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

ITEM
2.6
(ID # 3280)

MEETING DATE:
Tuesday, January 24, 2017

FROM : AUDITOR CONTROLLER:

SUBJECT: Internal Audit Report 2016-301: Riverside County FIRE DEPARTMENT, Cooperative Service Agreements with Local Agencies, Follow-up, [District: All]; [$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file Internal Audit Report 2016-301: Riverside County Fire Department, Cooperative Service Agreements with Local Agencies, Follow-up

ACTION: Consent

Paul Angulo, Director of Auditor Controller 12/20/2016

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost
COST	$0	$0	$0	$0
NET COUNTY COST	$0	$0	$0	$0

SOURCE OF FUNDS: N/A

Budget Adjustment: No
For Fiscal Year: n/a

C.E.O. RECOMMENDATION:

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Ashley, seconded by Supervisor Jeffries and duly carried, IT WAS ORDERED that the above matter is received and filed as recommended.

Ayes: Jeffries, Washington and Ashley
Nays: None
Absent: Tavaglione
Date: January 24, 2017
xc: Auditor

Kecia Harper-Ihem
Clerk of the Board
By: Deputy

2.6

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

BACKGROUND:

Summary

We have completed the second follow-up audit of the Riverside County Fire Department. Our audit was limited to reviewing actions taken as of September 7, 2016, to help correct the findings noted in our audit report (2009-027.002) dated December 24, 2009, and that remained "not implemented" after our first follow-up audit dated October 27, 2011.

The first follow-up audit report contained two recommendations with reported status of "not implemented" and which required implementation to help correct the reported findings from the original audit report. For an in-depth understanding of the first follow-up audit, please refer to Internal Audit Report 2011-304: County of Riverside Fire Department, Cooperative Service Agreements with Local Agencies, Follow-up at www.auditorcontroller.org/Divisions/InternalAudit/InternalAuditReports.

Our responsibility is to provide the Board of Supervisors and management with an independent, objective, and reliable assessment of internal controls to ensure that costs for hazmat incidents are appropriately recovered, wherever possible. After two follow-ups, management has yet to take corrective action to fully implement our recommendation. We urge the Board of Supervisors to convey to the management of the Riverside County Fire Department the importance of taking corrective action. It is imperative that hazmat incidents are billed in a timely manner. Incidents may become unrecoverable due to statute of limitations, which results in loss of revenue for the County.

Impact on Residents and Businesses

Provide an assessment of internal controls over the audited areas.

SUPPLEMENTAL:

Additional Fiscal Information

Not applicable

ATTACHMENT A.

Riverside County Auditor-Controller's Office - Internal Audit Report 2016-301: Riverside County Fire Department, Cooperative Service Agreements with Local Agencies, Follow-up

Internal Audit Report 2016-301

Riverside County Fire Department, Cooperative Service Agreements with Local Agencies, Follow-up

Report Date: December 12, 2016

AUDITOR CONTROLLER
COUNTY OF RIVERSIDE

Office of Paul Angulo, CPA, MA
Riverside County Auditor-Controller
4080 Lemon Street, 11th Floor
Riverside, CA 92509
(951) 955-3800

www.auditorcontroller.org

COUNTY OF RIVERSIDE
OFFICE OF THE
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

AUDITOR CONTROLLER
COUNTY OF RIVERSIDE

Paul Angulo, CPA, MA
Riverside County Auditor-Controller

Frankie Ezzat, MPA
Assistant Auditor-Controller

December 12, 2016

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

Subject: Internal Audit Report 2016-301: Riverside County Fire Department, Cooperative Service Agreements with Local Agencies, Follow-up

Dear Chief Hawkins:

We have completed the second follow-up audit of the Riverside County Fire Department. Our audit was limited to reviewing actions taken as of September 7, 2016, to help correct the findings noted in our audit report (2009-027.002) dated December 24, 2009, and that remained "not implemented" after our first follow-up audit dated October 27, 2011.

We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing. These standards require that we plan and perform the audit to obtain reasonable assurance that our objective, as described in the preceding paragraph, is achieved. Additionally, the standards require that we conduct the audit to provide sufficient, reliable, and relevant evidence to achieve the audit objectives. We believe the audit provides a reasonable basis for our opinion.

