A-30 –
Coordination of Grants, and SPM 104.

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.

Recommendation 17

Develop a written policy and procedure manual that details how to perform all Grant Management related duties.

Management's Reply

Concur.

Estimated Date of Corrective Action: September 2007

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% of the performance period had elapsed for three of the grants reviewed, only 40 - 56% 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, FD 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.

Recommendation 18

Ensure that all aspects of satisfying grant requirements are evaluated and a realistic plan of action for utilizing grant awards and awarding of sub-grantees is developed prior to acceptance.

Management's Reply

Concur. Fire's Grant Task Force committee has reconvened and will continue to meet. This will assist in completing this recommendation.

Estimated Date of Corrective Action: September 2007

Results

Weed/Orchard Abatement Process

The Riverside County Fire Department's Hazard Reduction Unit was responsible for handling the Weed/Orchard Abatement process in accordance with County Ordinance 695.2. The Hazard Reduction Unit conducts a countywide fire prevention program each year to identify vacant properties that are overgrown with weeds, dry grass, dead groves/brushwood or other flammable vegetation. The unit consists of a Fire Captain, a Supervisor, eight Inspectors, and an administrative assistant to provide administrative support for the unit. Each inspector is assigned a geographical area in Riverside County and is responsible for handling the inspections of vacant parcels for that area. There were six vendors that had three-year agreements with the Department to provide abatement services. During the 2006 abatement season, April 2006 – March 2007, approximately 1,700 parcels received abatement services at a cost of more than \$1.5 million to be recovered from vacant parcel owners.

The abatement season starts with the issuing of an annual notice to all vacant parcel owners advising them to abate their property if needed. Later, all parcels are inspected and notices to abate sent to owners when appropriate. After thirty days, the Inspectors determine which parcels still require abatement services and assign the appropriate contractor to the job. Contractors submit a billing invoice to the Inspector for payment with before-and-after pictures of the abated property. The inspector reviews the billing invoice and submits it to the Department's Finance Unit for payment. Each parcel that received abatement services is assessed a \$126 administration fee to help recover the costs of administering the abatement program.

We reviewed the billings and supporting documentation for 70 parcels that received abatement services to ensure compliance with SPM 104 and Section 12 of the Auditor-Controller's Internal Control Handbook – *Accounts Payable/Expenditures*. We also analyzed the current assessment rates to ensure compliance with Board of Supervisor Policy B-4 and SPM III-P-2-1.1.

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. There was no indication that the Department detected this error or that the contractor notified the Department of the error.

Due to numerous changes in Department personnel and leadership, policies and procedures that would ensure operational efficiency and the accuracy, timeliness, and reliability of financial records and reports produced by the Hazard Reduction Unit had not been successfully implemented. Additionally, personnel had not been adequately trained regarding current abatement policies and procedures. Lack of independent verification of the work completed by these personnel further exacerbated the problem. Ineffectiveness of abatement process controls resulted in an increased exposure of Department resources to misuse, errors, and loss due to inefficiencies.

Recommendation 19.1 Develop and implement the use of a policy and procedure manual that details how to perform all abatement related duties.

Recommendation 19.2 Provide adequate training to all personnel that perform any duty related to the processing of abatement services.

Recommendation 19.3 Provide regular independent verification of work completed by personnel and abatement contractors to determine that abatement service billings and all relevant documentation are accurate and complete.

Recommendation 19.4 Recover amounts overpaid to abatement contractors due to billing processing errors.

Management's Reply Concur. Currently Hazard Abatement is responsible for inspections in the western portion of Riverside County. The Board of Supervisors in November of 2006, requested action to create a Hazard Reduction Task Force to provide direction for the reduction of fire hazard measures throughout the County with enforcement listed as a vital component.

One of the goals realized by the Hazard Reduction Task Force was the importance of hazard abatement and the personnel required. The current Hazard Abatement office is under the auspices of the Fire Prevention Bureau and supervised by a Fire Captain that also has investigation/enforcement activities he performs. Although the addition of the Fire Prevention Supervisors has been helpful, it does not take the place of dedicated Hazard Abatement Supervision. The Hazard Reduction Task Force has recommended that Hazard Abatement be considered its own function because of land, environmental demand, and fire concerns along with the intent to have a countywide program. A countywide program would require substantial augmentation of personnel, supervision, and fiscal support to manage.

As stated in the audit, we are in the process of completing a policy/procedure and training manual for the Hazard Abatement process. This manual will address the internal controls regarding documentation procedures and requirements for all processes of Hazard Abatement, starting with the initial inspection of property through to the hiring and payment of a contractor. Particular attention will be given to the area of contractor use for abating of hazards and the checks and balances of the billing process.

This training manual will be used for new and existing Fire Prevention Technicians. It will contain information about the Ordinances and Codes that provide authority to perform Hazard Abatement along with guidelines for all duties related to abatement.

Quality and control measures will be implemented by Supervisors to verify work completed by the inspectors for all aspects of hazard abatement. A second Fire Prevention Supervisor will be funded in FY2007/08. This additional position will assist in providing verification

of work, training, and overall consistency in work performed in the office.

Hazard Abatement will work with the finance section to recover amounts overpaid to abatement contractors due to billing errors. Some billing errors were found prior to payment and were adjusted. The Hazard Abatement Captain will begin approving all invoices received from contractors prior to submission to finance to reduce these errors. This time frame may be extended due to fire activity.

Estimated Date of Corrective Action: March 2008

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.

Recommendation 20

Conduct a cost study annually to determine the abatement assessment fee and submit to the Board of Supervisors for approval per Board of Supervisor Policy B-4.

Management's Reply

Concur. Hazard Abatement will coordinate with the department's Finance section in completing a cost study analysis. As stated in the audit, our fees have not been updated in many years. Fire will need time to gather all necessary data for the study. This timeframe may also be extended due to fire activity.

Estimated Date of Corrective Action: June 2008



RIVERSIDE COUNTY FIRE DEPARTMENT

In cooperation with the
California Department of Forestry and Fire Protection

210 West San Jacinto Avenue • Perris, California 92570 • (951) 940-6900 • Fax (951) 940-6910

John R. Hawkins
Fire Chief

Proudly serving the
unincorporated
areas of Riverside
County and the
Cities of:

- Banning
- ❖
- Beaumont
- ❖
- Calimesa
- ❖
- Canyon Lake
- ❖
- Coachella
- ❖
- Desert Hot Springs
- ❖
- Indian Wells
- ❖
- Indio
- ❖
- Lake Elsinore
- ❖
- La Quinta
- ❖
- Moreno Valley
- ❖
- Palm Desert
- ❖
- Perris
- ❖
- Rancho Mirage
- ❖
- San Jacinto
- ❖
- Temecula

Board of Supervisors

Bob Buster,
District 1

John Tavaglione,
District 2

Jeff Stone,
District 3

Roy Wilson,
District 4

Marion Ashley,
District 5

DATE: July 26, 2007

TO: Auditor-Controller
Audits and Specialized Accounting Division

FROM: **John R. Hawkins, County Fire Chief**
Riverside County Fire Department

SUBJECT: Reply to Draft Audit Report

Recommendation Number 1:

Complete an inventory of capitalized assets and transfer accountability for these assets to the current Fire Chief by submitting SPM AM-1 to the Auditor-Controller's Office. Create a checklist and timeline of tasks to be completed prior to the departure of any Fire Chief. The checklist should include the completion of inventory of assets as well as the completion of the SPM Form AM-1.

a. **Management position concerning the recommendation:**

 X Concur Disagree

b. **Comments:**

c. **Actual/estimated Date of Corrective Action:** October 2007

The Fire Department will develop a checklist and timeline to assist in the transition of any Fire Chief. Along with these two items, a letter and/or written statement will be required from the departing Fire Chief. The checklist will include the transfer of capitalized asset listing.