The first follow-up audit report contained two recommendations with reported status of "not implemented" and which required implementation to help correct the reported findings from the original audit report. For an in-depth understanding of the first follow-up audit, please refer to Internal Audit Report 2011-304: County of Riverside Fire Department, Cooperative Service Agreements with Local Agencies, Follow-up at www.auditorcontroller.org/Divisions/InternalAudit/InternalAuditReports.

This follow-up audit found that of the two recommendations:

- one of the recommendations was implemented.
- one of the recommendations was partially implemented.

Our responsibility is to provide the Board of Supervisors and management with an independent, objective, and reliable assessment of internal controls to ensure that costs for hazmat incidents are appropriately recovered, wherever possible. After two follow-ups, management has yet to take corrective action to fully implement our recommendation relating to cost recovery of Hazmat incidents. As such, we urge management of the Riverside County Fire Department to take corrective action. It is imperative that hazmat incidents are billed in a timely manner. Incidents may become unrecoverable due to statute of limitations, which results in loss of revenue for the County.

Details of the findings identified in the first follow-up audit and the status of the implementation of respective recommendations are provided in the body of this report. We appreciate the cooperation and assistance provided by the staff of the Riverside County Fire Department during this follow-up audit. Their assistance contributed significantly to the successful completion of the audit.

Paul Angulo, CPA, MA
Riverside County Auditor-Controller

By: René Casillas, CPA, CRMA
Interim Chief Internal Auditor

cc: Board of Supervisors
Executive Office
Grand Jury

Table of Contents

Cost Allocation Process

Finding 1:

The current practice of billing only the parties responsible for creating hazardous materials incidents puts the financial burden almost totally on the county. The allocation of Hazmat's operating costs to contracting agencies was discontinued when a new allocation methodology was put into effect in 2006. The current County Fire Administration is unaware of a compelling justification for not allocating Hazmat operating costs.

The Hazmat operating cost is about $5 million per year. For a two-year period ending December 31, 2008, the department recovered an average of $49,500 per year from responsible parties. During that same period, the department responded to 597 Hazmat incident calls of which, 347 or 58% were within jurisdictions of contracting cities (Table 1). Based on incident responses, the contracting agencies' proportionate share of the Hazmat operating costs was approximately $2.9 million. The current practice has the practical effect of the county absorbing the majority of Hazmat operating costs.

Table 1: Hazardous Materials Incident Calls

Calendar Year	Number of Calls	Calls within Contracting Agencies	%
2008	291	167	57%
2007	306	180	59%

Recommendation 1:

Update the cost allocation plan to include Hazmat operations as a program component so that contracting agencies are billed their basic share of Hazmat operating costs. Costs that are not recovered through periodic cost allocation should be billed at a rate that will enable the county to recover full costs.

Current Status 1: **Implemented**

The Riverside County Fire Department has updated the FY15/16 Cost Allocation Plan to include Hazmat operations as a program component so that contracting agencies are billed their basic share of Hazmat operating costs.

Finding 3:

As of September 22, 2009, the department had not billed the parties responsible for creating 147 Hazmat incidents. Twenty-two of these incidents are more than three years old. We estimated the unbilled charges to be about $576,000 (Table 2).

Table 2: Unprocessed Charges

Responsible Party	Number of Unprocessed Charges	Estimated Total Charges
Individual	67	$ 224,000
Business	80	352,000
Total	147	**$ 576,000**

Recommendation 3:

Process all pending Hazmat bills and bring all Hazmat claims status to current. Review procedures to ensure the prompt processing of charges going forward.

Current Status 3: **Partially Implemented**

The Riverside County Fire Department has partially implemented this finding. They have developed procedures to process all pending Hazmat bills. However, they have not fully implemented the procedures and are currently working on refocusing staff on cost recovery. They anticipate fully implementing this recommendation within the next two years if not sooner.

As of September 30, 2016, our analysis of Hazmat related incidents that need processing for possible cost recovery are as follows:

Fiscal Year	Number of incidents pending review for processing
2015	84
2016	138
2017	87