d. **Estimated cost to implement recommendation (If material)**

\$ 0.00

Recommendation Number 2:

Reduce the Revolving Fund to \$1,000. This should be accomplished by submitting a Revolving Fund Change Request to the Auditor Controller's Office on an SPM Form AR-1.

a. **Management position concerning the recommendation:**

 X Concur Disagree

b. **Comments:**

a. **Actual/estimated Date of Corrective Action:** July 2007

b. **Estimated cost to implement recommendation (If material)**

\$ 0.00

Recommendation Number 3:

Ensure that duties related to the handling of the Revolving Fund are adequately segregated.

Provide adequate training to personnel performing Revolving Fund reconciliations.

Develop a written procedure manual that details how to perform Revolving Fund reconciliation duties.

a. **Management position concerning the recommendation:**

Concur Disagree

b. **Comments:**

c. **Actual/estimated Date of Corrective Action:** December 2007

The Fire Department has requested additional personnel in the FY2007/08 budget. Once these additional personnel are hired and trained, they will be assisting with the proper separation of duties and development of a written procedure manual.

d. **Estimated cost to implement recommendation (If material)**

\$ 0.00

Recommendation Number 4:

Establish a resolution between the Fire Department and RCIT regarding the responsibility for funding the firewall cost and complete the installation as soon as possible.

a. **Management position concerning the recommendation:**

Concur Disagree

b. **Comments:**

Per an internal meeting with RCIT and Fire IT representatives on June 12, 2007, it was determined that finding 4 of the internal audit report is correct in that the firewall to protect the county is not in place. At the conclusion of said meeting, Greg Stoddard of RCIT committed to having this firewall in place by the end of July 2007. RCIT will supply the firewall from their stock in order to protect the county system.

c. **Actual/estimated Date of Corrective Action:** July 2007

RCIT has committed to replacing the firewall by the end of July 2007.

d. **Estimated cost to implement recommendation (If material)**

\$ 0.00

Recommendation Number 5 :

Establish a process for identifying, assessing, and managing risk in accordance with Board of Supervisor's Policy A-58.

a. **Management position concerning the recommendation:**

 X Concur Disagree

b. **Comments:**

The department is in agreement with finding 5, and will establish a periodic risk assessment and vulnerability test, to be conducted every 24 months by a 3rd party as required by county board policy A-58.

c. **Actual/estimated Date of Corrective Action: January 2008**

Fire will contact a county authorized vendor and setup and determine a schedule for periodic assessments. The department will try and fund this expense internally, but may request funding in a future quarterly report.

d. **Estimated cost to implement recommendation (If material)**

\$ 15,000

Recommendation Number 6 :

Implement SDLC management best practices to ensure the adequacy of the EMS system implementation.

a. **Management position concerning the recommendation:**

 X Concur Disagree

b. **Comments:**

c. **Actual/estimated Date of Corrective Action: Unknown**

EMS 2000 is a product developed by Healthware solutions and mandated by the County EMS agency for reporting on EMS runs; implementation of SDLC management practices needs to be and will be implemented by the County EMS Agency and Healthware Solutions before it is rolled out by the Fire department. Once the system is developed Fire will also apply SDLC internally.

d. **Estimated cost to implement recommendation (If material)**

\$ 0.00

Recommendation Number 7 :

Develop and published a schedule of retention and disposal of Department documents in accordance with Board Policy A-43 – County Management and Archives Policy. Determine the need for retaining separated employee personnel files and consider other storage alternatives such as the County archives.

The Department should review all active employee folders and ensure that acknowledgment signature receipts are on file for mandated policies.

a. **Management position concerning the recommendation:**

Concur Disagree

b. **Comments:**

c. **Actual/estimated Date of Corrective Action:** March 2008

Fire is in the process of using the County Archive services for all files. We have requested additional staff in the FY2007/08 budget to help with the process of creating a department record policy. We should be completed with the review of all personnel files soon and have the required signature documents by March 2008.

d. **Estimated cost to implement recommendation (If material)**

\$ 0.00

Recommendation Number 8:

Ensure that retained PCR's are provided adequate security.

a. **Management position concerning the recommendation:**

Concur Disagree

b. **Comments:**

c. **Actual/estimated Date of Corrective Action:** September 2008

Steps will be initiated to correct the problem, in some cases purchase of secured filing cabinets may need to be made; if monies are not available they will need to go through the appropriate budget process in FY2008/09. A policy / procedure will also be developed to guide the field in the proper security of these documents.

d. **Estimated cost to implement recommendation (If material)**

\$ 9,500

Recommendation Number 9:

Demonstrate clearly to staff the Department's commitment to complying with HIPAA by completing its review and implementing changes in policies and procedures to be in compliance with HIPAA.

Provide a "Notice of Privacy Practices" to each individual receiving care and comply with Board of Supervisor's Policy B-23.

a. **Management position concerning the recommendation:**

Concur Disagree

b. **Comments:**

c. **Actual/estimated Date of Corrective Action:** January 2008
Department policy / procedure will be developed along with recommendation 8 above.

d. **Estimated cost to implement recommendation (If material)**

\$ 0.00

Recommendation Number 10:

Ensure Accounts Receivable personnel do not perform any Account Payable related functions and that personnel are adequately trained.

Develop a written policy and procedure manual that details how to perform all Accounts Receivable related duties. Procedures within the manual should conform to SPM 104 and ICH requirements.

a. **Management position concerning the recommendation:**

Concur Disagree

b. **Comments:**

c. **Actual/estimated Date of Corrective Action:** March 2008

The Fire Department has requested additional personnel in the FY2007/08 budget. Once this staff is hired and trained, all accounts payable functions will be removed from the Accounts Receivable Unit. The additional personnel will allow our accounts receivable unit to create the recommended written procedures.

d. **Estimated cost to implement recommendation (If material)**

\$ 0.00

Recommendation Number 11:

Prepare billings on a monthly basis. Estimate the California Department of Forestry cost for the last month of each quarter and send billing invoices to contracted parties within thirty days of the end of each quarter. Adjust the next quarter's billing for any differences between actual and estimated costs.

Mail payment reminder notices to cities that do not submit payment within agreement guidelines.

a. **Management position concerning the recommendation:**

Concur Disagree

b. **Comments:**

At our September Contract City meeting we will discuss this change in billing with all of our contracting cities or agencies. If we have any issues with contract language, we will begin the process of updating the language as each city contract is up for renewal. We will implement this change with our 1st quarter invoices of FY2007/08. Any contract issues that arise from this recommendation will be discussed with the internal auditors and County Council for guidance.

c. **Actual/estimated Date of Corrective Action:** October 2007

d. **Estimated cost to implement recommendation (If material)**

\$ 0.00

Recommendation Number 12:

Submit the Cost Allocation Plan to the Board of Supervisors for approval in accordance with Board Policy B-4.

a. **Management position concerning the recommendation:**

X Concur Disagree

b. **Comments:**

The FY2007/08 Cost Allocation Plan was approved by the Board on July, 3, 2007. We will continue this process for all future years.

c. **Actual/estimated Date of Corrective Action:** July 2007

d. **Estimated cost to implement recommendation (If material)**

\$ 0.00

Recommendation Number 13:

Provide training to Accounts Payable personnel to ensure adequate perform of duties and consider cross-training some employees to perform duties that are not ordinarily their responsibility.

Ensure that duties related to Accounts Payable are adequately segregated.

Develop a written policy and procedure manual that details how to perform all Accounts Payable related duties. Procedures within the manual should conform to SPM 104 requirements.

a. **Management position concerning the recommendation:**

X Concur Disagree

b. **Comments:**

c. **Actual/estimated Date of Corrective Action:** March 2008

The Fire Department has requested additional personnel in the FY2007/08 budget. These additional personnel will allow our accounts payable unit to develop written procedures and better segregate duties.

d. **Estimated cost to implement recommendation (If material)**

\$ 0.00

Recommendation Number 14:

Ensure that duties related to the Cost Recovery function are adequately segregated.
Ensure payments are deposited daily as required by SPM 704.
Utilize the fire incident number assigned to each fire event as a unique identifier in PeopleSoft Financials and require this number be placed on all supporting documentation for County expenditures.

a. Management position concerning the recommendation:

Concur Disagree

b. Comments:

Segregation is dependant on training Accounts Receivable in cost recovery process. Compliance with SPM 704 is going to require an internal after action audit of all fire cost recovery check to assure that the reimbursements are truly for the County efforts and not for the States efforts.
Training of purpose and value of identifying cost by incident number is a cultural change for County Finance. County Finance will need to adopt an understanding and facilitate the integration of this data into their coding format. It should be easily implemented for the State has already identified the schematic and purpose of the number. Once this is implemented the data integrity will be solid and consistent with fire business practices.

c. Actual/estimated Date of Corrective Action: January 2008

A full business process analysis is needed to assure that we do not duplicate the issue with additional staff, but clear concepts and procedures are documented to assure separation of duties. One of the objectives of the analysis will be to develop the steps of the after action deposit audit for assurance of accurate cost recovery.

A research of current coding methods and a plan to integrate this field into the PeopleSoft system can be done fairly quickly. Then training of staff on the utilization of the incident number will need to follow taking approx two weeks.

d. Estimated cost to implement recommendation (If material)

\$ 0.00

Recommendation Number 15:

Establish cost recovery rates for County Fire Department and submit to the Board of Supervisors for approval per Board Policy B-4.

Develop and implement the use of a policy and procedure manual that details how to perform all Cost Recovery related duties. The manual should address cost recovery fees and Board of Supervisor requirements for the assessment of these fees.

a. Management position concerning the recommendation:

Concur Disagree

b. Comments:

Blue print of defendable rates has been established and used by the State and FEMA. May take up to 9 months to gather appropriate data to develop rates, however once method is

developed then the process should become more streamlined. County Finance will become owners of rate development, and will need additional staff to manage process.

c. **Actual/estimated Date of Corrective Action: April 2008**

Research of data and acceptable reimbursement factors is necessary prior to developing a method to produce rates. This will assure that Federal Agencies as well as Defense Attorney's will accept the rates and not prolong or even through out costs during a recovery process

Documentation of process and research of data and acceptable reimbursement factors is necessary for creation and maintenance of rates. The Manual will also serve as a historical account of process for any future audit

d. **Estimated cost to implement recommendation (If material)**

\$ 10,000 to 15,000 in staff time

Recommendation Number 16:

Develop a written manual relating to the performance of all Service Center related duties and provide adequate training to Service Center personnel.

Perform more frequent cycle counts of inventory to verify the accuracy of PeopleSoft records. The cause of inconsistencies discovered during the cycle counts should be immediately investigated and resolved.

Install video cameras in strategic areas of the warehouse (especially areas in which high value items are stored). These cameras should feed to a screen that can be constantly monitored by Service Center personnel at all times.

a. **Management position concerning the recommendation:**

Concur Disagree

b. **Comments:**

c. **Actual/estimated Date of Corrective Action: December 2007 / August 2008**

The Fire Department has received additional personnel in FY2007/08. These additional personnel will allow more frequent cycle counts during the year. We will complete the schedule of counts and written manual by December 2007. The use of video cameras will be researched for feasibility and cost benefit. If it is determined to be feasible, we will request funding in the FY2008/09 budget to be completed by August 2008.

d. **Estimated cost to implement recommendation (If material)**

\$ 10,000 to 20,000 (video camera system)

Recommendation Number 17:

Develop a written policy and procedure manual that details how to perform all Grant Management related duties

a. **Management position concerning the recommendation:**

Concur Disagree

- b. **Comments:**
- c. **Actual/estimated Date of Corrective Action:** September 2007
- d. **Estimated cost to implement recommendation (If material)**
 \$ 0.00

Recommendation Number 18:

Ensure that all aspects of satisfying grant requirements are evaluated and a realistic plan of action for utilizing grant awards is developed prior to acceptance.

- a. **Management position concerning the recommendation:**
 Concur Disagree
- b. **Comments:**
- c. **Actual/estimated Date of Corrective Action:** September 2007
 Fire's Grant Task Force committee has reconvened and will continue to meet. This will assist in completing this recommendation.
- d. **Estimated cost to implement recommendation (If material)**
 \$ 0.00

Recommendation Number 19:

Develop and implement the use of a policy and procedure manual that details how to perform all abatement related duties.
 Provide adequate training to all personnel that perform any duty related to the processing of abatement services.
 Provide regular independent verification of work completed by personnel and abatement contractors to determine that abatement service billings and all relevant documentation are accurate and complete.
 Recover amounts overpaid to abatement contractors due to billing processing errors.

- a. **Management position concerning the recommendation:**
 Concur Disagree
- b. **Comments:**
 Currently Hazard Abatement is responsible for inspections in the western portion of Riverside County. The Board of Supervisors in November of 2006, requested action to create a Hazard Reduction Task Force to provide direction for the reduction of fire hazard measures throughout the County with enforcement listed as a vital component. One of the goals realized by the Hazard Reduction Task Force was the importance of hazard abatement and the personnel required. The current Hazard Abatement office is under the auspices of the Fire Prevention Bureau and supervised by a Fire Captain that also has investigation/enforcement activities he performs. Although the addition of the Fire

Prevention Supervisors has been helpful, it does not take the place of dedicated Hazard Abatement Supervision. The Hazard Reduction Task Force has recommended that Hazard Abatement be considered its own function because of land, environmental demand, and fire concerns along with the intent to have a countywide program. A countywide program would require substantial augmentation of personnel, supervision, and fiscal support to manage.

c. **Actual/estimated Date of Corrective Action:** March 2008

As stated in the audit, we are in the process of completing a policy/procedure and training manual for the Hazard Abatement process. This manual will address the internal controls regarding documentation procedures and requirements for all processes of Hazard Abatement, starting with the initial inspection of property through to the hiring and payment of a contractor. Particular attention will be given to the area of contractor use for abating of hazards and the checks and balances of the billing process.

This training manual will be used for new and existing Fire Prevention Technicians. It will contain information about the Ordinances and Codes that provide authority to perform Hazard Abatement along with guidelines for all duties related to abatement.

Quality and control measures will be implemented by Supervisors to verify work completed by the inspectors for all aspects of hazard abatement. A second Fire Prevention Supervisors will be funded in FY2007/08. This additional position will assist in providing verification of work, training, and overall consistency in work performed in the office.

Hazard Abatement will work with the finance section to recover amounts overpaid to abatement contractors due to billing errors. Some billing errors were found prior to payment and were adjusted. The Hazard Abatement Captain will begin approving all invoices received from contractors prior to submission to finance to reduce these errors.

This time frame may be extended due to fire activity.

d. **Estimated cost to implement recommendation (If material)**

\$ 0.00

Recommendation Number 20:

Conduct a cost study annually to determine the abatement assessment fee and submit to the Board of Supervisors for approval per Board of Supervisor Policy B-4.

a. **Management position concerning the recommendation:**

X Concur Disagree

b. **Comments:**

c. **Actual/estimated Date of Corrective Action:** June 2008

Hazard Abatement will coordinate with the department's Finance section in completing a cost study analysis. As stated in the audit, our fees have not been updated in many years. Fire will need time to gather all necessary data for the study. This timeframe may also be extended due to fire activity.

d. **Estimated cost to implement recommendation (If material)**

\$ 0.00